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 March 31, 2024

☐ **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. 001-13726

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 April 25, 2024, there were 131,048,463 shares of our $0.01 par value common stock outstanding.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
INDEX TO FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2024

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:

“ASU” means Accounting Standards Update.

“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.

“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 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 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 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.

“Current Quarter” means the three months ended March 31, 2024.

“DD&A” means depreciation, depletion and amortization.

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

“Effective Date” means February 9, 2021.

“ESG” means environmental, social and governance.

“FASB” means Financial Accounting Standards Board.

“G&A” means general and administrative expenses.

“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 FLLO Term Loan Facility Claim, a Second Lien Notes Claim, an Unsecured Notes Claim, an Intercompany Claim, or a Section 510(b) Claim.

“LNG” means liquefied natural gas.

“LTIP” means the Chesapeake Energy Corporation 2021 Long-Term Incentive Plan.

“MBbl” means thousand barrels.

“Mcf” means thousand cubic feet.

“Mcfe” means one thousand cubic feet of natural gas equivalent, with one barrel of oil or NGL converted to an equivalent volume of natural gas using the ratio of one barrel of oil or NGL to six Mcf of natural gas.

“MMcf” means million cubic feet.

“MMcfe” means million cubic feet of natural gas equivalent.

“NGL” means natural gas liquids.

“NYMEX” means New York Mercantile Exchange.

“OPEC+” means Organization of the Petroleum Exporting Countries Plus.

“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.

“Prior Quarter” means the three months ended March 31, 2023.

“Rights Offering” means the common stock rights offering for the Rights Offering Amount consummated by the Debtors on the Effective Date.

“Southwestern” means Southwestern Energy Company.

“Southwestern Merger” means Chesapeake’s planned merger with Southwestern, which, subject to satisfaction or waiver of certain closing conditions, including certain regulatory approvals, is targeted to close in the second half of 2024.

“SEC” means United States Securities and Exchange Commission.

“SOFR” means a rate equal to the secured overnight financing rate as administered by the SOFR Administrator, the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

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

“/Bbl” means per barrel.

“/Mcf” means per Mcf.

“/Mcfe” means per Mcfe.

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PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

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

($ in millions, except per share data)	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 1,179	$ 1,079
Restricted cash	75	74
Accounts receivable, net	314	593
Short-term derivative assets	592	637
Other current assets	218	226
Total current assets	2,378	2,609
Property and equipment:		
Natural gas and oil properties, successful efforts method		
Proved natural gas and oil properties	11,827	11,468
Unproved properties	1,799	1,806
Other property and equipment	499	497
Total property and equipment	14,125	13,771
Less: accumulated depreciation, depletion and amortization	(4,068)	(3,674)
Total property and equipment, net	10,057	10,097
Long-term derivative assets	46	74
Deferred income tax assets	926	933
Other long-term assets	611	663
Total assets	$ 14,018	$ 14,376
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 317	$ 425
Accrued interest	41	39
Short-term derivative liabilities	5	3
Other current liabilities	657	847
Total current liabilities	1,020	1,314
Long-term debt, net	2,025	2,028
Long-term derivative liabilities	1	9
Asset retirement obligations, net of current portion	269	265
Other long-term liabilities	21	31
Total liabilities	3,336	3,647
Contingencies and commitments (Note 5)		
Stockholders' equity:		
Common stock, $0.01 par value, 450,000,000 shares authorized: 130,958,675 and 130,789,936 shares issued	1	1
Additional paid-in capital	5,758	5,754
Retained earnings	4,923	4,974
Total stockholders' equity	10,682	10,729
Total liabilities and stockholders' equity	$ 14,018	$ 14,376

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

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

	Three Months Ended March 31,	
($ in millions, except per share data)	**2024**	**2023**
Revenues and other:		
Natural gas, oil and NGL	$ 589	$ 1,453
Marketing	312	652
Natural gas and oil derivatives	172	930
Gains on sales of assets	8	335
Total revenues and other	1,081	3,370
Operating expenses:		
Production	59	131
Gathering, processing and transportation	173	264
Severance and ad valorem taxes	29	69
Exploration	2	7
Marketing	323	651
General and administrative	47	35
Depreciation, depletion and amortization	399	390
Other operating expense, net	17	3
Total operating expenses	1,049	1,550
Income from operations	32	1,820
Other income (expense):		
Interest expense	(19)	(37)
Other income	20	10
Total other income (expense)	1	(27)
Income before income taxes	33	1,793
Income tax expense	7	404
Net income	$ 26	$ 1,389
Earnings per common share:		
Basic	$ 0.20	$ 10.31
Diluted	$ 0.18	$ 9.60
Weighted average common shares outstanding (in thousands):		
Basic	130,893	134,742
Diluted	141,752	144,731

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)

($ in millions)	Three Months Ended March 31, 2024	2023
Cash flows from operating activities:		
Net income	$ 26	$ 1,389
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	399	390
Deferred income tax expense	7	378
Derivative gains, net	(172)	(930)
Cash receipts (payments) on derivative settlements, net	228	(285)
Share-based compensation	9	7
Gains on sales of assets	(8)	(335)
Other	(13)	12
Changes in assets and liabilities	76	263
Net cash provided by operating activities	552	889
Cash flows from investing activities:		
Capital expenditures	(421)	(497)
Receipts of deferred consideration	60	—
Contributions to investments	(19)	(39)
Proceeds from divestitures of property and equipment	6	931
Net cash provided by (used in) investing activities	(374)	395
Cash flows from financing activities:		
Proceeds from Credit Facility	—	1,000
Payments on Credit Facility	—	(2,050)
Cash paid to repurchase and retire common stock	—	(54)
Cash paid for common stock dividends	(77)	(175)
Net cash used in financing activities	(77)	(1,279)
Net increase in cash, cash equivalents and restricted cash	101	5
Cash, cash equivalents and restricted cash, beginning of period	1,153	192
Cash, cash equivalents and restricted cash, end of period	$ 1,254	$ 197
Cash and cash equivalents	$ 1,179	$ 130
Restricted cash	75	67
Total cash, cash equivalents and restricted cash	$ 1,254	$ 197

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

($ in millions)	Three Months Ended March 31, 2024	2023
Supplemental cash flow information:		
Interest paid, net of capitalized interest	$ 20	$ 41
Income taxes paid (refunds received), net	$ —	$ —
Supplemental disclosure of significant non-cash investing and financing activities:		
Change in accrued drilling and completion costs	$ (59)	$ 56
Operating lease obligations recognized	$ —	$ 48

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)

	Common Stock								
($ in millions)	**Shares**		**Amount**		**Additional Paid-in Capital**		**Retained Earnings**		**Total Stockholders' Equity**
Balance as of December 31, 2022	134,715,094	$	1	$	5,724	$	3,399	$	9,124
Share-based compensation	92,048		—		5		—		5
Issuance of common stock for warrant exercise	4,654		—		—		—		—
Repurchase and retirement of common stock	(792,543)		—		—		(60)		(60)
Net income	—		—		—		1,389		1,389
Dividends on common stock	—		—		—		(175)		(175)
Balance as of March 31, 2023	134,019,253	$	1	$	5,729	$	4,553	$	10,283
Balance as of December 31, 2023	130,789,936	$	1	$	5,754	$	4,974	$	10,729
Share-based compensation	168,538		—		4		—		4
Issuance of common stock for warrant exercise	201		—		—		—		—
Net income	—		—		—		26		26
Dividends on common stock	—		—		—		(77)		(77)
Balance as of March 31, 2024	130,958,675	$	1	$	5,758	$	4,923	$	10,682

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 a natural gas and oil exploration and production company engaged in the acquisition, exploration and development of properties for the production of natural gas, oil and NGL from underground reservoirs. Our operations are located onshore in the United States.

