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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2020

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File No. 1-13726

CHESAPEAKE ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

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

(405) 848-8000

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol[1]	Name of Each Exchange on Which Registered
Common Stock, par value $0.01	CHKAQ	N/A
6.625% Senior Notes due 2020	*	N/A
6.875% Senior Notes due 2020	*	N/A
6.125% Senior Notes due 2021	*	N/A
5.375% Senior Notes due 2021	*	N/A
4.875% Senior Notes due 2022	*	N/A
5.75% Senior Notes due 2023	*	N/A
4.5% Cumulative Convertible Preferred Stock	*	N/A

[1] On June 29, 2020, our common stock was suspended from trading on the New York Stock Exchange (the "NYSE"). On June 30, 2020, our common stock began trading on the OTC Pink Marketplace maintained by the OTC Markets Group, Inc. under the symbol "CHKAQ." On July 20, 2020, the NYSE filed a Form 25 delisting our common stock, senior notes and cumulative convertible preferred stock from trading on the NYSE, which delisting became effective 10 days after the filing of the Form 25. In accordance with Rule 12d2-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the de-registration of our common stock, senior notes and cumulative convertible preferred stock under Section 12(b) of the Exchange Act will become effective 90 days from the date of the Form 25 filing.

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

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

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

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

Smaller Reporting Company ☐ Emerging Growth Company ☐

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

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

As of August 7, 2020, there were 9,780,335 shares of our $0.01 par value common stock outstanding.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
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ITEM 1. Condensed Consolidated Financial Statements

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2020	December 31, 2019
ASSETS	($ in millions)	
CURRENT ASSETS:		
Cash and cash equivalents ($2 and $2 attributable to our VIE)	$ 82	$ 6
Accounts receivable, net	513	990
Short-term derivative assets	—	134
Other current assets	95	121
Total Current Assets	690	1,251
PROPERTY AND EQUIPMENT:		
Oil and natural gas properties, at cost based on successful efforts accounting:		
Proved oil and natural gas properties ($755 and $755 attributable to our VIE)	31,401	30,765
Unproved properties	1,743	2,173
Other property and equipment	1,803	1,810
Total Property and Equipment, at Cost	34,947	34,748
Less: accumulated depreciation, depletion and amortization (($748) and ($713) attributable to our VIE)	(29,255)	(20,002)
Property and equipment held for sale, net	10	10
Total Property and Equipment, Net	5,702	14,756
Other long-term assets	161	186
TOTAL ASSETS	$ 6,553	$ 16,193

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED BALANCE SHEETS – (Continued)
(Unaudited)

	June 30, 2020	December 31, 2019
LIABILITIES AND EQUITY (DEFICIT)	($ in millions)	
CURRENT LIABILITIES:		
Accounts payable	$ 39	$ 498
Current maturities of long-term debt, net	1,929	385
Accrued interest	3	75
Short-term derivative liabilities	—	2
Other current liabilities (nominal and $1 attributable to our VIE)	418	1,432
Total Current Liabilities	2,389	2,392
Long-term debt, net	—	9,073
Long-term derivative liabilities	—	2
Asset retirement obligations, net of current portion	209	200
Other long-term liabilities	8	125
Liabilities subject to compromise	8,135	—
Total Liabilities	10,741	11,792
CONTINGENCIES AND COMMITMENTS (Note 5)		
EQUITY (DEFICIT):		
Chesapeake Stockholders' Equity (Deficit):		
Preferred stock, $0.01 par value, 20,000,000 shares authorized 5,563,458 shares outstanding	1,631	1,631
Common stock, $0.01 par value, 22,500,000 and 15,000,000 shares authorized: 9,780,202 and 9,772,793 shares issued[(a)]	—	—
Additional paid-in capital[(a)]	16,924	16,973
Accumulated deficit	(22,793)	(14,220)
Accumulated other comprehensive income	29	12
Less: treasury stock, at cost; 0 and 26,224 common shares[(a)]	—	(32)
Total Chesapeake Stockholders' Equity (Deficit)	(4,209)	4,364
Noncontrolling interests	21	37
Total Equity (Deficit)	(4,188)	4,401
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 6,553	$ 16,193

(a) Amounts and shares have been retroactively adjusted to reflect a 1-for-200 (1:200) reverse stock split effective April 14, 2020. See Note 9 for additional information.

