

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

FORM 8-K

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

Date of Report (Date of earliest event reported): August 10, 2021



CHESAPEAKE ENERGY CORPORATION

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

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

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

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

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

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

On August 10, 2021, Chesapeake Energy Corporation (“Chesapeake”) issued a press release reporting financial and operational results for the second quarter of 2021. A copy of the press release, financial information and outlook are attached as Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3, respectively, to this Current Report on Form 8-K.

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

Item 7.01 Regulation FD Disclosure.

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

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Document Description
99.1	Chesapeake Energy Corporation press release dated August 10, 2021
99.2	Supplemental Financial Information
99.3	Outlook as of August 10, 2021
104.0	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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

CHESAPEAKE ENERGY CORPORATION

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

Domenic J. Dell'Osso, Jr.

Executive Vice President and Chief Financial Officer

Date: August 10, 2021

NEWS RELEASE

FOR IMMEDIATE RELEASE
 AUGUST 10, 2021

CHESAPEAKE ENERGY CORPORATION REPORTS 2021 SECOND QUARTER RESULTS

OKLAHOMA CITY, August 10, 2021 – Chesapeake Energy Corporation (NASDAQ:CHK) today reported 2021 second quarter results. Highlights include:

- **Net cash provided by operating activities of \$394 million, resulting in unrestricted cash balance of \$612 million**
- **Net loss totaled \$439 million, or \$4.48 per diluted share; adjusted net income⁽¹⁾ of \$181 million, or \$1.64 per diluted share**
- **Adjusted EBITDAX⁽¹⁾ of \$429 million; free cash flow of \$292 million; net debt⁽¹⁾ at June 30 to 2021E adjusted EBITDAX ratio of 0.3x**
- **Initiating variable return program to deliver 50% of free cash flow⁽¹⁾ to shareholders on a quarterly basis, payable in the 2022 first quarter**
- **Announced responsibly sourced gas (RSG) partnership; first company seeking to certify and continuously monitor production across two major shale gas basins**
- **Positive 2021 guidance adjustments include increasing adjusted EBITDAX, raising oil and gas production estimates due to lower base decline rates, lower general and administrative (G&A) expenses, and no change in capital spending**

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

Mike Wichterich, Chesapeake's Board Chairman and Interim Chief Executive Officer, commented, "Behind our talented employees, Chesapeake executed another quarter of strong results, improving our guidance outlook for the rest of the year as our base production decline rates continue to improve and general and administrative (G&A) expenses continue to fall. In addition, Chesapeake is pleased to launch a variable return program designed to deliver 50% of free cash flow to shareholders in cash on a quarterly basis. Chesapeake remains well positioned to responsibly deliver sustainable returns and cash flow through consistent quarterly performance."

Base Dividend Information and Establishing Variable Return Program

During the 2021 second quarter, Chesapeake generated \$394 million of operating cash flow and ended the quarter with \$612 million of cash on hand. Consistent with the company's strong liquidity and free cash flow generation, Chesapeake's Board of Directors declared a quarterly dividend on its common shares of \$0.34375 per share. The dividend will be payable on September 9, 2021 to shareholders of record at the close of business on August 24, 2021. Additionally, Chesapeake announced the establishment of a variable return program to deliver 50% of the previous quarter's free cash flow to investors in cash, payable the following quarter, and beginning with results from the 2021 fourth quarter.

Operations Update

Chesapeake continues to see lower base production decline rates which helped achieve an average net production rate of approximately 433,000 boe per day (approximately 77% natural gas and 23% total liquids) during the 2021 second quarter. Chesapeake is currently operating seven rigs across all its business units, with three rigs in the Marcellus Shale in Pennsylvania, three rigs located in the Haynesville Shale in Louisiana and one rig in the South Texas Eagle Ford Shale.

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CHESAPEAKE ENERGY CORPORATION

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ESG Update

In July 2021, Chesapeake announced a partnership with MiQ and Equitable Origin to independently certify and continuously monitor its natural gas production across two major shale gas basins, the Marcellus in Pennsylvania and the Haynesville in Louisiana, making Chesapeake the first company seeking to certify two basins for the industry. The MiQ certification will provide a verified approach to tracking the company's initiative to reduce its methane intensity to 0.09% by 2025, as well as support Chesapeake in its overall objective of achieving net-zero direct greenhouse gas emissions by 2035. The company has recently entered into, and is continuing to pursue, supply agreements providing certified RSG gas in the Marcellus Shale from its initial results under a previous pilot with Project Canary.