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 our financial position as of March 31, 2024 and December 31, 2023, and our results of operations for the three months ended March 31, 2024 ("Current Quarter") and the three months ended March 31, 2023 ("Prior Quarter"). Our annual report on Form 10-K for the year ended December 31, 2023 ("2023 Form 10-K") should be read in conjunction with this Form 10-Q. The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments that, 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. For the time periods covered by this Form 10-Q, we did not have any changes or items impacting other comprehensive income.

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 ("CODM"), who is our Chief Executive Officer, 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 March 31, 2024, we had restricted cash of $75 million. Our restricted cash represents funds legally restricted for payment of certain convenience class unsecured claims following our emergence from bankruptcy, as well as for future payment of certain royalties.

Recently Issued Accounting Standards Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 intends to provide investors with additional information about an entity's income taxes by requiring disclosure of items such as disaggregation of the effective tax rate reconciliation as well as information regarding income taxes paid. This ASU is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted for annual financial statements that have not yet been issued or made available for issuance. We are evaluating the impact this ASU will have on our disclosures and do not expect it to have a material impact on our consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segments Disclosures*. Under ASU 2023-07, the scope and frequency of segment disclosures is increased to provide investors with additional detail about information utilized by an entity's CODM, including information about significant segment expenses. This ASU is effective beginning with our 2024 annual reporting and interim periods beginning in 2025, with early adoption permitted. We are evaluating the impact this ASU will have on our disclosures and do not expect it to have a material impact on our consolidated financial statements.

2. Natural Gas and Oil Property Transactions

Southwestern Merger Agreement

On January 10, 2024, Chesapeake and Southwestern entered into an all-stock merger agreement. Southwestern is an independent energy company engaged in development, exploration and production activities, including related marketing activities, within its operating areas in the Appalachia and Haynesville shale plays. Pursuant to the terms of the merger agreement, at the effective time of the Southwestern Merger, each eligible share of Southwestern common stock issued and outstanding immediately prior to the effective time will be automatically converted into the right to receive 0.0867 of a share of Chesapeake's common stock. Our Board of Directors and the Board of Directors of Southwestern both approved the merger agreement. Subject to the approval of our shareholders and Southwestern shareholders, regulatory approvals and the satisfaction or waiver of other customary closing conditions, the Southwestern Merger is targeted to close in the second half of 2024.

Eagle Ford Divestitures

In January 2023, we entered into an agreement to sell a portion of our Eagle Ford assets to WildFire Energy I LLC for approximately $1.425 billion, subject to customary post-closing adjustments. Approximately $225 million of the purchase price was recorded as deferred consideration and treated as a non-interest-bearing note to be paid in installments of $60 million per year for the first three years following the transaction close date and $45 million to be paid in the fourth year following the transaction close date. During the Current Quarter, we received the first installment payment related to this transaction. The deferred consideration is recorded at fair value with an imputed rate of interest as a Level 2 input, and approximately $56 million of the deferred consideration is reflected within other current assets and approximately $82 million is reflected within other long-term assets on the condensed consolidated balance sheets as of March 31, 2024. The divestiture, which closed on March 20, 2023 (with an effective date of October 1, 2022), resulted in a gain of approximately $337 million, inclusive of post-closing adjustments, based on the difference between the carrying value of the assets and consideration received.

In February 2023, we entered into an agreement to sell a portion of our remaining Eagle Ford assets to INEOS Upstream Holdings Limited ("INEOS Energy") for approximately $1.4 billion, subject to customary post-closing adjustments. Approximately $225 million of the purchase price was recorded as deferred consideration and treated as a non-interest-bearing note to be paid in installments of approximately $56 million per year for four years following the transaction close date. The deferred consideration is recorded at fair value with an imputed rate of interest as a Level 2 input, and approximately $56 million of the deferred consideration is reflected within other current assets and approximately $146 million is reflected within other long-term assets on the condensed consolidated balance sheets as of March 31, 2024. The divestiture, which closed on April 28, 2023 (with an effective date of October 1, 2022), resulted in a gain of approximately $470 million, based on the difference between the carrying value of the assets and consideration received.

In August 2023, we entered into an agreement to sell the final portion of our Eagle Ford assets to SilverBow Resources, Inc. ("SilverBow") for approximately $700 million, subject to customary post-closing adjustments. Approximately $50 million of the purchase price was recorded as deferred consideration and treated as a non-interest-bearing note to be paid one year from the closing date. The deferred consideration is recorded at fair value with an imputed rate of interest as a Level 2 input, and approximately $47 million of the deferred consideration is reflected within other current assets on the condensed consolidated balance sheets as of March 31, 2024. Additionally, SilverBow agreed to pay Chesapeake an additional contingent payment of $25 million should WTI NYMEX prices average between $75 and $80 per barrel or $50 million should WTI NYMEX prices average above $80 per barrel during the year following the close of the transaction. The fair value of the contingent consideration as of March 31, 2024 of $33 million is reflected within short-term derivative assets within our condensed consolidated balance sheets. See Note 11 for additional information. The divestiture, which closed on November 30, 2023 (with an effective date of February 1, 2023), resulted in a gain of approximately $140 million, based on the difference between the carrying value of the assets and consideration received.

3. Earnings Per Share

Basic earnings per common share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share is calculated in the same manner but includes the impact of potentially dilutive securities utilizing the treasury stock method. Potentially dilutive securities consists of issuable shares related to warrants, unvested restricted stock units ("RSUs"), and unvested performance share units ("PSUs").

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

	Three Months Ended March 31,	
	2024	2023
Numerator		
Net income, basic and diluted	$ 26	$ 1,389
Denominator (in thousands)		
Weighted average common shares outstanding, basic	130,893	134,742
Effect of potentially dilutive securities		
Warrants	10,302	9,560
Restricted stock units	379	380
Performance share units	178	49
Weighted average common shares outstanding, diluted	141,752	144,731
Earnings per common share:		
Basic	$ 0.20	$ 10.31
Diluted	$ 0.18	$ 9.60

During the Current Quarter and Prior Quarter, the diluted earnings per share calculation excludes the effect of 777,369 and 789,458 reserved shares of common stock and 1,466,502 and 1,489,337 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 for such shares to be considered dilutive shares during the Current Quarter and Prior Quarter, respectively.

4. Debt

Our long-term debt consisted of the following as of March 31, 2024 and December 31, 2023:

	March 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value[(a)]	Carrying Amount	Fair Value[(a)]
Credit Facility	$ —	$ —	$ —	$ —
5.50% senior notes due 2026	500	496	500	496
5.875% senior notes due 2029	500	496	500	489
6.75% senior notes due 2029	950	958	950	958
Premiums on senior notes	80	—	83	—
Debt issuance costs	(5)	—	(5)	—
Total long-term debt, net	$ 2,025	$ 1,950	$ 2,028	$ 1,943

(a) The carrying value of borrowings under our Credit Facility approximates 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.

Credit Facility. In December 2022, we entered into a senior secured reserve-based credit agreement (the “Credit Agreement”) with the lenders and issuing banks party thereto (the “Lenders”), and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (in such capacity, the “Administrative Agent”), providing for a reserve-based credit facility (the “Credit Facility”) with an initial borrowing base of $3.5 billion and aggregate commitments of $2.0 billion. The Credit Facility matures in December 2027. The Credit Facility provides for a $200 million sublimit available for the issuance of letters of credit and a $50 million sublimit available for swingline loans. As of March 31, 2024, we have approximately $2.0 billion available for borrowings under the Credit Facility.