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

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CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions except per share data)			
REVENUES AND OTHER:				
Oil, natural gas and NGL	$ 267	$ 1,454	$ 2,068	$ 2,383
Marketing	240	916	964	2,149
Total Revenues	507	2,370	3,032	4,532
Other	14	15	30	30
Gains on sales of assets	—	1	—	20
Total Revenues and Other	521	2,386	3,062	4,582
OPERATING EXPENSES:				
Oil, natural gas and NGL production	91	144	213	259
Oil, natural gas and NGL gathering, processing and transportation	270	271	555	545
Severance and ad valorem taxes	25	62	79	113
Exploration	130	15	412	39
Marketing	242	940	988	2,170
General and administrative	112	89	177	192
Separation and other termination costs	22	—	27	—
Provision for legal contingencies, net	7	3	8	3
Depreciation, depletion and amortization	158	580	761	1,099
Impairments	—	1	8,522	2
Other operating expense	5	3	88	64
Total Operating Expenses	1,062	2,108	11,830	4,486
INCOME (LOSS) FROM OPERATIONS	(541)	278	(8,768)	96
OTHER INCOME (EXPENSE):				
Interest expense (contractual interest for the three and six months ended June 30, 2020 of $173 and $355)	(137)	(175)	(282)	(336)
Losses on investments	—	(23)	(23)	(24)
Gains on purchases or exchanges of debt	2	—	65	—
Other income	6	18	12	27
Reorganization items, net	394	—	394	—
Total Other Income (Expense)	265	(180)	166	(333)
INCOME (LOSS) BEFORE INCOME TAXES	(276)	98	(8,602)	(237)
Income tax benefit	—	—	(13)	(314)
NET INCOME (LOSS)	(276)	98	(8,589)	77
Net loss attributable to noncontrolling interests	—	—	16	—
NET INCOME (LOSS) ATTRIBUTABLE TO CHESAPEAKE	(276)	98	(8,573)	77
Preferred stock dividends	—	(23)	(22)	(46)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ (276)	$ 75	$ (8,595)	$ 31
EARNINGS (LOSS) PER COMMON SHARE:[(a)]				
Basic	$ (28.22)	$ 9.21	$ (880.18)	$ 4.12
Diluted	$ (28.22)	$ 9.21	$ (880.18)	$ 4.12
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (in thousands):[(a)]				
Basic	9,779	8,141	9,765	7,524
Diluted	9,779	8,141	9,765	7,524

(a) All share and per share information has been retroactively adjusted to reflect a 1-for-200 (1:200) reverse stock split effective April 14, 2020. See Note 9 for additional information.

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
NET INCOME (LOSS)	$ (276)	$ 98	$ (8,589)	$ 77
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX:				
Reclassification of losses on settled derivative instruments[a]	8	8	17	18
Other Comprehensive Income	8	8	17	18
COMPREHENSIVE INCOME (LOSS)	(268)	106	(8,572)	95
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	16	—
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CHESAPEAKE	$ (268)	$ 106	$ (8,556)	$ 95

(a) Deferred tax activity incurred in other comprehensive income was offset by a valuation allowance.

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2020	2019
	($ in millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME (LOSS)	$ (8,589)	$ 77
ADJUSTMENTS TO RECONCILE NET LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation, depletion and amortization	761	1,099
Deferred income tax benefit	(10)	(314)
Derivative (gains) losses, net	(734)	30
Cash receipts on derivative settlements, net	880	15
Stock-based compensation	9	17
Gains on sales of assets	—	(20)
Impairments	8,522	2
Non-cash reorganization items, net	(449)	—
Exploration	406	25
Losses on investments	23	18
Gains on purchases or exchanges of debt	(65)	—
Other	(22)	41
Changes in assets and liabilities	41	(137)
Net Cash Provided By Operating Activities	773	853
CASH FLOWS FROM INVESTING ACTIVITIES:		
Drilling and completion costs	(843)	(1,070)
Business combination, net	—	(353)
Acquisitions of proved and unproved properties	(9)	(17)
Proceeds from divestitures of proved and unproved properties	7	82
Additions to other property and equipment	(15)	(18)
Proceeds from sales of other property and equipment	4	4
Net Cash Used In Investing Activities	(856)	(1,372)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from pre-petition revolving credit facility borrowings	3,806	6,416
Payments on pre-petition revolving credit facility borrowings	(3,467)	(5,452)
Cash paid to purchase debt	(95)	(381)
DIP credit facility financing costs	(55)	—
Cash paid for preferred stock dividends	(22)	(46)
Other	(8)	(18)
Net Cash Provided By Financing Activities	159	519
Net increase in cash and cash equivalents	76	—
Cash and cash equivalents, beginning of period	6	4
Cash and cash equivalents, end of period	$ 82	$ 4

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)
(Unaudited)

