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 September 30, 2021

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

Commission File No. 1-13726

CHESAPEAKE ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Oklahoma	**73-1395733**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6100 North Western Avenue, Oklahoma City, Oklahoma	**73118**
(Address of principal executive offices)	(Zip Code)

(405) 848-8000
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated Filer ☒

Smaller Reporting Company ☒ Emerging Growth Company ☐

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

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

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

As of November 1, 2021, there were 117,105,845 shares of our $0.01 par value common stock outstanding.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
INDEX TO FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2021

Definitions

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

“ASC” means Accounting Standards Codification.

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

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

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

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

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

“Bcf” means billion cubic feet.

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

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

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

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

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

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

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

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

“Effective Date” means February 9, 2021.

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

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

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

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

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

“MBbls” means thousand barrels.

“MMBbls” means million barrels.

“MBoe” means thousand Boe.

“MMBoe” means million Boe.

“Mcf” means thousand cubic feet.

“MMcf” means million cubic feet.

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

“NGL” means natural gas liquids.

“NYMEX” means New York Mercantile Exchange.

“OPEC” means Organization of the Petroleum Exporting Countries.

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

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

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

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

“SEC” means United States Securities and Exchange Commission.

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

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

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

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

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

“WTI” means West Texas Intermediate.

“/Bbl” means per barrel.

“/Boe” means per Boe.

“/Mcf” means per Mcf.

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ITEM 1. Condensed Consolidated Financial Statements

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

	Successor		Predecessor	
	September 30, 2021		December 31, 2020	
Assets				
Current assets:				
Cash and cash equivalents	$	849	$	279
Restricted cash		9		—
Accounts receivable, net		815		746
Short-term derivative assets		—		19
Other current assets		61		64
Total current assets		1,734		1,108
Property and equipment:				
Oil and natural gas properties, successful efforts method				
Proved oil and natural gas properties		5,163		25,734
Unproved properties		421		1,550
Other property and equipment		492		1,754
Total property and equipment		6,076		29,038
Less: accumulated depreciation, depletion and amortization		(571)		(23,806)
Property and equipment held for sale, net		3		10
Total property and equipment, net		5,508		5,242
Other long-term assets		84		234
Total assets	$	7,326	$	6,584

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

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

	Successor	Predecessor
	September 30, 2021	December 31, 2020
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 257	$ 346
Current maturities of long-term debt	—	1,929
Accrued interest	10	3
Short-term derivative liabilities	1,345	93
Other current liabilities	898	723
Total current liabilities	2,510	3,094
Long-term debt, net	1,259	—
Long-term derivative liabilities	265	44
Asset retirement obligations, net of current portion	244	139
Other long-term liabilities	10	5
Liabilities subject to compromise	—	8,643
Total liabilities	4,288	11,925
Contingencies and commitments (Note 6)		
Stockholders' equity (deficit):		
Predecessor preferred stock, $0.01 par value, 20,000,000 shares authorized: 0 and 5,563,458 shares outstanding	—	1,631
Predecessor common stock, $0.01 par value, 22,500,000 shares authorized: 0 and 9,780,547 shares issued	—	—
Predecessor additional paid-in capital	—	16,937
Predecessor accumulated other comprehensive income	—	45
Successor common stock, $0.01 par value, 450,000,000 shares authorized: 98,286,731 and 0 shares issued	1	—
Successor additional paid-in capital	3,594	—
Accumulated deficit	(557)	(23,954)
Total stockholders' equity (deficit)	3,038	(5,341)
Total liabilities and stockholders' equity (deficit)	$ 7,326	$ 6,584

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

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

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Revenues and other:		
Oil, natural gas and NGL	$ 1,170	$ 672
Marketing	627	448
Oil and natural gas derivatives	(910)	(161)
Gains on sales of assets	3	1
Total revenues and other	890	960
Operating expenses:		
Production	80	82
Gathering, processing and transportation	219	258
Severance and ad valorem taxes	41	37
Exploration	2	5
Marketing	625	450
General and administrative	30	52
Separation and other termination costs	—	16
Depreciation, depletion and amortization	228	170
Other operating expense, net	3	1
Total operating expenses	1,228	1,071
Loss from operations	(338)	(111)
Other income (expense):		
Interest expense	(17)	(25)
Other income	—	2
Reorganization items, net	—	(611)
Total other expense	(17)	(634)
Loss before income taxes	(355)	(745)
Income tax benefit	(10)	—
Net loss	(345)	(745)
Net loss attributable to noncontrolling interests	—	—
Net loss attributable to Chesapeake	(345)	(745)
Preferred stock dividends	—	—
Net loss available to common stockholders	$ (345)	$ (745)
Loss per common share:		
Basic	$ (3.51)	$ (76.18)
Diluted	$ (3.51)	$ (76.18)
Weighted average common shares outstanding (in thousands):		
Basic	98,221	9,780
Diluted	98,221	9,780

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

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

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Revenues and other:			
Oil, natural gas and NGL	$ 2,615	$ 398	$ 2,006
Marketing	1,443	239	1,412
Oil and natural gas derivatives	(1,604)	(382)	573
Gains on sales of assets	9	5	1
Total revenues and other	2,463	260	3,992
Operating expenses:			
Production	194	32	295
Gathering, processing and transportation	541	102	813
Severance and ad valorem taxes	106	18	116
Exploration	4	2	417
Marketing	1,440	237	1,438
General and administrative	69	21	229
Separation and other termination costs	11	22	43
Depreciation, depletion and amortization	579	72	931
Impairments	1	—	8,522
Other operating expense (income), net	1	(12)	67
Total operating expenses	2,946	494	12,871
Loss from operations	(483)	(234)	(8,879)
Other income (expense):			
Interest expense	(47)	(11)	(307)
Gains on purchases or exchanges of debt	—	—	65
Other income (expense)	31	2	(9)
Reorganization items, net	—	5,569	(217)
Total other income (expense)	(16)	5,560	(468)
Income (loss) before income taxes	(499)	5,326	(9,347)
Income tax benefit	(10)	(57)	(13)
Net income (loss)	(489)	5,383	(9,334)
Net loss attributable to noncontrolling interests	—	—	16
Net income (loss) attributable to Chesapeake	(489)	5,383	(9,318)
Preferred stock dividends	—	—	(22)
Net income (loss) available to common stockholders	$ (489)	$ 5,383	$ (9,340)
Earnings (loss) per common share:			
Basic	$ (4.99)	$ 550.35	$ (955.99)
Diluted	$ (4.99)	$ 534.51	$ (955.99)
Weighted average common shares outstanding (in thousands):			
Basic	98,040	9,781	9,770
Diluted	98,040	10,071	9,770

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

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

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Net loss	$ (345)	$ (745)
Other comprehensive income, net of income tax:		
Reclassification of losses on settled derivative instruments	—	7
Other comprehensive income	—	7
Comprehensive loss	(345)	(738)
Comprehensive loss attributable to noncontrolling interests	—	—
Comprehensive loss attributable to Chesapeake	$ (345)	$ (738)

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Net income (loss)	$ (489)	$ 5,383	$ (9,334)
Other comprehensive income, net of income tax:			
Reclassification of losses on settled derivative instruments	—	3	24
Other comprehensive income	—	3	24
Comprehensive income (loss)	(489)	5,386	(9,310)
Comprehensive loss attributable to noncontrolling interests	—	—	16
Comprehensive income (loss) attributable to Chesapeake	$ (489)	$ 5,386	$ (9,294)

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

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

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Cash flows from operating activities:			
Net income (loss)	$ (489)	$ 5,383	$ (9,334)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation, depletion and amortization	579	72	931
Deferred income tax benefit	—	(57)	(10)
Derivative (gains) losses, net	1,604	382	(573)
Cash receipts (payments) on derivative settlements, net	(437)	(17)	890
Share-based compensation	5	3	16
Gains on sales of assets	(9)	(5)	(1)
Impairments	1	—	8,522
Non-cash reorganization items, net	—	(6,680)	(300)
Exploration	1	2	409
Gains on purchases or exchanges of debt	—	—	(65)
Other	10	45	(23)
Changes in assets and liabilities	(19)	851	693
Net cash provided by (used in) operating activities	1,246	(21)	1,155
Cash flows from investing activities:			
Capital expenditures	(404)	(66)	(973)
Proceeds from divestitures of property and equipment	9	—	15
Net cash used in investing activities	(395)	(66)	(958)
Cash flows from financing activities:			
Proceeds from Exit Credit Facility - Tranche A Loans	30	—	—
Payments on Exit Credit Facility - Tranche A Loans	(80)	(479)	—
Proceeds from pre-petition revolving credit facility borrowings	—	—	3,806
Payments on pre-petition revolving credit facility borrowings	—	—	(3,467)
Proceeds from DIP Facility borrowings	—	—	60
Payments on DIP Facility borrowings	—	(1,179)	(60)
Proceeds from issuance of senior notes, net	—	1,000	—
Proceeds from issuance of common stock	—	600	—
Proceeds from warrant exercise	2	—	—
Debt issuance and other financing costs	(3)	(8)	(109)
Cash paid to purchase debt	—	—	(95)
Cash paid for common stock dividends	(67)	—	—
Cash paid for preferred stock dividends	—	—	(22)
Other	(1)	—	(10)
Net cash provided by (used in) financing activities	(119)	(66)	103
Net increase (decrease) in cash, cash equivalents and restricted cash	732	(153)	300
Cash, cash equivalents and restricted cash, beginning of period	126	279	6
Cash, cash equivalents and restricted cash, end of period	$ 858	$ 126	$ 306
Cash and cash equivalents	$ 849	$ 40	$ 306
Restricted cash	9	86	—
Total cash, cash equivalents and restricted cash	$ 858	$ 126	$ 306

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

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

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Supplemental cash flow information:			
Cash paid for reorganization items, net	$ 65	$ 66	$ 118
Interest paid, net of capitalized interest	$ 33	$ 13	$ 201
Income taxes paid, net of refunds received	$ (3)	$ —	$ 1
Supplemental disclosure of significant non-cash investing and financing activities:			
Change in accrued drilling and completion costs	$ 25	$ (5)	$ (206)
Put option premium on equity backstop agreement	$ —	$ 60	$ 60
Operating lease obligations recognized	$ —	$ —	$ 32

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

	Attributable to Chesapeake								Non-controlling Interest	Total Stockholders' Equity
	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock		
	Shares	Amount	Shares	Amount						
Balance as of June 30, 2021 (Successor)	—	$ —	97,954,037	$ 1	$ 3,590	$ (178)	$ —	$ —	$ —	$ 3,413
Share-based compensation	—	—	761	—	4	—	—	—	—	4
Issuance of common stock for warrant exercise	—	—	6,218	—	—	—	—	—	—	—
Issuance of reserved common stock and warrants	—	—	325,715	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	(345)	—	—	—	(345)
Dividends on common stock	—	—	—	—	—	(34)	—	—	—	(34)
Balance as of September 30, 2021 (Successor)	—	$ —	98,286,731	$ 1	$ 3,594	$ (557)	$ —	$ —	$ —	$ 3,038

	Attributable to Chesapeake								Non-controlling Interest	Total Stockholders' Deficit
	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock		
	Shares	Amount	Shares	Amount						
Balance as of June 30, 2020 (Predecessor)	5,563,458	$ 1,631	9,780,202	$ —	$ 16,924	$ (22,793)	$ 29	$ —	$ 21	$ (4,188)
Share-based compensation	—	—	169	—	7	—	—	—	—	7
Net loss attributable to Chesapeake	—	—	—	—	—	(745)	—	—	—	(745)
Hedging activity	—	—	—	—	—	—	7	—	—	7
Balance as of September 30, 2020 (Predecessor)	5,563,458	$ 1,631	9,780,371	$ —	$ 16,931	$ (23,538)	$ 36	$ —	$ 21	$ (4,919)

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

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

	Attributable to Chesapeake									
	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Treasury Stock	Non-controlling Interest	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount						
Balance as of December 31, 2020 (Predecessor)	5,563,358	$ 1,631	9,780,547	$ —	$ 16,937	$ (23,954)	$ 45	$ —	$ —	$ (5,341)
Share-based compensation	—	—	67	—	3	—	—	—	—	3
Hedging activity	—	—	—	—	—	—	3	—	—	3
Net income	—	—	—	—	—	5,383	—	—	—	5,383
Cancellation of Predecessor equity	(5,563,358)	(1,631)	(9,780,614)	—	(16,940)	18,571	(48)	—	—	(48)
Issuance of Successor common stock	—	—	97,907,081	1	3,330	—	—	—	—	3,331
Issuance of Successor Class A warrants	—	—	—	—	93	—	—	—	—	93
Issuance of Successor Class B warrants	—	—	—	—	94	—	—	—	—	94
Issuance of Successor Class C warrants	—	—	—	—	68	—	—	—	—	68
Balance as of February 9, 2021 (Predecessor)	—	$ —	97,907,081	$ 1	$ 3,585	$ —	$ —	$ —	$ —	$ 3,586
Balance as of February 10, 2021 (Successor)	—	$ —	97,907,081	$ 1	$ 3,585	$ —	$ —	$ —	$ —	$ 3,586
Share-based compensation	—	—	1,682	—	7	—	—	—	—	7
Issuance of common stock for warrant exercise	—	—	52,253	—	2	—	—	—	—	2
Issuance of reserved common stock and warrants	—	—	325,715	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	(489)	—	—	—	(489)
Dividends on common stock	—	—	—	—	—	(68)	—	—	—	(68)
Balance as of September 30, 2021 (Successor)	—	$ —	98,286,731	$ 1	$ 3,594	$ (557)	$ —	$ —	$ —	$ 3,038

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

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

	Attributable to Chesapeake									
	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Non-controlling Interest	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount						
Balance as of December 31, 2019 (Predecessor)	5,563,458	$ 1,631	9,772,793	$ —	$ 16,973	$ (14,220)	$ 12	$ (32)	$ 37	$ 4,401
Share-based compensation	—	—	7,578	—	(20)	—	—	—	—	(20)
Dividends on preferred stock	—	—	—	—	(22)	—	—	—	—	(22)
Hedging activity	—	—	—	—	—	—	24	—	—	24
Net loss attributable to Chesapeake	—	—	—	—	—	(9,318)	—	—	—	(9,318)
Purchase of shares for company benefit plans	—	—	—	—	—	—	—	(2)	—	(2)
Release of shares for company benefit plans	—	—	—	—	—	—	—	34	—	34
Net loss attributable to noncontrolling interests	—	—	—	—	—	—	—	—	(16)	(16)
Balance as of September 30, 2020 (Predecessor)	5,563,458	$ 1,631	9,780,371	$ —	16,931	$ (23,538)	$ 36	$ —	$ 21	$ (4,919)

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

1. Basis of Presentation and Summary of Significant Accounting Policies

Description of Company

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

Basis of Presentation

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

This Quarterly Report on Form 10-Q (this "Form 10-Q") relates to the financial position and periods of February 10, 2021 through September 30, 2021 ("2021 Successor Period"), and January 1, 2021 through February 9, 2021 ("2021 Predecessor Period"), the three months ended September 30, 2021 ("2021 Successor Quarter"), and the three and nine months ended September 30, 2020 ("2020 Predecessor Quarter" and "2020 Predecessor Period", respectively). Our annual report on Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K") should be read in conjunction with this Form 10-Q. Except as disclosed herein, and with the exception of information in this report related to our emergence from Chapter 11 and fresh start accounting, there has been no material change in the information disclosed in the notes to the consolidated financial statements included in the 2020 Form 10-K. The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments 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. The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern.