Initially, the obligations under the Credit Facility are guaranteed by certain of Chesapeake’s subsidiaries (the “Guarantors”), and the Credit Facility is secured by substantially all of the assets owned by the Company and the Guarantors (subject to customary exceptions), including mortgages on not less than 85% of the total PV-9 of the borrowing base properties evaluated in the most recent reserve report (where PV-9 is the net present value, discounted at 9% per annum, of the estimated future net revenues). The borrowing base will be redetermined semi-annually in or around April and October of each year, with one interim “wildcard” redetermination available to each of the Company and the Administrative Agent, the latter at the direction of the Required Lenders (as defined in the Credit Agreement), between scheduled redeterminations. In April 2024, our borrowing base was reaffirmed, and the aggregate commitments related to our Credit Facility were increased by $500 million to $2.5 billion. Additionally, the sublimit available for the issuance of letters of credit was increased by $300 million to $500 million. The next scheduled redetermination will be in or around October 2024. The Credit Agreement contains restrictive covenants that limit Chesapeake and its subsidiaries’ ability to, among other things but subject to exceptions customary to reserve-based credit facilities: (i) incur additional indebtedness, (ii) make investments, (iii) enter into mergers; (iv) make or declare dividends; (v) repurchase or redeem certain indebtedness; (vi) enter into certain hedges; (vii) incur liens; (viii) sell assets; and (ix) engage in certain transactions with affiliates. The Credit Agreement requires Chesapeake to maintain compliance with the following financial ratios: (A) a current ratio, which is the ratio of Chesapeake’s and its restricted subsidiaries’ consolidated current assets (including unused commitments under the Credit Facility but excluding certain non-cash assets) to their consolidated current liabilities (excluding the current portion of long-term debt and certain non-cash liabilities), of not less than 1.00 to 1.00; (B) a net leverage ratio, which is the ratio of total indebtedness (less unrestricted cash up to a specified threshold) to Consolidated EBITDAX (as defined in the Credit Agreement) for the prior four fiscal quarters, of not greater than 3.50 to 1.00 and (C) a PV-9 coverage ratio of the net present value, discounted at 9% per annum, of the estimated future net revenues expected in the proved reserves to Chesapeake’s and its restricted subsidiaries’ total indebtedness of not less than 1.50 to 1.00.

Borrowings under the Credit Agreement may be alternate base rate loans or term SOFR loans, at our election. Interest is payable quarterly for alternate base rate loans and at the end of the applicable interest period for term SOFR loans. Term SOFR loans bear interest at term SOFR plus an applicable rate ranging from 175 to 275 basis points per annum, depending on the percentage of the commitments utilized, plus an additional 10 basis points per annum credit spread adjustment. Alternate base rate loans bear interest at a rate per annum equal to the greatest of: (i) the prime rate; (ii) the federal funds effective rate plus 50 basis points; and (iii) the adjusted term SOFR rate for a one-month interest period plus 100 basis points, plus an applicable margin ranging from 75 to 175 basis points per annum, depending on the percentage of the commitments utilized. Chesapeake also pays a commitment fee on unused commitment amounts under the Credit Facility ranging from 37.5 to 50 basis points per annum, depending on the percentage of the commitments utilized.

The Credit Facility is subject to customary events of default, remedies, and cure rights for credit facilities of this nature. The Company has no additional secured debt as of March 31, 2024.

5. Contingencies and Commitments

Contingencies

Business Operations and Litigation and Regulatory Proceedings

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.

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.

The majority of the Company's pre-petition legal proceedings were settled during the Chapter 11 Cases or will be resolved in connection with the claims reconciliation process before the Bankruptcy Court, together with actions seeking to collect pre-petition indebtedness or to exercise control over the property of the Company's bankruptcy estates. Any allowed claim related to such litigation will be treated in accordance with the Plan. 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. Many of these proceedings were in early stages, and many of them sought damages and penalties, the amount of which is indeterminate.

Environmental Contingencies

The nature of the natural gas and oil 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 address 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.

Other Matters

In connection with the Southwestern Merger, one lawsuit has been filed by a purported stockholder of the Company relating to the Southwestern Merger: *Gerald Joseph Lovoi v. Chesapeake Energy Corp., et al.*, No. 1:24-cv-01896 (S.D.N.Y Mar. 13, 2024). The complaint alleges, among other things, that the Company's Board of Directors caused to be filed a materially misleading and incomplete registration statement on February 29, 2024, in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9, promulgated thereunder, and seeks to

enjoin the Southwestern Merger and obtain other relief. The Company believes that the claims in the complaint are without merit and intends to vigorously defend against them.

Based on management's current assessment, other than as described above, 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 natural gas, oil 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.

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:

	March 31, 2024
Remainder of 2024	$ 217
2025	264
2026	240
2027	213
2028	198
2029-2036	946
Total	$ 2,078

In addition, we have 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.

Other Commitments

As part of our normal course of business, we enter into various agreements providing, or otherwise arranging for, financial or performance assurances to third parties on behalf of our wholly owned guarantor subsidiaries. These agreements may include future payment obligations or commitments regarding operational performance that effectively guarantee our subsidiaries' future performance.

In connection with acquisitions and divestitures, our purchase and sale agreements generally provide indemnification to the counterparty for liabilities incurred as a result of a breach of a representation or warranty by the indemnifying party and/or other specified matters. These indemnifications generally have a discrete term and are intended to protect the parties against risks that are difficult to predict or cannot be quantified at the time of entering into or consummating a particular transaction. For divestitures of natural gas and oil properties, our purchase and sale agreements may require the return of a portion of the proceeds we receive as a result of uncured title or environmental defects.

While executing our strategic priorities, we have incurred certain cash charges, including contract termination charges, financing extinguishment costs and charges for unused natural gas transportation and gathering capacity.

6. Other Current Liabilities

Other current liabilities as of March 31, 2024 and December 31, 2023 are detailed below:

	March 31, 2024	December 31, 2023
Revenues and royalties due to others	$ 287	$ 360
Accrued drilling and production costs	153	211
Accrued hedging costs	—	2
Accrued compensation and benefits	28	64
Taxes payable	90	84
Operating leases	61	84
Joint interest prepayments received	5	8
Other	33	34
Total other current liabilities	$ 657	$ 847

7. Revenue

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

	Three Months Ended March 31, 2024			
	Natural Gas	Oil	NGL	Total
Marcellus	$ 317	$ —	$ —	$ 317
Haynesville	272	—	—	272
Natural gas, oil and NGL revenue	$ 589	$ —	$ —	$ 589
Marketing revenue	$ 197	$ 82	$ 33	$ 312

	Three Months Ended March 31, 2023			
	Natural Gas	Oil	NGL	Total
Marcellus	$ 617	$ —	$ —	$ 617
Haynesville	402	—	—	402
Eagle Ford	23	373	38	434
Natural gas, oil and NGL revenue	$ 1,042	$ 373	$ 38	$ 1,453
Marketing revenue	$ 328	$ 287	$ 37	$ 652

Accounts Receivable

Our accounts receivable are primarily from purchasers of natural gas, oil 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 utilize an allowance method in accounting for bad debt based on historical trends in addition to specifically identifying receivables that we believe may be uncollectible.

Accounts receivable as of March 31, 2024 and December 31, 2023 are detailed below:

	March 31, 2024	December 31, 2023
Natural gas, oil and NGL sales	$ 165	$ 406
Joint interest	135	180
Other	15	8
Allowance for doubtful accounts	(1)	(1)
Total accounts receivable, net	$ 314	$ 593

8. Income Taxes

The table below presents a comparison of the Current Quarter and Prior Quarter's income tax expense and actual quarterly effective tax rates.

	Three Months Ended March 31,			
	2024		2023	
Income before income taxes	$ 33		$ 1,793	
Current tax expense	—	— %	26	1.5 %
Deferred tax expense	7	21.2 %	378	21.0 %
Income tax expense	$ 7	21.2 %	$ 404	22.5 %

An estimated annual effective tax rate ("EAETR") is used in recording our interim quarterly income tax provision. The EAETR is determined based on analysis of year-to-date and projected financial results of our operations. Our EAETR during the Current Quarter was 21.9%, compared to 22.5% in the Prior Quarter. The actual quarterly effective tax rate and EAETR can differ as a result of certain discrete items, which are recorded in the quarter. Such items include, but are not limited to, certain equity-based compensation, true-ups resulting from differences between tax returns filed and estimated accruals, and tax effects of enacted laws.

