

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

FORM 8-K

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

Date of Report (Date of earliest event reported): August 1, 2023



CHESAPEAKE ENERGY CORPORATION

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	CHK	The Nasdaq Stock Market LLC
Class A Warrants to purchase Common Stock	CHKEW	The Nasdaq Stock Market LLC
Class B Warrants to purchase Common Stock	CHKEZ	The Nasdaq Stock Market LLC
Class C Warrants to purchase Common Stock	CHKEL	The Nasdaq Stock Market LLC

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On August 1, 2023, Chesapeake Energy Corporation (“Chesapeake”) issued a press release reporting financial and operational results for the second quarter of 2023. A copy of the press release and financial information are attached as Exhibit 99.1 and Exhibit 99.2, respectively, to this Current Report on Form 8-K.

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

Item 7.01 Regulation FD Disclosure.

On August 2, 2023, Chesapeake will make a presentation about its financial and operating results for the second quarter of 2023, as noted in the press release described in Item 2.02 above. Chesapeake has made the presentation available on its website at <http://investors.chk.com>.

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Document Description
99.1	Chesapeake Energy Corporation press release dated August 1, 2023
99.2	Supplemental Financial Information
104.0	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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

CHESAPEAKE ENERGY CORPORATION

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

Domenic J. Dell'Osso, Jr.

President and Chief Executive Officer

Date: August 1, 2023

NEWS RELEASE

FOR IMMEDIATE RELEASE
AUGUST 1, 2023

CHESAPEAKE ENERGY CORPORATION REPORTS 2023 SECOND QUARTER RESULTS

OKLAHOMA CITY, August 1, 2023 – Chesapeake Energy Corporation (NASDAQ:CHK) today reported 2023 second quarter financial and operating results.

- **Net cash provided by operating activities of \$515 million**
- **Net income of \$391 million, or \$2.73 per diluted share (all per share amounts stated on a diluted basis); adjusted net income⁽¹⁾ of \$92 million, or \$0.64 per share**
- **Delivered total net production of 3,653 mmcf per day and adjusted EBITDAX⁽¹⁾ of \$524 million**
- **Increased base dividend approximately 4.5%; announced total quarterly dividend of \$0.575 per common share to be paid in September 2023**
- **Completed approximately \$125 million of share repurchases during second quarter; returned approximately \$515 million YTD through second quarter via dividends and share repurchases**
- **Cash on hand of approximately \$900 million as of June 30, 2023**
- **Received recent upgrades to Ba1 and BB+ from Moody's and Fitch Ratings, respectively; continued path towards Investment Grade credit status**
- **Entered into new heads of agreements (HOA) with Lake Charles LNG supporting previously announced Gunvor LNG HOA**
- **Achieved Grade "A" MiQ and Grade "A-" EO100™ Recertification for Marcellus Operations**

(1) A Non-GAAP measure as defined in the supplemental financial tables available on the company's website at www.chk.com.

Nick Dell'Osso, Chesapeake's President and Chief Executive Officer, said, "Our team delivered another strong quarter, driven by outstanding operational results across our portfolio. We were purposefully built to deliver sustainable performance through commodity cycles. Our strong balance sheet and deep liquidity underpin the leading rock, returns and runway of our portfolio and have allowed us to repurchase shares at a compelling valuation and grow our base dividend. Our focus is clear – to Be LNG Ready and opportunistically capitalize on our strong financial position and leading operating performance. We remain confident in our ability to deliver affordable, reliable, lower carbon energy with peer-leading returns to shareholders."

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CHESAPEAKE ENERGY CORPORATION

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Operational Results

Second quarter net production was approximately 3,653 mmcfe per day (96% natural gas and 4% total liquids), utilizing an average of 12 rigs to drill 53 wells and place 27 wells on production.

Chesapeake is currently operating nine rigs including four in the Marcellus and five in the Haynesville. As previously announced, the company released a rig from the Marcellus at the beginning of the third quarter and another from the Haynesville this week. Drilling operations in the Eagle Ford asset have concluded for the year.

