

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K/A  
(Amendment No. 1)**

**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): January 31, 2019**

**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, Oklahoma**

**73118**

(Address of principal executive offices)

(Zip Code)

**(405) 848-8000**

(Registrant's telephone number, including area code)

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

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

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.

## Explanatory Note

As previously disclosed in the Current Report on Form 8-K filed by Chesapeake Energy Corporation ("Chesapeake") on February 1, 2019 (the "Initial Form 8-K"), on February 1, 2019, Coleburn Inc., a Delaware corporation ("Merger Sub") and a wholly owned subsidiary of Chesapeake, completed its previously announced merger with WildHorse Resource Development Corporation, a Delaware corporation ("WildHorse"), pursuant to the Agreement and Plan of Merger, dated as of October 29, 2018, as amended (the "Merger Agreement"), among Chesapeake, Merger Sub and WildHorse. Pursuant to the Merger Agreement, Merger Sub merged with and into WildHorse (the "First Merger"), with WildHorse continuing as the surviving corporation. Immediately following the effective time of the First Merger, WildHorse merged with and into Brazos Valley Longhorn, L.L.C., a wholly owned limited liability company subsidiary of Chesapeake ("BVL") (the "Second Merger" and, together with the First Merger, the "Merger"), with BVL continuing as a wholly owned subsidiary of Chesapeake (the "Surviving Company"). For ease of reference, we use the term "WildHorse" to refer to both WildHorse Resource Development Corporation prior to the Merger and Brazos Valley Longhorn, L.L.C. after the Merger, as applicable.

This Amendment No. 1 to the Initial Form 8-K amends the Initial Form 8-K to include the financial statements required by Item 9.01(a) and the pro forma financial information required by Item 9.01(b) and certain other information. Except as provided herein, the disclosures made in the Initial Form 8-K remain unchanged.

### Item 8.01. Other Events.

Below is a summary of certain information regarding the assets of WildHorse as of December 31, 2018.

#### WildHorse Operations

WildHorse is engaged in the acquisition, exploration, development and production of oil, natural gas and natural gas liquid ("NGL") resources. Its assets are characterized by concentrated acreage positions in Southeast Texas with multiple producing stratigraphic horizons, or stacked pay zones, and attractive single-well rates of return. WildHorse primarily operates in Burt, Lee and Washington Counties where it primarily targets the Eagle Ford Shale and the Austin Chalk Trend.

#### Reserve Data

##### *Preparation of Reserve Estimates*

WildHorse's reserve estimates as of December 31, 2018 included in this report are based on evaluations prepared by Cawley, Gillespie and Associates, Inc. ("CG&A"), a third-party engineering firm in accordance with Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Evaluation Engineers and definitions and guidelines established by the SEC.

##### *Internal Controls*

WildHorse maintains adequate and effective internal controls over the reserve estimation process as well as the underlying data upon which reserve estimates are based. WildHorse's internal staff of petroleum engineers and geoscience professionals works closely with CG&A reserve engineers to ensure the integrity, accuracy and timeliness of data furnished to CG&A. Periodically, WildHorse's technical team meets with the CG&A reserve engineers to review properties and discuss methods and assumptions used by WildHorse to prepare reserve estimates.

Reserve engineering is and must be recognized as a subjective process of estimating volumes of economically recoverable oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation. As a result, the estimates of different engineers often vary. In addition, the results of drilling, testing and production may justify revisions of such estimates. Accordingly, reserve estimates often differ from the quantities of oil, natural gas and NGLs that are ultimately recovered. Estimates of economically recoverable oil, natural gas and NGLs and of future net revenues are based on a number of variables and assumptions, all of which may vary from actual results, including geologic interpretation, prices

and future production rates and costs. Please read "Item 1A. Risk Factors" appearing in Chesapeake's Annual Report on Form 10-K.

For the year ended December 31, 2018, WildHorse's reserve estimates and related reports were prepared by CG&A and reviewed by WildHorse's Corporate Reserves Department and approved by our Director - Corporate Reserves who is the technical person primarily responsible for overseeing the preparation of WildHorse's reserve estimates and for coordinating any reserves work conducted by a third-party engineering firm.

### Estimated Proved Reserves

The following table presents the estimated net proved oil and natural gas reserves as of December 31, 2018, based on WildHorse's audited reserve report.

|                          | Oil (MBbls) | Natural Gas (MMcf) | NGLs (MBbls) | Total (MBoe) <sup>(1)</sup> |
|--------------------------|-------------|--------------------|--------------|-----------------------------|
| Total Proved Developed   | 66,398      | 88,936             | 14,135       | 95,356                      |
| Total Proved Undeveloped | 218,868     | 289,237            | 43,620       | 310,694                     |
| Total Proved Reserves    | 285,266     | 378,173            | 57,755       | 406,050                     |

(1) One barrel of oil equivalent, calculated by converting natural gas to oil equivalent barrels at a ratio of six Mcf of natural gas to one Bbl of oil. This ratio reflects an energy content equivalency and not a price or revenue equivalency. Despite holding this ratio constant at six mcf to one bbl, prices have historically often been higher or substantially higher for oil than natural gas on an energy equivalent basis, although there have been periods in which they have been lower or substantially lower.

### Production, Revenue and Price History

The following tables summarize WildHorse's average net production, average unhedged sales prices by product and average production costs by geographic region for the years ended December 31, 2018, 2017 and 2016, respectively:

|                                 | Year Ended December 31, 2018 |                     |                    |                     |                    |                     |                    |                     |                         |  |
|---------------------------------|------------------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|-------------------------|--|
|                                 | Oil                          |                     | Natural Gas        |                     | NGLs               |                     | Total              |                     | Lease Operating Expense |  |
|                                 | Production Volumes           | Average Sales Price | Production Volumes | Average Sales Price | Production Volumes | Average Sales Price | Production Volumes | Average Sales Price |                         |  |
|                                 | (MBbls)                      | (\$/Bbl)            | (MMcf)             | (\$/Mcf)            | (MBbls)            | (\$/Bbl)            | (MBoe)             | (\$/MBoe)           | (\$/MBoe)               |  |
| Eagle Ford Shale                | 12,559                       | \$ 67.02            | 15,117             | \$ 2.57             | 2,132              | \$ 19.53            | 17,210             | \$ 53.58            | \$ 3.38                 |  |
| North Louisiana                 | 26                           | \$ 61.93            | 6,414              | \$ 3.31             | 11                 | \$ 30.84            | 1,106              | \$ 20.97            | \$ 3.13                 |  |
| Total                           | 12,585                       |                     | 21,531             |                     | 2,143              |                     | 18,316             |                     | \$ 3.36                 |  |
| Average net production (MBoe/d) |                              |                     |                    |                     |                    |                     |                    | 50.2                |                         |  |

|                                 | Year Ended December 31, 2017 |                     |                    |                     |                    |                     |                    |                     |                         |  |
|---------------------------------|------------------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|-------------------------|--|
|                                 | Oil                          |                     | Natural Gas        |                     | NGLs               |                     | Total              |                     | Lease Operating Expense |  |
|                                 | Production Volumes           | Average Sales Price | Production Volumes | Average Sales Price | Production Volumes | Average Sales Price | Production Volumes | Average Sales Price |                         |  |
|                                 | (MBbls)                      | (\$/Bbl)            | (MMcf)             | (\$/Mcf)            | (MBbls)            | (\$/Bbl)            | (MBoe)             | (\$/MBoe)           | (\$/MBoe)               |  |
| Eagle Ford Shale                | 6,541                        | \$ 51.94            | 5,275              | \$ 2.60             | 1,158              | \$ 18.93            | 8,578              | \$ 43.76            | \$ 3.70                 |  |
| North Louisiana                 | 65                           | \$ 48.05            | 15,188             | \$ 3.04             | 48                 | \$ 21.74            | 2,644              | \$ 19.05            | \$ 3.03                 |  |
| Total                           | 6,606                        |                     | 20,463             |                     | 1,206              |                     | 11,222             |                     | \$ 3.54                 |  |
| Average net production (MBoe/d) |                              |                     |                    |                     |                    |                     |                    | 30.7                |                         |  |