The Current Quarter income tax expense is entirely deferred as a result of projecting a loss this year for tax purposes. The Prior Quarter recorded $26 million of current tax expense, primarily as a result of projecting a tax gain on the Eagle Ford divestiture which closed in the Prior Quarter.

There were no material income tax payments made or refunds received in the Current Quarter.

As of December 31, 2023, we were in a net deferred tax asset position and anticipate being in a net deferred tax asset position as of December 31, 2024. Based on all available positive and negative evidence, including projections of future taxable income, we believe it is more likely than not that some of our deferred tax assets will not be realized. As such, a partial valuation allowance was recorded against our net deferred tax asset position for federal and state purposes as of March 31, 2024 and December 31, 2023.

On August 16, 2022, the President of the United States signed into law the Inflation Reduction Act of 2022, which includes provisions for a 15% corporate alternative minimum tax ("CAMT") on book income for companies whose average book income exceeds $1 billion for any three consecutive years preceding the tax year. Based upon our book income in the past three years, we believe we are subject to the CAMT beginning in the current year. The CAMT will result in incremental taxes to the extent that 15% of our adjusted book earnings exceeds our regular federal tax liability. We do not currently project any material impact due to the CAMT in 2024.

9. Equity

Dividends

During the Current Quarter and Prior Quarter, we made dividend payments of $77 million ($0.575 per share) and $175 million ($1.29 per share), respectively.

On April 30, 2024, we declared a quarterly dividend payable of $0.715 per share, which will be paid on June 5, 2024 to stockholders of record at the close of business on May 16, 2024. The dividend consists of a base quarterly dividend in the amount of $0.575 per share and a variable dividend in the amount of $0.14 per share.

Share Repurchases

We did not repurchase any shares during the Current Quarter, and during the Prior Quarter, we repurchased 0.8 million shares of common stock for an aggregate price of $60 million, inclusive of shares for which cash settlement occurred in early April 2023. The repurchased shares of common stock were retired and recorded as a reduction to common stock and retained earnings and were made pursuant to the share repurchase program that expired on December 31, 2023. All share repurchases made after January 1, 2023 are subject to a 1% excise tax on share repurchases, as enacted under the Inflation Reduction Act of 2022. We are able to net this 1% excise tax on share repurchases against the issuance of shares of our common stock. The impact of this 1% excise tax was immaterial during the Prior Quarter.

Warrants

	Class A Warrants	Class B Warrants	Class C Warrants[(a)]
Outstanding as of December 31, 2023	4,247,615	4,403,064	4,023,483
Converted into common stock[(b)]	—	—	(168)
Outstanding as of March 31, 2024	4,247,615	4,403,064	4,023,315

(a) As of March 31, 2024, we had 1,466,502 of reserved Class C Warrants.

(b) During the Current Quarter, we issued 201 shares of common stock as a result of Warrant exercises.

10. 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 common stock. The LTIP provides for the grant of RSUs, restricted stock awards, stock options, stock appreciation rights, performance awards and other stock awards to the Company's employees and non-employee directors.

Restricted Stock Units. During the Current Quarter, we granted RSUs to employees and non-employee directors under the LTIP, which will vest over a three-year period and one-year period, respectively. The fair value of RSUs 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 RSUs is presented below:

	Unvested Restricted Stock Units		Weighted Average Grant Date Fair Value Per Share
	(in thousands)		
Unvested as of December 31, 2023	940	$	73.08
Granted	413	$	83.47
Vested	(242)	$	72.84
Forfeited	(6)	$	67.61
Unvested as of March 31, 2024	1,105	$	77.05

The aggregate intrinsic value of RSUs that vested during the Current Quarter was approximately $20 million based on the stock price at the time of vesting.

As of March 31, 2024, there was approximately $71 million of total unrecognized compensation expense related to unvested RSUs. The expense is expected to be recognized over a weighted average period of approximately 2.51 years.

Performance Share Units. During the Current Quarter, we granted 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 total shareholder return (“TSR”) and relative TSR (“rTSR”) and 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 2024.

Assumption	TSR, rTSR
Risk-free interest rate	4.55 %
Volatility	39.36 %

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 December 31, 2023	394	$	85.78
Granted	134	$	95.33
Vested	—	$	—
Forfeited	—	$	—
Unvested as of March 31, 2024	528	$	88.20

As of March 31, 2024, there was approximately $24 million of total unrecognized compensation expense related to unvested PSUs. The expense is expected to be recognized over a weighted average period of approximately 2.29 years.

RSU and PSU Compensation.

We recognized the following compensation costs, net of actual forfeitures, related to RSUs and PSUs for the periods presented:

	Three Months Ended March 31,	
	2024	2023
General and administrative expenses	$ 8	$ 6
Natural gas and oil properties	2	1
Production expense	1	1
Total RSU and PSU compensation	$ 11	$ 8
Related income tax benefit	$ 2	$ 1

11. 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 contract derivative financial instruments include financial price swaps, collars and basis protection swaps. All of our commodity contract 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. We do not intend to hold or issue derivative financial instruments for speculative trading purposes and have elected not to designate any of our derivative instruments for hedge accounting treatment.

Contingent Consideration Arrangement

In November 2023, we sold the final portion of our Eagle Ford assets to SilverBow. As part of the divestiture agreement, SilverBow agreed to pay Chesapeake an additional contingent payment of $25 million should WTI NYMEX prices average between $75 and $80 per barrel or $50 million should WTI NYMEX prices average above $80 per barrel during the year following the close of the transaction. All changes in fair value are recognized as a gain or loss in earnings in the period they occur within natural gas and oil derivatives in our condensed consolidated statements of operations. During the Current Quarter, we recorded $21 million of unrealized gains related to the contingent consideration arrangement.

The estimated fair values of our natural gas and oil derivative instrument assets (liabilities) as of March 31, 2024 and December 31, 2023 are provided below:

	March 31, 2024		December 31, 2023	
	Notional Volume	Fair Value	Notional Volume	Fair Value
Natural gas (Bcf):				
Fixed-price swaps	314	$ 199	343	$ 188
Collars	511	451	558	497
Basis protection swaps	489	(51)	578	2
Total natural gas	1,314	599	1,479	687
Contingent Consideration:				
Eagle Ford divestiture		33		12
Total estimated fair value		$ 632		$ 699

The following table presents the fair value and location of each classification of derivative instrument included in the condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023 on a gross basis and after same-counterparty netting:

	Gross Fair Value[(a)]	Amounts Netted in the Condensed Consolidated Balance Sheets	Net Fair Value Presented in the Condensed Consolidated Balance Sheets
As of March 31, 2024			
Commodity Contracts:			
Short-term derivative asset	$ 630	$ (71)	$ 559
Long-term derivative asset	62	(16)	46
Short-term derivative liability	(76)	71	(5)
Long-term derivative liability	(17)	16	(1)
Contingent Consideration:			
Short-term derivative asset	33	—	33
Total derivatives	$ 632	$ —	$ 632
As of December 31, 2023			
Commodity Contracts:			
Short-term derivative asset	$ 661	$ (36)	$ 625
Long-term derivative asset	101	(27)	74
Short-term derivative liability	(39)	36	(3)
Long-term derivative liability	(36)	27	(9)
Contingent Consideration:			
Short-term derivative asset	12	—	12
Total derivatives	$ 699	$ —	$ 699

(a) These financial assets (liabilities) are measured at fair value on a recurring basis utilizing significant other observable inputs; see further discussion on fair value measurements below.

Fair Value

The fair value of our commodity derivatives is based on third-party pricing models, which utilize inputs that are either readily available in the public market, such as natural gas, oil and NGL forward curves and discount rates, or can be corroborated from active markets or broker quotes, and, as such, are classified as Level 2. These values are compared to the values given by our counterparties for reasonableness. 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 valuation of the contingent consideration is based on an option pricing model using significant Level 2 inputs that include quoted future commodity prices based on active markets.