The company is currently operating one frac crew in the Marcellus and one in the Haynesville having released one crew each from the Marcellus, Haynesville, and Eagle Ford in the second or beginning of the third quarter.

Chesapeake continued to build upon its peer leading operational performance, recognizing additional efficiency improvements during the second quarter. In the Marcellus, the company drilled three of the five fastest wells in its history, including the fastest well, a 10,383-foot lateral to a total depth of 17,083 feet in less than eight days. In the Haynesville, continuous pumping technology employed in 2023 has led to a greater than 20% increase in efficiencies relative to previous zipper operations. In addition to the multiple D&C performance records, the combined employee and contractor Total Recordable Incident Rate for the first half of 2023, was more than 50% improved from the same time period last year

The company expects to drill 30 to 40 wells and place 40 to 50 wells on production in the third quarter of 2023. The company's operating plan remains flexible and is prepared for further adjustments based on market conditions.

Year-to-date, the company has acquired 10,000 net acres through its ongoing leasing program in the Marcellus and Haynesville at an average cost of \$2,400 per acre.

On its continued path to Be LNG Ready, the company entered into a Heads of Agreement (HOA) with Energy Transfer LP's Lake Charles LNG project. Under the agreement, Chesapeake will supply to Lake Charles LNG volumes of natural gas sufficient to produce up to 1.0 mtpa of LNG which, post liquefaction, would be purchased by Gunvor at a price indexed to JKM for a period of 15 years.

Financial and Shareholder Return Update

During the second quarter of 2023, Chesapeake generated \$515 million of operating cash flow and had \$903 million of cash on hand with zero dollars drawn on its credit facility at quarter-end. Chesapeake increased its base dividend 4.5%, and will pay \$0.575/share on September 6, 2023, to shareholders of record at the close of business on August 17, 2023.

Through July 31, 2023, Chesapeake repurchased approximately 2.6 million shares of its common stock for approximately \$200 million at an average price of \$78.53 per share. Chesapeake has approximately \$725 million remaining under its share repurchase program and, in total, has repurchased approximately 14 million shares of its common stock at a cost of approximately \$1.275 billion under its current \$2 billion authorization.

Since April, Chesapeake's IDR has been updated to 'BB+' maintaining a positive outlook and 'Ba1' with a stable outlook by Fitch Ratings and Moody's, respectively. The agencies attributed strengths of scale, conservative financial policy, and cash optionality as fundamental to the company's continued rating improvement. Chesapeake now sits one notch below investment grade at the agencies.

Sustainability Update

Chesapeake achieved recertification of its natural gas production across the entirety of its Marcellus operations, which averaged approximately 4.4 billion cubic feet (bcf) of gross natural gas per day during the second quarter of 2023. The company received a grade A under the MiQ methane emissions standard and a grade A- from Equitable Origin's EO100™ Standard for Responsible Energy Development, which focuses on environmental, social and governance (ESG) performance. The company expects to obtain recertification of its Haynesville assets in December.

The company also published its 2022 Sustainability Report in June, marking Chesapeake's 11th year reporting on its environmental, social and governance (ESG) performance. The report continues the company's commitment to transparency, enhanced disclosures and measurable progress.

Conference Call Information

Chesapeake plans to conduct a conference call to discuss recent financial and operating results at 9:00 a.m. EDT on Wednesday, August 2, 2023. The telephone number to access the conference call is 888-317-6003 or 412-317-6061 for international callers. The passcode for the call is 7847679.

Financial Statements, Non-GAAP Financial Measures and 2023 Guidance

The company's 2023 second quarter financial and operational results, along with non-GAAP measures that adjust for items that are typically excluded by securities analysts, are available on the company's website. Such non-GAAP measures should be not considered as an alternative to GAAP measures. Reconciliations of these non-GAAP measures and other disclosures are provided with the supplemental financial tables available on the company's website at www.chk.com. Management's updated guidance for 2023 can be found within the company's quarterly data supplement found on their website at www.chk.com.

Headquartered in Oklahoma City, Chesapeake Energy Corporation (NASDAQ:CHK) is powered by dedicated and innovative employees who are focused on discovering and responsibly developing leading positions in top U.S. oil and gas plays. With a goal to achieve net zero GHG emissions (Scope 1 and 2) by 2035, Chesapeake is committed to safely answering the call for affordable, reliable, lower carbon energy.