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

	Six Months Ended June 30,	
	2020	**2019**
	($ in millions)	
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for reorganization items, net	$ 55	$ —
Interest paid, net of capitalized interest	$ 177	$ 296
Income taxes paid, net of refunds received	$ (2)	$ (5)
SUPPLEMENTAL DISCLOSURE OF SIGNIFICANT NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for business combination	$ —	$ 2,037
Change in senior notes exchanged	$ —	$ 35
Change in accrued drilling and completion costs	$ (223)	$ 17

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
PREFERRED STOCK:				
Balance, beginning and end of period	$ 1,631	$ 1,671	$ 1,631	$ 1,671
COMMON STOCK:[(a)]				
Balance, beginning of period	—	—	—	—
Common shares issued for WildHorse Merger	—	—	—	—
Balance, end of period	—	—	—	—
ADDITIONAL PAID-IN CAPITAL:[(a)]				
Balance, beginning of period	16,920	16,408	16,973	14,387
Common shares issued for WildHorse Merger	—	—	—	2,037
Stock-based compensation	4	11	(27)	18
Dividends on preferred stock	—	(23)	(22)	(46)
Balance, end of period	16,924	16,396	16,924	16,396
ACCUMULATED DEFICIT:				
Balance, beginning of period	(22,517)	(13,933)	(14,220)	(13,912)
Net income (loss) attributable to Chesapeake	(276)	98	(8,573)	77
Balance, end of period	(22,793)	(13,835)	(22,793)	(13,835)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):				
Balance, beginning of period	21	(13)	12	(23)
Hedging activity	8	8	17	18
Balance, end of period	29	(5)	29	(5)
TREASURY STOCK – COMMON:[(a)]				
Balance, beginning of period	—	(36)	(32)	(31)
Purchase of 0, 405, 17,901 and 13,102 shares for company benefit plans	—	(1)	(2)	(7)
Release of 0, 744, 44,126 and 1,297 shares from company benefit plans	—	1	34	2
Balance, end of period	—	(36)	—	(36)
TOTAL CHESAPEAKE STOCKHOLDERS' EQUITY (DEFICIT)	(4,209)	4,191	(4,209)	4,191
NONCONTROLLING INTERESTS:				
Balance, beginning of period	21	41	37	41
Net loss attributable to noncontrolling interests	—	—	(16)	—
Distributions to noncontrolling interest owners	—	(2)	—	(2)
Balance, end of period	21	39	21	39
TOTAL EQUITY (DEFICIT)	$ (4,188)	$ 4,230	$ (4,188)	$ 4,230

(a) Amounts and shares have been retroactively adjusted to reflect a 1-for-200 (1:200) reverse stock split effective April 14, 2020. See Note 9 for additional information.

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

1. Chapter 11 Proceedings

Unless the context otherwise requires, references to “Chesapeake”, the “Company”, “us”, “we” and “our” in this report are to Chesapeake Energy Corporation together with its subsidiaries. On June 28, 2020, (the “Petition Date”) we and certain of our subsidiaries (collectively, the “Debtors”) filed voluntary petitions (the “Chapter 11 Cases”) for relief (the “Bankruptcy Filing”) under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Court”). On June 29, 2020, the Bankruptcy Court entered an order authorizing the joint administration of the Chapter 11 Cases under the caption *In re Chesapeake Energy Corporation*, Case No. 20-33233 (DRJ). Subsidiaries with noncontrolling interests, consolidated variable interest entities and certain de minimis subsidiaries (collectively, the “Non-Filing Entities”) were not part of the Bankruptcy Filing. The Non-Filing Entities will continue to operate in the ordinary course of business.

Debtor-In-Possession

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

Automatic Stay

Subject to certain specific exceptions under the Bankruptcy Code, the filing of the Chapter 11 Cases automatically stayed all judicial or administrative actions against us and efforts by creditors to collect on or otherwise exercise rights or remedies with respect to pre-petition claims. Absent an order from the Bankruptcy Court, substantially all of the Debtors’ pre-petition liabilities are subject to settlement under the Bankruptcy Code.