Additionally, in July the company began utilizing its first electric stimulation fleet in the Marcellus Shale to further reduce diesel usage in its fracture stimulations. The electric fleet will displace 100% of Chesapeake's associated diesel consumption during the stimulation operation, resulting in lower GHG emissions while also reducing the audible noise level with electric equipment. The company estimates that the use of this electric fleet alone could displace a total of up to approximately 4.4 million gallons of diesel per year. The company also plans to begin utilizing a Tier 4 dual-fuel fracture stimulation fleet in its Haynesville operations beginning in September 2021, reducing its diesel usage further.

2021 Outlook Update

In a positive update to 2021 guidance, Chesapeake increased its expected 2021 adjusted EBITDAX range to approximately \$1.8 to \$1.9 billion, up 16% from \$1.55 to \$1.65 billion previously. In addition, the company increased its total annual production, affirmed its commitment to disciplined spending with no change to its previous capital program and reduced its annual G&A expense guidance by approximately \$25 million, or 15% (using midpoints).

Conference Call Information

Chesapeake will conduct a conference call to discuss these results on Wednesday, August 11, 2021 at 9:00 am EDT. The telephone number to access the conference call is 888-317-6003 or 412-317-6061 for international callers. The passcode for the call is 2789084.

Financial Statements and Guidance Documents

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

Non-GAAP Financial Measures

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

Fresh Start Accounting and Predecessor and Successor Periods

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

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

Forward-Looking Statements

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

Factors that could cause actual results to differ materially from expected results include those described under "Risk Factors" in Item 1A of our annual report on Form 10-K and any updates to those factors set forth in Chesapeake's subsequent quarterly reports on Form 10-Q or current reports on Form 8-K (available at <http://www.chk.com/investors/sec-filings>). These risk factors include: the impact of the COVID-19 pandemic and its effect on the company's business, financial condition, employees, contractors and vendors, and on the global demand for oil and natural gas and U.S. and world financial markets; the volatility of oil, natural gas and NGL prices; the limitations our level of indebtedness may have on our financial flexibility; our inability to access the capital markets on favorable terms; the availability of cash flows from operations and other funds to fund cash dividends, to finance reserve replacement costs or satisfy our debt obligations; write-downs of our oil and natural gas asset carrying values due to low commodity prices; our ability to replace reserves and sustain production; uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and projecting future rates of production and the amount and timing of development expenditures; our ability to generate profits or achieve targeted results in drilling and well operations; leasehold terms expiring before production can be established; commodity derivative activities resulting in lower prices realized on oil, natural gas and NGL sales; the need to secure derivative liabilities and the inability of counterparties to satisfy their obligations; adverse developments or losses from pending or future litigation and regulatory proceedings, including royalty claims; charges incurred in response to market conditions; drilling and operating risks and resulting liabilities; effects of environmental protection laws and regulations on our business; legislative and regulatory initiatives further regulating hydraulic fracturing; our need to secure adequate supplies of water for our drilling operations and to dispose of or recycle the water used; impacts of potential legislative and regulatory actions addressing climate change; federal and state tax proposals affecting our industry; potential OTC derivatives regulation limiting our ability to hedge against commodity price fluctuations; competition in the oil and gas exploration and production industry; a deterioration in general economic, business or industry conditions; negative public perceptions of our industry; limited control over properties we do not operate; pipeline and gathering system capacity constraints and transportation interruptions; terrorist activities and cyber-attacks adversely impacting our operations; and an interruption in operations at our headquarters due to a catastrophic event.