Forward-Looking Statements

This release 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 continuing effects of the impact of inflation and commodity price volatility resulting from Russia's invasion of Ukraine, COVID-19 and related supply chain constraints, 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 release 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: the impact of inflation and commodity price volatility resulting from Russia's invasion of Ukraine, COVID-19 and related labor and supply chain constraints, along with the effects of the current global economic environment, including impacts from higher interest rates and recent bank closures and liquidity concerns at certain financial institutions, on our business, financial condition, employees, contractors, vendors and the global demand for natural gas and oil and U.S. and on world financial markets; our ability to comply with the covenants under the credit agreement for our New Credit Facility and other indebtedness; risks related to acquisitions or dispositions, or potential acquisitions or dispositions; our ability to realize anticipated cash cost reductions; 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; a deterioration in general economic, business or industry conditions; 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; our ability to replace reserves and sustain production; drilling and operating risks and resulting liabilities; our ability to generate profits or achieve targeted results in drilling and well operations; the limitations our level of indebtedness may have on our financial flexibility; our ability to achieve and maintain ESG certifications, goals and commitments; our inability to access the capital markets on favorable terms; the availability of cash flows from operations and other funds to fund cash dividends and repurchases of equity securities, to finance reserve replacement costs and/or satisfy our debt obligations; write-downs of our natural gas and oil asset carrying values due to low commodity prices; charges

incurred in response to market conditions; limited control over properties we do not operate; leasehold terms expiring before production can be established; commodity derivative activities resulting in lower prices realized on natural gas, oil and NGL sales; the need to secure derivative liabilities and the inability of counterparties to satisfy their obligations; potential OTC derivatives regulations limiting our ability to hedge against commodity price fluctuations; adverse developments or losses from pending or future litigation and regulatory proceedings, including royalty claims; 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; 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; terrorist activities and/or cyber-attacks adversely impacting our operations; an interruption in operations at our headquarters due to a catastrophic event; federal and state tax proposals affecting our industry; competition in the natural gas and oil exploration and production industry; negative public perceptions of our industry; effects of purchase price adjustments and indemnity obligations; the ability to execute on our business strategy following emergence from bankruptcy; and other factors that are described under Risk Factors in Item 1A of our 2022 Form 10-K.

We caution you not to place undue reliance on the forward-looking statements contained in this release, 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 release and our filings with the SEC that attempt to advise interested parties of the risks and factors that may affect our business.

CHESAPEAKE ENERGY CORPORATION - SUPPLEMENTAL TABLES

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CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(\$ in millions, except per share data)

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 903	\$ 130
Restricted cash	72	62
Accounts receivable, net	671	1,438
Short-term derivative assets	417	34
Assets held for sale	—	819
Other current assets	157	215
Total current assets	2,220	2,698
Property and equipment:		
Natural gas and oil properties, successful efforts method		
Proved natural gas and oil properties	11,201	11,096
Unproved properties	2,000	2,022
Other property and equipment	501	500
Total property and equipment	13,702	13,618
Less: accumulated depreciation, depletion and amortization	(3,049)	(2,431)
Total property and equipment, net	10,653	11,187
Long-term derivative assets	78	47
Deferred income tax assets	952	1,351
Other long-term assets	526	185
Total assets	\$ 14,429	\$ 15,468
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 642	\$ 603
Accrued interest	39	42
Short-term derivative liabilities	26	432
Other current liabilities	944	1,627
Total current liabilities	1,651	2,704
Long-term debt, net	2,036	3,093
Long-term derivative liabilities	29	174
Asset retirement obligations, net of current portion	277	323
Other long-term liabilities	40	50
Total liabilities	4,033	6,344
Contingencies and commitments		
Stockholders' equity:		
Common stock, \$0.01 par value, 450,000,000 shares authorized: 132,684,741 and 134,715,094 shares issued	1	1
Additional paid-in capital	5,726	5,724
Retained earnings	4,669	3,399
Total stockholders' equity	10,396	9,124
Total liabilities and stockholders' equity	\$ 14,429	\$ 15,468