Year Ended December 31, 2016

|                                 | Oil                |                     | Natural Gas        |                     | NGLs               |                     | Total              |                     | Lease Operating Expense |  |
|---------------------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|-------------------------|--|
|                                 | Production Volumes | Average Sales Price | Production Volumes | Average Sales Price | Production Volumes | Average Sales Price | Production Volumes | Average Sales Price |                         |  |
|                                 | (MBbls)            | (\$/Bbl)            | (MMcf)             | (\$/Mcf)            | (MBbls)            | (\$/Bbl)            | (MBoe)             | (\$/MBoe)           |                         |  |
| Eagle Ford Shale                | 1,765              | \$ 41.21            | 1,750              | \$ 2.20             | 404                | \$ 11.74            | 2,461              | \$ 33.05            | \$ 2.42                 |  |
| North Louisiana <sup>(1)</sup>  | 83                 | \$ 38.70            | 16,070             | \$ 2.47             | 67                 | \$ 15.54            | 2,828              | \$ 15.52            | \$ 2.25                 |  |
| <b>Total</b>                    | <b>1,848</b>       |                     | <b>17,820</b>      |                     | <b>471</b>         |                     | <b>5,289</b>       |                     | <b>\$ 2.33</b>          |  |
| Average net production (MBoe/d) |                    |                     |                    |                     |                    |                     |                    | <u>14.5</u>         |                         |  |

(1) On February 12, 2018, WildHorse entered into a Purchase and Sale Agreement with Tanos for the sale of all of its producing and non-producing oil and natural gas properties, including Oakfield, primarily located in Webster, Claiborne, Lincoln, Jackson and Ouachita Parishes, Louisiana ("NLA Assets"). On March 29, 2018, WildHorse completed the sale of the NLA Assets for a total net sales price of approximately \$206.4 million, including final purchase price adjustments of \$4.8 million.

**Reconciliation of PV-10 to Standardized Measure**

PV-10 is a non-GAAP financial measure and differs from the Standardized measure of discounted future net cash flows, which is the most directly comparable GAAP financial measure. PV-10 is a computation of the Standardized Measure of discounted future net cash flows on a pre-tax basis. PV-10 is equal to the Standardized measure of discounted future net cash flows at the applicable date, before deducting future income taxes, discounted at 10 percent. WildHorse believes that the presentation of PV-10 is relevant and useful to investors because it presents the discounted future net cash flows attributable to WildHorse's estimated net proved reserves prior to taking into account future corporate income taxes, and it is a useful measure for evaluating the relative monetary significance of its oil and natural gas properties. Further, investors may utilize the measure as a basis for comparison of the relative size and value of our reserves to other companies without regard to the specific tax characteristics of such entities. WildHorse uses this measure when assessing the potential return on investment related to its oil and natural gas properties. PV-10, however, is not a substitute for the Standardized measure of discounted future net cash flows. WildHorse's PV-10 measure and the Standardized measure of discounted future net cash flows do not purport to represent the fair value of WildHorse's oil and natural gas reserves.

The following table provides a reconciliation of PV-10 of WildHorse's proved reserves to the Standardized measure of discounted future net cash flows at December 31, 2018, 2017 and 2016:

|  | At December 31,     |                     |                   |
|--|---------------------|---------------------|-------------------|
|  | 2018                | 2017                | 2016              |
|  | (in thousands)      |                     |                   |
| PV-10  | \$ 5,089,918        | \$ 3,539,337        | \$ 749,988        |
| Less: present value of future income taxes discounted at 10% | (972,482)           | (695,432)           | (206,947)         |
| <b>Standardized measure</b>                                  | <b>\$ 4,117,436</b> | <b>\$ 2,843,905</b> | <b>\$ 543,041</b> |

### Productive Wells

Productive wells consist of producing wells and wells capable of production, including natural gas wells awaiting pipeline connections to commence deliveries and oil wells awaiting connection to production facilities. Gross wells are the total number of producing wells in which WildHorse owns an interest, and net wells are the sum of WildHorse's fractional working interests owned in gross wells. The following table sets forth information relating to the productive wells in which we owned a working interest as of December 31, 2018.

|                           | Oil            |              |                          | Natural Gas |             |                          |
|---------------------------|----------------|--------------|--------------------------|-------------|-------------|--------------------------|
|                           | Gross Wells    | Net Wells    | Average Working Interest | Gross Wells | Net Wells   | Average Working Interest |
| <b>Eagle Ford Acreage</b> |                |              |                          |             |             |                          |
| Operated                  | 942.0          | 901.7        | 95.7%                    | 53.0        | 48.0        | 90.6%                    |
| Non-operated              | 212.0          | 30.9         | 14.6%                    | 30.0        | 6.3         | 21.0%                    |
| Total                     | <u>1,154.0</u> | <u>932.6</u> | 80.8%                    | <u>83.0</u> | <u>54.3</u> | 65.4%                    |

### Acreage

The following table sets forth certain information regarding the total developed and undeveloped acreage in which WildHorse owned an interest as of December 31, 2018.

| Region             | Developed Acres |        | Undeveloped Acres |         | Total Acres |         |
|--------------------|-----------------|--------|-------------------|---------|-------------|---------|
|                    | Gross           | Net    | Gross             | Net     | Gross       | Net     |
| Eagle Ford Acreage | 33,106          | 28,066 | 438,141           | 297,605 | 471,247     | 325,671 |

Approximately 74% of WildHorse's net Eagle Ford Acreage was held by production at December 31, 2018.

### Undeveloped Acreage Expirations

The following table sets forth the number of total net undeveloped acres as of December 31, 2018 across WildHorse's Eagle Ford Acreage that will expire in 2019, 2020, 2021, 2022 and 2023, unless production is established within the spacing units covering the acreage prior to the expiration dates or unless such leasehold rights are extended or renewed.

| Region             | 2019   | 2020   | 2021   | 2022 | 2023 |
|--------------------|--------|--------|--------|------|------|
| Eagle Ford Acreage | 31,031 | 27,616 | 12,434 | 552  | 20   |

WildHorse intends to extend substantially all of the net acreage associated with its drilling locations through a combination of development drilling and leasehold extension and renewal payments.

## Drilling Activities

The following table summarizes our approximate gross and net interest in wells completed during the periods indicated (including both operated and non-operated wells), regardless of when drilling was initiated. The information should not be considered indicative of future performance, nor should it be assumed that there is necessarily any correlation among the number of productive wells drilled, quantities of reserves found or economic value. A dry well is a well that proves to be incapable of producing either oil or gas in sufficient quantities to justify completion. A productive well is a well that is not a dry well. Completion refers to installation of permanent equipment for production of oil or gas, or, in the case of a dry well, to reporting to the appropriate authority that the well has been abandoned.

|                           | Year Ended December 31, |       |       |       |       |       |
|---------------------------|-------------------------|-------|-------|-------|-------|-------|
|                           | 2018                    |       | 2017  |       | 2016  |       |
|                           | Gross                   | Net   | Gross | Net   | Gross | Net   |
| <b>Eagle Ford Acreage</b> |                         |       |       |       |       |       |
| Development wells:        |                         |       |       |       |       |       |
| Productive                | 99.00                   | 94.16 | 85.00 | 83.99 | 20.00 | 16.06 |
| Dry                       | —                       | —     | —     | —     | —     | —     |
| Total development wells   | 99.00                   | 94.16 | 85.00 | 83.99 | 20.00 | 16.06 |
| Exploratory wells:        |                         |       |       |       |       |       |
| Productive                | —                       | —     | —     | —     | —     | —     |
| Dry                       | —                       | —     | —     | —     | —     | —     |
| Total exploratory wells   | —                       | —     | —     | —     | —     | —     |
| Total                     | 99.00                   | 94.16 | 85.00 | 83.99 | 20.00 | 16.06 |

At December 31, 2018, 27.0 gross (25.9 net) wells (including wells temporarily suspended) were in the process of being drilled. WildHorse is currently running a four-rig program in its Eagle Ford Acreage, which it is utilizing on a well-to-well basis. WildHorse is not currently a party to any long-term drilling rig contracts.