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

CHESAPEAKE ENERGY CORPORATION - SUPPLEMENTAL TABLES

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CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(\$ in millions)	Successor June 30, 2021	Predecessor December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 612	\$ 279
Restricted cash	10	—
Accounts receivable, net	674	746
Short-term derivative assets	—	19
Other current assets	58	64
Total current assets	1,354	1,108
Property and equipment:		
Oil and natural gas properties, successful efforts method		
Proved oil and natural gas properties	4,960	25,734
Unproved properties	442	1,550
Other property and equipment	491	1,754
Total property and equipment	5,893	29,038
Less: accumulated depreciation, depletion and amortization	(346)	(23,806)
Property and equipment held for sale, net	3	10
Total property and equipment, net	5,550	5,242
Other long-term assets	95	234
Total assets	\$ 6,999	\$ 6,584
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 281	\$ 346
Current maturities of long-term debt	—	1,929
Accrued interest	24	3
Short-term derivative liabilities	780	93
Other current liabilities	781	723
Total current liabilities	1,866	3,094
Long-term debt, net	1,261	—
Long-term derivative liabilities	211	44
Asset retirement obligations, net of current portion	241	139
Other long-term liabilities	7	5
Liabilities subject to compromise	—	8,643
Total liabilities	3,586	11,925
Contingencies and commitments		
Stockholders' equity (deficit):		
Predecessor preferred stock, \$0.01 par value, 20,000,000 shares authorized: 0 and 5,563,458 shares outstanding	—	1,631
Predecessor common stock, \$0.01 par value, 22,500,000 shares authorized: 0 and 9,780,547 shares issued	—	—
Predecessor additional paid-in capital	—	16,937
Predecessor accumulated other comprehensive income	—	45
Successor common stock, \$0.01 par value, 450,000,000 shares authorized: 97,954,037 and 0 shares issued	1	—
Successor additional paid-in capital	3,590	—
Accumulated deficit	(178)	(23,954)
Total stockholders' equity (deficit)	3,413	(5,341)
Total liabilities and stockholders' equity (deficit)	\$ 6,999	\$ 6,584

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
<i>(\$ in millions)</i>		
Cash flows from operating activities:		
Net loss	\$ (439)	\$ (276)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation, depletion and amortization	229	158
Derivative losses, net	740	173
Cash receipts (payments) on derivative settlements, net	(113)	791
Stock-based compensation	3	4
Gains on sales of assets	(2)	—
Impairments	1	—
Non-cash reorganization items, net	—	(449)
Exploration	1	127
Gains on purchases or exchanges of debt	—	(2)
Other	(7)	(30)
Changes in assets and liabilities	(19)	(120)
Net cash provided by operating activities	<u>394</u>	<u>376</u>
Cash flows from investing activities:		
Capital expenditures	(149)	(349)
Proceeds from divestitures of property and equipment	2	4
Net cash used in investing activities	<u>(147)</u>	<u>(345)</u>
Cash flows from financing activities:		
Proceeds from pre-petition revolving credit facility borrowings	—	1,475
Payments on pre-petition revolving credit facility borrowings	—	(1,446)
Proceeds from warrant exercise	2	—
Debt issuance and other financing costs	—	(55)
Cash paid to purchase debt	—	(2)
Cash paid for common stock dividends	(34)	—
Other	(1)	(3)
Net cash used in financing activities	<u>(33)</u>	<u>(31)</u>
Net increase in cash, cash equivalents and restricted cash	214	—
Cash, cash equivalents and restricted cash, beginning of period	408	82
Cash, cash equivalents and restricted cash, end of period	<u>\$ 622</u>	<u>\$ 82</u>
Cash and cash equivalents	\$ 612	\$ 82
Restricted cash	10	—
Total cash, cash equivalents and restricted cash	<u>\$ 622</u>	<u>\$ 82</u>

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

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

Successor								
Three Months Ended June 30, 2021								
	Oil		Natural Gas		NGL		Total	
	MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe
Appalachia	—	—	1,279	1.94	—	—	213	11.67
Gulf Coast	—	—	531	2.57	—	—	88	15.40
South Texas	37	66.13	108	2.55	16	23.86	72	43.73
Brazos Valley	27	64.83	35	1.81	4	17.95	37	51.63
Powder River Basin	10	64.27	57	3.10	3	30.39	23	40.13
Total	74	65.41	2,010	2.17	23	23.90	433	22.64
Average Realized Price		48.64		2.12		23.89		19.51

Predecessor								
Three Months Ended June 30, 2020								
	Oil		Natural Gas		NGL		Total	
	MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe
Appalachia	—	—	1,051	1.38	—	—	175	8.26
Gulf Coast	—	—	502	1.46	—	—	84	8.75
South Texas	40	20.15	117	1.95	16	9.68	75	15.76
Brazos Valley	36	23.42	49	0.69	6	1.93	50	17.58
Powder River Basin	13	23.80	52	1.44	3	10.59	25	16.96
Mid-Continent	4	24.41	35	1.50	3	8.03	12	13.39
Total	93	22.06	1,806	1.42	28	7.86	421	11.46
Average Realized Price		89.51		2.17		7.86		29.51