Segments

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

Restricted Cash

As of September 30, 2021, we had restricted cash of $9 million. The restricted funds are maintained primarily to pay certain convenience class unsecured claims following our emergence from bankruptcy.

Voluntary Filing under Chapter 11 Bankruptcy

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

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

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

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

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

2. Chapter 11 Emergence

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

Plan of Reorganization

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

- On the Effective Date, we issued approximately 97,907,081 shares of New Common Stock, reserved 2,092,918 shares of New Common Stock for future issuance to eligible holders of Allowed Unsecured Notes Claims and Allowed General Unsecured Claims and reserved 37,174,210 shares of New Common Stock for issuance upon exercise of the Warrants, which were the result of the transactions described below. We also entered into a registration rights agreement, warrant agreements and amended our articles of incorporation and bylaws for the authorization of the New Common Stock among other corporate governance actions. See Note 10 for further discussion of our post-emergence equity.

- Each holder of an equity interest in the Predecessor, including Predecessor's common and preferred stock, had such interest canceled, released, and extinguished without any distribution.

- Each holder of obligations under the pre-petition revolving credit facility received, at such holder's prior determined allocation, its pro rata share of either Tranche A Loans or Tranche B Loans, on a dollar for dollar basis.

- Each holder of obligations under the FLLO Term Loan Facility received its pro rata share of 23,022,420 shares of New Common Stock.

- Each holder of an Allowed Second Lien Notes Claim received its pro rata share of 3,635,118 shares of New Common Stock, 11,111,111 Class A Warrants to purchase 11,111,111 shares of New Common Stock, 12,345,679 Class B Warrants to purchase 12,345,679 shares of New Common Stock, and 6,858,710 Class C Warrants to purchase 6,858,710 shares of New Common Stock.

- Each holder of an Allowed Unsecured Notes Claim received its pro rata share of 1,311,089 shares of New Common Stock and 2,473,757 Class C Warrants to purchase 2,473,757 shares of New Common Stock.

- Each holder of an Allowed General Unsecured Claim received its pro rata share of 231,112 shares of New Common Stock and 436,060 Class C Warrants to purchase 436,060 shares of New Common Stock; provided that to the extent such Allowed General Unsecured Claim is a Convenience Claim, such holder instead received its pro rata share of $10 million, which pro rata share shall not exceed five percent of such Convenience Claim.

- Participants in the Rights Offering extending to the applicable classes under the Plan received 62,927,320 shares of New Common Stock.

- In connection with the Rights Offering described above, the Backstop Parties under the Backstop Commitment Agreement received 6,337,031 shares of New Common Stock in respect to the Put Option Premium, and 442,991 shares of New Common Stock were issued in connection with the backstop obligation thereunder to purchase unsubscribed shares of the New Common Stock.

- 2,092,918 shares of New Common Stock and 3,948,893 Class C Warrants were reserved for future issuance to eligible holders of Allowed Unsecured Notes Claims and Allowed General Unsecured Claims. The reserved New Common Stock and Class C Warrants will be issued on a pro rata basis upon the determination of the allowed portion of all disputed General Unsecured Claims and Unsecured Notes Claims.

- The 2021 Long Term Incentive Plan (the “LTIP”) was approved with a share reserve equal to 6,800,000 shares of New Common Stock.

- Each holder of an Allowed Other Secured Claim will receive, at the Company's option and in consultation with the Required Consenting Stakeholders (as defined in the Plan): (a) payment in full in cash; (b) the collateral securing its secured claim; (c) reinstatement of its secured claim; or (d) such other treatment that renders its secured claim unimpaired in accordance with Section 1124 of the Bankruptcy Code.

- Each holder of an Allowed Other Priority Claim will receive cash up to the allowed amount of its claim.

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

3. Fresh Start Accounting

Fresh Start Accounting

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

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

Reorganization Value

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

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

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

	February 9, 2021
Enterprise Value	$ 4,851
Plus: Cash and cash equivalents[(a)]	48
Less: Fair value of debt	(1,313)
Successor equity value	$ 3,586

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

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

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

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

Valuation Process

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

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

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

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

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

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

Condensed Consolidated Balance Sheet

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

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

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

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

Reorganization Adjustments

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

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

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

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

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

(e) Changes in accounts payable include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fresh Start Adjustments

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

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

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

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

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

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

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

Reorganization Items, Net

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

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

	Successor		Predecessor	
	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
Accrual for allowed claims	$	—	$	(465)
Debt and equity financing fees		—		(115)
Professional service provider fees and other		—		(40)
Gains on the settlement of liabilities subject to compromise		—		9
Total reorganization items, net	$	—	$	(611)

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Gains on the settlement of liabilities subject to compromise	$ —	$ 6,443	$ 9
Accrual for allowed claims	—	(1,002)	(465)
Write off of unamortized debt premiums (discounts) on Predecessor debt	—	—	518
Write off of unamortized debt issuance costs on Predecessor debt	—	—	(61)
Gain on fresh start adjustments	—	201	—
Gain from release of commitment liabilities	—	55	—
Debt and equity financing fees	—	—	(178)
Professional service provider fees and other	—	(60)	(40)
Success fees for professional service providers	—	(38)	—
Surrender of other receivable	—	(18)	—
FLLO alternative transaction fee	—	(12)	—
Total reorganization items, net	$ —	$ 5,569	$ (217)

4. Earnings Per Share

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

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

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Numerator		
Net loss, basic and diluted	$ (345)	$ (745)
Denominator (in thousands)		
Weighted average common shares outstanding, basic	98,221	9,780
Effect of potentially dilutive securities		
Preferred stock	—	—
Warrants	—	—
Restricted stock	—	—
Performance share units	—	—
Weighted average common shares outstanding, diluted	98,221	9,780
Loss per common share		
Loss per common share, basic	$ (3.51)	$ (76.18)
Loss per common share, diluted	$ (3.51)	$ (76.18)

Successor

During the 2021 Successor Quarter, the diluted earnings (loss) per share calculation excludes the effect of 1,767,203 reserved shares of common stock and 3,334,277 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 as of the 2021 Successor Quarter. Additionally, as the 2021 Successor Quarter had a net loss, the diluted earnings (loss) per share calculation excludes the antidilutive effect, calculated using the treasury stock method, of 14,774,330 issuable shares related to warrants, 247,220 shares of restricted stock, and 5,479 shares related to performance share units.

Predecessor

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

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

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Numerator			
Net income (loss), basic and diluted	$ (489)	$ 5,383	$ (9,340)
Denominator (in thousands)			
Weighted average common shares outstanding, basic	98,040	9,781	9,770
Effect of potentially dilutive securities			
Preferred stock	—	290	—
Warrants	—	—	—
Restricted stock	—	—	—
Performance share units	—	—	—
Weighted average common shares outstanding, diluted	98,040	10,071	9,770
Earnings (loss) per common share			
Earnings (loss) per common share, basic	$ (4.99)	$ 550.35	$ (955.99)
Earnings (loss) per common share, diluted	$ (4.99)	$ 534.51	$ (955.99)

Successor

During the 2021 Successor Period, the diluted earnings (loss) per share calculation excludes the effect of 1,767,203 reserved shares of common stock and 3,334,277 reserved Class C Warrants related to the settlement of General Unsecured Claims associated with the Chapter 11 Cases as all necessary conditions had not been met to be considered dilutive shares as of the 2021 Successor Period. Additionally, as the 2021 Successor Period had a net loss the diluted earnings (loss) per share calculation excludes the antidilutive effect, calculated using the treasury stock method, of 12,851,577 issuable shares related to warrants, 135,350 shares of restricted stock, and 3,508 shares related to performance share units.

Predecessor

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

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

5. Debt

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

	Successor		Predecessor	
	September 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value[(a)]	Carrying Amount	Fair Value[(a)]
Exit Credit Facility - Tranche A Loans	$ —	$ —	$ —	$ —
Exit Credit Facility - Tranche B Loans	221	221	—	—
5.5% senior notes due 2026	500	524	—	—
5.875% senior notes due 2029	500	534	—	—
DIP Facility	—	—	—	—
Pre-petition revolving credit facility	—	—	1,929	1,929
Term loan due 2024	—	—	1,500	1,220
11.5% senior secured second lien notes due 2025	—	—	2,330	373
6.625% senior notes due 2020	—	—	176	8
6.875% senior notes due 2020	—	—	73	3
6.125% senior notes due 2021	—	—	167	7
5.375% senior notes due 2021	—	—	127	5
4.875% senior notes due 2022	—	—	272	12
5.75% senior notes due 2023	—	—	167	8
7.00% senior notes due 2024	—	—	624	29
6.875% senior notes due 2025	—	—	2	2
8.00% senior notes due 2025	—	—	246	10
5.5% convertible senior notes due 2026	—	—	1,064	42
7.5% senior notes due 2026	—	—	119	5
8.00% senior notes due 2026	—	—	46	2
8.00% senior notes due 2027	—	—	253	11
Premiums on senior notes	48	—	—	—
Debt issuance costs	(10)	—	—	—
Total debt, net	1,259	1,279	9,095	3,666
Less current maturities of long-term debt	—	—	(1,929)	(1,929)
Less amounts reclassified to liabilities subject to compromise	—	—	(7,166)	(1,737)
Total long-term debt, net	$ 1,259	$ 1,279	$ —	$ —

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

Successor Debt

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

Exit Credit Facility. On the Effective Date, pursuant to the terms of the Plan, the Company, as borrower, entered into a reserve-based credit agreement (the “Credit Agreement”) providing for a reserve-based credit facility with an initial borrowing base of $2.5 billion. The borrowing base will be redetermined semiannually on or around May 1 and November 1 of each year. Our borrowing base was reaffirmed in October 2021, and the next scheduled redetermination will be on or about May 1, 2022. The aggregate initial elected commitments of the lenders under the Exit Credit Facility will be $1.75 billion of Tranche A Loans and $221 million of fully funded Tranche B Loans.

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

The Credit Agreement contains financial covenants that require the Company and its Guarantors, on a consolidated basis, to maintain (i) a first lien leverage ratio of not more than 2.75 to 1:00, (ii) a total leverage ratio of not more than 3.50 to 1:00, (iii) a current ratio of not less than 1.00 to 1:00 and (iv) at any time additional secured debt is outstanding, an asset coverage ratio of not less than 1.50 to 1:00, defined as PV10 of PDP reserves to total secured debt. The Company has no additional secured debt outstanding as of September 30, 2021.

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

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

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

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

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

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

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

Phase-Out of LIBOR

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

Chapter 11 Proceedings - Predecessor Debt

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

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

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

Debtor-in-Possession Credit Agreement

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

Predecessor Senior Notes

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

6. Contingencies and Commitments

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

Contingencies

Chapter 11 Proceedings

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

Litigation and Regulatory Proceedings

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

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

Environmental Contingencies

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

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

Other Matters

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

Commitments

Gathering, Processing and Transportation Agreements

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

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

	Successor
	September 30, 2021
Remainder of 2021	$ 151
2022	547
2023	481
2024	412
2025	316
2026 – 2033	1,539
Total	$ 3,446

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

7. Other Current Liabilities

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

	Successor	Predecessor
	September 30, 2021	December 31, 2020
Revenues and royalties due others	$ 454	$ 236
Accrued drilling and production costs	96	104
Other accrued taxes	105	82
Accrued compensation and benefits	68	59
Hedging	44	7
Operating leases	11	24
Debt and equity financing fees	—	69
Joint interest prepayments received	11	8
Other	109	134
Total other current liabilities	$ 898	$ 723

8. Revenue

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

	Successor			
	Three Months Ended September 30, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	$ —	$ 383	$ —	$ 383
Gulf Coast	—	207	—	207
South Texas	221	44	47	312
Brazos Valley	158	9	8	175
Powder River Basin	58	21	14	93
Oil, natural gas and NGL revenue	$ 437	$ 664	$ 69	$ 1,170
Marketing revenue	$ 326	$ 240	$ 61	$ 627

	Predecessor			
	Three Months Ended September 30, 2020			
	Oil	Natural Gas	NGL	Total
Appalachia	$ —	$ 137	$ —	$ 137
Gulf Coast	—	92	—	92
South Texas	189	26	26	241
Brazos Valley	127	3	3	133
Powder River Basin	36	7	4	47
Mid-Continent	14	5	3	22
Oil, natural gas and NGL revenue	$ 366	$ 270	$ 36	$ 672
Marketing revenue	$ 301	$ 116	$ 31	$ 448

	Successor			
	Period from February 10, 2021 through September 30, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	$ —	$ 772	$ —	$ 772
Gulf Coast	—	401	—	401
South Texas	562	97	102	761
Brazos Valley	409	30	17	456
Powder River Basin	144	51	30	225
Oil, natural gas and NGL revenue	$ 1,115	$ 1,351	$ 149	$ 2,615
Marketing revenue	$ 828	$ 483	$ 132	$ 1,443

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

	Predecessor			
	Nine Months Ended September 30, 2020			
	Oil	Natural Gas	NGL	Total
Appalachia	$ —	$ 445	$ —	$ 445
Gulf Coast	—	245	—	245
South Texas	539	77	59	675
Brazos Valley	375	10	9	394
Powder River Basin	133	28	14	175
Mid-Continent	44	19	9	72
Oil, natural gas and NGL revenue	$ 1,091	$ 824	$ 91	$ 2,006
Marketing revenue from contracts with customers	$ 930	$ 338	$ 76	$ 1,344
Other marketing revenue	67	1	—	68
Marketing revenue	$ 997	$ 339	$ 76	$ 1,412

Accounts Receivable

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

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

	Successor	Predecessor
	September 30, 2021	December 31, 2020
Oil, natural gas and NGL sales	$ 670	$ 589
Joint interest	105	119
Other	41	68
Allowance for doubtful accounts	(1)	(30)
Total accounts receivable, net	$ 815	$ 746

9. Income Taxes

We estimate our annual effective tax rate ("AETR") for continuing operations in recording our interim quarterly income tax provision for the various jurisdictions in which we operate. The tax effects of statutory rate changes, significant unusual or infrequently occurring items, and certain changes in the assessment of the realizability of deferred tax assets are excluded from the determination of our estimated AETR as such items are recognized as discrete items in the quarter in which they occur. Our estimated AETR for the 2021 Successor Period is 2.0% as a result of projecting current state income taxes and a full valuation allowance against our anticipated net deferred asset position at December 31, 2021. Although we are projecting a current state tax liability, a benefit has been recorded in the 2021 Successor Period due to the application of the AETR to the 2021 Successor Period book net loss before income taxes.