Credit Risk Considerations

Our derivative instruments expose us to our counterparties' credit risk. To mitigate this risk, we only enter into commodity contracts derivatives with counterparties that are highly rated or 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 March 31, 2024, our commodity contract derivative instruments were spread among 17 counterparties.

Hedging Arrangements

Certain of our hedging arrangements are with counterparties that were also lenders (or affiliates of lenders) under our Credit Facility. The contracts entered into with these counterparties are secured by the same collateral that secures the revolving 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 March 31, 2024, we did not have any cash or letters of credit posted as collateral for our commodity derivatives.

12. Investments

Momentum Sustainable Ventures LLC. During the fourth quarter of 2022, Chesapeake entered into an agreement with Momentum Sustainable Ventures LLC to build a new natural gas gathering pipeline and carbon capture and sequestration project ("CCUS"), which will gather natural gas produced in the Haynesville Shale for re-delivery to Gulf Coast markets, including LNG export. The pipeline is expected to have an initial capacity of 1.7 Bcf/d expandable to 2.2 Bcf/d. The carbon capture portion of the project anticipates capturing and permanently sequestering up to 2.0 million tons per annum of CO2. The natural gas gathering pipeline is projected for a potential in-service date in 2025, and the carbon sequestration portion of the project is subject to regulatory approvals. We have a 35% interest in the project and estimate approximately $100 million remaining in our commitment to the project. We have accounted for this investment as an equity method investment, and its carrying value, which is reflected within other long-term assets on the condensed consolidated balance sheets, was $257 million and $238 million as of March 31, 2024 and December 31, 2023, respectively. As of March 31, 2024, the carrying value of our investment in Momentum Sustainable Ventures LLC included approximately $3 million of capitalized interest related to the project.

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

Introduction

This Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide a reader of our financial statements with management's perspective on our financial condition, liquidity, results of operations and certain other factors that may affect our future results. The following discussion should be read together with the condensed consolidated financial statements included in Item 1 of Part I of this report and the consolidated financial statements included in Item 8 of our 2023 Form 10-K.

We are an independent exploration and production company engaged in the acquisition, exploration and development of properties to produce natural gas, oil and NGL from underground reservoirs. We own a large portfolio of onshore U.S. unconventional natural gas assets, including interests in approximately 5,000 natural gas wells as of March 31, 2024. Our natural gas resource plays are the Marcellus Shale in the northern Appalachian Basin in Pennsylvania ("Marcellus") and the Haynesville/Bossier Shales in northwestern Louisiana ("Haynesville"). Our liquids-rich resource play was in the Eagle Ford Shale in South Texas ("Eagle Ford"). During 2023, we completed our exit from Eagle Ford through three separate divestiture transactions, with aggregate proceeds from these three transactions exceeding $3.5 billion, subject to customary post-closing adjustments.

Our strategy is to create shareholder value through the responsible development of our significant resource plays while continuing to be a leading provider of affordable, reliable, lower carbon energy to markets in need. We continue to focus on improving margins through operating efficiencies and financial discipline and improving our 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 production activities. We continue to seek opportunities to reduce cash costs (production, gathering, processing and transportation and general and administrative), through operational efficiencies and 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 answering the call for affordable, reliable, lower carbon energy begins with our goal to achieve net zero GHG emissions (Scope 1 and 2) by 2035. To meet this challenge, we have set meaningful goals including:

- Eliminate routine flaring from all new wells completed from 2021 forward, and enterprise-wide by 2025;
- Reduce our methane intensity to 0.02% by 2025 (achieved approximately 0.02% in 2023 for our natural gas assets); and
- Reduce our GHG intensity to 3.0 metric tons CO_2 equivalent per thousand barrel of oil equivalent by 2025 (achieved approximately 2.1 in 2023 for our natural gas assets).

In conjunction with the goals set above, we have received independent certification of our operated natural gas production under the MiQ methane standard and EO100™ Standard for Responsible Energy Development as responsibly sourced gas, and we intend on maintaining these certifications. The independent certification of our production as responsibly sourced provides a verified approach to tracking our progress towards our commitment to reduce our methane intensity, as well as supporting our overall objective of achieving net-zero Scope 1 and 2 GHG emissions by 2035.

Recent Developments

Southwestern Merger Agreement

On January 10, 2024, Chesapeake and Southwestern entered into an all-stock merger agreement. Southwestern is an independent energy company engaged in development, exploration and production activities, including related marketing activities, within its operating areas in the Appalachia and Haynesville shale plays. Pursuant to the terms of the merger agreement, at the effective time of the Southwestern Merger, each eligible share of Southwestern common stock issued and outstanding immediately prior to the effective time will be automatically converted into the right to receive 0.0867 of a share of Chesapeake's common stock. Our Board of Directors and the Board of Directors of Southwestern both approved the merger agreement. Subject to the approval of our shareholders and Southwestern shareholders, regulatory approvals and the satisfaction or waiver of other customary closing conditions, the Southwestern Merger is targeted to close in the second half of 2024.

Divestitures

On January 17, 2023, we entered into an agreement to sell a portion of our Eagle Ford assets to WildFire Energy I LLC for approximately $1.425 billion, subject to post-closing adjustments. This transaction closed on March 20, 2023 (with an effective date of October 1, 2022) and resulted in the recognition of a gain of approximately $337 million.

On February 17, 2023, we entered into an agreement to sell a portion of our remaining Eagle Ford assets to INEOS Energy for approximately $1.4 billion, subject to post-closing adjustments. This transaction closed on April 28, 2023 (with an effective date of October 1, 2022) and resulted in the recognition of a gain of approximately $470 million.

On August 11, 2023, we entered into an agreement to sell the final portion of our remaining Eagle Ford assets to SilverBow Resources, Inc. ("SilverBow") for approximately $700 million, subject to post-closing adjustments. Subject to the satisfaction of certain commodity price triggers, we may receive up to an additional $50 million cash consideration shortly following the first anniversary of the transaction close date. This transaction closed on November 30, 2023 (with an effective date of February 1, 2023) and resulted in the recognition of a gain of approximately $140 million.

LNG Agreement

On February 13, 2024, we announced our entrance into an LNG export deal that includes executed Sales and Purchase Agreements ("SPA") for long-term liquefaction offtake. Under the SPAs, we will purchase approximately 0.5 million tonnes of LNG per annum from Delfin LNG LLC at a Henry Hub price with a contract targeted start date in 2028, then deliver to Gunvor Group Ltd., on a free on board basis with the sales price linked to the Japan Korea Market for a period of 20 years.

Investments - Momentum Sustainable Ventures LLC

During the fourth quarter of 2022, we entered into an agreement with Momentum Sustainable Ventures LLC to build a new natural gas gathering pipeline and carbon capture and sequestration project, which will gather natural gas produced in the Haynesville Shale for re-delivery to Gulf Coast markets, including LNG export. The pipeline is expected to have an initial capacity of 1.7 Bcf/d expandable to 2.2 Bcf/d. The carbon capture portion of the project anticipates capturing and permanently sequestering up to 2.0 million tons per annum of CO_2. The natural gas gathering pipeline is projected for a potential in-service date in 2025, and the carbon sequestration portion of the project is subject to regulatory approvals. Through the end of the Current Quarter, we have made total capital contributions of $254 million to the project.

Economic and Market Conditions

Instability and conflict in Europe and the Middle East has caused, and could intensify, volatility in natural gas, oil and NGL prices, and may further impact on global growth prospects, which could in turn affect supply and demand for natural gas and oil. In addition, a mild winter in 2023 and historically higher inventory levels have resulted in an observed decline in natural gas pricing in 2023 and early 2024. Our 2024 estimated cash flow is partially protected from commodity price volatility due to our current hedge positions that cover approximately 60% of our projected natural gas volumes for 2024. We believe our cost structure and liquidity position will enable us to successfully navigate continued price volatility.