### Item 9.01. Financial Statements and Exhibits.

#### (a) Financial Statements of Businesses Acquired.

The audited consolidated balance sheets of Brazos Valley Longhorn, L.L.C. (successor in interest to WildHorse Resource Development Corporation) and subsidiaries as of December 31, 2018 and 2017, the related consolidated and combined statements of operations, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2018, and the related notes, together with the report thereon of KPMG LLP included in the audited consolidated financial statements of Brazos Valley Longhorn, L.L.C. (successor in interest to WildHorse Resource Development Corporation) as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 are filed as Exhibit 99.1 hereto are incorporated herein by reference.

#### (b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial statements of Chesapeake for the year ended December 31, 2018 and the notes related thereto filed as Exhibit 99.2 hereto are incorporated herein by reference.

(c) Exhibits.

| <b>Exhibit No.</b>   | <b>Document Description</b>  |
|----------------------|--|
| <a href="#">23.1</a> | Consent of KPMG LLP, an independent registered public accounting firm.   |
| <a href="#">23.2</a> | Consent of Cawley, Gillespie and Associates, Inc.  |
| <a href="#">99.1</a> | Audited consolidated balance sheets of Brazos Valley Longhorn, L.L.C. (successor in interest to WildHorse Resource Development Corporation) and subsidiaries as of December 31, 2018 and 2017, the related consolidated and combined statements of operations, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2018, and the related notes, together with the report thereon of KPMG LLP included in the audited consolidated financial statements of Brazos Valley Longhorn, L.L.C. (successor in interest to WildHorse Resource Development Corporation) as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 (incorporated by reference to Item 8 to Brazos Valley Longhorn, L.L.C.'s (successor in interest to WildHorse Resource Development Corporation) Annual Report on Form 10-K for the year ended December 31, 2018). |
| <a href="#">99.2</a> | Unaudited Pro Forma Condensed Consolidated Financial Information as of and for the year ended December 31, 2018.   |
| <a href="#">99.3</a> | Report of Cawley, Gillespie and Associates, Inc. (incorporated by reference to Exhibit 99.1 to WildHorse's Annual Report on Form 10-K for the year ended December 31, 2018).   |

**SIGNATURE**

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

**CHESAPEAKE ENERGY CORPORATION**

By: /s/ James R. Webb

James R. Webb

Executive Vice President - General Counsel and  
Corporate Secretary

Date: March 5, 2019



**Consent of Independent Registered Public Accounting Firm**

Chesapeake Energy Corporation in its capacity as sole member of  
Brazos Valley Longhorn, L.L.C.  
(Successor in interest to WildHorse Resource Development Corporation):

We consent to the incorporation by reference in the registration statements on Form S-8 (File Nos. 333-126191, 333-135949, 333-143990, 333-151762, 333-160350, 333-171468, 333-178067, 333-187018, 333-189651, 333-192175, 333-196977 and 333-214683) and Form S-3 (File No. 333-219649) of Chesapeake Energy Corporation of our report dated March 4, 2019, with respect to the consolidated balance sheets of Brazos Valley Longhorn, L.L.C. (Successor in interest to WildHorse Resource Development Corporation) as of December 31, 2018 and 2017, the related consolidated and combined statements of operations, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated and combined financial statements), which report appears in the Form 8-K/A of Chesapeake Energy Corporation dated March 5, 2019.

As discussed in Note 1 to the consolidated and combined financial statements, the statements of operations, cash flows, and changes in equity for the periods from inception of common control (February 17, 2015) through the initial public offering (December 19, 2016), have been prepared on a combined basis of accounting.

/s/ KPMG LLP

Houston, Texas  
March 5, 2019

**CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS**

We hereby consent to the inclusion in or incorporation by reference into the Registration Statements on Form S-8 (File Nos. 333-126191, 333-135949, 333-143990, 333-151762, 333-160350, 333-171468, 333-178067, 333-187018, 333-189651, 333-192175, 333-196977 and 333-214683) and Form S-3 (File No. 333-219649) (including any amendments or supplements thereto, related appendices, and financial statements) of Chesapeake Energy Corporation of our report, dated February 26, 2019, which report appears in the Form 8-K/A of Chesapeake Energy Corporation dated March 5, 2019, with respect to our audit of estimates of proved reserves and future net revenues as of December 31, 2018 for Brazos Valley Longhorn, L.L.C. We also hereby consent to all references to our firm or such reports included in or incorporated by reference into such Registration Statement.

Very truly yours,

/s/ W. Todd Brooker

W. Todd Brooker, P. E.

President

Cawley, Gillespie & Associates, Inc.

Texas Registered Engineering Firm F-693

Austin, Texas

March 5, 2019

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On October 29, 2018, Chesapeake Energy Corporation (“Chesapeake”), Coleburn Inc., a Delaware corporation (“Merger Sub”) and a wholly owned subsidiary of Chesapeake, and WildHorse Resource Development Corporation, a Delaware corporation (“WildHorse”), entered into an Agreement and Plan of Merger (as amended, the “Merger Agreement”). On February 1, 2019, Merger Sub completed the merger with WildHorse pursuant to the Merger Agreement. Pursuant to the Merger Agreement, Merger Sub merged with and into WildHorse (the “First Merger”), with WildHorse continuing as the surviving corporation. Immediately following the effective time of the First Merger, WildHorse merged with and into Brazos Valley Longhorn, L.L.C., a wholly owned limited liability company subsidiary of Chesapeake (“BVL”) (the “Second Merger” and, together with the First Merger, the “Merger”), with BVL continuing as a wholly owned subsidiary of Chesapeake. Under the terms and conditions contained in the Merger Agreement, and upon the completion of the Merger, holders of shares of WildHorse common stock, at their election, received either 5.989 shares of Chesapeake common stock or a combination of 5.336 shares of Chesapeake common stock and \$3.00 in cash, in exchange for each share of WildHorse common stock.

The following unaudited pro forma condensed combined financial statements present the combination of the historical consolidated financial statements of each of Chesapeake and WildHorse adjusted to give effect to the Merger. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2018 combine the historical condensed consolidated statements of operations of each of Chesapeake and WildHorse, giving effect to the Merger as if it had been consummated on January 1, 2018, the beginning of the earliest period presented. The unaudited pro forma condensed combined balance sheet combines the historical consolidated balance sheets of each of Chesapeake and WildHorse as of December 31, 2018, giving effect to the Merger as if it had been consummated on December 31, 2018. The historical condensed consolidated financial statements of WildHorse have been adjusted to reflect certain reclassifications to conform to Chesapeake’s financial statement presentation.