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
<i>(\$ in millions, except per share data)</i>				
Revenues and other:				
Natural gas, oil and NGL	\$ 649	\$ 2,790	\$ 2,102	\$ 4,704
Marketing	611	1,223	1,263	2,090
Natural gas and oil derivatives	159	(514)	1,089	(2,639)
Gains on sales of assets	472	21	807	300
Total revenues and other	<u>1,891</u>	<u>3,520</u>	<u>5,261</u>	<u>4,455</u>
Operating expenses:				
Production	89	118	220	228
Gathering, processing and transportation	207	274	471	516
Severance and ad valorem taxes	40	57	109	120
Exploration	8	7	15	12
Marketing	611	1,228	1,262	2,079
General and administrative	31	36	66	62
Separation and other termination costs	3	—	3	—
Depreciation, depletion and amortization	376	451	766	860
Other operating expense, net	9	8	12	31
Total operating expenses	<u>1,374</u>	<u>2,179</u>	<u>2,924</u>	<u>3,908</u>
Income from operations	<u>517</u>	<u>1,341</u>	<u>2,337</u>	<u>547</u>
Other income (expense):				
Interest expense	(22)	(36)	(59)	(68)
Other income	23	9	33	25
Total other income (expense)	<u>1</u>	<u>(27)</u>	<u>(26)</u>	<u>(43)</u>
Income before income taxes	<u>518</u>	<u>1,314</u>	<u>2,311</u>	<u>504</u>
Income tax expense	127	77	531	31
Net income available to common stockholders	<u>\$ 391</u>	<u>\$ 1,237</u>	<u>\$ 1,780</u>	<u>\$ 473</u>
Earnings per common share:				
Basic	\$ 2.93	\$ 9.75	\$ 13.27	\$ 3.82
Diluted	\$ 2.73	\$ 8.27	\$ 12.36	\$ 3.25
Weighted average common shares outstanding (in thousands):				
Basic	133,514	126,814	134,125	123,826
Diluted	143,267	149,532	144,007	145,534

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(\$ in millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from operating activities:				
Net income	\$ 391	\$ 1,237	\$ 1,780	\$ 473
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation, depletion and amortization	376	451	766	860
Deferred income tax expense	21	—	399	—
Derivative (gains) losses, net	(159)	514	(1,089)	2,639
Cash receipts (payments) on derivative settlements, net	236	(1,043)	(49)	(1,611)
Share-based compensation	9	6	16	10
Gains on sales of assets	(472)	(21)	(807)	(300)
Exploration	5	6	8	10
Other	12	13	21	5
Changes in assets and liabilities	96	(254)	359	(324)
Net cash provided by operating activities	<u>515</u>	<u>909</u>	<u>1,404</u>	<u>1,762</u>
Cash flows from investing activities:				
Capital expenditures	(530)	(415)	(1,027)	(759)
Business combination, net	—	—	—	(2,006)
Contributions to investments	(49)	—	(88)	—
Proceeds from divestitures of property and equipment	1,032	—	1,963	403
Net cash provided by (used in) investing activities	<u>453</u>	<u>(415)</u>	<u>848</u>	<u>(2,362)</u>
Cash flows from financing activities:				
Proceeds from New Credit Facility	125	—	1,125	—
Payments on New Credit Facility	(125)	—	(2,175)	—
Proceeds from Exit Credit Facility	—	2,985	—	4,550
Payments on Exit Credit Facility	—	(2,710)	—	(3,775)
Funds held for transition services	97	—	97	—
Proceeds from warrant exercise	—	2	—	3
Cash paid to repurchase and retire common stock	(127)	(475)	(181)	(558)
Cash paid for common stock dividends	(160)	(298)	(335)	(508)
Net cash used in financing activities	<u>(190)</u>	<u>(496)</u>	<u>(1,469)</u>	<u>(288)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	778	(2)	783	(888)
Cash, cash equivalents and restricted cash, beginning of period	197	28	192	914
Cash, cash equivalents and restricted cash, end of period	<u>\$ 975</u>	<u>\$ 26</u>	<u>\$ 975</u>	<u>\$ 26</u>
Cash and cash equivalents	\$ 903	\$ 17	\$ 903	\$ 17
Restricted cash	72	9	72	9
Total cash, cash equivalents and restricted cash	<u>\$ 975</u>	<u>\$ 26</u>	<u>\$ 975</u>	<u>\$ 26</u>