During early 2023, our industry experienced inflationary pressures, including increased demand for oilfield service equipment, rising fuel costs, and labor shortages, which resulted in observed increases to our operating and capital costs that were not fixed. Reductions in rig activity in the lower 48 states of the United States allowed service costs to stabilize and then decline in the second half of 2023, which has continued into 2024. We continue to monitor these situations and assess their impact on our business, including business partners and customers. For additional discussion regarding risks associated with price volatility and economic deterioration, see Part I, Item 1A "Risk Factors" in our 2023 Form 10-K.

Liquidity and Capital Resources

Liquidity Overview

Our primary sources of capital resources and liquidity are internally generated cash flows from operations and borrowings under our Credit Facility, and our primary uses of cash are for the development of our natural gas and oil properties, acquisitions of additional natural gas properties and return of value to stockholders through dividends and equity repurchases. We believe our cash flow from operations, proceeds from our recent Eagle Ford divestitures, cash on hand and borrowing capacity under the Credit Facility, as discussed below, will provide sufficient liquidity during the next 12 months and the foreseeable future. As of March 31, 2024, we had $3.2 billion of liquidity available, including $1.2 billion of cash on hand and $2.0 billion of aggregate unused borrowing capacity available under the Credit Facility. As of March 31, 2024, we had no outstanding borrowings under our Credit Facility. In April 2024, the aggregate commitments under the Credit Facility were increased by $500 million to $2.5 billion, bringing our total unused borrowing capacity under the Credit Facility to $2.5 billion. See Note 4 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion of our debt obligations, including the carrying and fair value of our senior notes.

Dividends

We paid dividends of $77 million on our common stock during the Current Quarter. See Note 9 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion.

On April 30, 2024, we declared a quarterly dividend payable of $0.715 per share, which will be paid on June 5, 2024 to stockholders of record at the close of business on May 16, 2024. The dividend consists of a base quarterly dividend in the amount of $0.575 per share and a variable quarterly dividend in the amount of $0.14 per share.

The declaration and payment of any future dividend, whether fixed or variable, will remain at the full discretion of the Board and will depend on the Company's financial results, cash requirements, future prospects and other relevant factors. The Company's ability to pay dividends to its stockholders is restricted by (i) Oklahoma corporate law, (ii) its Certificate of Incorporation, (iii) the terms and provisions of the credit agreement governing its Credit Facility and (iv) the terms and provisions of the indentures governing its 5.50% Senior Notes due 2026, 5.875% Senior Notes due 2029 and 6.75% Senior Notes due 2029.

Derivative and Hedging Activities

Our results of operations and cash flows are impacted by changes in market prices for the commodities we produce. We enter into various derivative instruments to mitigate a portion of our exposure to commodity price declines, but these transactions may also limit our cash flows in periods of rising commodity prices. Our natural gas, oil and NGL derivative activities, when combined with our sales of natural gas, oil 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 Part I of this report for further discussion on the impact of commodity price risk on our financial position.

Contractual Obligations and Off-Balance Sheet Arrangements

As of March 31, 2024, our material contractual obligations include repayment of senior notes, derivative obligations, asset retirement obligations, lease obligations, capital commitments relating to our investments, 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 natural gas to move certain of our production to market. The estimated gross undiscounted future commitments under these agreements were approximately $2.1 billion as of March 31, 2024. As discussed above, we believe our existing sources of liquidity will be sufficient to fund our near and long-term contractual obligations. See Notes 4, 5, 11 and 12 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion.

Credit Facility

On December 9, 2022, the Company, as borrower, entered into a senior secured reserve-based credit agreement providing for the Credit Facility, which features an initial borrowing base of $3.5 billion and aggregate commitments of $2.0 billion. Subject to certain exceptions, the borrowing base will be redetermined semi-annually in or around April and October of each year. The Credit Facility provides for a $200 million sublimit available for the issuance of letters of credit and a $50 million sublimit available for swingline loans. Borrowings under the credit agreement may be alternate base rate loans or term SOFR loans, at the Company’s election. The Credit Facility contains certain features that, upon receipt and maintenance of investment grade ratings from S&P, Moody’s and/or Fitch and the satisfaction of certain other conditions, result in the removal or relaxation of specified negative and financial covenants, among other favorable adjustments. In April 2024, the aggregate commitments related to our Credit Facility were increased by $500 million to $2.5 billion. Additionally, the sublimit available for the issuance of letters of credit was increased by $300 million to $500 million. See Note 4 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion.

Capital Expenditures

For the year ending December 31, 2024, we currently expect to drill approximately 95 to 115 gross wells across 7 to 9 rigs and plan to invest between approximately $1.25 – $1.35 billion in capital expenditures. We currently plan to fund our 2024 capital program through cash on hand, expected cash flow from our operations and borrowings under our Credit Facility. 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 and (Uses) of Cash and Cash Equivalents

The following table presents the sources and uses of our cash and cash equivalents for the periods presented:

	Three Months Ended March 31,	
	2024	2023
Cash provided by operating activities	$ 552	$ 889
Proceeds from divestitures of property and equipment	6	931
Receipts of deferred consideration	60	—
Capital expenditures	(421)	(497)
Contributions to investments	(19)	(39)
Payments on Credit Facility, net	—	(1,050)
Cash paid to repurchase and retire common stock	—	(54)
Cash paid for common stock dividends	(77)	(175)
Net increase in cash, cash equivalents and restricted cash	$ 101	$ 5

Cash Flow from Operating Activities

Cash provided by operating activities was $552 million and $889 million during the Current Quarter and Prior Quarter, respectively. The decrease during the Current Quarter is primarily due to lower prices for the natural gas we sold as well as decreased sales volumes related to our Eagle Ford divestitures. 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 Divestitures of Property and Equipment

During the Prior Quarter, we sold a portion of our Eagle Ford assets to WildFire Energy I LLC (with an effective date of October 1, 2022). See Note 2 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion.

Receipts of Deferred Consideration

During the Current Quarter, we received $60 million in deferred consideration associated with our Eagle Ford divestiture transactions. See Note 2 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion.

Capital Expenditures

Our capital expenditures decreased during the Current Quarter compared to the Prior Quarter, primarily as a result of decreased drilling and completion activity within our Marcellus and Haynesville operating areas, as well as reduced activity in Eagle Ford due to our Eagle Ford divestitures. See Note 2 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion.

Contributions to Investments

During the Current Quarter and Prior Quarter, contributions to investments primarily consisted of contributions to our investment with Momentum Sustainable Ventures LLC to build a new natural gas gathering pipeline and carbon capture project. 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.

Payments on Credit Facility, net

During the Prior Quarter, we made net repayments of $1,050 million on the Credit Facility, utilizing a portion of the divestiture proceeds from the sale of a portion of our Eagle Ford assets and also from internally generated cash provided by operating activities.

Cash Paid to Repurchase and Retire Common Stock

We did not repurchase any shares during the Current Quarter, and during the Prior Quarter, we repurchased 0.8 million shares of common stock for an aggregate price of $60 million, which is inclusive of shares for which cash settlement occurred in early April 2023. The repurchased shares of common stock were retired and recorded as a reduction to common stock and retained earnings.

Cash Paid for Common Stock Dividends

As part of our dividend program, we paid common stock dividends of $77 million and $175 million during the Current Quarter and Prior Quarter, respectively. See Note 9 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion.