The unaudited condensed combined pro forma financial statements reflect the following pro forma adjustments, based on available information and certain assumptions that Chesapeake believes are reasonable:

- the Merger, which will be accounted for using the acquisition method of accounting, with Chesapeake identified as the accounting acquirer;
- the conversion of 435,000 shares of WildHorse’s 6.00% Series A Perpetual Convertible Preferred Stock into 32,402,059 shares of WildHorse common stock prior to the effective time of the Merger;
- adjustments to conform the classification of expenses in WildHorse’s historical statements of operations to Chesapeake’s classification for similar expenses;
- adjustments to conform the classification of certain assets and liabilities in WildHorse’s historical balance sheet to Chesapeake’s classification for similar assets and liabilities;
- the assumption of liabilities by Chesapeake for any transaction-related expenses; and
- the estimated tax impact of pro forma adjustments.

As of the date of this report, Chesapeake has not completed the detailed valuation study necessary to arrive at the required final estimates of the fair value of the acquired WildHorse assets and assumed liabilities and the related allocations of purchase price. A final determination of the fair value of WildHorse’s assets and liabilities, including, potentially, intangible assets with indefinite and/or finite lives, will be based on the actual net tangible and intangible assets and liabilities of WildHorse that existed as of the closing date of the Merger. As a result of the foregoing, the pro forma adjustments are preliminary and are subject to change as additional information becomes available and as additional analysis is performed. The preliminary pro forma adjustments have been made solely for the purpose of providing the unaudited pro forma condensed combined financial statements presented below. Chesapeake estimated the fair value of WildHorse’s assets and liabilities based on discussions with WildHorse’s management, preliminary valuation studies, due diligence and information presented in WildHorse’s SEC filings. Any increases or decreases in the fair value of assets acquired and liabilities assumed upon completion of the final valuations will result in adjustments to the unaudited pro forma condensed combined balance sheet and/or unaudited pro forma condensed combined statements of operations. The final purchase price allocation may be materially different than that reflected in the unaudited pro forma purchase price allocation presented herein.

Assumptions and estimates underlying the adjustments to the unaudited pro forma condensed combined financial statements (which we refer to as the pro forma adjustments) are described in the accompanying notes to unaudited pro forma combined financial information. The historical financial statements of each of Chesapeake and WildHorse have been adjusted in the unaudited pro forma condensed combined financial statements to give effect to the transactions that are directly attributable to the Merger, are factually supportable and, with respect to the unaudited pro forma condensed combined statements of operations, expected to

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

have a continuing impact on the combined results of Chesapeake and WildHorse following the Merger. The unaudited pro forma condensed combined financial statements are not necessarily indicative of the operating results and financial position that would have been achieved had the Merger occurred on the dates indicated. Further, the unaudited pro forma condensed combined financial statements do not purport to project the future operating results or financial position of the combined company following the Merger.

The unaudited pro forma condensed combined financial statements, although helpful in illustrating the financial characteristics of the combined company under one set of assumptions, do not reflect the benefits of expected cost savings (or associated costs to achieve such savings), opportunities to earn additional revenue or other factors that may result as a consequence of the Merger and, accordingly, do not attempt to predict or suggest future results. The unaudited pro forma condensed combined statements of operations also exclude the effects of transaction costs associated with the Merger, costs associated with any restructuring actions, integration activities or asset dispositions resulting from the Merger, which to the extent they occur, are expected to be non-recurring and were not incurred at the closing date of the Merger. However, such costs could affect the combined company following the Merger in the period the costs are incurred or recorded. Further, the unaudited pro forma condensed combined financial statements do not reflect the effect of any regulatory actions that may impact the results of the combined company following the Merger.

The unaudited pro forma condensed combined financial statements have been developed from and should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed combined financial statements;
- the historical audited consolidated financial statements of Chesapeake as of and for the year ended December 31, 2018, included in Chesapeake's Annual Report on Form 10-K and incorporated by reference into this document;
- the historical audited consolidated financial statements of WildHorse as of and for the year ended December 31, 2018, attached as Exhibit 99.1 to this Form 8-K/A incorporated by reference into this document; and
- the factors described in the section entitled "Risk Factors" in Item 1A of Chesapeake's Annual Report on Form 10-K for the period ended December 31, 2018.

**CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**  
**DECEMBER 31, 2018**  
**(IN MILLIONS)**

|   | Chesapeake<br>Historical | WildHorse<br>Historical | Reclass<br>Adjustments | Pro Forma<br>Adjustments | Chesapeake<br>Pro Forma<br>Combined |
|---|--------------------------|-------------------------|------------------------|--------------------------|-------------------------------------|
| <b>CURRENT ASSETS:</b>  |                          |                         |                        |                          |                                     |
| Cash and cash equivalents   | \$ 4                     | \$ 15                   | \$ —                   | \$ (4) (b)               | \$ 15                               |
| Accounts receivable, net  | 1,247                    | 92                      |                        |                          | 1,339                               |
| Short-term derivative assets  | 209                      | 54                      |                        |                          | 263                                 |
| Other current assets  | 138                      | 8                       |                        |                          | 146                                 |
| <b>Total Current Assets</b>   | <b>1,598</b>             | <b>169</b>              | <b>—</b>               | <b>(4)</b>               | <b>1,763</b>                        |
| <b>PROPERTY AND EQUIPMENT:</b>  |                          |                         |                        |                          |                                     |
| Oil and natural gas properties, at cost based on full cost accounting:          |                          |                         |                        |                          |                                     |
| Proved oil and natural gas properties   | 69,642                   | —                       | 2,764 (a)              | 444 (c)<br>(518) (d)     | 72,332                              |
| Unproved properties   | 2,337                    | —                       | 694 (a)                | 456 (c)                  | 3,487                               |
| Other property and equipment  | 1,721                    | —                       | 107 (a)                |                          | 1,828                               |
| <b>Total Property and Equipment, at Cost</b>                                    | <b>73,700</b>            | <b>—</b>                | <b>3,565</b>           | <b>382</b>               | <b>77,647</b>                       |
| Less: accumulated depreciation, depletion and amortization                      | (64,685)                 | —                       | (518) (a)              | 518 (d)                  | (64,685)                            |
| Property and equipment held for sale, net                                       | 15                       | —                       |                        |                          | 15                                  |
| <b>Total Property and Equipment, Net</b>  | <b>9,030</b>             | <b>—</b>                | <b>3,047</b>           | <b>900</b>               | <b>12,977</b>                       |
| Oil and natural gas properties, at cost based on successful efforts accounting: |                          |                         |                        |                          |                                     |
| Oil and gas properties  | —                        | 3,458                   | (3,458) (a)            |                          | —                                   |
| Other property and equipment  | —                        | 107                     | (107) (a)              |                          | —                                   |
| Accumulated depreciation, depletion and amortization                            | —                        | (518)                   | 518 (a)                |                          | —                                   |
| <b>Total Property and Equipment, Net</b>  | <b>—</b>                 | <b>3,047</b>            | <b>(3,047)</b>         | <b>—</b>                 | <b>—</b>                            |
| <b>LONG-TERM ASSETS:</b>  |                          |                         |                        |                          |                                     |
| Long-term derivative instruments  | 76                       | 19                      |                        |                          | 95                                  |
| Debt issuance costs   | —                        | 3                       | (3) (a)                |                          | —                                   |
| Other long-term assets  | 243                      | 17                      | 3 (a)                  | (3) (e)                  | 260                                 |
| <b>TOTAL ASSETS</b>   | <b>\$ 10,947</b>         | <b>3,255</b>            | <b>\$ —</b>            | <b>\$ 893</b>            | <b>\$ 15,095</b>                    |

**CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**  
**DECEMBER 31, 2018**  
**(IN MILLIONS)**

|  | <u>Chesapeake<br/>Historical</u> | <u>WildHorse<br/>Historical</u> | <u>Reclass<br/>Adjustments</u> | <u>Pro Forma<br/>Adjustments</u> | <u>Chesapeake<br/>Pro Forma<br/>Combined</u> |
|--|----------------------------------|---------------------------------|--------------------------------|----------------------------------|--|
| <b>CURRENT LIABILITIES:</b>                          |                                  |                                 |                                |                                  |  |
| Accounts payable                                     | \$ 763                           | \$ 76                           |                                |                                  | \$ 839                                       |
| Current maturities of long-term debt, net            | 381                              | —                               |                                |                                  | 381  |
| Accrued interest                                     | 141                              | —                               |                                |                                  | 141  |
| Short-term derivative liabilities                    | 3                                | 1                               |                                |                                  | 4  |
| Accrued liabilities                                  | —                                | 125                             | (125) (a)                      |                                  | —  |
| Other current liabilities                            | 1,540                            | —                               | 125 (a)                        | 48 (f)                           | 1,713  |
| <b>Total Current Liabilities</b>                     | <u>2,828</u>                     | <u>202</u>                      | <u>—</u>                       | <u>48</u>                        | <u>3,078</u>                                 |
| <b>LONG-TERM LIABILITIES:</b>                        |                                  |                                 |                                |                                  |  |
| Long-term debt, net                                  | 7,341                            | 1,191                           |                                | 377 (b)<br>17 (g)                | 8,926  |
| Deferred tax liabilities                             | —                                | 113                             |                                | (113) (c)                        | —  |
| Asset retirement obligations, net of current portion | 155                              | 8                               |                                |                                  | 163  |
| Other long-term liabilities                          | 156                              | 2                               |                                |                                  | 158  |
| <b>Total Long-Term Liabilities</b>                   | <u>7,652</u>                     | <u>1,314</u>                    | <u>—</u>                       | <u>281</u>                       | <u>9,247</u>                                 |
| Preferred stock                                      | —                                | 448                             |                                | (448) (h)                        | —  |
| <b>EQUITY:</b>                                       |                                  |                                 |                                |                                  |  |
| Stockholders' Equity (Deficit):                      |                                  |                                 |                                |                                  |  |
| Preferred stock                                      | 1,671                            | —                               |                                |                                  | 1,671  |
| Common stock   | 9                                | 1                               |                                | (1) (h)<br>7 (i)                 | 16   |
| Additional paid-in capital                           | 14,378                           | 1,153                           |                                | (1,153) (h)<br>2,030 (i)         | 16,408                                       |
| Accumulated equity (deficit)                         | (15,660)                         | 137                             |                                | (137) (h)<br>(48) (f)<br>314 (c) | (15,394)                                     |
| Accumulated other comprehensive loss                 | (23)                             | —                               |                                |                                  | (23)   |
| Less: treasury stock, at cost;                       | (31)                             | —                               |                                |                                  | (31)   |
| <b>Total Stockholders' Equity</b>                    | <u>344</u>                       | <u>1,291</u>                    | <u>—</u>                       | <u>1,012</u>                     | <u>2,647</u>                                 |
| Noncontrolling interests                             | 123                              | —                               |                                |                                  | 123  |
| <b>Total Equity</b>                                  | <u>467</u>                       | <u>1,291</u>                    | <u>—</u>                       | <u>1,012</u>                     | <u>2,770</u>                                 |
| <b>TOTAL LIABILITIES AND EQUITY</b>                  | <u>\$ 10,947</u>                 | <u>\$ 3,255</u>                 | <u>—</u>                       | <u>\$ 893</u>                    | <u>\$ 15,095</u>                             |

**CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(IN MILLIONS)**

|   | Chesapeake<br>Historical | WildHorse<br>Historical | Reclass<br>Adjustments | Pro Forma<br>Adjustments | Chesapeake Pro<br>Forma<br>Combined |
|---|--------------------------|-------------------------|------------------------|--------------------------|-------------------------------------|
| <b>REVENUES:</b>  |                          |                         |                        |                          |                                     |
| Oil, natural gas and NGL  | \$ 5,155                 | \$ —                    | \$ 945 (a)             | \$ —                     | \$ 6,135                            |
|   |                          |                         | 35 (a)                 |                          |                                     |
| Oil sales   | —                        | 843                     | (843) (a)              |                          | —                                   |
| Natural gas sales   | —                        | 60                      | (60) (a)               |                          | —                                   |
| NGL sales   | —                        | 42                      | (42) (a)               |                          | —                                   |
| Marketing   | 5,076                    | —                       |                        |                          | 5,076                               |
| Other income  | —                        | 2                       | (2) (a)                |                          | —                                   |
| Total Revenues  | <u>10,231</u>            | <u>947</u>              | <u>33</u>              | <u>—</u>                 | <u>11,211</u>                       |
| <b>OPERATING EXPENSES:</b>  |                          |                         |                        |                          |                                     |
| Oil, natural gas and NGL production                               | 539                      | 61                      |                        |                          | 600                                 |
| Oil, natural gas and NGL gathering, processing and transportation | 1,398                    | 10                      |                        |                          | 1,408                               |
| Production taxes  | 124                      | 52                      |                        |                          | 176                                 |
| Marketing   | 5,158                    | —                       |                        |                          | 5,158                               |
| General and administrative  | 280                      | 66                      | 14 (a)                 |                          | 360                                 |
| Incentive unit compensation expense                               | —                        | 14                      | (14) (a)               |                          | —                                   |
| Restructuring and other termination costs                         | 38                       | —                       |                        |                          | 38                                  |
| Provision for legal contingencies, net                            | 26                       | —                       |                        |                          | 26                                  |
| Depreciation, depletion and amortization                          | 1,145                    | 297                     |                        | (297) (d)                | 1,394                               |
|   |                          |                         |                        | 249 (j)                  |                                     |
| (Gain) loss on sale of oil and natural gas properties             | 578                      | (3)                     |                        | 3 (p)                    | 578                                 |
| Impairments   | 53                       | 214                     |                        | (214) (k)                | 53                                  |
| Exploration expense   | —                        | 23                      |                        | (23) (l)                 | —                                   |
| Other operating expense   | 10                       | 1                       |                        |                          | 11                                  |
| Total Operating Expenses  | <u>9,349</u>             | <u>735</u>              | <u>—</u>               | <u>(282)</u>             | <u>9,802</u>                        |
| <b>INCOME FROM OPERATIONS</b>                                     | <u>882</u>               | <u>212</u>              | <u>33</u>              | <u>282</u>               | <u>1,409</u>                        |

**CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(IN MILLIONS)**

|  | <u>Chesapeake<br/>Historical</u> | <u>WildHorse<br/>Historical</u> | <u>Reclass<br/>Adjustments</u> | <u>Pro Forma<br/>Adjustments</u> | <u>Chesapeake Pro<br/>Forma<br/>Combined</u> |
|--|----------------------------------|---------------------------------|--------------------------------|----------------------------------|--|
| <b>OTHER INCOME (EXPENSE):</b>   |                                  |                                 |                                |                                  |  |
| Interest expense   | (487)                            | (60)                            |                                |                                  | (547)  |
| Gain on derivative instruments   | —                                | 35                              | (35) (a)                       |                                  | —  |
| Gains on investments   | 139                              | —                               |                                |                                  | 139  |
| Gains on purchases or exchanges of debt  | 263                              | —                               |                                |                                  | 263  |
| Other income (expense)   | 70                               | (1)                             | 2 (a)                          |                                  | 71   |
| Total Other Expense  | (15)                             | (26)                            | (33)                           | —                                | (74)   |
| <b>INCOME BEFORE INCOME TAXES</b>  | <b>867</b>                       | <b>186</b>                      | <b>—</b>                       | <b>282</b>                       | <b>1,335</b>                                 |
| Current income taxes   | —                                | —                               | (1) (a)                        | 1 (m)                            | —  |
| Deferred income taxes  | (10)                             | —                               | 41 (a)                         | (41) (m)                         | (10)   |
| Income tax expense   | —                                | 40                              | (40) (a)                       |                                  | —  |
| Total Income Tax Expense (Benefit)   | (10)                             | 40                              | —                              | (40)                             | (10)   |
| <b>NET INCOME</b>  | <b>877</b>                       | <b>146</b>                      | <b>—</b>                       | <b>322</b>                       | <b>1,345</b>                                 |
| Net income attributable to noncontrolling interests  | (4)                              | —                               |                                |                                  | (4)  |
| <b>NET INCOME ATTRIBUTABLE TO<br/>CHESAPEAKE</b>   | <b>873</b>                       | <b>146</b>                      | <b>—</b>                       | <b>322</b>                       | <b>1,341</b>                                 |
| Preferred stock dividends  | (92)                             | (29)                            |                                | 29 (h)                           | (92)   |
| Earnings allocated to participating securities   | (6)                              | (30)                            |                                | 30 (n)                           | (6)  |
| <b>NET INCOME AVAILABLE TO COMMON<br/>STOCKHOLDERS</b>   | <b>\$ 775</b>                    | <b>\$ 87</b>                    | <b>\$ —</b>                    | <b>\$ 381</b>                    | <b>\$ 1,243</b>                              |
| <b>EARNINGS PER COMMON SHARE:</b>  |                                  |                                 |                                |                                  |  |
| Basic  | \$ 0.85                          |                                 |                                |                                  | \$ 0.76                                      |
| Diluted  | \$ 0.85                          |                                 |                                |                                  | \$ 0.76                                      |
| <b>WEIGHTED AVERAGE COMMON AND<br/>COMMON EQUIVALENT SHARES<br/>OUTSTANDING (in millions):</b> |                                  |                                 |                                |                                  |  |
| Basic  | 909                              |                                 |                                | 717 (o)                          | 1,626  |
| Diluted  | 909                              |                                 |                                | 717 (o)                          | 1,626  |



## 1. Basis of Presentation

The unaudited pro forma condensed combined financial information has been derived from the historical consolidated financial statements of each of Chesapeake and WildHorse. Certain of WildHorse's historical amounts have been reclassified to conform to Chesapeake's financial statement presentation. The unaudited pro forma condensed combined balance sheet as of December 31, 2018 gives effect to the Merger as if the Merger had been completed on December 31, 2018. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2018 gives effect to the Merger as if the Merger had been completed on January 1, 2018.

The unaudited pro forma condensed combined financial statements reflect pro forma adjustments that are described in the accompanying notes and are based on available information and certain assumptions that Chesapeake believes are reasonable; however, actual results may differ from those reflected in these unaudited pro forma condensed financial statements. In Chesapeake's opinion, all adjustments that are necessary to present fairly the pro forma information have been made. The following unaudited pro forma condensed combined financial statements do not purport to represent what the combined company's financial position or results of operations would have been if the Merger had actually occurred on the dates indicated above, nor are they indicative of Chesapeake's future financial position or results of operations. These unaudited pro forma condensed combined financial statements should be read in conjunction with the historical consolidated financial statements and related notes thereto of each of Chesapeake and WildHorse for the periods presented.

## 2. Unaudited Pro Forma Condensed Combined Balance Sheet

The Merger will be accounted for using the acquisition method of accounting for business combinations. The allocation of the preliminary estimated purchase price is based upon Chesapeake's estimates of, and assumptions related to, the fair value of assets to be acquired and liabilities to be assumed as of December 31, 2018 using currently available information. Due to the fact that the unaudited pro forma condensed combined financial statements have been prepared based on these preliminary estimates, the final purchase price allocation and the resulting effect on financial position and results of operations of the combined companies may be materially different from the pro forma amounts included herein. Chesapeake expects to finalize the purchase price allocation as soon as practicable.

The preliminary purchase price allocation is subject to change due to several factors, including, but not limited to:

- changes in the estimated fair value of WildHorse's assets acquired and liabilities assumed as of the closing date of the Merger, which could result from the finalization of valuation procedures and the related assumptions, including interest rates and other factors;
- the tax bases of WildHorse's assets and liabilities as of the closing date of the Merger; and
- the factors described in the section entitled "Risk Factors" in Item 1A of Chesapeake's Annual Report on Form 10-K for the period ended December 31, 2018.

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The preliminary fair value assessment of the assets acquired and liabilities assumed expected to be recorded is as follows:

|   | <b>Preliminary Purchase Price Allocation</b> |       |
|---|--|-------|
|   | <b>(in millions)</b>                         |       |
| <b>Consideration:</b>   |  |       |
| Cash  | \$   | 381   |
| Fair value of Chesapeake's common stock issued in the Merger <sup>(a)</sup> |  | 2,037 |
| Total consideration   | \$   | 2,418 |
| <b>Fair Value of Liabilities Assumed:</b>                                   |  |       |
| Current liabilities   | \$   | 202   |
| Long-term debt  |  | 1,208 |
| Deferred tax liabilities  |  | 314   |
| Other long-term liabilities   |  | 10    |
| Amounts attributable to liabilities assumed                                 | \$   | 1,734 |
| <b>Fair Value of Assets Acquired:</b>                                       |  |       |
| Cash and cash equivalents   | \$   | 15    |
| Other current assets  |  | 154   |
| Proved oil and natural gas properties                                       |  | 2,690 |
| Unproved properties   |  | 1,150 |
| Other property and equipment  |  | 107   |
| Other long-term assets  |  | 36    |
| Amounts attributable to assets acquired                                     | \$   | 4,152 |
| Total identifiable net assets   | \$   | 2,418 |

(a) Based on 717,376,170 Chesapeake common shares issued at closing of the Merger at \$2.84 per share (closing price as of February 1, 2019).

As a result of the Merger, each eligible share of WildHorse common stock issued and outstanding immediately prior to the effective time of the Merger was converted into the right to receive either 5.989 shares of Chesapeake common stock or a combination of 5.336 shares of Chesapeake common stock and \$3.00 in cash. 6,609,445 WildHorse stockholders elected to receive 5.989 shares of Chesapeake common stock, and 127,022,527 WildHorse stockholders elected the combination of 5.336 shares of common stock and \$3.00 cash, resulting in total cash consideration paid of \$381 million and total fair value of Chesapeake stock issued of \$2.037 billion.

### 3. Pro Forma Adjustments

The Chesapeake historical balance sheet and statements of operations as of and for the year ended December 31, 2018 are derived from the audited consolidated financial statements included within Chesapeake's Annual Report on Form 10-K for the period ended December 31, 2018. The WildHorse historical balance sheet and statement of operations as of and for the year ended December 31, 2018 are derived from WildHorse's audited consolidated and combined financial statements for the period ended December 31, 2018 incorporated by reference as exhibit 99.1 herein.

The following adjustments have been made to the accompanying unaudited pro forma condensed combined financial statements:

- (a) The following reclassifications were made as a result of the transaction to conform to Chesapeake's financial statement presentation:

#### **Pro Forma Condensed Combined Balance Sheet as of December 31, 2018**

- Reclassification of approximately \$3.5 billion from oil and gas properties under the successful efforts method of accounting to proved oil and natural gas properties and unproved properties under the full cost method of accounting.
- Reclassification of approximately \$107 million between other property and equipment, as comprised within WildHorse's total property and equipment, and other property and equipment to conform WildHorse's presentation to Chesapeake's presentation.
- Reclassification of approximately \$518 million from accumulated depreciation, depletion and amortization under the successful efforts method of accounting to accumulated depreciation, depletion and amortization under the full cost method of accounting.
- Reclassification of approximately \$3 million between debt issuance costs and other long-term assets to conform WildHorse's presentation to Chesapeake's presentation.
- Reclassification of approximately \$125 million between accrued liabilities and other current liabilities to conform WildHorse's presentation to Chesapeake's presentation.