Restructuring Support Agreement

On June 28, 2020, the Debtors entered into a restructuring support agreement (the "RSA") with certain holders (collectively, the "Consenting Stakeholders") of (i) obligations under that certain Amended and Restated Credit Agreement, dated as of September 12, 2018, by and among Chesapeake, as borrower, the Debtor guarantors party thereto, MUFG Union Bank, N.A., as administrative agent, and the other lender, issuer, and agent parties thereto (the "pre-petition revolving credit facility"); (ii) obligations under that certain Term Loan Agreement, dated as of December 19, 2019, by and among Chesapeake, as borrower, the Debtor guarantors party thereto, GLAS USA LLC., as administrative agent, and the lender parties thereto (the "FLLO Term Loan"); and (iii) obligations under the 11.5% Senior Secured Second Lien Notes due 2025 (the "Second Lien Notes") issued pursuant to that certain indenture, dated as of December 19, 2019, by and among Chesapeake, as issuer, certain guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee and collateral trustee to support a restructuring (the "Restructuring") on the terms set forth in the RSA and the term sheet annexed to the RSA (the "Restructuring Term Sheet"). Certain Consenting Stakeholders also hold Unsecured Notes (as defined in the Restructuring Term Sheet) and their Unsecured Notes are also subject to the terms and obligations under the RSA. The RSA contemplates that the Company will implement the Restructuring through the Chapter 11 Cases pursuant to a consensual plan of reorganization (the "Plan") and the various related transactions set forth in or contemplated by the RSA and the Restructuring Term Sheet.

The RSA contains certain covenants on the part of each of the Company and the Consenting Stakeholders, including limitations on the parties’ ability to pursue alternative transactions (subject to customary provisions regarding the ability of the Company’s Board of Directors to satisfy its fiduciary duties), commitments by the Consenting Stakeholders to vote in favor of the Plan and commitments of the Company and the Consenting Stakeholders to negotiate in good faith to finalize the documents and agreements contemplated by and required to implement the Plan. The RSA also provides for certain conditions to the obligations of the parties and for termination upon the occurrence of certain events, including, without limitation, the failure to achieve certain milestones and certain breaches by the parties under the RSA. One such condition is the requirement to obtain sufficient savings on certain midstream obligations (as determined by the required plan sponsors, defined in the RSA) through rejection of such contracts and/or renegotiation of terms.

The RSA includes a hedging order that authorizes the Debtors to enter into post-petition hedge agreements with the lenders under the DIP Credit Facility (as defined below). Beginning 30 days after the Petition Date, the Debtors are required to, at a minimum, hedge 50% of the anticipated projected monthly production from proved developed producing oil and natural gas reserves (in each case, calculated separately for (i) crude oil and (ii) natural gas and natural gas liquids, taken together) for a rolling 24-month period. The Debtors notional hedge volumes shall not exceed (a) for the 24-month period from the date such commodity hedge transaction is executed, 90% of the anticipated projected monthly production from proved developed producing oil and natural gas reserves and (b) for the 24-month period thereafter, 80% of the anticipated projected monthly production from proved developed producing oil and natural gas reserves.

Although the Company intends to pursue the Restructuring in accordance with the terms set forth in the RSA, there can be no assurance that the Company will be successful in completing the Restructuring or any other similar transaction on the terms set forth in the RSA, on different terms, or at all.

Pursuant to the terms of the RSA and the Restructuring Term Sheet, below is a summary of the treatment that the stakeholders of the Company would receive under the Plan:

- *Holders of Other Secured Claims*. Each holder of Other Secured Claims (as defined in the RSA) would receive, at the Company's option and in consultation with a requisite number of holders of claims who are backstopping a rights offering pursuant to the Plan: (a) payment in full in cash; (b) the collateral securing its secured claim; (c) reinstatement of its secured claim; or (d) such other treatment rendering its secured claim unimpaired in accordance with Section 1124 of the Bankruptcy Code.

- *Holders of Other Priority Claims*. Each holder of Other Priority Claims (as defined in the RSA) would receive treatment in a manner consistent with Section 1129(a)(9) of the Bankruptcy Code.

- *Holders of Pre-Petition Revolving Credit Facility Claims*. On the effective date of the Plan (the "Plan Effective Date"), each holder of obligations under the pre-petition revolving credit facility would receive, at such holder's option, its pro rata share of either Tranche A RBL Exit Facility Loans or Tranche B RBL Exit Facility Loans (each as defined in the Exit Facilities Term Sheet, defined below), each on a dollar for dollar basis.

- Holders of FLLO Term Loan Facility Claims. On the Plan Effective Date, each holder of obligations under the FLLO Term Loan Facility would receive its pro rata share of (i) 76% of the reorganized Company's new common equity interests (the "New Common Stock"), subject to the terms set forth in the Restructuring Term Sheet and (ii) the right to participate in a rights offering on the terms set forth in the Restructuring Term Sheet.