Successor								
Period from February 10, 2021 through June 30, 2021								
Oil		Natural Gas		NGL		Total		
MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe	
Appalachia	—	—	1,280	2.15	—	—	213	12.93
Gulf Coast	—	—	529	2.61	—	—	88	15.65
South Texas	37	64.70	108	3.46	15	25.29	71	44.93
Brazos Valley	28	63.32	35	4.32	4	17.44	37	52.92
Powder River Basin	10	62.42	57	3.71	4	31.98	23	41.00
Total	75	63.89	2,009	2.43	23	24.99	432	23.68
Predecessor								
Period from January 1, 2021 through February 9, 2021								
Oil		Natural Gas		NGL		Total		
MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe	
Appalachia	—	—	1,233	2.42	—	—	206	14.49
Gulf Coast	—	—	543	2.44	—	—	90	14.62
South Texas	42	54.12	127	3.00	14	26.04	78	39.20
Brazos Valley	32	52.37	38	1.14	4	16.09	42	42.23
Powder River Basin	10	51.96	61	2.92	4	34.31	24	34.25
Total	84	53.21	2,002	2.45	22	25.92	440	22.63
Non-GAAP Combined								
Six Months Ended June 30, 2021								
Oil		Natural Gas		NGL		Total		
MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe	
Appalachia	—	—	1,270	2.21	—	—	212	13.26
Gulf Coast	—	—	532	2.57	—	—	88	15.41
South Texas	39	62.12	112	3.35	15	25.45	72	43.57
Brazos Valley	28	60.63	36	3.56	4	17.15	39	50.33
Powder River Basin	10	60.15	58	3.53	4	32.56	23	39.44
Total	77	61.31	2,008	2.43	23	25.19	434	23.44
Average Realized Price		47.40		2.41		25.19		20.85
Predecessor								
Six Months Ended June 30, 2020								
Oil		Natural Gas		NGL		Total		
MBbl per day	\$/Bbl	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBoe per day	\$/Boe	
Appalachia	—	—	1,013	1.66	—	—	168	9.99
Gulf Coast	—	—	529	1.58	—	—	88	9.46
South Texas	52	37.49	138	2.08	18	10.79	92	26.17
Brazos Valley	38	35.62	59	0.63	7	3.82	56	25.77
Powder River Basin	15	34.71	71	1.69	4	12.37	32	22.40
Mid-Continent	4	36.35	42	1.93	3	11.37	14	19.14
Total	109	36.39	1,852	1.64	32	9.48	450	16.28
Average Realized Price		71.35		2.16		9.48		26.89

GROSS MARGIN (unaudited)

	Successor		Predecessor	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2021		2020	
	\$	\$/Boe	\$	\$/Boe
<i>(\$ in millions, except per unit)</i>				
Appalachia				
Oil, natural gas and NGL sales	\$ 226	\$ 11.67	\$ 131	\$ 8.26
Production expenses	9	\$ 0.44	7	\$ 0.46
Gathering, processing and transportation expenses	79	\$ 4.07	73	\$ 4.61
Severance and ad valorem taxes	3	\$ 0.14	1	\$ 0.07
Gross margin	<u>\$ 135</u>	\$ 7.02	<u>\$ 50</u>	\$ 3.12
Gulf Coast				
Oil, natural gas and NGL sales	\$ 124	\$ 15.40	\$ 67	\$ 8.75
Production expenses	11	\$ 1.30	11	\$ 1.41
Gathering, processing and transportation expenses	25	\$ 3.15	40	\$ 5.20
Severance and ad valorem taxes	5	\$ 0.54	4	\$ 0.63
Gross margin	<u>\$ 83</u>	\$ 10.41	<u>\$ 12</u>	\$ 1.51
South Texas				
Oil, natural gas and NGL sales	\$ 285	\$ 43.73	\$ 108	\$ 15.77
Production expenses	29	\$ 4.46	25	\$ 3.72
Gathering, processing and transportation expenses	79	\$ 12.11	123	\$ 17.94
Severance and ad valorem taxes	16	\$ 2.38	8	\$ 1.15
Gross margin	<u>\$ 161</u>	\$ 24.78	<u>\$ (48)</u>	\$ (7.04)
Brazos Valley				
Oil, natural gas and NGL sales	\$ 173	\$ 51.63	\$ 80	\$ 17.51
Production expenses	18	\$ 5.41	22	\$ 4.91
Gathering, processing and transportation expenses	3	\$ 1.06	5	\$ 1.13
Severance and ad valorem taxes	10	\$ 3.01	7	\$ 1.49
Gross margin	<u>\$ 142</u>	\$ 42.15	<u>\$ 46</u>	\$ 9.98
Powder River Basin				
Oil, natural gas and NGL sales	\$ 84	\$ 40.13	\$ 39	\$ 16.91
Production expenses	7	\$ 3.61	10	\$ 4.13
Gathering, processing and transportation expenses	25	\$ 11.69	23	\$ 10.05
Severance and ad valorem taxes	7	\$ 3.86	4	\$ 1.56
Gross margin	<u>\$ 45</u>	\$ 20.97	<u>\$ 2</u>	\$ 1.17
Mid-Continent				
Oil, natural gas and NGL sales	\$ —	\$ —	\$ 15	\$ 13.35
Production expenses	—	\$ —	16	\$ 13.94
Gathering, processing and transportation expenses	—	\$ —	6	\$ 5.70
Severance and ad valorem taxes	—	\$ —	1	\$ 1.10
Gross margin	<u>\$ —</u>	\$ —	<u>\$ (8)</u>	\$ (7.39)