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

For the 2020 Predecessor Period, we recorded an income tax benefit of $13 million, which included the reversal of substantially all of the deferred tax liability associated with Texas through the application of the estimated AETR as well as recording a receivable for amounts previously sequestered from refunds of corporate alternative minimum tax credits. This resulted in a 0.1% effective tax rate for the 2020 Predecessor Period.

As of the Effective Date, we were in a net deferred tax asset position and anticipate being in a net deferred tax asset position as of December 31, 2021. Based on all available positive and negative evidence, including projections of future taxable income, we believe it is more likely than not that some or all of our deferred tax assets will not be realized. As such, a full valuation allowance was recorded against our net deferred tax asset position for federal and state purposes as of September 30, 2021 and December 31, 2020. A significant piece of objectively verifiable negative evidence evaluated is the losses incurred in recent quarters. Should future results of operations demonstrate profitability, additional weight may be placed upon other evidence, such as future forecasts of taxable income. Additionally, future events and new evidence, such as tax law changes, increased commodity pricing, and the integration of profit generating assets, could lead to a fresh evaluation of future forecasts and the conclusion that some or all of the deferred tax assets are more likely than not to be realizable. Therefore, we believe that there is a possibility that some or all of the valuation allowance could be released in the foreseeable future.

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

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

10. Equity

New Common Stock. As discussed in Note 2, on the Effective Date, we issued an aggregate of approximately 97,907,081 shares of New Common Stock, par value $0.01 per share, to the holders of allowed claims, and approximately 2,092,918 shares of New Common Stock were reserved for future distributions under the Plan. During the 2021 Successor Period, 325,715 reserved shares were issued to resolve allowed unsecured claims.

On November 2, 2021, we declared a quarterly dividend payable of $0.4375 per share, which will be paid on December 9, 2021 to stockholders of record at the close of business on November 24, 2021.

Warrants. As discussed in Note 2, on the Effective Date, we issued 11,111,111 Class A Warrants, 12,345,679 Class B Warrants and 9,768,527 Class C Warrants, that are initially exercisable for one share of New Common Stock per Warrant at initial exercise prices of $27.63, $32.13 and $36.18 per share, respectively, subject to adjustments pursuant to the terms of the Warrants. Additionally, 3,948,893 Class C Warrants were reserved for future issuance. During the 2021 Successor Period, 614,616 reserved Class C Warrants were issued to resolve allowed unsecured claims. The Warrants are exercisable from the Effective Date until February 9, 2026. The Warrants contain customary anti-dilution adjustments in the event of any stock split, reverse stock split, reclassification, stock dividend or other distributions. The exercise prices of the Warrants were adjusted to prevent the dilution of rights for the effects of the quarterly dividend distribution on September 9, 2021, and the adjusted exercise prices are $27.27, $31.71, and $35.71 per share for the Class A, Class B and Class C Warrants, respectively. During the 2021 Successor Period, 19,068 Class A, 32,221 Class B and 6,859 Class C Warrants were converted into 52,253 common shares.

Chapter 11 Proceedings

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

11. Share-Based Compensation

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

Successor Share-Based Compensation

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

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

	Unvested Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share
	(in thousands)	
Unvested as of February 10, 2021	—	$ —
Granted	727	$ 44.28
Vested	(2)	$ 44.30
Forfeited/canceled	(38)	$ 44.30
Unvested as of September 30, 2021	687	$ 44.28

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

As of September 30, 2021, there was approximately $25 million of total unrecognized compensation expense related to unvested restricted stock units. The expense is expected to be recognized over a weighted average period of approximately 2.44 years.

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

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

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

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

	Unvested Performance Share Units	Weighted Average Grant Date Fair Value Per Share
	(in thousands)	
Unvested as of February 10, 2021	—	$ —
Granted	142	$ 54.23
Vested	(9)	$ 38.95
Forfeited/canceled	(2)	$ 45.76
Unvested as of September 30, 2021	131	$ 55.41

As of September 30, 2021, there was approximately $6 million of total unrecognized compensation expense related to unvested PSUs. The expense is expected to be recognized over a weighted average period of approximately 2.67 years.

Predecessor Share-Based Compensation

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

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

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

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

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

The following table provides information related to stock option activity:

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

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

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

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
General and administrative expenses	$ 2	$ 7
Oil and natural gas properties	1	—
Oil, natural gas and NGL production expenses	1	—
Total restricted stock, stock option, and PSU compensation	$ 4	$ 7

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
General and administrative expenses	$ 4	$ 3	$ 15
Oil and natural gas properties	2	—	1
Oil, natural gas and NGL production expenses	1	—	1
Total restricted stock, stock option, and PSU compensation	$ 7	$ 3	$ 17

12. Derivative and Hedging Activities

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

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

	Successor		Predecessor	
	September 30, 2021		December 31, 2020	
	Notional Volume	Fair Value	Notional Volume	Fair Value
Oil (MMBbl):				
Fixed-price swaps	18	$ (464)	27	$ (136)
Basis protection swaps	9	(3)	7	(1)
Total oil	27	(467)	34	(137)
Natural gas (Bcf):				
Fixed-price swaps	429	(926)	728	10
Collars	207	(171)	53	8
Basis protection swaps	126	(46)	66	1
Total natural gas	762	(1,143)	847	19
Total estimated fair value		$ (1,610)		$ (118)

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

Effect of Derivative Instruments – Condensed Consolidated Balance Sheets

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

	Gross Fair Value	Amounts Netted in the Consolidated Balance Sheets	Net Fair Value Presented in the Consolidated Balance Sheets
Successor			
As of September 30, 2021			
Commodity Contracts:			
Short-term derivative asset	$ 14	$ (14)	$ —
Long-term derivative asset	7	(7)	—
Short-term derivative liability	(1,359)	14	(1,345)
Long-term derivative liability	(272)	7	(265)
Total derivatives	$ (1,610)	$ —	$ (1,610)
Predecessor			
As of December 31, 2020			
Commodity Contracts:			
Short-term derivative asset	$ 84	$ (65)	$ 19
Long-term derivative asset	5	(5)	—
Short-term derivative liability	(158)	65	(93)
Long-term derivative liability	(49)	5	(44)
Total derivatives	$ (118)	$ —	$ (118)

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Effect of Derivative Instruments – Condensed Consolidated Statements of Operations

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

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Losses on undesignated oil and natural gas derivatives	$ (910)	$ (154)
Losses on terminated cash flow hedges	—	(7)
Total oil and natural gas derivatives	$ (910)	$ (161)

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Gains (losses) on undesignated oil and natural gas derivatives	$ (1,604)	$ (379)	$ 597
Losses on terminated cash flow hedges	—	(3)	(24)
Total oil and natural gas derivatives	$ (1,604)	$ (382)	$ 573

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

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

	Successor		Predecessor	
	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
	Before Tax	After Tax	Before Tax	After Tax
Balance, beginning of period	$ —	$ —	$ (28)	$ 29
Losses reclassified to income	—	—	7	7
Balance, end of period	$ —	$ —	$ (21)	$ 36

	Successor		Predecessor			
	Period from February 10, 2021 through September 30, 2021		Period from January 1, 2021 through February 9, 2021		Nine Months Ended September 30, 2020	
	Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax
Balance, beginning of period	$ —	$ —	$ (12)	$ 45	$ (45)	$ 12
Losses reclassified to income	—	—	3	3	24	24
Fresh start adjustments	—	—	9	9	—	—
Elimination of tax effects	—	—	—	(57)	—	—
Balance, end of period	$ —	$ —	$ —	$ —	$ (21)	$ 36

Our accumulated other comprehensive loss balance represented the net deferred loss associated with commodity derivative contracts that were previously designated as cash flow hedges for which the original contract months were yet to occur. The remaining deferred gain or loss amounts were to be recognized in earnings in the month for which the original contract months were to occur. In connection with our adoption of fresh start accounting we recorded a fair value adjustment to eliminate the accumulated other comprehensive income related to hedging settlements including the elimination of tax effects. See Note 3 for a discussion of fresh start accounting adjustments.

Credit Risk Considerations

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

Hedging Arrangements

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

Fair Value

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

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

	Successor	Predecessor
Significant Other Observable Inputs (Level 2)	**September 30, 2021**	**December 31, 2020**
Derivative Assets (Liabilities):		
Commodity assets	$ 21	$ 88
Commodity liabilities	(1,631)	(206)
Total derivatives	$ (1,610)	$ (118)

13. Exploration Expense

A summary of our exploration expense is as follows:

	Successor	Predecessor
	Three Months Ended September 30, 2021	**Three Months Ended September 30, 2020**
Impairments of unproved properties	$ 1	$ 3
Geological and geophysical expense and other	1	2
Exploration expense	$ 2	$ 5

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Impairments of unproved properties	$ 1	$ 2	$ 402
Dry hole expense	—	—	7
Geological and geophysical expense and other	3	—	8
Exploration expense	$ 4	$ 2	$ 417

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

14. Impairments

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

Proved Oil and Gas Properties

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

- We calculated the expected undiscounted future net cash flows of our long-lived assets using management's assumptions and expectations of (i) commodity prices, which are based on the NYMEX strip pricing escalated by an inflationary rate, (ii) pricing adjustments for differentials, (iii) operating costs, (iv) capital investment plans, (v) future production volumes, and (vi) estimated proved reserves.

- Unprecedented volatility in the price of oil due to the decrease in demand led us to rely on NYMEX strip pricing, which represents a Level 1 input.

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

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

Sand Mine

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

15. Other Operating Expense (Income), Net

In the 2020 Predecessor Period, we terminated certain gathering, processing and transportation contracts and recognized a non-recurring $80 million expense related to the contract terminations. The contract terminations removed approximately $169 million of future commitments related to gathering, processing and transportation agreements. See Note 6 for further discussion of contingencies and commitments. The 2020 Predecessor Period contract termination expense and $29 million of other operating expense primarily related to royalty settlements is partially offset by $42 million of income from the amortization of volumetric production payment deferred revenue.

16. Separation and Other Termination Costs

In the 2021 Successor Period, 2021 Predecessor Period and the 2020 Predecessor Period, we incurred charges of approximately $11 million, $22 million and $43 million, respectively, related to one-time termination benefits for certain employees.

17. Subsequent Events

On November 1, 2021, we acquired Vine Energy, Inc. (“Vine”), an energy company focused on the development of natural gas properties in the over-pressured stacked Haynesville and Mid-Bossier shale plays in Northwest Louisiana pursuant to a definitive agreement with Vine dated August 10, 2021 (“Vine Acquisition”) for total consideration of approximately $1.3 billion, consisting of approximately 19.0 million shares of our common stock and $92 million in cash. We funded the cash portion of the consideration with cash on hand.

In conjunction with the Vine Acquisition, Vine’s Second Lien Term Loan was repaid and terminated for $163 million inclusive of a $13 million make whole premium with cash on hand due to the agreement containing a change in control provision making the term loan callable upon closing. Vine’s reserve based loan facility, which had no borrowings as of November 1, 2021, was terminated at the time of the acquisition. Additionally, Vine’s 6.75% Senior Notes with a principal amount of $950 million were assumed by the Company.

The Vine Acquisition will be accounted for as a business combination, with the fair value of consideration allocated to the acquisition date fair value of assets and liabilities acquired. Vine’s post-acquisition date results of operations will be included in the Company’s interim consolidated financial statements beginning in November 2021.

Oil, Natural Gas and NGL Reserve Quantities

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

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

Reflected above represents material changes to estimated reserves from December 31, 2020 through March 31, 2021. There were no material changes to estimated reserves from March 31, 2021 through September 30, 2021. During the quarter ended March 31, 2021, extensions, discoveries and other additions increased primarily due to updates to our five-year development plan in contemplation of emergence from bankruptcy on February 9, 2021 and certainty regarding our ability to finance the development of our proved reserves over a five-year period.

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

Introduction

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

We are an independent exploration and production company engaged in the acquisition, exploration and development of properties to produce oil, natural gas and NGL from underground reservoirs. We own a large and geographically diverse portfolio of onshore U.S. unconventional natural gas and liquids assets, including interests in approximately 7,500 gross oil and natural gas wells at September 30, 2021. Our natural gas resource plays are the Marcellus Shale in the northern Appalachian Basin in Pennsylvania ("Appalachia") and the Haynesville/Bossier Shales in northwestern Louisiana ("Gulf Coast"). Our liquids-rich resource plays are the Eagle Ford Shale in South Texas ("South Texas" and "Brazos Valley") and the stacked pay in the Powder River Basin in Wyoming ("Powder River Basin").

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

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

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

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

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

Recent Developments

Emergence from Bankruptcy

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

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

Chief Executive Officer

On April 27, 2021, we announced the departure of Doug Lawler from his positions as Chief Executive Officer and Director of Chesapeake, effective April 30, 2021. Michael Wichterich, the Chairman of our Board of Directors, served as Interim Chief Executive Officer while the Board of Directors conducted a search for a new Chief Executive Officer.

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

On October 11, 2021, we announced that the Board of Directors appointed Domenic “Nick” Dell’Osso as President and Chief Executive Officer and as member of the Board, effective October 11, 2021. Additionally, Mr. Dell’Osso will remain in his role as Chief Financial Officer until his replacement has been announced. On October 11, 2021, the Board of Directors of the Company appointed Michael Wichterich, who resigned as Interim Chief Executive Officer upon the appointment of Mr. Dell’Osso, as Executive Chairman of the Company.

Vine Acquisition

On November 1, 2021, we completed our acquisition of Vine pursuant to a definitive agreement with Vine dated August 10, 2021. The transaction strengthens Chesapeake’s competitive position, meaningfully increasing our free cash flow outlook and deepening our inventory of premium natural gas locations, while preserving the strength of our balance sheet.

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

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

Discussion and Analysis of Financial Condition and Results of Operations in our 2020 Form 10-K and Item 1A "Risk Factors" in our 2020 Form 10-K.