- *Holders of Second Lien Notes Claims*. On the Plan Effective Date, each holder of the Second Lien Notes would receive its pro rata share of (i) 12% of the New Common Stock, subject to the terms set forth in the Restructuring Term Sheet, (ii) the right to participate in a rights offering on the terms set forth in the Restructuring Term Sheet, and (iii) warrants to purchase 10% of the New Common Stock on certain terms set forth in the Restructuring Term Sheet, warrants to purchase another 10% of the New Common Stock on certain other terms set forth in the Restructuring Term Sheet, and 50% of warrants to purchase another 10% of the New Common Stock on certain other terms set forth in the Restructuring Term Sheet (the "New Class C Warrants").

- *Holders of Unsecured Notes Claims*. On the Plan Effective Date, each holder of the Unsecured Notes (as defined in the RSA) would receive its pro rata share of (i) 12% of the New Common Stock, subject to the terms set forth in the Restructuring Term Sheet (the "Unsecured Claims Recovery"), and (ii) 50% of the New Class C Warrants.

- *Holders of General Unsecured Claims*. On the Plan Effective Date, each holder of allowed general unsecured claims would receive its pro rata share of the Unsecured Claims Recovery.

- *Equity Holders*. Each holder of an equity interest in Chesapeake, including our common and preferred stock, would have such interest canceled, released, and extinguished without any distribution.

DIP Credit Facility

On June 28, 2020, prior to the commencement of the Chapter 11 Cases, the Company entered into a commitment letter (the “Commitment Letter”) with certain of the lenders under the pre-petition revolving credit facility and/or their affiliates (collectively, the “Commitment Parties”), pursuant to which, and subject to the satisfaction of certain customary conditions, including the approval of the Bankruptcy Court, the Commitment Parties agreed to provide the Debtors with a post-petition senior secured super-priority debtor-in-possession revolving credit facility in an aggregate principal amount of up to approximately $2.104 billion (the “DIP Credit Facility”), consisting of a revolving loan facility of new money in an aggregate principal amount of up to $925 million, which includes a sub-facility of up to $200 million for the issuance of letters of credit, and an up to approximately $1.179 billion term loan that reflects the roll-up of a portion of outstanding borrowings under the pre-petition revolving credit facility. Pursuant to the Commitment Letter, the Commitment parties have also committed to provide, subject to certain conditions, an up to $2.5 billion exit credit facility, consisting of an up to $1.75 billion revolving credit facility (the “Exit Revolving Facility”) and an up to $750 million senior secured term loan facility (the “Exit Term Loan Facility” and, together with the Exit Revolving Facility, the “Exit Credit Facilities”). The terms and conditions of the DIP Credit Facility are set forth in the DIP Credit Agreement (the “DIP Credit Agreement”) attached to the Commitment Letter. The proceeds of the DIP Credit Facility may be used for, among other things, post-petition working capital, permitted capital investments, general corporate purposes, letters of credit, administrative costs, premiums, expenses and fees for the transactions contemplated by the Chapter 11 Cases, payment of court approved adequate protection obligations, and other such purposes consistent with the DIP Credit Facility. The terms and conditions of the Exit Credit Facilities are reflected in an exit facilities term sheet attached as an exhibit to the Restructuring Term Sheet (the “Exit Facilities Term Sheet”). The Exit Credit Facilities are subject to satisfaction of certain conditions set forth in the Exit Facilities Term Sheet, including compliance with (i) a minimum liquidity of $500 million, (ii) a 2.25:1.00 leverage ratio test and (iii) asset coverage of credit facilities to PV-10 of at least 1.50:1.00. See Note 4 for additional information.

Executory Contracts

Subject to certain exceptions, under the Bankruptcy Code, we may assume, assign, or reject certain executory contracts and unexpired leases subject to the approval of the Bankruptcy Court and certain other conditions. Generally, the rejection of an executory contract or unexpired lease is treated as a pre-petition breach of such executory contract or unexpired lease and, subject to certain exceptions, relieves us from performing our future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a pre-petition general unsecured claim for damages caused by such deemed breach. Counterparties to rejected contracts or leases may assert unsecured claims in the Bankruptcy Court against our estate for such damages. Generally, the assumption of an executory contract or unexpired lease requires us to cure existing monetary defaults under such executory contract or unexpired lease and provide adequate assurance of future performance. Accordingly, any description of an executory contract or unexpired lease with us, including where applicable a quantification of our obligations under any such executory contract or unexpired lease of us, is qualified by any overriding rejection rights we have under the Bankruptcy Code.