	Successor		Predecessor		Non-GAAP Combined		Predecessor	
	Period from February 10, 2021 through June 30,		Period from January 1, 2021 through February 9,		Six Months Ended June 30,		Six Months Ended June 30,	
	2021		2021		2021		2020	
	\$	\$/Boe	\$	\$/Boe	\$	\$/Boe	\$	\$/Boe
<i>(\$ in millions, except per unit)</i>								
Appalachia								
Oil, natural gas and NGL sales	\$ 389	\$ 12.93	\$ 119	\$ 14.49	\$ 508	\$ 13.26	\$ 306	\$ 9.99
Production expenses	14	\$ 0.46	4	\$ 0.50	18	\$ 0.47	16	\$ 0.52
Gathering, processing and transportation expenses	121	\$ 4.02	34	\$ 4.17	155	\$ 4.06	144	\$ 4.72
Severance and ad valorem taxes	4	\$ 0.12	1	\$ 0.07	5	\$ 0.11	3	\$ 0.09
Gross margin	<u>\$ 250</u>	\$ 8.33	<u>\$ 80</u>	\$ 9.75	<u>\$ 330</u>	\$ 8.62	<u>\$ 143</u>	\$ 4.66
Gulf Coast								
Oil, natural gas and NGL sales	\$ 194	\$ 15.65	\$ 53	\$ 14.62	\$ 247	\$ 15.41	\$ 151	\$ 9.46
Production expenses	17	\$ 1.37	4	\$ 1.12	21	\$ 1.31	22	\$ 1.36
Gathering, processing and transportation expenses	36	\$ 2.90	11	\$ 2.93	47	\$ 2.91	91	\$ 5.68
Severance and ad valorem taxes	7	\$ 0.55	2	\$ 0.54	9	\$ 0.54	10	\$ 0.65
Gross margin	<u>\$ 134</u>	\$ 10.83	<u>\$ 36</u>	\$ 10.03	<u>\$ 170</u>	\$ 10.65	<u>\$ 28</u>	\$ 1.77
South Texas								
Oil, natural gas and NGL sales	\$ 449	\$ 44.93	\$ 122	\$ 39.20	\$ 571	\$ 43.57	\$ 436	\$ 26.17
Production expenses	43	\$ 4.32	12	\$ 3.90	55	\$ 4.22	61	\$ 3.66
Gathering, processing and transportation expenses	121	\$ 12.06	42	\$ 13.35	163	\$ 12.37	232	\$ 13.90
Severance and ad valorem taxes	25	\$ 2.46	8	\$ 2.53	33	\$ 2.48	27	\$ 1.61
Gross margin	<u>\$ 260</u>	\$ 26.09	<u>\$ 60</u>	\$ 19.42	<u>\$ 320</u>	\$ 24.50	<u>\$ 116</u>	\$ 7.00
Brazos Valley								
Oil, natural gas and NGL sales	\$ 281	\$ 52.92	\$ 71	\$ 42.23	\$ 352	\$ 50.33	\$ 260	\$ 25.74
Production expenses	28	\$ 5.26	9	\$ 4.85	37	\$ 5.16	50	\$ 4.95