Liquidity and Capital Resources

Liquidity Overview

For the 2021 Successor Period, our primary sources of capital resources and liquidity have consisted of internally generated cash flows from operations, and our primary uses of cash have been for the development of our oil and gas properties and return of value to shareholders through dividends. Historically, our primary sources of capital resources and liquidity have consisted of internally generated cash flows from operations, borrowings under certain credit agreements and dispositions of non-core assets. Our ability to issue additional indebtedness, dispose of assets or access the capital markets was substantially limited during the Chapter 11 Cases and required court approval in most instances. Accordingly, our liquidity in the Predecessor Periods depended mainly on cash generated from operations and available funds under certain credit agreements including the DIP Facility in the 2021 Predecessor Period and revolving credit facility in the 2020 Predecessor Period.

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

We believe our cash flow from operations, cash on hand and borrowing capacity under the Exit Credit Facility, as discussed below, will provide sufficient liquidity during the next 12 months and the foreseeable future. As of September 30, 2021, we had $2.577 billion of liquidity available, including $849 million of cash on hand and $1.728 billion of aggregate unused borrowing capacity available under the Exit Credit Facility. As of September 30, 2021, we had no outstanding borrowings under our Exit Credit Facility – Tranche A Loans and $221 million in borrowings under our Exit Credit Facility – Tranche B Loans. See Note 5 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion of our debt obligations, including carrying and fair value of our senior notes.

Dividend

With our strong liquidity position, we initiated a new dividend strategy. We expect the annual dividend on our common shares will be paid quarterly. We made the first dividend payment of $0.34375 per share on June 10, 2021 to stockholders of record at the close of business on May 24, 2021, and we made the second dividend payment of $0.34375 per share on September 9, 2021 to stockholders of record at the close of business on August 24, 2021. On November 2, 2021, Chesapeake's Board of Directors increased the quarterly dividend on its common shares to $0.4375 per share, or 27% higher compared to the previous amount. The third dividend payment will be payable on December 9, 2021 to stockholders of record at the close of business on November 24, 2021. On August 10, 2021, we announced a variable return program that will result in the payment of an additional dividend, payable beginning in March 2022, equal to the sum of free cash flow from the prior quarter less the base dividend, multiplied by 50%.

Derivative and Hedging Activities

Our results of operations and cash flows are impacted by changes in market prices for oil and natural gas. We enter into various derivative instruments to mitigate a portion of our exposure to oil and natural gas price declines, but these transactions may also limit our cash flows in periods of rising oil and natural gas prices. Our oil, natural gas and NGL derivative activities, when combined with our sales of oil, natural gas and NGL, allow us to better predict the total revenue we expect to receive. See Item 3. Quantitative and Qualitative Disclosures About Market Risk included in 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 September 30, 2021, our material contractual obligations included repayment of senior notes, outstanding borrowings and interest payment obligations under the Exit Credit Facility, asset retirement obligations, lease obligations, undrawn letters of credit and various other commitments we enter into in the ordinary course of business that could result in future cash obligations. In addition, we have contractual commitments with midstream companies and pipeline carriers for future gathering, processing and transportation of oil, natural gas and NGL to move certain of our production to market. The estimated gross undiscounted future commitments under these agreements were approximately $3.4 billion as of September 30, 2021. As discussed above, we estimate the sources of our capital will continue to be adequate to fund our near and long-term contractual obligations.

Post-Emergence Debt

On the Effective Date, pursuant to the terms of the Plan, the Company, as borrower, entered into a reserve-based credit agreement (the “Credit Agreement”) providing for the Exit Credit Facility which features an initial borrowing base of $2.5 billion. The borrowing base will be redetermined semiannually on or around May 1 and November 1 of each year. Our borrowing base was reaffirmed in October 2021, and the next scheduled redetermination will be on or about May 1, 2022. The aggregate initial elected commitments of the lenders under the Exit Credit Facility will be $1.75 billion of revolving Tranche A Loans and $221 million of fully funded Tranche B Loans.

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

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

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

Assumption and Repayment of Vine Debt

In conjunction with the Vine Acquisition, Vine’s Second Lien Term Loan was repaid and terminated for $163 million inclusive of a $13 million make whole premium with cash on hand due to the agreement containing a change in control provision making the term loan callable upon closing. Vine’s reserve based loan facility, which had no borrowings as of November 1, 2021, was terminated at the time of the acquisition. Additionally, Vine’s 6.75% Senior Notes with a principal amount of $950 million were assumed by the Company.

Capital Expenditures

For the year ending December 31, 2021, we currently expect to bring or have online approximately 125 to 140 gross wells by investing approximately $740 – $810 million in capital expenditures while operating approximately eight rigs inclusive of the Vine Acquisition. We expect that approximately 80% of our 2021 capital expenditures will be directed toward our natural gas assets. For the year ending December 31, 2022, we currently expect to invest approximately $1.3 – $1.6 billion in capital expenditures while operating approximately 10 to 12 rigs. We currently plan to fund our capital program through cash on hand and expected cash flow from our operations. We may alter or change our plans with respect to our capital program and expected capital expenditures based on developments in our business, our financial position, our industry or any of the markets in which we operate.

Sources of Funds

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

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Cash provided by (used in) operating activities	$ 1,246	$ (21)	$ 1,155
Proceeds from issuance of senior notes	—	1,000	—
Proceeds from issuance of common stock	—	600	—
Proceeds from warrant exercise	2	—	—
Proceeds from divestitures of property and equipment	9	—	15
Proceeds from revolving pre-petition credit facility borrowings, net	—	—	339
Total sources of cash and cash equivalents	$ 1,257	$ 1,579	$ 1,509

Cash Flows from Operating Activities

Cash provided by operating activities was $1.246 billion in the 2021 Successor Period, cash used in operating activities was $21 million in the 2021 Predecessor Period, and cash provided by operating activities was $1.155 billion in the 2020 Predecessor Period. The increase in the 2021 Successor Period is primarily due to higher prices for the oil, natural gas and NGL we sold partially offset by lower volumes of oil and NGL sold. The cash used in the 2021 Predecessor Period was primarily due to the payment of professional fees related to the Chapter 11 Cases. Cash flows from operations are largely affected by the same factors that affect our net income, excluding various non-cash items, such as depreciation, depletion and amortization, certain impairments, gains or losses on sales of assets, deferred income taxes and mark-to-market changes in our open derivative instruments. See further discussion below under *Results of Operations*.

Proceeds from Issuance of Common Stock and Senior Notes

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

Uses of Funds

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

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Oil and Natural Gas Expenditures:			
Capital expenditures	$ 404	$ 66	$ 973
Other Uses of Cash and Cash Equivalents:			
Payments on Exit Credit Facility - Tranche A Loans, net	50	479	—
Payments on DIP Facility borrowings	—	1,179	—
Cash paid to purchase debt	—	—	95
Debt issuance and other financing costs	3	8	109
Common stock dividends paid	67	—	—
Preferred stock dividends paid	—	—	22
Other	1	—	10
Total other uses of cash and cash equivalents	121	1,666	236
Total uses of cash and cash equivalents	$ 525	$ 1,732	$ 1,209

Capital Expenditures

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

Payments on DIP Facility Borrowings

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

Cash Paid to Purchase Debt

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

Common Stock Dividends

As part of our dividend program, we paid dividends of $67 million on our common stock in the 2021 Successor Period.

Preferred Stock Dividends

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

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Results of Operations

Oil, Natural Gas and NGL Production and Average Sales Prices

	Successor							
	Three Months Ended September 30, 2021							
	Oil		Natural Gas		NGL		Total	
	MBbl per day	$/Bbl	MMcf per day	$/Mcf	MBbl per day	$/Bbl	MBoe per day	$/Boe
Appalachia	—	—	1,302	3.20	—	—	217	19.21
Gulf Coast	—	—	589	3.81	—	—	98	22.84
South Texas	34	70.96	107	4.46	15	34.60	66	51.02
Brazos Valley	25	69.54	33	2.82	3	27.41	34	56.88
Powder River Basin	9	69.31	53	4.33	3	44.53	21	47.48
Total	68	70.22	2,084	3.46	21	35.14	436	29.14

	Predecessor							
	Three Months Ended September 30, 2020							
	Oil		Natural Gas		NGL		Total	
	MBbl per day	$/Bbl	MMcf per day	$/Mcf	MBbl per day	$/Bbl	MBoe per day	$/Boe
Appalachia	—	—	1,070	1.40	—	—	178	8.37
Gulf Coast	—	—	550	1.81	—	—	91	10.86
South Texas	51	39.79	132	2.08	22	12.81	95	27.31
Brazos Valley	36	38.45	43	0.80	5	6.69	49	29.82
Powder River Basin	10	38.69	41	1.79	3	15.94	20	25.98
Mid-Continent	4	40.12	31	1.63	3	11.58	12	20.15
Total	101	39.31	1,867	1.57	33	11.94	445	16.40

	Successor							
	Period from February 10, 2021 through September 30, 2021							
	Oil		Natural Gas		NGL		Total	
	MBbl per day	$/Bbl	MMcf per day	$/Mcf	MBbl per day	$/Bbl	MBoe per day	$/Boe
Appalachia	—	—	1,289	2.57	—	—	215	15.43
Gulf Coast	—	—	552	3.11	—	—	92	18.67
South Texas	36	67.02	108	3.85	15	28.88	69	47.25
Brazos Valley	27	65.60	34	3.74	4	20.91	36	54.37
Powder River Basin	10	65.02	55	3.94	3	36.91	22	43.45
Total	73	66.23	2,038	2.84	22	28.85	434	25.85

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

	Predecessor							
	Nine Months Ended September 30, 2020							
	Oil		Natural Gas		NGL		Total	
	MBbl per day	$/Bbl	MMcf per day	$/Mcf	MBbl per day	$/Bbl	MBoe per day	$/Boe
Appalachia	—	—	1,032	1.57	—	—	172	9.43
Gulf Coast	—	—	536	1.66	—	—	89	9.95
South Texas	51	38.27	136	2.08	19	11.58	93	26.56
Brazos Valley	38	36.52	54	0.68	6	4.61	53	27.00
Powder River Basin	14	35.71	60	1.71	4	13.19	28	23.25
Mid-Continent	4	37.49	39	1.85	3	11.44	14	19.43
Total	107	37.32	1,857	1.62	32	10.31	449	16.32

Oil, Natural Gas and NGL Sales

	Successor			
	Three Months Ended September 30, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	$ —	$ 383	$ —	$ 383
Gulf Coast	—	207	—	207
South Texas	221	44	47	312
Brazos Valley	158	9	8	175
Powder River Basin	58	21	14	93
Oil, natural gas and NGL revenue	$ 437	$ 664	$ 69	$ 1,170

	Predecessor			
	Three Months Ended September 30, 2020			
	Oil	Natural Gas	NGL	Total
Appalachia	$ —	$ 137	$ —	$ 137
Gulf Coast	—	92	—	92
South Texas	189	26	26	241
Brazos Valley	127	3	3	133
Powder River Basin	36	7	4	47
Mid-Continent	14	5	3	22
Oil, natural gas and NGL revenue	$ 366	$ 270	$ 36	$ 672

	Successor			
	Period from February 10, 2021 through September 30, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	$ —	$ 772	$ —	$ 772
Gulf Coast	—	401	—	401
South Texas	562	97	102	761
Brazos Valley	409	30	17	456
Powder River Basin	144	51	30	225
Total oil, natural gas and NGL sales	$ 1,115	$ 1,351	$ 149	$ 2,615

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

	Non-GAAP Combined			
	Nine Months Ended September 30, 2021			
	Oil	Natural Gas	NGL	Total
Appalachia	$ —	$ 891	$ —	$ 891
Gulf Coast	—	454	—	454
South Texas	654	112	117	883
Brazos Valley	476	32	19	527
Powder River Basin	164	58	36	258
Total oil, natural gas and NGL sales	$ 1,294	$ 1,547	$ 172	$ 3,013

	Predecessor			
	Nine Months Ended September 30, 2020			
	Oil	Natural Gas	NGL	Total
Appalachia	$ —	$ 445	$ —	$ 445
Gulf Coast	—	245	—	245
South Texas	539	77	59	675
Brazos Valley	375	10	9	394
Powder River Basin	133	28	14	175
Mid-Continent	44	19	9	72
Total oil, natural gas and NGL sales	$ 1,091	$ 824	$ 91	$ 2,006

Oil, natural gas and NGL sales in the 2021 Successor Quarter increased $498 million compared to the 2020 Predecessor Quarter. The increase is primarily attributable to a $511 million increase in revenues from higher average prices received, partially offset by a $13 million decrease in revenues due to slightly lower sales volumes, which primarily resulted from the sale of Mid-Continent properties in 2020. The higher average prices received are consistent with the upward trend in index prices for all products seen throughout the 2021 Successor Quarter.

Oil, natural gas and NGL sales in the combined 2021 Successor and Predecessor Periods increased $1,007 million compared to the 2020 Predecessor Period. The increase is primarily attributable to a $1,074 million increase in revenues from higher average prices received, partially offset by a $72 million reduction from the sale of Mid-Continent properties in 2020. Excluding the decrease in volumes related to the sale of Mid-Continent properties in 2020, average daily production is consistent in the combined 2021 Successor and Predecessor Periods and 2020 Predecessor Period due to an increase in new well completions in Appalachia and Gulf Coast offset by a reduction in South Texas, Brazos Valley, and Powder River Basin wells turned-in-line.

Production Expenses

	Successor		Predecessor	
	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
		$/Boe		$/Boe
Appalachia	$ 9	0.47	$ 8	0.49
Gulf Coast	13	1.42	10	1.20
South Texas	31	5.04	24	2.73
Brazos Valley	18	5.96	17	3.83
Powder River Basin	9	4.38	9	4.53
Mid-Continent	—	—	14	13.11
Total production expenses	$ 80	1.99	$ 82	1.99

	Successor		Predecessor		Non-GAAP Combined		Predecessor	
	Period from February 10, 2021 through September 30, 2021		Period from January 1, 2021 through February 9, 2021		Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
		$/Boe		$/Boe		$/Boe		$/Boe
Appalachia	$ 23	0.47	$ 4	0.50	$ 27	0.47	$ 24	0.51
Gulf Coast	30	1.39	4	1.12	34	1.35	32	1.30
South Texas	74	4.60	12	3.90	86	4.48	85	3.24
Brazos Valley	46	5.52	9	4.85	55	5.41	67	4.61
Powder River Basin	21	4.07	3	3.37	24	3.96	37	4.74
Mid-Continent	—	—	—	—	—	—	50	13.69
Total production expenses	$ 194	1.92	$ 32	1.80	$ 226	1.90	$ 295	2.40

Production expenses in the 2021 Successor Quarter decreased $2 million as compared to the 2020 Predecessor Quarter. The decrease was primarily due to a $14 million reduction from the sale of Mid-Continent properties in 2020, partially offset by increased workover expense and repair and maintenance expense in South Texas and Gulf Coast.