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

	Three Months Ended June 30, 2023							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBbl per day	\$/Bbl	MMcfe per day	\$/Mcfe
Marcellus	1,830	1.51	—	—	—	—	1,830	1.51
Haynesville	1,590	1.77	—	—	—	—	1,590	1.77
Eagle Ford	85	2.32	15	76.39	10	23.67	233	6.73
Total	<u>3,505</u>	1.65	<u>15</u>	76.39	<u>10</u>	23.67	<u>3,653</u>	1.97
Average NYMEX Price		2.10		73.78				
Average Realized Price (including realized derivatives)		2.36		84.58		23.67		2.67

	Three Months Ended June 30, 2022							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBbl per day	\$/Bbl	MMcfe per day	\$/Mcfe
Marcellus	1,957	6.46	—	—	—	—	1,957	6.46
Haynesville	1,643	6.60	—	—	—	—	1,643	6.60
Eagle Ford	130	7.23	50	111.01	16	42.56	525	13.63
Total	<u>3,730</u>	6.55	<u>50</u>	111.01	<u>16</u>	42.56	<u>4,125</u>	7.43
Average NYMEX Price		7.17		108.41				
Average Realized Price (including realized derivatives)		4.03		69.46		42.56		4.65

	Six Months Ended June 30, 2023							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBbl per day	\$/Bbl	MMcfe per day	\$/Mcfe
Marcellus	1,901	2.52	—	—	—	—	1,901	2.52
Haynesville	1,570	2.32	—	—	—	—	1,570	2.32
Eagle Ford	106	2.11	34	76.72	13	25.54	389	8.19
Total	<u>3,577</u>	2.42	<u>34</u>	76.72	<u>13</u>	25.54	<u>3,860</u>	3.01
Average NYMEX Price		2.76		74.96				
Average Realized Price (including realized derivatives)		2.55		70.67		25.54		3.08

	Six Months Ended June 30, 2022							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBbl per day	\$/Bbl	MMcfe per day	\$/Mcfe
Marcellus	1,706	5.70	—	—	—	—	1,706	5.70
Haynesville	1,634	5.54	—	—	—	—	1,634	5.54
Eagle Ford	129	5.65	51	102.84	16	41.84	531	12.53
Powder River Basin	20	5.45	4	95.18	1	53.96	51	10.66
Total	<u>3,489</u>	5.62	<u>55</u>	102.30	<u>17</u>	42.82	<u>3,922</u>	6.62
Average NYMEX Price		6.06		101.35				
Average Realized Price (including realized derivatives)		3.59		67.38		42.82		4.32

CAPITAL EXPENDITURES ACCRUED (unaudited)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
<i>(\$ in millions)</i>				
Drilling and completion capital expenditures:				
Marcellus	\$ 115	\$ 129	\$ 233	\$ 186
Haynesville	254	197	513	380
Eagle Ford	90	136	213	179
Powder River Basin	—	—	—	22
Total drilling and completion capital expenditures	459	462	959	767
Non-drilling and completion - field	28	29	52	41
Non-drilling and completion - corporate	18	20	38	42
Total capital expenditures	\$ 505	\$ 511	\$ 1,049	\$ 850

NON-GAAP FINANCIAL MEASURES

As a supplement to the financial results prepared in accordance with U.S. GAAP, Chesapeake's quarterly earnings releases contain certain financial measures that are not prepared or presented in accordance with U.S. GAAP. These non-GAAP financial measures include Adjusted Net Income, Adjusted Diluted Earnings Per Common Share, Adjusted EBITDAX, Free Cash Flow, Adjusted Free Cash Flow and Net Debt. A reconciliation of each financial measure to its most directly comparable GAAP financial measure is included in the tables below. Management believes these adjusted financial measures are a meaningful adjunct to earnings and cash flows calculated in accordance with GAAP because (a) management uses these financial measures to evaluate the company's trends and performance, (b) these financial measures are comparable to estimates provided by certain securities analysts, and (c) items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

Chesapeake's definitions of each non-GAAP measure presented herein are provided below. Because not all companies use identical calculations, Chesapeake's non-GAAP measures may not be comparable to similarly titled measures of other companies.