Gathering, processing and transportation expenses	5	\$	1.06	3	\$	1.92	8	\$	1.26	14	\$	1.37
Severance and ad valorem taxes	17	\$	3.27	5	\$	2.99	22	\$	3.20	23	\$	2.31
Gross margin	<u>\$ 231</u>	\$	43.33	<u>\$ 54</u>	\$	32.47	<u>\$ 285</u>	\$	40.71	<u>\$ 173</u>	\$	17.11
Powder River Basin												
Oil, natural gas and NGL sales	\$ 132	\$	41.00	\$ 33	\$	34.25	\$ 165	\$	39.44	\$ 130	\$	22.38
Production expenses	12	\$	3.88	3	\$	3.37	15	\$	3.76	28	\$	4.81
Gathering, processing and transportation expenses	39	\$	12.03	12	\$	12.53	51	\$	12.15	58	\$	10.05
Severance and ad valorem taxes	12	\$	3.88	2	\$	2.88	14	\$	3.64	13	\$	2.27
Gross margin	<u>\$ 69</u>	\$	21.21	<u>\$ 16</u>	\$	15.47	<u>\$ 85</u>	\$	19.89	<u>\$ 31</u>	\$	5.25
Mid-Continent												
Oil, natural gas and NGL sales	\$ —	\$	—	\$ —	\$	—	\$ —	\$	—	\$ 51	\$	19.27
Production expenses	—	\$	—	—	\$	—	—	\$	—	36	\$	13.94
Gathering, processing and transportation expenses	—	\$	—	—	\$	—	—	\$	—	16	\$	6.14
Severance and ad valorem taxes	—	\$	—	—	\$	—	—	\$	—	3	\$	1.06
Gross margin	<u>\$ —</u>	\$	—	<u>\$ —</u>	\$	—	<u>\$ —</u>	\$	—	<u>\$ (4)</u>	\$	(1.87)

CAPITAL EXPENDITURES ACCRUED (unaudited)

	Successor Three Months Ended June 30, 2021	Predecessor Three Months Ended June 30, 2020
<i>(\$ in millions)</i>		
Drilling and completion capital expenditures:		
Appalachia	\$ 65	\$ 57
Gulf Coast	63	33
South Texas	21	22
Brazos Valley	13	22
Powder River Basin	4	6
Total drilling and completion capital expenditures	166	140
Leasehold and additions to other PP&E	2	6
Capitalized interest	2	5
Total capital expenditures	<u>\$ 170</u>	<u>\$ 151</u>

	Successor Period from February 10, 2021 through June 30, 2021	Predecessor Period from January 1, 2021 through February 9, 2021	Non-GAAP Combined Six Months Ended June 30, 2021	Predecessor Six Months Ended June 30, 2020
<i>(\$ in millions)</i>				
Drilling and completion capital expenditures:				
Appalachia	\$ 104	\$ 30	\$ 134	\$ 120
Gulf Coast	74	22	96	62
South Texas	25	4	29	156
Brazos Valley	17	5	22	176
Powder River Basin	5	—	5	89
Retained assets	225	61	286	603
Mid-Continent	—	—	—	2
Total drilling and completion capital expenditures	225	61	286	605
Leasehold and additions to other PP&E	3	—	3	19
Capitalized interest	3	1	4	11
Total capital expenditures	<u>\$ 231</u>	<u>\$ 62</u>	<u>\$ 293</u>	<u>\$ 635</u>

OIL AND NATURAL GAS HEDGING POSITIONS AS OF JULY 30, 2021

Crude Oil Swaps			
	Volume (MMBbls)		Avg. NYMEX Price of Swaps
Q3 2021 ^(a)	4.6	\$	42.62
Q4 2021	4.3	\$	42.62
Total 2021	8.9	\$	42.62
Total 2022	11.2	\$	44.30
Total 2023	1.9	\$	47.17

Oil Basis Protection Swaps			
	Volume (MMBbls)		Avg. NYMEX plus/(minus)
Q3 2021 ^(a)	3.5	\$	0.50
Q4 2021	3.5	\$	0.50
Total 2021	7.0	\$	0.50
Total 2022	6.0	\$	0.34

Natural Gas Swaps			
	Volume (Bcf)		Avg. NYMEX Price of Swaps
Q3 2021 ^(a)	127	\$	2.66
Q4 2021	115	\$	2.67
Total 2021	242	\$	2.67
Total 2022	249	\$	2.55
Total 2023	45	\$	2.75

Natural Gas Two-Way Collars			
	Volume (Bcf)	Avg. NYMEX Bought Put Price	Avg. NYMEX Sold Call Price
Q3 2021 ^(a)	8	\$ 2.80	\$ 3.29
Q4 2021	8	\$ 2.80	\$ 3.29
Total 2021	16	\$ 2.80	\$ 3.29
Total 2022	96	\$ 2.45	\$ 2.88

Natural Gas Basis Protection Swaps			
	Volume (Bcf)		Avg. NYMEX plus/(minus)
Q3 2021 ^(a)	58	\$	(0.75)
Q4 2021	34	\$	(0.34)
Total 2021	92	\$	(0.60)
Total 2022	66	\$	0.43
Total 2023	23	\$	0.76

(a) Includes amounts settled in July and August 2021.