#### **Pro Forma Condensed Combined Statement of Operations for the Year Ended December 31, 2018**

- Reclassification of approximately \$843 million, \$60 million and \$42 million of WildHorse's disaggregated oil, natural gas and natural gas liquid ("NGL") sales to conform to Chesapeake's presentation of oil, natural gas and NGL revenues.
  - Reclassification of approximately \$35 million for WildHorse's gain on derivatives from other expense to conform to Chesapeake's presentation of oil, natural gas and NGL revenues.
  - Reclassification of approximately \$14 million for WildHorse's incentive unit compensation to conform to Chesapeake's presentation of general and administrative expense.
  - Reclassification of approximately \$2 million for WildHorse's other income to conform to Chesapeake's presentation of other income.
  - Reclassification of approximately \$40 million for WildHorse's income tax expense to conform to Chesapeake's presentation for current income taxes and deferred income taxes.
- (b) Reflects the cash consideration resulting from the stockholder election to receive \$3.00 in cash for each share of WildHorse common stock. The cash consideration was funded through cash on hand and borrowings under Chesapeake's revolving credit facility. For purposes of the unaudited pro forma condensed combined financial statements, Chesapeake has assumed that (i) the outstanding balance of the WildHorse revolving credit facility and (ii) the WildHorse senior notes remained outstanding at the closing of the Merger.
- (c) The allocation of the estimated fair value of consideration transferred (based on the closing price of Chesapeake common shares as of February 1, 2019 and, for WildHorse stockholders electing to receive mixed consideration, \$3.00 in cash for each share of WildHorse common stock) to the estimated fair value of the assets acquired and liabilities assumed resulted in the following purchase price allocation adjustments:

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

- Approximately \$444 million increase in WildHorse’s net book basis of proved oil and natural gas properties and \$456 million increase in WildHorse’s unproved oil and natural gas properties to reflect each at fair value.
- Approximately \$314 million of net deferred tax liabilities associated with the transaction. The primary deferred tax liability recorded is associated with the difference between the purchase price allocated to WildHorse’s assets and the carryover tax basis of such assets. The increase in deferred tax liabilities is completely offset by a decrease in the valuation allowance that Chesapeake maintains against its net deferred tax asset. Accordingly, this results in no deferred tax balance for the combined company.

- (d) Adjustment to eliminate WildHorse’s historical depreciation, depreciation and amortization.
- (e) Adjustment to eliminate debt issuance costs related to WildHorse’s credit facility.
- (f) Reflects the estimated transaction costs of \$48 million related to the merger, including underwriting, banking, legal and accounting fees that are not capitalized as part of the transaction. These costs are not reflected in the historical December 31, 2018 condensed consolidated balance sheets of each of Chesapeake and WildHorse, but are reflected in the pro forma unaudited condensed consolidated balance sheet as an increase to other current liabilities as they will be expensed by Chesapeake and WildHorse as incurred. These amounts and their corresponding tax effect have not been reflected in the pro forma condensed combined statements of operations due to their nonrecurring nature.
- (g) The following adjustments were made to reflect the pro forma increases to Long-term debt:
- Approximately \$4 million to WildHorse’s senior notes to record them at fair value;
  - Approximately \$12 million to eliminate the debt issuance costs related to WildHorse’s senior notes; and
  - Approximately \$1 million to eliminate the discount on WildHorse’s senior notes.
- (h) Reflects the elimination of WildHorse’s historical equity balances in accordance with the acquisition method of accounting.
- (i) Reflects the estimated increase in Chesapeake’s common stock and additional paid-in capital resulting from the issuance of Chesapeake common shares to WildHorse’s stockholders to effect the transaction as follows (in millions, except share and per share amounts):

|  |             |
|--|-------------|
| Shares of Chesapeake common stock to be issued   | 717,376,170 |
| Closing price per share of Chesapeake common stock on February 1, 2019                   | \$ 2.84     |
| Total fair value of shares of Chesapeake common stock to be issued                       | \$ 2,037    |
| Increase in Chesapeake common stock (\$0.01 par value per share) as of December 31, 2018 | \$ 7        |
| Increase in Chesapeake additional paid-in capital as of December 31, 2018                | \$ 2,030    |

- (j) Adjustment to record pro forma oil, natural gas and NGL related depletion in accordance with the full cost method of accounting.
- (k) Adjustment to eliminate WildHorse’s impairment of its Louisiana assets which was recorded under the successful efforts method of accounting in accordance with the full cost method of accounting.
- (l) Adjustment to eliminate WildHorse’s exploration expense which was recorded under the successful efforts method of accounting in accordance with the full cost method of accounting.
- (m) Refer to (c) above regarding the net deferred tax liabilities associated with the transaction. No income tax benefit has been included in the pro forma statement of operations for the adjustment to the valuation allowance that Chesapeake maintains against its net deferred tax asset due to the nonrecurring nature of any such adjustment. Further, the deferred tax expense (benefit) amount recorded by WildHorse has been eliminated due to the valuation allowance.
- (n) Adjustment to reflect the change in earnings allocated to participating securities. Participating securities consist of unvested restricted stock issued to Chesapeake’s employees and non-employee directors that provide dividend rights.
- (o) Reflects Chesapeake common stock issued to WildHorse stockholders.

(p) Adjustment to eliminate WildHorse's gain on sale of properties which was recorded under the successful efforts method of accounting in accordance with the full cost method of accounting.

**4. Supplemental Pro Forma Oil and Natural Gas Reserves Information**

The following tables present the estimated pro forma net proved developed and undeveloped oil, natural gas and NGL reserves as of December 31, 2018, along with a summary of changes in the quantities of net remaining proved reserves during the year ended December 31, 2018. The pro forma reserve information set forth below gives effect to the merger as if the merger had been completed on January 1, 2018.

|   | Oil (mmbbls)             |                         |                                     |
|---|--------------------------|-------------------------|-------------------------------------|
|   | Chesapeake<br>Historical | WildHorse<br>Historical | Chesapeake<br>Pro Forma<br>Combined |
| <b>December 31, 2018</b>                    |                          |                         |                                     |
| Proved reserves, beginning of period        | 260.2                    | 282.8                   | 543.0                               |
| Extensions, discoveries and other additions | 56.3                     | 81.2                    | 137.5                               |
| Revisions of previous estimates             | (30.5)                   | (65.3)                  | (95.8)                              |
| Production                                  | (32.7)                   | (12.6)                  | (45.3)                              |
| Sale of reserves-in-place                   | (37.8)                   | (1.3)                   | (39.1)                              |
| Purchase of reserves-in-place               | —                        | 0.5                     | 0.5                                 |
| Proved reserves, end of period              | <u>215.5</u>             | <u>285.3</u>            | <u>500.8</u>                        |
| Proved developed reserves:                  |                          |                         |                                     |
| Beginning of period                         | <u>150.9</u>             | <u>65.0</u>             | <u>215.9</u>                        |
| End of period                               | <u>127.6</u>             | <u>66.4</u>             | <u>194.0</u>                        |
| Proved undeveloped reserves:                |                          |                         |                                     |
| Beginning of period                         | <u>109.3</u>             | <u>217.8</u>            | <u>327.1</u>                        |
| End of period                               | <u>87.9</u>              | <u>218.9</u>            | <u>306.8</u>                        |