Adjusted Net Income: Adjusted Net Income is defined as net income (loss) available to common stockholders adjusted to exclude unrealized (gains) losses on natural gas and oil derivatives, gains on sales of assets, and certain items management believes affect the comparability of operating results, less a tax effect using applicable rates. Chesapeake believes that Adjusted Net Income facilitates comparisons of the company's period-over-period performance, which many investors use in making investment decisions and evaluating operational trends and performance. Adjusted Net Income should not be considered an alternative to, or more meaningful than, net income (loss) available to common stockholders as presented in accordance with GAAP.

Adjusted Diluted Earnings Per Common Share: Adjusted Diluted Earnings Per Common Share is defined as diluted earnings (loss) per common share adjusted to exclude the per diluted share amounts attributed to unrealized (gains) losses on natural gas and oil derivatives, gains on sales of assets, and certain items management believes affect the comparability of operating results, less a tax effect using applicable rates. Chesapeake believes that Adjusted Diluted Earnings Per Common Share facilitates comparisons of the company's period-over-period performance, which many investors use in making investment decisions and evaluating operational trends and performance. Adjusted Diluted Earnings Per Common Share should not be considered an alternative to, or more meaningful than, earnings (loss) per common share as presented in accordance with GAAP.

Adjusted EBITDAX: Adjusted EBITDAX is defined as net income (loss) before interest expense, income tax expense (benefit), depreciation, depletion and amortization expense, exploration expense, unrealized (gains) losses on natural gas and oil derivatives, separation and other termination costs, (gains) losses on sales of assets, and certain items management believes affect the comparability of operating results. Adjusted EBITDAX is presented as it provides investors an indication of the company's ability to internally fund exploration and development activities and service or incur debt. Adjusted EBITDAX should not be considered an alternative to, or more meaningful than, net income (loss) as presented in accordance with GAAP.

Free Cash Flow: Free Cash Flow is defined as net cash provided by (used in) operating activities less cash capital expenditures. Free Cash Flow is a liquidity measure that provides investors additional information regarding the company's ability to service or incur debt and return cash to shareholders. Free Cash Flow should not be considered an alternative to, or more meaningful than, net cash provided by (used in) operating activities, or any other measure of liquidity presented in accordance with GAAP.

Adjusted Free Cash Flow: Adjusted Free Cash Flow is defined as net cash provided by (used in) operating activities less cash capital expenditures and cash contributions to investments, adjusted to exclude certain items management believes affect the comparability of operating results. Adjusted Free Cash Flow is a liquidity measure that provides investors additional information regarding the company's ability to service or incur debt and return cash to shareholders and is used to determine Chesapeake's quarterly variable dividend. Adjusted Free Cash Flow should not be considered an alternative to, or more meaningful than, net cash provided by (used in) operating activities, or any other measure of liquidity presented in accordance with GAAP.

Net Debt: Net Debt is defined as GAAP total debt excluding premiums, discounts, and deferred issuance costs less cash and cash equivalents. Net Debt is useful to investors as a widely understood measure of liquidity and leverage, but this measure should not be considered as an alternative to, or more meaningful than, total debt presented in accordance with GAAP.