Potential Claims

We have filed with the Bankruptcy Court schedules and statements setting forth, among other things, the assets and liabilities of us and each of our subsidiaries, subject to the assumptions filed in connection therewith. These schedules and statements may be subject to further amendment or modification after filing. Certain holders of pre-petition claims that are not governmental units are required to file proofs of claim by the deadline for general claims, (the “bar date”), which was set by the Bankruptcy Court as September 25, 2020.

As of August 5, 2020, the Debtors have received approximately 250 proofs of claim, not including proofs of claim related to the Healthcare of Ontario Pension Plan (HOOPP) disclosed in Note 5, primarily representing general unsecured claims, for an aggregate amount of approximately $75 million. Differences between amounts scheduled by us and claims by creditors are being investigated and will be reconciled and resolved to within an immaterial amount in connection with the claims resolution process. In light of the expected number of creditors, the claims resolution process may take considerable time to complete and likely will continue after we emerge from bankruptcy.

Financial Statement Classification of Liabilities Subject to Compromise

The accompanying unaudited condensed consolidated balance sheet as of June 30, 2020, includes amounts classified as liabilities subject to compromise, which represent liabilities we anticipate will be allowed as claims in the Chapter 11 Cases. These amounts represent our current estimate of known or potential obligations to be resolved in connection with the Chapter 11 Cases, and may differ from actual future settlement amounts paid. Differences between liabilities estimated and claims filed, or to be filed, will be investigated and resolved in connection with the claims resolution process. We will continue to evaluate these liabilities throughout the Chapter 11 process and adjust amounts as necessary. Such adjustments may be material.

Liabilities subject to compromise includes amounts related to the rejection of various executory contracts and unexpired leases. Additional amounts may be included in liabilities subject to compromise in future periods if additional executory contracts and unexpired leases are rejected. The nature of many of the potential claims arising under our executory contracts and unexpired leases has not been determined at this time, and therefore, such claims are not reasonably estimable at this time and may be material.

The following table summarizes the components of liabilities subject to compromise included on our unaudited condensed consolidated balance sheet as of June 30, 2020:

	June 30, 2020 ($ in millions)
Debt	$ 7,166
Accounts payable	250
Accrued interest	235
Other liabilities	484
Liabilities subject to compromise	$ 8,135

Reorganization Items, Net

We have incurred and will continue to incur significant expenses, gains and losses associated with the reorganization, primarily the write-off of unamortized debt issuance costs and related unamortized premiums and discounts and legal and professional fees incurred subsequent to the Chapter 11 filings for the restructuring process. The amount of these items, which are being incurred in reorganization items, net within our accompanying unaudited condensed consolidated statements of operations, are expected to significantly affect our results of operations. In future periods, we may also incur adjustments for allowable claims related to our legal proceedings and executory contracts approved for rejections by the Bankruptcy Court.

The following table summarizes the components included in reorganization items for the three and six months ended June 30, 2020:

	Three and Six Months Ended June 30, 2020 ($ in millions)
Write off of unamortized debt premiums (discounts)	$ 518
Write off of unamortized debt issuance costs	(61)
DIP credit facility financing costs	(63)
Reorganization items, net	$ 394

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements of Chesapeake were prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the SEC. Pursuant to such rules and regulations, certain disclosures have been condensed or omitted.

This Quarterly Report on Form 10-Q (this “Form 10-Q”) relates to the three and six months ended June 30, 2020 (the “Current Quarter” and the “Current Period”, respectively) and the three and six months ended June 30, 2019 (the “Prior Quarter” and the “Prior Period”, respectively). Our annual report on Form 10-K for the year ended December 31, 2019 (“2019 Form 10-K”) should be read in conjunction with this Form 10-Q. The accompanying condensed consolidated financial statements reflect all normal recurring adjustments which, in the opinion of management, are necessary for a fair statement of our condensed consolidated financial statements and accompanying notes and include the accounts of our direct and indirect wholly owned subsidiaries and entities in which we have a controlling financial interest. Intercompany accounts and balances have been eliminated.

Going Concern

The accompanying condensed consolidated financial statements have been prepared assuming we will continue as a going concern and contemplate the realization of assets and satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is contingent on our ability to comply with the financial and other covenants contained in our DIP Credit Facility, the Bankruptcy Court’s approval of the Plan and our ability to successfully implement the Plan and obtain exit financing, among other factors. As a result of the Bankruptcy Filing, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession under Chapter 11, we may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business (and subject to restrictions contained in the DIP Credit Facility), for amounts other than those reflected in the accompanying condensed consolidated financial statements. Further, the Plan could materially change the amounts and classifications of assets and liabilities reported in the condensed consolidated financial statements. The factors noted above raise substantial doubt about our ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should we be unable to continue as a going concern or as a consequence of the Bankruptcy Filing.