Results of Operations

Natural Gas, Oil and NGL Production and Average Sales Prices

	Three Months Ended March 31, 2024							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	$/Mcf	MBbl per day	$/Bbl	MBbl per day	$/Bbl	MMcfe per day	$/Mcfe
Marcellus	1,720	2.03	—	—	—	—	1,720	2.03
Haynesville	1,478	2.03	—	—	—	—	1,478	2.03
Total	3,198	2.03	—	—	—	—	3,198	2.03
Average NYMEX Price		2.24		—				
Average Realized Price (including realized derivatives)		2.85		—		—		2.85

	Three Months Ended March 31, 2023							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	$/Mcf	MBbl per day	$/Bbl	MBbl per day	$/Bbl	MMcfe per day	$/Mcfe
Marcellus	1,974	3.47	—	—	—	—	1,974	3.47
Haynesville	1,549	2.88	—	—	—	—	1,549	2.88
Eagle Ford	128	1.97	54	76.82	16	26.71	546	8.82
Total	3,651	3.17	54	76.82	16	26.71	4,069	3.97
Average NYMEX Price		3.42		76.13				
Average Realized Price (including realized derivatives)		2.74		66.79		26.71		3.45

Natural Gas, Oil and NGL Sales

	Three Months Ended March 31, 2024			
	Natural Gas	Oil	NGL	Total
Marcellus	$ 317	$ —	$ —	$ 317
Haynesville	272	—	—	272
Total natural gas, oil and NGL sales	$ 589	$ —	$ —	$ 589

	Three Months Ended March 31, 2023			
	Natural Gas	Oil	NGL	Total
Marcellus	$ 617	$ —	$ —	$ 617
Haynesville	402	—	—	402
Eagle Ford	23	373	38	434
Total natural gas, oil and NGL sales	$ 1,042	$ 373	$ 38	$ 1,453

Natural gas, oil and NGL sales during the Current Quarter decreased $864 million compared to the Prior Quarter. Lower average prices, which were consistent with the downward trend in index prices for all products, drove a $376 million decrease during the Current Quarter. The Eagle Ford divestitures resulted in a $434 million decrease. Additionally, lower sales volumes in Marcellus and Haynesville resulted in an aggregate decrease of $54 million.

Production Expenses

	Three Months Ended March 31,			
	2024		2023	
		$/Mcfe		$/Mcfe
Marcellus	$ 21	0.14	$ 24	0.13
Haynesville	38	0.28	47	0.34
Eagle Ford	—	—	60	1.23
Total production expenses	$ 59	0.20	$ 131	0.36

Production expenses during the Current Quarter decreased $72 million compared to the Prior Quarter. The decrease was primarily due to the Eagle Ford divestitures. Additionally, Haynesville production expenses decreased as a result of decreased workover activity and lower saltwater disposal expenses.

Gathering, Processing and Transportation Expenses

	Three Months Ended March 31,			
	2024		2023	
		$/Mcfe		$/Mcfe
Marcellus	$ 109	0.70	$ 111	0.62
Haynesville	64	0.47	68	0.49
Eagle Ford	—	—	85	1.73
Total GP&T	$ 173	0.59	$ 264	0.72

Gathering, processing and transportation expenses during the Current Quarter decreased $91 million compared to the Prior Quarter. The decrease was primarily related to an $85 million decrease due to the Eagle Ford divestitures.

Severance and Ad Valorem Taxes

	Three Months Ended March 31,			
	2024		2023	
		$/Mcfe		$/Mcfe
Marcellus	$ 4	0.02	$ 5	0.03
Haynesville	25	0.19	34	0.24
Eagle Ford	—	—	30	0.60
Total severance and ad valorem taxes	$ 29	0.10	$ 69	0.19

Severance and ad valorem taxes during the Current Quarter decreased $40 million compared to the Prior Quarter. The decrease was primarily related to a $30 million decrease due to the Eagle Ford divestitures. Additionally, Haynesville severance and ad valorem taxes were lower due an increase in horizontal severance tax incentives and a decrease in ad valorem taxable value based on actual assessments received.

Natural Gas and Oil Derivatives

	Three Months Ended March 31,	
	2024	2023
Natural gas derivatives - realized gains (losses)	$ 239	$ (140)
Natural gas derivatives - unrealized gains (losses)	(88)	1,021
Total gains on natural gas derivatives	$ 151	$ 881
Oil derivatives - realized losses	$ —	$ (49)
Oil derivatives - unrealized gains	—	98
Total gains on oil derivatives	$ —	$ 49
Contingent consideration unrealized gains	$ 21	$ —
Total gains on natural gas and oil derivatives	$ 172	$ 930

See Note 11 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for a discussion of our derivative activity.

General and Administrative Expenses

	Three Months Ended March 31,	
	2024	2023
Total G&A, net	$ 47	$ 35
G&A, net per Mcfe	$ 0.16	$ 0.09

The absolute and per unit increase in total general and administrative expenses, net during the Current Quarter is primarily due to a decrease in our producing well count following the Eagle Ford divestitures, which reduced our allocations and reimbursements of G&A.

Depreciation, Depletion and Amortization

	Three Months Ended March 31,	
	2024	2023
DD&A	$ 399	$ 390
DD&A per Mcfe	$ 1.37	$ 1.06

The absolute and per unit increase in depreciation, depletion and amortization for the Current Quarter compared to the Prior Quarter is primarily the result of a higher depletion rate. The increase in our depletion rate is due to a decrease in prices used in the evaluation of our reserves.

Other Operating Expense, Net

	Three Months Ended March 31,	
	2024	2023
Other operating expense, net	$ 17	$ 3

During the Current Quarter, we recognized approximately $11 million of costs related to the pending Southwestern Merger, which included legal fees, consulting fees and financial advisory fees.

Interest Expense

	Three Months Ended March 31,	
	2024	2023
Interest expense on debt	$ 32	$ 46
Amortization of premium, issuance costs and other	(2)	(2)
Capitalized interest	(11)	(7)
Total interest expense	$ 19	$ 37

The decrease in total interest expense during the Current Quarter compared to the Prior Quarter was primarily due to lower average debt outstanding between periods.

Other Income

	Three Months Ended March 31,	
	2024	2023
Other income	$ 20	$ 10

Other income during the Current Quarter primarily consists of $14 million in interest income related to our higher average cash balance during the Current Quarter, as well as $9 million in deferred consideration amortization.

Income Taxes

Income tax expense was $7 million for the Current Quarter. This amount was entirely related to projections of deferred federal and state income taxes. Income tax expense was $404 million for the Prior Quarter. Of this amount, $26 million was the result of projecting current federal and state income taxes, predominately as a result of taxable gains on closed divestitures, and the remainder was related to projections of deferred federal and state income taxes. Our effective income tax rate was 21.2% and 22.5% during the Current Quarter and the Prior Quarter, respectively. Our effective tax rate can fluctuate due to the impact of discrete items, state income taxes and permanent differences. See Note 8 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 Securities Exchange Act of 1934 (the “Exchange Act”). Forward-looking statements include our current expectations or forecasts of future events, including matters relating to the pending Southwestern Merger, armed conflict and instability in Europe and the Middle East, along with the effects of the current global economic environment, and the impact of each on our business, financial condition, results of operations and cash flows, the potential effects of the Plan 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, the amount and timing of any cash dividends, and our ESG initiatives. Forward-looking and other statements in this Form 10-Q regarding our environmental, social and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking environmental, social and sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. 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:

- conservation measures and technological advances could reduce demand for natural gas and oil;
- negative public perceptions of our industry;
- competition in the natural gas and oil exploration and production industry;
- the volatility of natural gas, oil 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;
- risks from regional epidemics or pandemics and related economic turmoil, including supply chain constraints;
- write-downs of our natural gas and oil asset carrying values due to low commodity prices;
- significant capital expenditures are required to replace our reserves and conduct our business;
- our ability to replace reserves and sustain production;
- uncertainties inherent in estimating quantities of natural gas, oil and NGL reserves and projecting future rates of production and the amount and timing of development expenditures;
- drilling and operating risks and resulting liabilities;
- our ability to generate profits or achieve targeted results in drilling and well operations;
- leasehold terms expiring before production can be established;
- risks from our commodity price risk management activities;
- uncertainties, risks and costs associated with natural gas and oil operations;
- our need to secure adequate supplies of water for our drilling operations and to dispose of or recycle the water used;
- pipeline and gathering system capacity constraints and transportation interruptions;
- our plans to participate in the LNG export industry;