|   | Natural Gas (bcf)        |                         |                                     |
|---|--------------------------|-------------------------|-------------------------------------|
|   | Chesapeake<br>Historical | WildHorse<br>Historical | Chesapeake<br>Pro Forma<br>Combined |
| <b>December 31, 2018</b>                    |                          |                         |                                     |
| Proved reserves, beginning of period        | 8,600                    | 684                     | 9,284                               |
| Extensions, discoveries and other additions | 1,162                    | 130                     | 1,292                               |
| Revisions of previous estimates             | 242                      | (22)                    | 220                                 |
| Production                                  | (832)                    | (22)                    | (854)                               |
| Sale of reserves-in-place                   | (2,395)                  | (393)                   | (2,788)                             |
| Purchase of reserves-in-place               | —                        | 1                       | 1                                   |
| Proved reserves, end of period              | <u>6,777</u>             | <u>378</u>              | <u>7,155</u>                        |
| Proved developed reserves:                  |                          |                         |                                     |
| Beginning of period                         | <u>4,980</u>             | <u>222</u>              | <u>5,202</u>                        |
| End of period                               | <u>3,314</u>             | <u>89</u>               | <u>3,403</u>                        |
| Proved undeveloped reserves:                |                          |                         |                                     |
| Beginning of period                         | <u>3,620</u>             | <u>462</u>              | <u>4,082</u>                        |
| End of period                               | <u>3,463</u>             | <u>289</u>              | <u>3,752</u>                        |

|   | <b>Natural Gas Liquids (mmbbls)</b> |                                 |  |
|---|-------------------------------------|---------------------------------|--|
|   | <b>Chesapeake<br/>Historical</b>    | <b>WildHorse<br/>Historical</b> | <b>Chesapeake<br/>Pro Forma<br/>Combined</b> |
| <b>December 31, 2018</b>                    |                                     |                                 |  |
| Proved reserves, beginning of period        | 218.6                               | 57.5                            | 276.1  |
| Extensions, discoveries and other additions | 19.8                                | 16.4                            | 36.2   |
| Revisions of previous estimates             | 5.4                                 | (13.7)                          | (8.3)  |
| Production                                  | (18.9)                              | (2.1)                           | (21.0)                                       |
| Sale of reserves-in-place                   | (121.6)                             | (0.4)                           | (122.0)                                      |
| Purchase of reserves-in-place               | —                                   | 0.1                             | 0.1  |
| Proved reserves, end of period              | <u>103.3</u>                        | <u>57.8</u>                     | <u>161.1</u>                                 |
| Proved developed reserves:                  |                                     |                                 |  |
| Beginning of period                         | <u>134.9</u>                        | <u>12.5</u>                     | <u>147.4</u>                                 |
| End of period                               | <u>67.9</u>                         | <u>14.1</u>                     | <u>82.0</u>                                  |
| Proved undeveloped reserves:                |                                     |                                 |  |
| Beginning of period                         | <u>83.6</u>                         | <u>45.0</u>                     | <u>128.6</u>                                 |
| End of period                               | <u>35.4</u>                         | <u>43.7</u>                     | <u>79.1</u>                                  |

|   | <b>Total Reserves (mmboe)</b>    |                                 |  |
|---|----------------------------------|---------------------------------|--|
|   | <b>Chesapeake<br/>Historical</b> | <b>WildHorse<br/>Historical</b> | <b>Chesapeake<br/>Pro Forma<br/>Combined</b> |
| <b>December 31, 2018</b>                    |                                  |                                 |  |
| Proved reserves, beginning of period        | 1,912                            | 454                             | 2,366  |
| Extensions, discoveries and other additions | 270                              | 119                             | 389  |
| Revisions of previous estimates             | 15                               | (83)                            | (68)   |
| Production                                  | (190)                            | (18)                            | (208)  |
| Sale of reserves-in-place                   | (559)                            | (67)                            | (626)  |
| Purchase of reserves-in-place               | —                                | 1                               | 1  |
| Proved reserves, end of period              | <u>1,448</u>                     | <u>406</u>                      | <u>1,854</u>                                 |
| Proved developed reserves:                  |                                  |                                 |  |
| Beginning of period                         | <u>1,116</u>                     | <u>114</u>                      | <u>1,230</u>                                 |
| End of period                               | <u>748</u>                       | <u>95</u>                       | <u>843</u>                                   |
| Proved undeveloped reserves:                |                                  |                                 |  |
| Beginning of period                         | <u>796</u>                       | <u>340</u>                      | <u>1,136</u>                                 |
| End of period                               | <u>700</u>                       | <u>311</u>                      | <u>1,011</u>                                 |

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The pro forma standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves as of December 31, 2018 is as follows:

|  | <b>Year Ended December 31, 2018</b> |                                 |  |
|--|-------------------------------------|---------------------------------|--|
|  | <b>Chesapeake<br/>Historical</b>    | <b>WildHorse<br/>Historical</b> | <b>Chesapeake<br/>Pro Forma<br/>Combined</b> |
|  | (\$ in millions)                    |                                 |  |
| Future cash inflows                                      | \$ 27,312                           | \$ 21,269                       | \$ 48,581                                    |
| Future production costs                                  | (5,946)                             | (3,440)                         | (9,386)                                      |
| Future development costs                                 | (4,032)                             | (5,168)                         | (9,200)                                      |
| Future income tax provisions                             | (331)                               | (2,399)                         | (2,730)                                      |
| Future net cash flows                                    | 17,003                              | 10,262                          | 27,265                                       |
| Less effect of a 10% discount factor                     | (7,508)                             | (6,145)                         | (13,653)                                     |
| Standardized measure of discounted future net cash flows | <u>\$ 9,495</u>                     | <u>\$ 4,117</u>                 | <u>\$ 13,612</u>                             |

The changes in the pro forma standardized measure of discounted future net cash flows relating to proved oil, natural gas and NGL reserves for the year ended December 31, 2018 are as follows:

|   | <b>Year Ended December 31, 2018</b> |                                 |  |
|---|-------------------------------------|---------------------------------|--|
|   | <b>Chesapeake<br/>Historical</b>    | <b>WildHorse<br/>Historical</b> | <b>Chesapeake Pro<br/>Forma<br/>Combined</b> |
|   | (\$ in millions)                    |                                 |  |
| Standardized measure, beginning of period   | \$ 7,490                            | \$ 2,844                        | \$ 10,334                                    |
| Sales of oil and natural gas produced, net of production costs and gathering, processing and transportation | (3,128)                             | (822)                           | (3,950)                                      |
| Net changes in prices and production costs  | 3,317                               | 1,380                           | 4,697  |
| Extensions and discoveries, net of production and development costs   | 1,666                               | 1,829                           | 3,495  |
| Changes in estimated future development costs   | 1,113                               | (13)                            | 1,100  |
| Previously estimated development costs incurred during the period   | 973                                 | 68                              | 1,041  |
| Revisions of previous quantity estimates  | 47                                  | (1,058)                         | (1,011)                                      |
| Purchase of reserves-in-place   | —                                   | 4                               | 4  |
| Sales of reserves-in-place  | (2,052)                             | (320)                           | (2,372)                                      |
| Accretion of discount   | 749                                 | 324                             | 1,073  |
| Net change in income taxes  | (32)                                | (277)                           | (309)  |
| Changes in production rates and other   | (648)                               | 158                             | (490)  |
| Standardized measure, end of period   | <u>\$ 9,495</u>                     | <u>\$ 4,117</u>                 | <u>\$ 13,612</u>                             |