Accounting During Bankruptcy

We have applied Accounting Standards Codification (ASC) 852 *Reorganizations* in preparing the unaudited condensed consolidated financial statements. ASC 852 requires that the financial statements, for periods subsequent to the Chapter 11 Cases, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain revenues, expenses, realized gains and losses and provisions for losses that are realized or incurred during the bankruptcy proceedings, including losses related to executory contracts that have been approved for rejection by the Bankruptcy Court, and unamortized deferred financing costs, premiums and discounts associated with debt classified as liabilities subject to compromise, are recorded as reorganization items. In addition, pre-petition obligations that may be impacted by the Chapter 11 process have been classified on the unaudited condensed consolidated balance sheet as of June 30, 2020 as liabilities subject to compromise. These liabilities are reported at the amounts we anticipate will be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts. See Note 1 for more information regarding reorganization items.

Risks and Uncertainties

The global spread of COVID-19 created significant volatility, uncertainty, and economic disruption during the first six months of 2020. The pandemic has reached more than 200 countries and territories and has resulted in widespread adverse impacts on the global economy and on our customers and other parties with whom we have business relations. State and local authorities have also implemented multi-step policies with the goal of re-opening. However, certain jurisdictions began re-opening only to return to restrictions in the face of increases in new COVID-19 cases. To date, we have experienced limited operational impacts as a result of the restrictions from working remotely or COVID-19 directly. As an essential business under the guidelines issued by each of the states in which we operate, we have been allowed to continue operations. As a result, since mid-March, we have restricted access to all of our offices and for a period of time directed employees to work remotely to the extent possible. We began to re-open our offices in phases beginning mid-May and special precautions have been implemented to minimize the risk of exposure. These actions have allowed us to maintain the engagement and connectivity of our personnel. However, due to severe impacts from the global COVID-19 pandemic on the global demand for oil and natural gas, financial results may not be necessarily indicative of operating results for the entire year. Moreover, future operations could be negatively affected if a significant number of our employees are quarantined as a result of exposure to the virus.

There is considerable uncertainty regarding the extent to which COVID-19 will continue to spread and the extent and duration of governmental and other measures implemented to try to slow the spread of the virus, such as large-scale travel bans and restrictions, border closures, quarantines, shelter-in-place orders and business and government shutdowns. One of the largest impacts of the pandemic has been a significant reduction in global demand for oil and, to a lesser extent, natural gas. This significant decline in demand has been met with a sharp decline in oil prices following the announcement of price reductions and production increases in March 2020 by members of the Organization of Petroleum Exporting Countries (OPEC+) and other foreign, oil-exporting countries. Further, in April 2020, OPEC+ finalized an agreement to cut oil production by 9.7 million barrels per day during May and June 2020. On June 6, 2020, OPEC+ agreed to extend such production cuts until the end of July 2020. However, prices in the oil and gas market have remained depressed, as the oversupply and lack of demand in the market persist. Oil and natural gas prices are expected to continue to be volatile as a result of the near-term production instability and the ongoing COVID-19 outbreaks and as changes in oil and natural gas inventories, industry demand and global and national economic performance are reported. The resulting supply/demand imbalance is having disruptive impacts on the oil and natural gas exploration and production industry and on other industries that serve exploration and production companies. We expect to see continued volatility in oil and natural gas prices for the foreseeable future, and such volatility, combined with the current depressed prices, has impacted and is expected to continue to adversely impact our business. The continued low level of demand and prices for oil and natural gas or otherwise has had and will continue to have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

We cannot predict the full impact that COVID-19 or the significant disruption and volatility currently being experienced in the oil and natural gas markets will have on our business, cash flows, liquidity, financial condition and results of operations at this time due to numerous uncertainties. The ultimate impacts will depend on future developments, including the ultimate geographic spread of the virus, the consequences of governmental and other measures designed to prevent the spread of the virus, the development of effective treatments, the duration of the outbreak, actions taken by members of OPEC+ and other foreign, oil-exporting countries, governmental authorities, customers and other third parties, workforce availability, and the timing and extent to which normal economic and operating conditions resume.

3. Earnings Per Share

Basic earnings per share (EPS) is calculated using the weighted average number of common shares outstanding during the period and includes the effect of any participating securities as appropriate. Participating securities consist of unvested restricted stock issued to our employees and non-employee directors that provide dividend rights.

Diluted EPS is calculated assuming the issuance of common shares for all potentially dilutive securities, provided the effect is not antidilutive. For all periods presented, our convertible senior notes did not have a dilutive effect and, therefore, were excluded from the calculation of diluted EPS.