- terrorist activities and/or cyber-attacks adversely impacting our operations;
- risks from failure to protect personal information and data and compliance with data privacy and security laws and regulations;
- disruption of our business by natural or human causes beyond our control;
- a deterioration in general economic, business or industry conditions;
- the impact of inflation and commodity price volatility, including as a result of armed conflict and instability in Europe and the Middle East, along with the effects of the current global economic environment, on our business, financial condition, employees, contractors, vendors and the global demand for natural gas and oil and on U.S. and global financial markets;
- our inability to access the capital markets on favorable terms;
- the limitations on our financial flexibility due to our level of indebtedness and restrictive covenants from our indebtedness;
- our actual financial results after emergence from bankruptcy may not be comparable to our historical financial information;
- risks related to acquisitions or dispositions, or potential acquisitions or dispositions, including risks related to the pending Southwestern Merger, such as the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement for the Southwestern Merger; the possibility that our stockholders may not approve the issuance of our common stock in connection with the proposed transaction; the possibility that the stockholders of Southwestern may not approve the merger agreement; the risk that we or Southwestern may be unable to obtain governmental and regulatory approvals required for the proposed transaction, or required governmental and regulatory approvals may delay the Southwestern Merger or result in the imposition of conditions that could cause the parties to abandon the Southwestern Merger; the risk that the parties may not be able to satisfy the conditions to the proposed transaction in a timely manner or at all; risks related to limitation on our ability to pursue alternatives to the Southwestern Merger; risks related to change in control or other provisions in certain agreements that may be triggered upon completion of the Southwestern Merger; risks related to the merger agreement's restrictions on business activities prior to the effective time of the Southwestern Merger; risks related to loss of management personnel, other key employees, customers, suppliers, vendors, landlords, joint venture partners and other business partners following the Southwestern Merger; risks related to disruption of management time from ongoing business operations due to the proposed transaction; the risk that any announcements relating to the proposed transaction could have adverse effects on the market price of our common stock or Southwestern's common stock; the risk of any unexpected costs or expenses resulting from the proposed transaction; the risk of any litigation relating to the proposed transaction; the risk that problems may arise in successfully integrating the businesses of the companies, which may result in the combined company not operating as effectively and efficiently as expected; and the risk that the combined company may be unable to achieve synergies or other anticipated benefits of the proposed transaction or it may take longer than expected to achieve those synergies or benefits;
- our ability to achieve and maintain ESG certifications, goals and commitments;
- legislative, regulatory and ESG initiatives, addressing environmental concerns, including initiatives addressing the impact of global climate change or further regulating hydraulic fracturing, methane emissions, flaring or water disposal;
- federal and state tax proposals affecting our industry;
- risks related to an annual limitation on the utilization of our tax attributes, which is expected to be triggered upon the completion of the Southwestern Merger, as well as trading in our common stock, additional

issuance of common stock, and certain other stock transactions, which could lead to an additional, potentially more restrictive, annual limitation; and

- other factors that are described under *Risk Factors* in Item 1A of our 2023 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 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 on the Investors section of our website 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 natural gas, oil 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 natural gas, oil and NGL, which have historically been volatile. To mitigate a portion of our exposure to adverse price changes, we enter into various derivative instruments. Our natural gas, oil and NGL derivative activities, when combined with our sales of natural gas, oil 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 11 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.

Our natural gas revenues during the Current Quarter, excluding any effect of our derivative instruments, were $589 million. We did not have any oil or NGL revenues during the Current Quarter. Based on production, natural gas revenues for the Current Quarter would have increased or decreased by approximately $59 million, for a 10% increase or decrease in prices. As of March 31, 2024, the fair value of our natural gas derivatives was a net asset of $599 million. As of March 31, 2024, we did not have any open oil or NGL derivative positions. A 10% increase in forward natural gas prices would decrease the valuation of natural gas derivatives by approximately $174 million, while a 10% decrease would increase the valuation by approximately $178 million. This fair value change assumes volatility based on prevailing market parameters at March 31, 2024. Additionally, should oil prices not meet the average target prices specified within the contingent payment from SilverBow, we may not receive any payment from the up to $50 million contingent consideration arrangement. See Note 11 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, including information about the contingent consideration arrangement.

Interest Rate Risk

Our exposure to interest rate changes relates primarily to borrowings under our Credit Facility. Interest is payable on borrowings under the Credit Facility based on floating rates. See Note 4 of the notes to our condensed consolidated financial statements included in Item 1 of Part 1 of this report for additional information. As of March 31, 2024, we did not have any outstanding borrowings under our Credit Facility.

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 March 31, 2024 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 quarterly report on 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*

Litigation and Regulatory Proceedings

We are involved in various regulatory proceedings, lawsuits and disputes arising in the ordinary course of our business operations, including commercial disputes, personal injury claims, royalty claims, property damage claims and contract actions. The majority of the legal proceedings that were in existence prior to the Petition Date were 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.

In connection with the Southwestern Merger, one lawsuit has been filed by a purported stockholder of the Company relating to the Southwestern Merger: *Gerald Joseph Lovoi v. Chesapeake Energy Corp., et al.*, No. 1:24-cv-01896 (S.D.N.Y Mar. 13, 2024). The complaint alleges, among other things, that the Company's Board of Directors caused to be filed a materially misleading and incomplete registration statement on February 29, 2024, in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9, promulgated thereunder, and seeks to enjoin the Southwestern Merger and obtain other relief. The Company believes that the claims in the complaint are without merit and intends to vigorously defend against them.

See Note 5 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for information regarding our estimation and provision for potential losses related to litigation and regulatory proceedings. Based on management's current assessment, other than as described above, 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.

Environmental Contingencies

The nature of the natural gas and oil 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 address 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.

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 2023 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*

Repurchases of Equity Securities

We did not repurchase any shares of our common stock during the quarter ended March 31, 2024.

ITEM 3. *Defaults Upon Senior Securities*

None.

ITEM 4. *Mine Safety Disclosures*

Not applicable.

ITEM 5. *Other Information*

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

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

		Incorporated by Reference				
Exhibit Number	**Exhibit Description**	**Form**	**SEC File Number**	**Exhibit**	**Filing Date**	**Filed or Furnished Herewith**
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	
2.2*	Agreement and Plan of Merger, dated as of January 10, 2024, among Chesapeake Energy Corporation, Hulk Merger Sub, Inc., Hulk LLC Sub, LLC, and Southwestern Energy Company.	8-K	001-13726	2.1	1/11/2024	
10.1†	Form of Chesapeake Energy Corporation Executive Letter Agreement.	8-K	001-13726	10.1	1/11/2024	
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	
31.1	Domenic J. Dell’Osso, Jr., President and Chief Executive Officer, Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Mohit Singh, Executive Vice President and Chief Financial Officer, Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Domenic J. Dell’Osso Jr., President and Chief Executive Officer, Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Mohit Singh, Executive Vice President and Chief Financial Officer, Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					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

Exhibit Number	Exhibit Description	Incorporated by Reference Form	SEC File Number	Exhibit	Filing Date	Filed or Furnished Herewith
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

* Annexes, schedules and certain exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted annexes, schedules and exhibits upon request by the SEC.

† 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: April 30, 2024	By:	/s/ DOMENIC J. DELL'OSSO, JR. Domenic J. Dell'Osso, Jr. President and Chief Executive Officer
Date: April 30, 2024	By:	/s/ MOHIT SINGH Mohit Singh Executive Vice President and Chief Financial 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(s) 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.

April 30, 2024

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

CERTIFICATION

I, Mohit Singh, 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(s) 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.

April 30, 2024

By: /s/ MOHIT SINGH
Mohit Singh
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Domenic J. Dell'Osso, Jr., President and 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.

April 30, 2024

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

Exhibit 32.2

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 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mohit Singh, 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.

April 30, 2024

By: /s/ MOHIT SINGH
Mohit Singh
Executive Vice President and Chief Financial Officer