Production expenses in the combined 2021 Successor and Predecessor Periods decreased $69 million as compared to the 2020 Predecessor Period. The decrease was primarily due to a $50 million reduction from the sale of Mid-Continent properties in 2020 and a $25 million reduction in our Brazos Valley and Powder River Basin operating areas due to lower production volumes from reduced capital allocation.

Gathering, Processing and Transportation Expenses

	Successor		Predecessor	
	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
		$/Boe		$/Boe
Appalachia	$ 83	4.14	$ 73	4.39
Gulf Coast	28	3.09	46	5.42
South Texas	82	13.38	106	12.08
Brazos Valley	3	0.98	7	1.49
Powder River Basin	23	11.95	21	11.84
Mid-Continent	—	—	5	5.10
Total gathering, processing and transportation expenses	$ 219	5.45	$ 258	6.28

	Successor		Predecessor		Non-GAAP Combined		Predecessor	
	Period from February 10, 2021 through September 30, 2021		Period from January 1, 2021 through February 9, 2021		Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
		$/Boe		$/Boe		$/Boe		$/Boe
Appalachia	$ 204	4.07	$ 34	4.17	$ 238	4.08	$ 217	4.60
Gulf Coast	64	2.98	11	2.93	75	2.98	137	5.59
South Texas	203	12.56	42	13.35	245	12.69	338	13.28
Brazos Valley	8	1.03	3	1.92	11	1.18	21	1.40
Powder River Basin	62	12.00	12	12.53	74	12.08	79	10.46
Mid-Continent	—	—	—	—	—	—	21	5.83
Total gathering, processing and transportation expenses	$ 541	5.45	$ 102	5.78	$ 643	5.41	$ 813	6.61

Gathering, processing and transportation expenses in the 2021 Successor Quarter decreased $39 million as compared to the 2020 Predecessor Quarter. Gulf Coast decreased $18 million as a result of contract negotiations in the Chapter 11 Cases. South Texas decreased $24 million primarily as a result of reduced production due to fewer wells brought on line in 2021. Additionally, the sale of Mid-Continent properties in 2020 resulted in a $5 million reduction. These decreases were partially offset by a $10 million increase in Appalachia as a result of increased production.

Gathering, processing and transportation expenses in the combined 2021 Successor and Predecessor Periods decreased $170 million as compared to the 2020 Predecessor Period. Gulf Coast decreased $62 million as a result of contract negotiations in the Chapter 11 Cases. South Texas decreased $93 million primarily as a result of reduced production as well as contract negotiations in the Chapter 11 Cases. Additionally, the sale of Mid-Continent properties in 2020 resulted in a $21 million reduction. These decreases were partially offset by a $21 million increase in Appalachia as a result of increased production.

Severance and Ad Valorem Taxes

	Successor		Predecessor	
	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
		$/Boe		$/Boe
Appalachia	$ 2	0.13	$ 1	0.09
Gulf Coast	5	0.55	4	0.52
South Texas	17	2.72	16	1.79
Brazos Valley	8	2.63	10	2.05
Powder River Basin	9	4.59	5	2.65
Mid-Continent	—	—	1	1.13
Total severance and ad valorem taxes	$ 41	1.03	$ 37	0.90

	Successor		Predecessor		Non-GAAP Combined		Predecessor	
	Period from February 10, 2021 through September 30, 2021		Period from January 1, 2021 through February 9, 2021		Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
		$/Boe		$/Boe		$/Boe		$/Boe
Appalachia	$ 6	0.13	$ 1	0.07	$ 7	0.12	$ 4	0.09
Gulf Coast	12	0.55	2	0.54	14	0.55	14	0.60
South Texas	42	2.56	8	2.53	50	2.55	43	1.68
Brazos Valley	25	3.03	5	2.99	30	3.03	33	2.23
Powder River Basin	21	4.15	2	2.88	23	3.95	18	2.37
Mid-Continent	—	—	—	—	—	—	4	1.07
Total severance and ad valorem taxes	$ 106	1.05	$ 18	1.03	$ 124	1.05	$ 116	0.94

Severance and ad valorem taxes in the 2021 Successor Quarter increased $4 million as compared to the 2020 Predecessor Quarter. The severance tax increase of $4 million was primarily driven by increased revenue as a result of improved pricing.

Severance and ad valorem taxes in the combined 2021 Successor and Predecessor Periods increased $8 million as compared to the 2020 Predecessor Period. The severance tax increase of $12 million was primarily driven by increased revenue as a result of improved pricing. The ad valorem tax decrease of $4 million was primarily driven by lower assessed property values in the combined 2021 Successor and Predecessor Periods for Brazos Valley and South Texas.

Gross Margin by Operating Area

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

	Successor		Predecessor	
	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
		$/Boe		$/Boe
Appalachia	$ 289	14.47	$ 55	3.40
Gulf Coast	161	17.78	32	3.72
South Texas	182	29.88	95	10.71
Brazos Valley	146	47.31	99	22.45
Powder River Basin	52	26.56	12	6.96
Mid-Continent	—	—	2	0.81
Gross margin by operating area	$ 830	20.67	$ 295	7.23

	Successor		Predecessor		Non-GAAP Combined		Predecessor	
	Period from February 10, 2021 through September 30, 2021		Period from January 1, 2021 through February 9, 2021		Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
		$/Boe		$/Boe		$/Boe		$/Boe
Appalachia	$ 539	10.76	$ 80	9.75	$ 619	10.63	$ 200	4.23
Gulf Coast	295	13.75	36	10.03	331	13.21	62	2.46
South Texas	442	27.53	60	19.42	502	26.22	209	8.36
Brazos Valley	377	44.79	54	32.47	431	42.72	273	18.76
Powder River Basin	121	23.23	16	15.47	137	22.02	41	5.68
Mid-Continent	—	—	—	—	—	—	(3)	(1.16)
Gross margin by operating area	$ 1,774	17.43	$ 246	14.02	$ 2,020	17.01	$ 782	6.37

Oil and Natural Gas Derivatives

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Oil derivatives – realized gains (losses)	$ (128)	$ 2
Oil derivatives – unrealized gains (losses)	62	(4)
Total losses on oil derivatives	(66)	(2)
Natural gas derivatives – realized gains (losses)	(163)	5
Natural gas derivatives – unrealized losses	(681)	(164)
Total losses on natural gas derivatives	(844)	(159)
Total losses on oil and natural gas derivatives	$ (910)	$ (161)

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Oil derivatives – realized gains (losses)	$ (302)	$ (19)	$ 698
Oil derivatives – unrealized losses	(138)	(190)	(9)
Total gains (losses) on oil derivatives	(440)	(209)	689
Natural gas derivatives – realized gains (losses)	(179)	6	179
Natural gas derivatives – unrealized losses	(985)	(179)	(295)
Total losses on natural gas derivatives	(1,164)	(173)	(116)
Total gains (losses) on oil and natural gas derivatives	$ (1,604)	$ (382)	$ 573

See Note 12 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.

Marketing Revenues and Expenses

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Marketing revenues	$ 627	$ 448
Marketing expenses	625	450
Marketing margin	$ 2	$ (2)

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Marketing revenues	$ 1,443	$ 239	$ 1,412
Marketing expenses	1,440	237	1,438
Marketing margin	$ 3	$ 2	$ (26)

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

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

Exploration Expense

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Impairments of unproved properties	$ 1	$ 3
Geological and geophysical expense and other	1	2
Total exploration expense	$ 2	$ 5

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Impairments of unproved properties	$ 1	$ 2	$ 402
Dry hole expense	—	—	7
Geological and geophysical expense and other	3	—	8
Total exploration expense	$ 4	$ 2	$ 417

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

General and Administrative Expenses

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Gross compensation and benefits	$ 68	$ 93
Non-labor	24	29
Allocations and reimbursements	(62)	(70)
Total general and administrative expenses, net	$ 30	$ 52
General and administrative expenses, net per Boe	$ 0.74	$ 1.27

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Gross compensation and benefits	$ 162	$ 32	$ 305
Non-labor	60	12	167
Allocations and reimbursements	(153)	(23)	(243)
Total general and administrative expenses, net	$ 69	$ 21	$ 229
General and administrative expenses, net per Boe	$ 0.68	$ 1.19	$ 1.86

Compensation and benefits before reimbursements and allocations during the 2021 Successor Quarter decreased $25 million compared to the 2020 Predecessor Quarter due to reductions in workforce in the 2020 and 2021 Predecessor Periods. Non-labor before reimbursements and allocations during the 2021 Successor Quarter decreased $5 million compared to the 2020 Predecessor Quarter primarily due to cost reduction initiatives for professional services. The decrease in allocations and reimbursements was the result of staffing reductions and the sale of Mid-Continent properties in 2020.

Compensation and benefits before reimbursements and allocations during the combined 2021 Successor and Predecessor Periods decreased $111 million compared to the 2020 Predecessor Period due to reductions in workforce in the 2020 and 2021 Predecessor Periods. Non-labor before reimbursements and allocations during the combined 2021 Successor and Predecessor Periods decreased $95 million compared to the 2020 Predecessor Period due to cost reduction initiatives for professional services as well as $43 million in fees for legal, financial and restructuring advisors incurred in preparation for the Chapter 11 Cases in the 2020 Predecessor Period. The decrease in allocations and reimbursements during the combined 2021 Successor and Predecessor Periods compared to the 2020 Predecessor Period was the result of reduced drilling, staffing reductions and the sale of Mid-Continent properties in 2020.

Separation and Other Termination Costs

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Separation and other termination costs	$ —	$ 16

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Separation and other termination costs	$ 11	$ 22	$ 43

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

Depreciation, Depletion and Amortization

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Depreciation, depletion and amortization	$ 228	$ 170
Depreciation, depletion and amortization per Boe	$ 5.67	$ 4.17

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Depreciation, depletion and amortization	$ 579	$ 72	$ 931
Depreciation, depletion and amortization per Boe	$ 5.72	$ 4.11	$ 7.58

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

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

Impairments

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

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

Other Operating Expense (Income), Net

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Other operating expense, net	$ 3	$ 1

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Other operating expense (income), net	$ 1	$ (12)	$ 67

In the 2020 Predecessor Period, we terminated certain gathering, processing and transportation contracts and recognized a non-recurring $80 million expense related to the contract terminations as well as $29 million of other operating expense primarily related to royalty settlements offset by $42 million of income from the amortization of volumetric production payment deferred revenue.

Interest Expense

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Interest expense on debt	$ 19	$ 25
Amortization of premium, discount, issuance costs and other	1	2
Capitalized interest	(3)	(2)
Total interest expense	$ 17	$ 25

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Interest expense on debt	$ 50	$ 11	$ 377
Amortization of premium, discount, issuance costs and other	4	—	(57)
Capitalized interest	(7)	—	(13)
Total interest expense	$ 47	$ 11	$ 307

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

Gains on Purchases or Exchanges of Debt

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

Other Income (Expense)

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Other income	$ —	$ 2

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

In the 2021 Successor Period, we recorded a gain of $22 million for a refund from a midstream provider.

Reorganization Items, Net

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Accrual for allowed claims	$ —	$ (465)
Debt and equity financing fees	—	(115)
Professional service provider fees and other	—	(40)
Gains on the settlement of liabilities subject to compromise	—	9
Total reorganization items, net	$ —	$ (611)

	Successor	Predecessor	
	Period from February 10, 2021 through September 30, 2021	Period from January 1, 2021 through February 9, 2021	Nine Months Ended September 30, 2020
Gains on the settlement of liabilities subject to compromise	$ —	$ 6,443	$ 9
Accrual for allowed claims	—	(1,002)	(465)
Write off of unamortized debt premiums (discounts) on Predecessor debt	—	—	518
Write off of unamortized debt issuance costs on Predecessor debt	—	—	(61)
Gain on fresh start adjustments	—	201	—
Gain from release of commitment liabilities	—	55	—
Debt and equity financing fees	—	—	(178)
Professional service provider fees and other	—	(60)	(40)
Success fees for professional service providers	—	(38)	—
Surrender of other receivable	—	(18)	—
FLLO alternative transaction fee	—	(12)	—
Total reorganization items, net	$ —	$ 5,569	$ (217)

In the 2021 and 2020 Predecessor Periods, we recorded a net gain of $5.569 billion and a net loss of $217 million, respectively, in reorganization items, net related to the Chapter 11 Cases. See Note 2 and Note 3 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for a discussion of the Chapter 11 Cases and for discussion of adoption of fresh start accounting.

Income Taxes

An income tax benefit of $10 million was recorded for the 2021 Successor Period as a result of projecting current state income taxes. Although we are projecting a current state tax liability, a benefit has been recorded in the 2021 Successor Period due to the application of our estimated annual effective tax rate to the 2021 Successor Period book net loss before income taxes. An income tax benefit of $57 million was recorded for the 2021 Predecessor Period and an income tax benefit of $13 million was recorded for the 2020 Predecessor Period. Our effective income tax rate was 2.0% for the 2021 Successor Period, (1.1%) for the 2021 Predecessor Period and 0.1% for the 2020 Predecessor Period. Our effective tax rate can fluctuate as a result of the impact of discrete items, state income taxes and permanent differences. See Note 9 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for a discussion of income taxes.

Forward-Looking Statements

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

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

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

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

Information About Us

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

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

ITEM 3. *Quantitative and Qualitative Disclosures About Market Risk*

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

Commodity Price Risk

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

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

For the combined 2021 Successor and Predecessor Periods, oil, natural gas, and NGL revenue, excluding any effect of our derivative instruments, were $1,294 million, $1,547 million and $172 million, respectively. Based on production, oil, natural gas, and NGL revenue for the 2021 Successor and Predecessor Periods would have increased or decreased by approximately $129 million, $154 million, and $18 million, respectively, for each 10% increase or decrease in prices. As of September 30, 2021, the fair values of our oil and natural gas derivatives were net liabilities of $467 million and $1,143 million, respectively. A 10% increase or decrease in forward oil prices would decrease or increase the valuation of oil derivatives by approximately $124 million. A 10% increase in forward natural gas prices would decrease the valuation of natural gas derivatives by approximately $259 million. A 10% decrease in forward natural gas prices would increase the valuation of natural gas derivatives by approximately $258 million. See Note 12 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further information on our open derivative positions.