NON-GAAP FINANCIAL MEASURES

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

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

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

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

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

	Successor		Predecessor	
	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
	\$	\$/Share	\$	\$/Share
<i>(\$ in millions, except per share data)</i>				
Net loss available to common stockholders (GAAP)	\$ (439)	\$ (4.48)	\$ (276)	\$ (28.22)
Effect of dilutive securities	—	—	—	—
Diluted loss available to common stockholders (GAAP)	\$ (439)	\$ (4.48)	\$ (276)	\$ (28.22)
Adjustments:				
Unrealized losses on oil, natural gas and NGL derivatives	617	6.30	864	88.35
Separation and other termination costs	11	0.11	22	2.25
Gains on sales of assets	(2)	(0.02)	—	—
Other operating income	(4)	(0.04)	(2)	(0.20)
Impairments	1	0.01	—	—
Gains on purchases or exchanges of debt	—	—	(2)	(0.20)
G&A reorganization expenses	—	—	43	4.40
Reorganization items, net	—	—	(394)	(40.29)
Other	(3)	(0.03)	(1)	(0.10)
Effect of dilutive securities	—	(0.21)	—	(2.23)
Adjusted net income attributable to common stockholders (Non-GAAP)	\$ 181	\$ 1.64	\$ 254	\$ 23.76

	Successor		Predecessor			
	Period from February 10, 2021 through June 30, 2021		Period from January 1, 2021 through February 9, 2021		Six Months Ended June 30, 2020	
	\$	\$/Share	\$	\$/Share	\$	\$/Share
<i>(\$ in millions, except per share data)</i>						
Net income (loss) available to common stockholders (GAAP)	\$ (144)	\$ (1.47)	\$ 5,383	\$ 550.35	\$ (8,595)	\$ (880.18)
Effect of dilutive securities	—	—	—	(14.84)	—	—
Diluted income (loss) available to common stockholders (GAAP)	\$ (144)	\$ (1.47)	\$ 5,383	\$ 534.51	\$ (8,595)	\$ (880.18)
Adjustments:						
Unrealized losses on oil, natural gas and NGL derivatives	504	5.15	369	36.64	135	13.82
Separation and other termination costs	11	0.11	22	2.18	27	2.76
Gains on sales of assets	(6)	(0.06)	(5)	(0.50)	—	—
Other operating expense (income)	(2)	(0.02)	(12)	(1.19)	66	6.76
Impairments	1	0.01	—	—	8,522	872.71
Exploration expense - impairment of unproved properties	—	—	—	—	272	27.85
Noncontrolling interests - impairment of unproved properties	—	—	—	—	(16)	(1.64)
Gains on purchases or exchanges of debt	—	—	—	—	(65)	(6.66)
G&A reorganization expenses	—	—	—	—	43	4.40
Reorganization items, net	—	—	(5,569)	(552.97)	(394)	(40.35)
Other	(24)	(0.25)	—	—	22	2.25
Tax effect of adjustments ^(a)	—	—	(57)	(5.66)	(11)	(1.13)
Effect of dilutive securities	—	(0.36)	—	—	—	(0.03)
Adjusted net income available to common stockholders (Non-GAAP)	340	3.11	131	13.01	6	0.56
Preferred stock dividends	—	—	—	—	22	2.06
Adjusted net income attributable to Chesapeake (Non-GAAP)	\$ 340	\$ 3.11	\$ 131	\$ 13.01	\$ 28	\$ 2.62

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

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

	Successor Three Months Ended June 30, 2021	Predecessor Three Months Ended June 30, 2020
<i>(\$ in millions)</i>		
Net loss (GAAP)	\$ (439)	\$ (276)
Adjustments:		
Interest expense	18	137
Depreciation, depletion and amortization	229	158
Exploration	1	130
Unrealized losses on oil, natural gas and NGL derivatives	617	864
Separation and other termination costs	11	22
Gains on sales of assets	(2)	—
Other operating income	(4)	(2)
Impairments	1	—
Gains on purchases or exchanges of debt	—	(2)
G&A reorganization expenses	—	43
Reorganization items, net	—	(394)
Other	(3)	(1)
Adjusted EBITDAX (Non-GAAP)	\$ 429	\$ 679