RECONCILIATION OF NET INCOME AVAILABLE TO COMMON STOCKHOLDERS TO ADJUSTED NET INCOME (unaudited)

(\$ in millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net income available to common stockholders (GAAP)	\$ 391	\$ 1,237	\$ 1,780	\$ 473
Adjustments:				
Unrealized (gains) losses on natural gas and oil derivatives	78	(532)	(1,041)	1,006
Separation and other termination costs	3	—	3	—
Gains on sales of assets	(472)	(21)	(807)	(300)
Other operating expense, net	8	16	15	47
Other	(9)	(2)	(15)	(15)
Tax effect of adjustments ^(a)	93	31	427	(46)
Adjusted net income (Non-GAAP)	<u>\$ 92</u>	<u>\$ 729</u>	<u>\$ 362</u>	<u>\$ 1,165</u>

(a) The Current Quarter and Current Period include a tax effect attributed to the reconciling adjustments using a statutory rate of 23%. The Prior Quarter and Prior Period include a tax effect attributed to the reconciling adjustments using blended rates of 5.8% and 6.2%, respectively.

RECONCILIATION OF EARNINGS PER COMMON SHARE TO ADJUSTED DILUTED EARNINGS PER COMMON SHARE (unaudited)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
	\$/Share	\$/Share	\$/Share	\$/Share
Earnings per common share (GAAP)	\$ 2.93	\$ 9.75	\$ 13.27	\$ 3.82
Effect of dilutive securities	(0.20)	(1.48)	(0.91)	(0.57)
Diluted earnings per common share (GAAP)	\$ 2.73	\$ 8.27	\$ 12.36	\$ 3.25
Adjustments:				
Unrealized (gains) losses on natural gas and oil derivatives	0.54	(3.57)	(7.24)	6.91
Separation and other termination costs	0.02	—	0.02	—
Gains on sales of assets	(3.30)	(0.14)	(5.60)	(2.06)
Other operating expense, net	0.06	0.11	0.11	0.32
Other	(0.06)	(0.01)	(0.11)	(0.10)
Tax effect of adjustments ^(a)	0.65	0.21	2.97	(0.32)
Adjusted diluted earnings per common share (Non-GAAP)	<u>\$ 0.64</u>	<u>\$ 4.87</u>	<u>\$ 2.51</u>	<u>\$ 8.00</u>

(a) The Current Quarter and Current Period include a tax effect attributed to the reconciling adjustments using a statutory rate of 23%. The Prior Quarter and Prior Period include a tax effect attributed to the reconciling adjustments using blended rates of 5.8% and 6.2%, respectively.

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDAX (unaudited)

(\$ in millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net income (GAAP)	\$ 391	\$ 1,237	\$ 1,780	\$ 473
Adjustments:				
Interest expense	22	36	59	68
Income tax expense	127	77	531	31
Depreciation, depletion and amortization	376	451	766	860
Exploration	8	7	15	12
Unrealized (gains) losses on natural gas and oil derivatives	78	(532)	(1,041)	1,006
Separation and other termination costs	3	—	3	—
Gains on sales of assets	(472)	(21)	(807)	(300)
Other operating expense, net	8	16	15	47
Other	(17)	(2)	(23)	(15)
Adjusted EBITDAX (Non-GAAP)	\$ 524	\$ 1,269	\$ 1,298	\$ 2,182

RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO ADJUSTED FREE CASH FLOW (unaudited)

(\$ in millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net cash provided by operating activities (GAAP)	\$ 515	\$ 909	\$ 1,404	\$ 1,762
Cash capital expenditures	(530)	(415)	(1,027)	(759)
Free cash flow (Non-GAAP)	(15)	494	377	1,003
Cash paid for acquisition costs	—	—	—	23
Cash contributions to investments	(49)	—	(88)	—
Free cash flow associated with divested assets ^(a)	(26)	—	(138)	—
Adjusted free cash flow (Non-GAAP)	\$ (90)	\$ 494	\$ 151	\$ 1,026

(a) In March and April of 2023, we closed two divestitures of certain Eagle Ford assets. Due to the structure of these transactions, both of which had an effective date of October 1, 2022, the cash generated by these assets was delivered to the respective buyers through a reduction in the proceeds we received at the closing of each transaction.

RECONCILIATION OF TOTAL DEBT TO NET DEBT (unaudited)

(\$ in millions)	June 30, 2023
Total debt (GAAP)	\$ 2,036
Premiums and issuance costs on debt	(86)
Principal amount of debt	1,950
Cash and cash equivalents	(903)
Net debt (Non-GAAP)	\$ 1,047