Interest Rate Risk

Our exposure to interest rate changes relates primarily to borrowings under our Exit Credit Facility for the 2021 Successor Period and pre-petition revolving credit facility and DIP Facility for the 2020 and 2021 Predecessor Periods. Interest is payable on borrowings under the Exit Credit Facility, pre-petition revolving credit facility and DIP Facility based on floating rates. See Note 5 for additional information. As of September 30, 2021, we had no outstanding borrowings under our Exit Credit Facility - Tranche A Loans and $221 million under our Exit Credit Facility - Tranche B Loans. A 1.0% increase in interest rates based on the variable borrowings as of September 30, 2021 would result in an increase in our interest expense of approximately $2 million per year.

ITEM 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this 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*

Chapter 11 Proceedings

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

Litigation and Regulatory Proceedings

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

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

Environmental Contingencies

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

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

Other Matters

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

ITEM 1A. *Risk Factors*

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

Risks Relating to the Vine Acquisition

The synergies attributable to the Vine Acquisition may vary from expectations.

We may fail to realize the anticipated benefits and synergies expected from the Vine Acquisition, which could adversely affect our business, financial condition and operating results. The success of the Vine Acquisition will depend, in significant part, on our ability to successfully integrate the acquired business, grow the revenue of the combined company and realize the anticipated strategic benefits and synergies from the combination, such as operational and financial scale, and increased free cash flow. However, achieving these goals requires, among other things, realization of the targeted cost synergies expected from the merger. The growth and the anticipated benefits of the transactions may not be realized fully or at all, or may take longer to realize than expected. Actual operating, technological, strategic and revenue opportunities, if achieved at all, may be less significant than expected or may take longer to achieve than anticipated. If we are not able to achieve these objectives and realize the anticipated benefits and synergies expected from the Vine Acquisition within the anticipated timing or at all, our business, financial condition and operating results may be adversely affected.

We and Vine will be subject to business uncertainties for a period of time after the closing of the Vine Acquisition, which could adversely affect the combined company after the Vine Acquisition.

Uncertainty about the effect of the merger on employees, industry contacts and business partners may have an adverse effect on the combined company. These uncertainties may impair the combined company's ability to attract, retain and motivate key personnel for a period of time after the closing of the Vine Acquisition and could cause industry contacts, business partners and others that deal with the combined company to seek to change their existing business relationships with the combined company.

Uncertainties associated with the Vine Acquisition may cause a loss of management personnel and other key employees, which could adversely affect the future business and operations of the combined company.

The Company and Vine are dependent on the experience and industry knowledge of their officers and other key employees to execute their business plans. The combined company's success after the Vine Acquisition will depend in part upon the ability of the Company and Vine to retain key management personnel and other key employees. Current and prospective employees of the Company and Vine may experience uncertainty about their roles within the combined company following the Vine Acquisition, which may have an adverse effect on the ability of the Company to attract or retain key management and other key personnel. Accordingly, no assurance can be given that the combined company will achieve the same success attracting or retaining key management personnel and other key employees as the Company may have independently achieved prior to the Vine Acquisition.

We have incurred and will continue to incur significant transaction and merger-related costs in connection with the Vine Acquisition, which may be in excess of our expectations.

We have incurred and expect to continue to incur a number of non-recurring costs associated with negotiating and completing the Vine Acquisition, combining the operations of the two companies and achieving desired synergies. These fees and costs have been, and will continue to be, substantial. The substantial majority of non-recurring expenses will consist of transaction costs related to the Vine Acquisition and include, among others, employee retention costs, fees paid to financial, legal and accounting advisors, severance and benefit costs and filing fees.

We will also incur transaction fees and costs related to the integration of the companies, which may be substantial. Moreover, we may incur additional unanticipated expenses in connection with the Vine Acquisition and the integration, including costs associated with any stockholder litigation related to the Vine Acquisition. Although we expect that the elimination of duplicative costs as well as the realization of other efficiencies related to the integration of the businesses should offset integration-related costs over time, this net benefit may not be achieved in the near term, or at all.

The costs described above, as well as other unanticipated costs and expenses, could have a material adverse effect on our financial condition and operating results.

Completion of the Vine Acquisition may have triggered change in control or other provisions in certain agreements to which Vine or its subsidiaries is a party.

The completion of the Vine Acquisition may trigger change in control or other provisions in certain agreements to which Vine or its subsidiaries is a party. If we are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under such agreements, potentially terminating the agreement or seeking monetary damages. Additionally, even if we are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to the combined company.

We have substantial indebtedness after giving effect to the Vine Acquisition, which may limit our financial flexibility and adversely affect our financial results.

Under the merger agreement, Vine's outstanding senior notes remained outstanding, and following certain internal reorganization transactions, we became the successor obligor of the senior notes. As of September 30, 2021, the aggregate principal amount of such outstanding senior notes was approximately $950 million. As of September 30, 2021, we had total long-term debt of approximately $1.3 billion, consisting primarily of the amounts outstanding under our credit facility and our senior unsecured notes.

The combined company's pro forma indebtedness as of September 30, 2021, assuming consummation of the Vine Acquisition had occurred on such date and Vine's senior notes remained outstanding, would have been approximately $2.2 billion, representing an increase in comparison to our recent, historical indebtedness. This increase in our indebtedness could have adverse effects on our financial condition and results of operations, including:

- increasing the difficulty of us to satisfy our debt obligations, including any repurchase obligations that may arise thereunder;
- diverting a portion of our cash flows to service our indebtedness, which could reduce the funds available for operations and other purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- placing us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, may be able to take advantage of opportunities that we would be unable to pursue due to our indebtedness;
- limiting our ability to access the capital markets to raise capital on favorable terms;
- impairing our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes; and
- increasing our vulnerability to interest rate increases, as our borrowings under our revolving credit facility are at variable interest rates.

We believe that the combined company will have flexibility to repay, refinance, repurchase, redeem, exchange or otherwise terminate large portions of its outstanding debt obligations. However, there can be no guarantee that we will be able to execute such refinancings on favorable terms, or at all, and a high level of indebtedness increases the risk that we may default on our debt obligations, including from the debt obligations assumed from Vine. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. Our future performance depends on many factors independent of the Vine Acquisition, some of which are beyond our control, such as general economic conditions and oil and natural gas prices. We may not be able to generate sufficient cash flows to pay the interest on our debt, and future working capital, borrowings or equity financing may not be available to pay or refinance such debt.

Lawsuits have been filed and may be filed against the Company, Vine and their respective affiliates in connection with the Vine Acquisition. An adverse ruling in any such lawsuit could result in substantial costs to the Company and Vine.

Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into acquisition, merger or other business combination agreements like the merger agreement. Even if any of the lawsuits which have been filed and may be filed are without merit, defending against these claims can result in substantial costs and divert management time and resources. An adverse judgment could result in monetary damages, which could have a negative impact on our liquidity and financial condition.

Additionally, there can be no assurance that any of the defendants in any potential future lawsuits will be successful in the outcome of such lawsuits. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger is completed may adversely affect our business, financial condition, results of operations and cash flows.

Our integration of Vine into the Company may not be as successful as anticipated, and we may not achieve the intended benefits or do so within the intended timeframe.

The Vine Acquisition involves numerous operational, strategic, financial, accounting, legal, tax and other risks, potential liabilities associated with the acquired business, and uncertainties related to design, operation and integration of Vine's internal control over financial reporting. Difficulties in integrating Vine into the Company may result in Vine performing differently than expected, operational challenges, or the failure to realize anticipated expense-related efficiencies. Potential difficulties that may be encountered in the integration process include, among others:

- the inability to successfully integrate the business of Vine into the Company in a manner that permits the Company to achieve the full revenue and cost savings anticipated from the Vine Acquisition;
- complexities associated with managing the larger, more complex integrated business;
- not realizing anticipated operating synergies;
- integrating personnel from the two companies and the loss of key employees;
- potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the Vine Acquisition;
- integrating relationships with industry contacts and business partners;
- performance shortfalls as a result of the diversion of management's attention caused by completing the Vine Acquisition and the integration process; and
- the disruption of, or the loss of momentum in, ongoing business or inconsistencies in standards, controls, procedures and policies.

Additionally, the success of the Vine Acquisition will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the two businesses, including operational and other synergies that we believe the combined company will achieve. The anticipated benefits and cost savings of the Vine Acquisition may not be realized fully or at all, may take longer to realize than expected or could have other adverse effects that we do not currently foresee.

Our results may suffer if we do not effectively manage our expanded operations following the Vine Acquisition.

The success of the Vine Acquisition will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the two businesses, including the need to integrate the operations and business of Vine into our existing business in an efficient and timely manner, to combine systems and management controls and to integrate relationships with customers, vendors, industry contacts and business partners.

The anticipated benefits and cost savings of the Vine Acquisition may not be realized fully or at all, may take longer to realize than expected or could have other adverse effects that we do not currently foresee. Some of the assumptions that we have made, such as the achievement of operating synergies, may not be realized. There could also be unknown liabilities and unforeseen expenses associated with the Vine Acquisition that were not discovered in the due diligence review conducted by each company prior to entering into the transaction.

The market price of our common stock may be affected by factors different from those that historically have affected the price of our common stock.

Our business differs from that of Vine in certain respects, and, accordingly, the financial position or results of operations and/or cash flows of the combined company, as well as the market price of our common stock, may be affected by factors different from those currently affecting our financial position or results of operations and/or cash flows as an independent standalone company.

As a result of the Vine Acquisition, we have incorporated Vine's hedging activities into our business, and we may be exposed to additional commodity price risks arising from such hedges.

To mitigate its exposure to changes in commodity prices, Vine hedges natural gas prices from time to time, primarily through the use of certain derivative instruments. As a result of the merger, we assumed Vine's existing derivative instruments. Actual natural gas prices may differ from our expectations and, as a result, such derivative instruments may have a negative impact on our business, financial condition and operating results.

The combined company may not be able to retain customers or suppliers, and customers or suppliers may seek to modify contractual obligations with the combined company, either of which could have an adverse effect on the combined company's business and operations. Third parties may terminate or alter existing contracts or relationships with the Company or Vine as a result of the Vine Acquisition.

As a result of the Vine Acquisition, the combined company may experience impacts on relationships with customers and suppliers that may harm the combined company's business and results of operations. Certain customers or suppliers may seek to terminate or modify contractual obligations following the Vine Acquisition whether or not contractual rights are triggered as a result of the Vine Acquisition. There can be no guarantee that customers and suppliers will remain with or continue to have a relationship with the combined company or do so on the same or similar contractual terms following the merger. If any customers or suppliers seek to terminate or modify contractual obligations or discontinue their relationships with the combined company, then the combined company's business and results of operations may be harmed. If the combined company's suppliers were to seek to terminate or modify an arrangement with the combined company, then the combined company may be unable to procure necessary supplies or services from other suppliers in a timely and efficient manner and on acceptable terms, or at all.

Vine also has contracts with vendors, landlords, licensors and other business partners that may require Vine to obtain consents from these other parties in connection with the Vine Acquisition. If these consents cannot be obtained, the combined company may suffer a loss of potential future revenue, incur costs and/or lose rights that may be material to the business of the combined company. Any such disruptions could limit the combined company's ability to achieve the anticipated benefits of the Vine Acquisition.

We are subject to risks related to health epidemics and pandemics, including the ongoing COVID-19 pandemic, and it is difficult to predict what effect, if any, this might have on the combined company after the Vine Acquisition.

We face various risks related to public health issues, including epidemics, pandemics and other outbreaks, including the ongoing COVID-19 pandemic. The actual and potential effects of COVID-19 include, but are not limited to, its impact on general economic conditions, trade and financing markets, changes in customer behavior and continuity in business operations, all of which create significant uncertainty. In addition, the pandemic has resulted in governmental authorities implementing significant and varied measures to contain the spread of COVID-19, including travel bans and restrictions, quarantines, shelter in place and stay at home orders and business shutdowns. Governmental authorities may enact additional restrictions, or tighten existing measures if COVID-19 continues to spread. These measures, as well as the COVID-19 pandemic broadly, may have a negative effect on the combined company after the Vine Acquisition, which effect will be difficult to predict.

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

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

ITEM 3. *Defaults Upon Senior Securities*

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

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

ITEM 4. *Mine Safety Disclosures*

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

ITEM 5. *Other Information*

Not applicable.

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ITEM 6. *Exhibits*

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

INDEX OF EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference: 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 August 10, 2021, by and among Chesapeake Energy Corporation, Hannibal Merger Sub, Inc., Hannibal Merger Sub, LLC, Vine Energy Inc. and Vine Energy Holdings LLC.	8-K	001-13726	2.1	8/11/2021	
3.1	Second Amended and Restated Certificate of Incorporation of Chesapeake Energy Corporation.	8-K	001-13726	3.1	2/9/2021	
3.2	Second Amended and Restated Bylaws of Chesapeake Energy Corporation.	8-K	001-13726	3.2	2/9/2021	
3.3	Certificate of Elimination of Series B Preferred Stock of Chesapeake Energy.	10-K	001-13726	3.3	3/1/2021	
10.1†	Amendment to the Chesapeake Energy Corporation 2021 Long Term Incentive Plan.	8-K	001-13726	10.3	4/27/2021	
10.2†	Second Amendment to the Chesapeake Energy Corporation 2021 Long Term Incentive Plan.	8-K	001-13726	10.3	10/12/2021	
10.3†	Form of Non-Employee Director Restricted Stock Unit Award Agreement for 2021 Long Term Incentive Plan.	10-Q	001-13726	10.9	5/13/2021	
10.4†	Agreement by and between Robert D. Lawler and Chesapeake Energy Corporation, dated April 27, 2021.	8-K	001-13726	10.1	4/27/2021	
10.5†	Interim CEO Agreement by and between Michael Wichterich and Chesapeake Energy Corporation, dated April 27, 2021.	8-K	001-13726	10.2	4/27/2021	
10.6†	Performance Share Unit Award Agreement with Michael A. Wichterich, Interim Chief Executive Officer, dated April 30, 2021.	10-Q	001-13726	10.5	8/10/2021	
10.7†	Agreement by and between Frank J. Patterson and the Company, dated June 11, 2021.	8-K	001-13726	10.1	6/11/2021	
10.8†	Agreement by and between James R. Webb and the Company, dated June 11, 2021.	8-K	001-13726	10.2	6/11/2021	
10.9†	Agreement by and between William M. Buergler and the Company, dated June 11, 2021.	8-K	001-13726	10.3	6/11/2021	
10.10	First Amendment to Credit Agreement, dated as of June 11, 2021, among Chesapeake Energy Corporation, as borrower, MUFG Bank, Ltd., as administrative agent, MUFG Union Bank, N.A., as collateral agent, and the lenders and other parties party thereto.	8-K	001-13726	10.1	6/14/2021	
10.11†	Form of Performance Share Unit Award (Absolute TSR) for 2021 Long Term Incentive Plan	10-Q	001-13726	10.10	8/10/2021	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	SEC File Number	Exhibit	Filing Date	Filed or Furnished Herewith
10.12†	Form of Performance Share Unit Award (Relative TSR) for 2021 Long Term Incentive Plan	10-Q	001-13726	10.11	8/10/2021	
10.13†	Chesapeake Energy Corporation Executive Severance Plan	8-K	001-13726	10.1	10/12/2021	
10.14†	Form of Participation Agreement pursuant to Chesapeake Energy Corporation Executive Severance Plan	8-K	001-13726	10.2	10/12/2021	
10.15†	Executive Chairman Agreement by and between Michael Wichterich and Chesapeake Energy Corporation, dated October 11, 2021	8-K	001-13726	10.4	10/12/2021	
10.16	Registration Rights Agreement, dated as of August 10, 2021, by and among Chesapeake Energy Corporation, Brix Investment LLC, Brix Investment II LLC, Harvest Investment LLC, Harvest Investment II LLC, Vine Investment LLC and Vine Investment II LLC	8-K	001-13726	10.1	8/11/2021	
10.17	Merger Support Agreement, dated as of August 10, 2021, by and among Chesapeake Energy Corporation, Hannibal Merger Sub, Inc., Hannibal Merger Sub, LLC, Vine Energy, Inc. and the stockholders of Vine Energy Inc. listed thereto.	8-K	001-13726	10.2	8/11/2021	
10.18	Second Amendment to Credit Agreement, dated as of October 29, 2021, among Chesapeake Energy Corporation, as borrower, MUFG Bank, Ltd., as administrative agent, MUFG Union Bank, N.A., as collateral agent, and the lenders and other parties party thereto.					X
31.1	Domenic J. Dell'Osso, Jr., President, Chief Executive Officer 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, Chief Executive Officer, and Chief Financial Officer, Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
95.1	Mine Safety Disclosure					X
101 INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101 SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101 LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.					X
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					X