	Successor Period from February 10, 2021 through June 30, 2021	Predecessor Period from January 1, 2021 through February 9, 2021	Non-GAAP Combined Six Months Ended June 30, 2021	Predecessor Six Months Ended June 30, 2020
<i>(\$ in millions)</i>				
Net income (loss) (GAAP)	\$ (144)	\$ 5,383	\$ 5,239	\$ (8,589)
Adjustments:				
Interest expense	30	11	41	282
Income tax benefit	—	(57)	(57)	(13)
Depreciation, depletion and amortization	351	72	423	761
Exploration	2	2	4	412
Unrealized losses on oil, natural gas and NGL derivatives	504	369	873	135
Separation and other termination costs	11	22	33	27
Gains on sales of assets	(6)	(5)	(11)	—
Other operating expense (income)	(2)	(12)	(14)	66
Impairments	1	—	1	8,522
Gains on purchases or exchanges of debt	—	—	—	(65)
G&A reorganization expenses	—	—	—	43
Reorganization items, net	—	(5,569)	(5,569)	(394)
Other	(24)	—	(24)	22
Adjusted EBITDAX (Non-GAAP)	\$ 723	\$ 216	\$ 939	\$ 1,209

FREE CASH FLOW

	Successor Three Months Ended June 30, 2021	Predecessor Three Months Ended June 30, 2020
<i>(\$ in millions)</i>		
Net cash provided by operating activities (GAAP)	\$ 394	\$ 376
Cash paid for reorganization items, net	47	55
Capital expenditures	(149)	(349)
Free cash flow (Non-GAAP)	<u>\$ 292</u>	<u>\$ 82</u>

	Successor Period from February 10, 2021 through June 30, 2021	Predecessor Period from January 1, 2021 through February 9, 2021	Non-GAAP Combined Six Months Ended June 30, 2021	Predecessor Six Months Ended June 30, 2020
<i>(\$ in millions)</i>				
Net cash provided by (used in) operating activities (GAAP)	\$ 803	\$ (21)	\$ 782	\$ 773
Cash paid for reorganization items, net	65	66	131	55
Capital expenditures	(226)	(66)	(292)	(867)
Free cash flow (Non-GAAP)	<u>\$ 642</u>	<u>\$ (21)</u>	<u>\$ 621</u>	<u>\$ (39)</u>

NET DEBT

	Successor June 30, 2021
<i>(\$ in millions)</i>	
Total debt (GAAP)	\$ 1,261
Premiums and issuance costs on debt	(40)
Principal amount of debt	1,221
Cash and cash equivalents	(612)
Net debt (Non-GAAP)	<u>\$ 609</u>

CHESAPEAKE ENERGY CORPORATION - MANAGEMENT'S OUTLOOK AS OF AUGUST 10, 2021

Chesapeake periodically provides guidance on certain factors that affect the company's future financial performance. New information or changes from the company's May 11, 2021 outlook are italicized bold below.

	Year Ending 12/31/2021
Total production:	
Oil - mmbbls	23.5 - 25.5
NGL - mmbbls	6.5 - 8.5
Natural gas - bcf	725 - 745
Total daily rate - mboe per day	415 - 435
Estimated basis to NYMEX prices, based on 7/30/21 strip prices:	
Oil - \$/bbl	(\$0.90) - (\$1.30)
Natural gas - \$/mcf	(\$0.40) - (\$0.50)
NGL - realizations as a % of WTI	40% - 45%
Operating costs per boe of projected production:	
Production expense	\$1.85 - \$2.15
Gathering, processing and transportation expenses	\$4.90 - \$5.40
Oil - \$/bbl	\$2.65 - \$2.85
Natural Gas - \$/mcf	\$0.90 - \$1.00
Severance and ad valorem taxes	\$0.90 - \$1.10
General and administrative^(a)	\$0.75 - \$0.95
Depreciation, depletion and amortization expense	\$5.00 - \$6.00
Marketing net margin and Other (\$ in millions)	\$0 - \$10
Interest expense (\$ in millions) ^(b)	\$70 - \$80
Cash taxes (\$ in millions)	\$0 - \$20
Adjusted EBITDAX, based on 7/30/21 strip prices (\$ in millions)^(c)	\$1,800 - \$1,900
Total capital expenditures (\$ in millions)	\$670 - \$740

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

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

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