† Management contract or compensatory plan or arrangement

Signatures

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

CHESAPEAKE ENERGY CORPORATION

Date: November 2, 2021	By:	/s/ DOMENIC J. DELL'OSSO, JR.
		Domenic J. Dell'Osso, Jr. President, Chief Executive Officer and Chief Financial Officer

SECOND AMENDMENT TO CREDIT AGREEMENT

This Second Amendment to Credit Agreement (this "Agreement") dated as of October 29, 2021, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "Borrower"), each of the Guarantors hereto, each of the Lenders (as defined below) party hereto, MUFG Bank, LTD., as administrative agent for the Lenders (in such capacity, together with its successors and assigns, the "Administrative Agent"), and MUFG Union Bank, N.A., as collateral agent for the Lenders (in such capacity, together with its successors and assigns, the "Collateral Agent").

RECITALS

A. The Borrower, the Administrative Agent, the Collateral Agent and the banks and other financial institutions from time to time party thereto (together with their respective successors and assigns in such capacity, each a "Lender") have entered into that certain Credit Agreement dated as of February 9, 2021 (as amended by that certain First Amendment to Credit Agreement dated as of June 11, 2021, and as amended, restated, modified, and supplemented from time to time, the "Credit Agreement").

B. The Borrower has requested, and the Majority Lenders and the Required Lenders, as applicable, have agreed, to amend certain provisions of the Credit Agreement on the terms and conditions set forth herein as provided in this Agreement and the Required Lenders have agreed to affirm the Borrowing Base.

C. NOW, THEREFORE, to induce the Administrative Agent and the Lenders to enter into this Agreement and in consideration of the premises and the mutual covenants herein contained, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Each capitalized term which is defined in the Credit Agreement but which is not defined in this Agreement, shall have the meaning assigned to such term in the Credit Agreement. Unless otherwise indicated, all section references in this Agreement refer to sections of the Credit Agreement.

Section 2. Amendments to Credit Agreement. On the Second Amendment Effective Date (as defined below), the following amendments shall become effective.

2.1 The definition of "Approved Counterparty" in Section 1.02 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

> "Approved Counterparty" means (a) any Lender or any Affiliate of a Lender and (b) any other Person if such Person or its credit support provider has a long term senior unsecured debt rating (or, if no such rating exists, an issuer rating) of BBB+ (or its equivalent) or higher by S&P and Baa1 (or its equivalent) or higher by Moody's at the time such Person entered into the applicable Swap Agreement.

2.2 The definition of "Distributable Free Cash Flow" in Section 1.02 of the Credit Agreement is hereby deleted in its entirety.

2.3 The definition of "EBITDAX" in Section 1.02 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"EBITDAX" means, for any period, Consolidated Net Income for such period *plus*, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, (c) depletion, depreciation and amortization expense, (d) any loss on Dispositions of assets or retirement of debt and other non-recurring cash losses, charges or expenses (including those resulting from restructurings, divestitures and severances) (*but* the amount of non-recurring cash losses, charges or expenses added back pursuant to this clause (d) for any period shall not exceed 5% of EBITDAX (before giving effect to this addition for non-recurring cash losses, charges or expenses) for such period), (e) any other non-cash charge, non-cash expenses or non-cash losses of any Group Member for such period (excluding any such charge, expense or loss incurred in the ordinary course of business that constitutes an accrual of or reserve for cash charges for any future period) including non-cash losses or charges resulting from the requirements of SFAS 133 or 143 (in each case used in this definition, as the same has been and may be amended, supplemented and replaced), *but* cash payments made during such period or in any future period in respect of such non-cash charges, expenses or losses (other than any such excluded charge, expense or loss as described above) shall be subtracted from Consolidated Net Income in calculating EBITDAX for the period in which such payments were made, (f) any fees, expenses and other transaction costs (whether or not such transactions were consummated) which are incurred through June 30, 2021 in connection with fresh start accounting, the Chapter 11 Cases, the Transactions, the Plan of Reorganization, the transactions contemplated thereby and any other reorganization items and restructuring costs, (g) any expense or loss in respect of a Qualifying VPP (other than any expense or loss in respect of the marketing of production related to any VPP Properties) and (h) exploration expenses, *minus*, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (i) interest income, (ii) any gains on Dispositions of assets or retirement of debt and other non-recurring cash income or gains (including those resulting from restructurings, divestitures and severances) and (iii) any other non-cash income or gain (excluding any items that represent the reversal of any accrual of, or cash reserve for, anticipated cash charges in any prior period that are described in the parenthetical to clause (e) above), including any non-cash income or gains resulting from the requirements of SFAS 133 or 143, all as determined on a consolidated basis in accordance with GAAP and (iv) any income or gain in respect of a Qualifying VPP (other than any income or gain in respect of the marketing of production related to any VPP Properties).

For purposes of calculating EBITDAX for any Rolling Period, if any Group Member shall have (a) made any Investment in any Unrestricted Subsidiary, (b) made any acquisition or Disposition of assets other than from or to another Group Member, (c) consolidated or merged with or into any Person (other than another Group Member), (d) Disposed of the equity interests of a Group Member other than from or to another Group Member, or (e) made any acquisition of a Person that becomes a Group Member, then EBITDAX shall be calculated on a Pro Forma Basis; but the Borrower may elect not to calculate EBITDAX on a Pro Forma Basis with respect to any one or more Investments, acquisitions, Dispositions, consolidations and mergers during a Rolling Period if the same would not reasonably be expected to increase or decrease EBITDAX for such Rolling Period by more than 5%; provided that the calculations of such pro forma adjustments are acceptable to the Administrative Agent in its reasonable discretion.

For purposes of calculating EBITDAX for the fiscal quarter of the Borrower ending December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021, (a) EBITDAX for the Rolling Period ending December 31, 2020 and up to but not including March 31, 2021 shall be an amount equal to EBITDAX for the fiscal quarter ending on such date *multiplied by* 4, (b) EBITDAX for the Rolling Period ending March 31, 2021 and up to but not including June 30, 2021 shall be an amount equal to EBITDAX for the fiscal quarter ending on such date *multiplied by* 4, (c) EBITDAX for the Rolling Period ending June 30, 2021 and up to but not including September 30, 2021 shall be an amount equal to EBITDAX for the two fiscal quarter period ending on such date *multiplied by* 2 and, (d) EBITDAX for the Rolling Period ending September 30, 2021 and up to but not including December 31, 2021 shall be an amount equal to EBITDAX for the three fiscal quarter period ending on such date *multiplied by* 4/3. For the avoidance of doubt, each fiscal quarter thereafter, EBITDAX shall be equal to EBITDAX for any Rolling Period then ending.

2.4 The definition of "Free Cash Flow" in Section 1.02 of the Credit Agreement is hereby deleted in its entirety.

2.5 The definition of "Free Cash Flow Utilizations" in Section 1.02 of the Credit Agreement is hereby deleted in its entirety.

2.6 The definition of "Specified Period" in Section 1.02 of the Credit Agreement is hereby deleted in its entirety.

2.7 Amendment of Section 8.01(d). Section 8.01(d) is hereby amended and restated in its entirety as follows:

(d) Officer's Certificates. At the time of the delivery of the financial statements provided for in Sections 8.01(a) and (b), a certificate of a Responsible Officer of the Borrower to the effect that no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof, which certificate shall set forth (i) the calculations required to establish whether the Borrower and its Restricted Subsidiaries were in compliance with the Financial Performance Covenants (other than the Consolidated Secured Indebtedness Coverage Ratio) as at the end of such fiscal year or period, as the case may be, (ii) a specification of any change in the identity of the Restricted Subsidiaries, Material Subsidiaries, Guarantors and Unrestricted Subsidiaries as at the end of such fiscal year or period, as the case may be, from the Restricted Subsidiaries, Material Subsidiaries, Guarantors and Unrestricted Subsidiaries, respectively, provided to the Lenders on the Effective Date or the most recent fiscal year or period, as the case may be, (iii) change in (w) the jurisdiction in which the Borrower or any Restricted Subsidiary is incorporated, formed, or otherwise organized, (x) the location of the Borrower's or any Restricted Subsidiary's chief executive office, (y) the Borrower's or any Guarantor's identity or corporate, limited liability or partnership structure, or (z) the Borrower's or any Restricted Subsidiary's organizational identification number in such jurisdiction of organization or federal taxpayer identification number, (iv) reasonably detailed calculations demonstrating compliance with Section 8.19 and with Section 9.18, (v) at the time of the delivery of the financial statements provided for in Section 8.01(a), reasonably detailed calculations demonstrating the value of Adjusted Consolidated Net Tangible Assets as of the last day of the relevant period; *provided that* the first delivery of the calculations demonstrating the value of Adjusted Consolidated Net Tangible Assets shall not be required to be delivered at the time of the first delivery of the financial statements provided for in Section 8.01(a) and shall instead be delivered at the time of the first delivery of the financial statements provided for in Section 8.01(b).

2.8 Amendment of Section 9.04(f). Section 9.04(f) is hereby amended and restated in its entirety as follows:

(f) the Borrower may make Restricted Payments, so long as (A) after giving *pro forma* effect thereto, (x) Availability is at least 20% of the Loan Limit then in effect and (y) the Consolidated Total Net Leverage Ratio is less than or equal to 2.00 to 1.00 on a Pro Forma Basis, (B) at the time of and immediately after giving effect thereto, no Event of Default or Borrowing Base Deficiency exists and is continuing and (C) the Borrower represents and warrants to the Lenders on the date that such Restricted Payment is made that clauses (A) and (B) of this Section 9.04(f) shall be true and correct;

2.9 Amendment of Section 9.05(a)(iv). Section 9.05(a)(iv) is hereby amended and restated in its entirety as follows:

(iv) so long as (A) after giving *pro forma* effect thereto, (x) Availability is at least 20% of the Loan Limit then in effect and (y) the Consolidated Total Net Leverage Ratio is less than or equal to 2.00 to 1.00 on a Pro Forma Basis, (B) at the time of and immediately after giving effect thereto, no Event of Default or Borrowing Base Deficiency exists and is continuing and (C) the Borrower represents and warrants to the Lenders on the date that such prepayment, repurchase, redemption or defeasement is made that clauses (A) and (B) of this Section 9.05(a)(iv) shall be true and correct.

2.10 Amendment of Section 9.06(r). Section 9.06(r) is hereby amended and restated in its entirety as follows:

(r) other Investments so long as (A) after giving *pro forma* effect thereto, (x) Availability is at least 20% of the Loan Limit then in effect and (y) the Consolidated Total Net Leverage Ratio is less than or equal to 2.00 to 1.00 on a Pro Forma Basis, (B) at the time of and immediately after giving effect thereto, no Event of Default or Borrowing Base Deficiency exists and is continuing and (C) the Borrower represents and warrants to the Lenders on the date that such Investment is made that clauses (A) and (B) of this Section 9.06(r) shall be true and correct.

2.11 Amendment of Section 11.05. A new Section 11.05(c) is hereby added to the Credit Agreement to read as follows:

(c) Notwithstanding any provision to the contrary contained in this Agreement or any other Loan Document, in the event that the Lender serving as Administrative Agent or Collateral Agent assigns all of its rights and obligations under this Agreement (including its Commitment and the Loans at the time owing to it) to any Affiliate of such Lender pursuant to Section 12.04(b), the Administrative Agent or Collateral Agent, as applicable, may assign all of its rights, duties, powers and obligations in its capacity as Administrative Agent or Collateral Agent, as applicable, under this Agreement and the other Loan Documents to such Affiliate, without any requirement for the consent of the Borrower, any Lender, any other party to this Agreement or any other Secured Party; provided, that the Administrative Agent or Collateral Agent, as applicable, shall promptly notify the Borrower and the Lenders of such assignment and the identity of the successor Administrative Agent or Collateral Agent, as applicable. Upon the effectiveness of such assignment, such Affiliate shall succeed to and become vested with all of the rights, powers, privileges and duties of the assigning Administrative Agent or assigning Collateral Agent, as applicable (other than any rights to indemnity payments owed to the assigning Administrative Agent or assigning Collateral Agent, as applicable), and the assigning Administrative Agent or assigning Collateral Agent, as applicable, shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents. The fees payable by the Borrower to such successor Administrative Agent or successor Collateral Agent, as applicable, shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the effectiveness of such assignment, the provisions of this Article and Section 12.03 shall continue in effect for the benefit of such assigning Administrative Agent, such assigning Collateral Agent, their respective sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the assigning Administrative Agent or assigning Collateral Agent, as applicable, was acting as Administrative Agent or Collateral Agent, as applicable.

Section 3. Additional Amendments to Credit Agreement. On the Section 3 Amendment Effective Date (as defined below), the following amendments shall become effective.

3.1 Amendment of Section 2.07(f). Section 2.07(f) is hereby amended and restated in its entirety as follows:

(f) Reduction of Borrowing Base Upon Issuance of Permitted Specified Debt. Upon the issuance of any Permitted Additional Debt (but only to the extent required by Section 9.02(v)) or Other Secured Debt (in each case, other than any Permitted Refinancing Indebtedness in respect thereof) (the “Specified Additional Debt”) after the Effective Date by the Borrower or any Guarantor, the Borrowing Base then in effect shall be automatically reduced by an amount equal to (i) 0.25 multiplied by (ii) the stated principal amount of such Indebtedness (without regard to any initial issue discount), and, in each case, the Borrowing Base as so reduced shall become the new Borrowing Base immediately upon the date of such issuance, effective and applicable to the Borrower, the Administrative Agent, the Issuing Bank, and the Lenders on such date until the next redetermination or adjustment of the Borrowing Base pursuant to this Agreement.

3.2 Amendment of Section 9.02(v). Section 9.02(v) is hereby amended and restated in its entirety as follows:

(v) Permitted Additional Debt at any time outstanding, if immediately after giving effect to the incurrence of such Indebtedness, (1) no Default or Event of Default has occurred and is continuing or would result therefrom, (2) after giving *pro forma* effect to the incurrence of such Indebtedness, the Consolidated Total Net Leverage Ratio shall be no greater than 3.00 to 1.00 on a Pro Forma Basis, and (3) the Borrower shall be in compliance on a Pro Forma Basis with the Financial Performance Covenants, and any Permitted Refinancing Indebtedness issued or incurred to refinance such Indebtedness; provided, that, to the extent that after giving *pro forma* effect to the incurrence of such Indebtedness (other than Permitted Refinancing Indebtedness) the Consolidated Total Net Leverage Ratio is greater than 1.50 to 1.00 on a Pro Forma Basis, the Borrowing Base in effect on the date of issuance shall be reduced by the amount equal to 25% of the principal amount of such Indebtedness (other than Permitted Refinancing Indebtedness) in accordance with Section 2.07(f);

Section 4. Borrowing Base. The Required Lenders hereby agree that, for the period from and including the Borrowing Base Redetermination Effective Date (as defined below) until the next Redetermination Date or other adjustment pursuant to the Borrowing Base Adjustment Provisions, whichever occurs first, the Borrowing Base shall be $2,500,000,000. The redetermination of the Borrowing Base contained in this Section 3 is the September 15, 2021 Scheduled Redetermination and this Agreement is the New Borrowing Base Notice. The Borrower hereby confirms receipt of the New Borrowing Base Notice pursuant to Section 2.07(d) of the Credit Agreement and, notwithstanding any provision of the Credit Agreement to the contrary, the Borrowing Base, as redetermined by this Agreement, shall become effective and applicable to the Borrower, the Administrative Agent, the Issuing Bank and the Lenders on the Borrowing Base Redetermination Effective Date.

Section 5. Effectiveness.

5.1 The amendments to the Credit Agreement set forth in Section 2 shall become effective on the date (such date, the "Second Amendment Effective Date") on which each of the conditions set forth in this Section 5.1 are satisfied (or waived in accordance with Section 12.02 of the Credit Agreement):

(i) The Administrative Agent shall have received duly executed counterparts (in such number as may be requested by the Administrative Agent) of this Agreement from (a) the Borrower, (b) the Administrative Agent, (c) the Collateral Agent, and (d) Lenders constituting at least the Majority Lenders indicating each such Lender's consent to the amendments to the Credit Agreement set forth in Section 2.

(ii) The Borrower shall have paid all out-of-pocket expenses required to be reimbursed or paid by the Borrower pursuant to Section 12.03 of the Credit Agreement or any other Loan Document to the extent that such out-of-pocket expenses have been invoiced at least 3 Business Day prior to the Second Amendment Effective Date.

(iii) No Default or Event of Default shall have occurred and be continuing as of the date hereof, immediately before and after giving effect to the terms of this Agreement.

(iv) All representations and warranties made by any Credit Party in the Credit Agreement or in the other Loan Documents are, to the knowledge of a Responsible Officer of the Borrower, true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date hereof, except (i) to the extent any such representations and warranties are expressly limited to an earlier date, in which case, such representations and warranties shall be true and correct in all material respects as of such specified earlier date, and (ii) to the extent that any such representation and warranty is expressly qualified by materiality or by reference to Material Adverse Effect, such representation and warranty (as so qualified) shall be true and correct in all respects.

5.2 The amendments to the Credit Agreement set forth in Section 3 shall become effective on the date (such date, the "Section 3 Amendment Effective Date") on which each of the following conditions set forth in this Section 5.2 are satisfied (or waived in accordance with Section 12.02 of the Credit Agreement):

(i) All conditions set forth in Section 5.1 have been satisfied.

(ii) The Administrative Agent shall have received duly executed counterparts (in such number as may be requested by the Administrative Agent) of this Agreement from (a) the Borrower, (b) the Administrative Agent, (c) the Collateral Agent, and (d) the Lenders constituting Required Lenders indicating each such Lender's consent to the amendments to the Credit Agreement set forth in Section 3.

5.3 The redetermination of the Borrowing Base set forth in Section 4 shall become effective on the date (such date, the "Borrowing Base Redetermination Effective Date") on which each of the following conditions set forth in this Section 5.2 are satisfied (or waived in accordance with Section 12.02 of the Credit Agreement):

(i) All conditions set forth in Section 5.1 have been satisfied.

(ii) The Administrative Agent shall have received duly executed counterparts (in such number as may be requested by the Administrative Agent) of this Agreement from (a) the Borrower, (b) the Administrative Agent, (c) the Collateral Agent, and (d) the Lenders constituting Required Lenders indicating each such Lender's consent to the redetermination of the Borrowing Base set forth in Section 4.

Section 6. Miscellaneous.

6.1 (a) On and after the effectiveness of this Agreement, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in each other Loan Document to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended or otherwise modified by this Agreement; (b) the execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any default of the Borrower or any right, power or remedy of the Administrative Agent, the Collateral Agent or the Lenders under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents; (c) this Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart; and (d) delivery of an executed counterpart of a signature page to this Agreement by telecopier or electronic mail shall be effective as delivery of a manually executed counterpart of this Agreement.

6.2 Neither the execution by the Administrative Agent, the Collateral Agent or the Lenders of this Agreement, nor any other act or omission by the Administrative Agent, the Collateral Agent or the Lenders or their officers in connection herewith, shall be deemed a waiver by the Administrative Agent, the Collateral Agent or the Lenders of any defaults which may exist or which may occur in the future under the Credit Agreement and/or the other Loan Documents (collectively "Violations"). Similarly, nothing contained in this Agreement shall directly or indirectly in any way whatsoever either: (a) impair, prejudice or otherwise adversely affect the Administrative Agent's, the Collateral Agent's or the Lenders' right at any time to exercise any right, privilege or remedy in connection with the Loan Documents with respect to any Violations; (b) amend or alter any provision of the Credit Agreement, the other Loan Documents, or any other contract or instrument except as expressly set forth in Section 2 and Section 3; or (c) constitute any course of dealing or other basis for altering any obligation of the Borrower or any right, privilege or remedy of the Administrative Agent, the Collateral Agent or the Lenders under the Credit Agreement, the other Loan Documents, or any other contract or instrument. Nothing in this letter shall be construed to be a consent by the Administrative Agent, the Collateral Agent or the Lenders to any Violations.

6.3 Each Credit Party hereby acknowledges the terms of this Agreement and represents and warrants to the Lenders that as of the Second Amendment Effective Date, after giving effect to the terms of this Agreement: (i) all of the representations and warranties contained in each Loan Document to which it is a party are true and correct in all material respects (unless already qualified by materiality in which case such applicable representation and warranty shall be true and correct), except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, such representations and warranties shall continue to be true and correct in all material respects (unless already qualified by materiality in which case such applicable representation and warranty shall be true and correct) as of such specified earlier date, and (ii) no Default or Event of Default has occurred and is continuing.

6.4 Each Credit Party hereby (in each case after giving effect to this Agreement) (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, and, in the case of any such Credit Party, each grant of security interests and liens in favor of the Collateral Agent, any Lender or any other Secured Party, as the case may be, under each Loan Document to which it is a party, (ii) in the case of any such Credit Party, agrees and acknowledges that the Liens in favor of Collateral Agent or any Secured Party under each Loan Document to which it is party constitute valid, binding, enforceable and perfected first priority liens and security interests (subject only to Permitted Liens) securing the Obligations and are not subject to avoidance, disallowance or subordination pursuant to any applicable law except as may be agreed in writing by the Collateral Agent or otherwise permitted by the Loan Documents, (iii) agrees and acknowledges that the Loan Documents to which it is a party constitute legal, valid and binding obligations of such Credit Party enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization and other similar laws relating to or affecting creditors' rights generally and general principals of equity (whether considered in a proceeding in equity or law), and (iv) agrees that such ratification and reaffirmation is not a condition to the continued effectiveness of the Loan Documents. Each Credit Party acknowledges and agrees that any of the Loan Documents to which it is party or is otherwise bound shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization and other similar laws relating to or affecting creditors' rights generally and general principals of equity (whether considered in a proceeding in equity or law), and shall not be impaired or limited by the execution or effectiveness of this Agreement.

6.5 This Agreement is a Loan Document as defined and described in the Credit Agreement and all of the terms and provisions of the Credit Agreement relating to Loan Documents shall apply hereto.

6.6 THE LOAN DOCUMENTS, INCLUDING THIS AGREEMENT, REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

6.7 THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[Signature Pages Follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their officers thereunto duly authorized as of the date first above written.

CHESAPEAKE ENERGY CORPORATION,
as the Borrower

By:	/s/ Domenic J. Dell'Osso, Jr.
Name:	Domenic J. Dell'Osso, Jr.
Title:	President, Chief Executive Officer and Chief Financial Officer

CHESAPEAKE AEZ EXPLORATION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE E&P HOLDING, L.L.C.
CHESAPEAKE ENERGY LOUISIANA, LLC
CHESAPEAKE ENERGY MARKETING, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND DEVELOPMENT COMPANY, L.L.C.
CHESAPEAKE MIDSTREAM DEVELOPMENT, L.L.C.
CHESAPEAKE NG VENTURES CORPORATION
CHESAPEAKE OPERATING, L.L.C., on behalf of itself and as general partner of
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PLAINS, LLC
CHESAPEAKE ROYALTY, L.L.C.
CHESAPEAKE VRT, L.L.C.
CHESAPEAKE-CLEMENTS ACQUISITION, L.L.C.
CHK ENERGY HOLDINGS, INC.
CHK UTICA, L.L.C.
COMPASS MANUFACTURING, L.L.C.
EMLP, L.L.C., on behalf of itself and as the general partner of
EMPRESS LOUISIANA PROPERTIES, L.P.
EMPRESS, L.L.C.
GSF, L.L.C.
MC LOUISIANA MINERALS, L.L.C.
MC MINERAL COMPANY, L.L.C.
WINTER MOON ENERGY CORPORATION
BRAZOS VALLEY LONGHORN, L.L.C.
BURLESON SAND LLC
BURLESON WATER RESOURCES, LLC
ESQUISTO RESOURCES II, LLC
PETROMAX E&P BURLESON, LLC
WHE ACQCO., LLC
WHR EAGLE FORD LLC
WILDHORSE RESOURCES II, LLC
WILDHORSE RESOURCES MANAGEMENT COMPANY, LLC, each as a Guarantor

By: /s/ Domenic J. Dell'Osso, Jr.
Name: Domenic J. Dell'Osso, Jr.
Title: Executive Vice President and Chief Financial Officer

MUFG BANK, LTD.,
as Administrative Agent

By: /s/ Kevin Sparks
Name: Kevin Sparks
Title: Director

Consenting to:

_X_ Amendments in Section 2

_X_ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

MUFG UNION BANK, N.A., as an Issuing Bank, a Tranche A Lender and Collateral Agent

By: /s/ Kevin Sparks
Name: Kevin Sparks
Title: Director

Consenting to:

_X_ Amendments in Section 2

_X_ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Issuing Bank and a Tranche A Lender

By: /s/ Michael Real
Name: Michael Real
Title: Managing Director

Consenting to:

_X_ Amendments in Section 2

_X_ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

JPMORGAN CHASE BANK, N.A., as Issuing Bank and a Tranche A Lender

By: /s/ Arina Mavilian
Name: Arina Mavilian
Title: Authorized Signatory

Consenting to:

_X_ Amendments in Section 2

_X_ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

BANK OF AMERICA, N.A., as Issuing Bank and a Tranche A Lender

By: /s/ Ajay Prakash
Name: Ajay Prakash
Title: Director

Consenting to:

_X_ Amendments in Section 2

_X_ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

BMO HARRIS BANK, N.A., as Issuing Bank and a Tranche A Lender

By: /s/ Patrick Johnston
Name: Patrick Johnston
Title: Director

Consenting to:

___ Amendments in Section 2

___ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

CITIBANK, N.A., as Issuing Bank and a Tranche A Lender

By: /s/ Cliff Vaz
Name: Cliff Vaz
Title: Vice President

Consenting to:

_X_ Amendments in Section 2

_X_ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

MIZUHO BANK, LTD., as a Tranche A Lender

By: /s/ Edward Sacks
Name: Edward Sacks
Title: Executive Director

Consenting to:

_X_ Amendments in Section 2

_X_ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

ROYAL BANK OF CANADA, as Issuing Bank and a Tranche A Lender

By: /s/ Kristan Spivey
Name: Kristan Spivey
Title: Authorized Signatory

Consenting to:

_X_ Amendments in Section 2

_X_ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

ABN AMRO CAPITAL USA LLC, as a Tranche A Lender

By: /s/ John Sullivan
Name: John Sullivan
Title: Managing Director

By: /s/ Kelly Hall
Name: Kelly Hall
Title: Director

Consenting to:

_X_ Amendments in Section 2

_X_ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

GOLDMAN SACHS BANK USA, as a Tranche A Lender

By: /s/ Mahesh Mohan
Name: Mahesh Mohan
Title: Authorized Signatory

Consenting to:

_X_ Amendments in Section 2

_X_ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

MORGAN STANLEY SENIOR FUNDING, INC., as a Tranche A Lender

By: /s/ Rikin Pandya
Name: Rikin Pandya
Title: Vice President

Consenting to:

_X_ Amendments in Section 2

_X_ Amendments in Section 3

_X_ Redetermination of the Borrowing Base in Section 4

Exhibit 31.1

CERTIFICATION

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

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

November 2, 2021

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

Domenic J. Dell’Osso, Jr.

President, Chief Executive Officer 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 September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Domenic J. Dell’Osso, Jr., President, Chief Executive Officer 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.

November 2, 2021

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

Exhibit 95.1

Mine Safety Disclosures

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

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

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

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

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

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