Shares of common stock for the following securities were excluded from the calculation of diluted EPS as the effect was antidilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)			
Common stock equivalent of our preferred stock outstanding[a]	290	298	290	298
Common stock equivalent of our convertible senior notes outstanding[a]	621	729	621	729
Participating securities[a]	—	3	—	5

(a) Amount has been retroactively adjusted to reflect a 1-for-200 (1:200) reverse stock split effective April 14, 2020. See Note 9 for additional information.

As a result of the Company’s reverse stock split effective on April 14, 2020, proportionate adjustments were made to the conversion price of Chesapeake’s outstanding 5.5% Convertible Senior Notes due 2026, 4.5% Cumulative Convertible Preferred Stock, 5.00% Cumulative Convertible Preferred Stock (Series 2005B), 5.75% Cumulative Convertible Non-Voting Preferred Stock (Series A) and 5.75% Cumulative Non-Voting Convertible Preferred Stock and to the outstanding awards and number of shares issued and issuable under the Company's equity compensation plans. See Note 9 for additional information.

4. Debt

Our long-term debt consisted of the following as of June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
	Principal Amount	Carrying Amount	Principal Amount	Carrying Amount
	($ in millions)			
Pre-petition revolving credit facility	$ 1,929	$ 1,929	$ 1,590	$ 1,590
Term loan due 2024	1,500	1,500	1,500	1,470
11.5% senior secured second lien notes due 2025	2,330	2,330	2,330	3,248
6.625% senior notes due 2020	176	176	208	208
6.875% senior notes due 2020	73	73	93	93
6.125% senior notes due 2021	167	167	167	167
5.375% senior notes due 2021	127	127	127	127
4.875% senior notes due 2022	272	272	338	338
5.75% senior notes due 2023	167	167	209	209
7.00% senior notes due 2024	624	624	624	624
6.875% senior notes due 2025	2	2	2	2
8.00% senior notes due 2025	246	246	246	245
5.5% convertible senior notes due 2026	1,064	1,064	1,064	765
7.5% senior notes due 2026	119	119	119	119
8.00% senior notes due 2026	46	46	46	44
8.00% senior notes due 2027	253	253	253	253
Debt issuance costs	—	—	—	(44)
Total debt, net	9,095	9,095	8,916	9,458
Less current maturities of long-term debt	(1,929)	(1,929)	(385)	(385)
Less amounts reclassified to liabilities subject to compromise	(7,166)	(7,166)	—	—
Total long-term debt, net	$ —	$ —	$ 8,531	$ 9,073

Chapter 11 Proceedings

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

The principal amounts outstanding under the FLLO Term Loan, Second Lien Notes and all of our other unsecured senior and convertible senior notes have been reclassified as liabilities subject to compromise on the accompanying unaudited condensed consolidated balance sheet at June 30, 2020. Additionally, non-cash adjustments were made to write off all of the related unamortized debt issuance costs and associated discounts and premiums of approximately $457 million are included in reorganization items, net in the accompanying unaudited condensed consolidated statements of operations for the three and six-month periods ended June 30, 2020, as discussed in Note 1.

Debtor-in-Possession Credit Agreement

On June 28, 2020, prior to the commencement of Chapter 11 Cases, the Company entered into a commitment letter with certain of the lenders (“New Money Lenders”) under the pre-petition revolving credit facility and/or their affiliates to provide the Debtors with a DIP Credit Facility in an aggregate principal amount of up to approximately $2.104 billion in commitments and loans from the New Money Lenders. The DIP Credit Facility consists of a revolving loan facility of new money in an aggregate principal amount of up to $925 million (the “New Money Facility”), which includes a sub-facility of up to $200 million for the issuance of letters of credit, and a $1.179 billion term loan that reflects the roll-up of a portion of outstanding borrowings under the pre-petition revolving credit facility: (i) a $925 million term loan reflecting the roll-up of a portion of outstanding existing borrowings made by the New Money Lenders under the existing revolving credit agreement (the “New Money Roll-Up Loans”) and (ii) an up to approximately $254 million term loan reflecting the roll-up or a portion of outstanding existing borrowings made by certain other lenders under the pre-petition revolving credit facility agreement (the “Incremental Roll-Up Loans”). The proceeds of the DIP Credit Facility may be used for, among other things, post-petition working capital, permitted capital investments, general corporate purposes, letters of credit, administrative costs, premiums, expenses and fees for the transactions contemplated by the Chapter 11 Cases, payment of court approved adequate protection obligations and other such purposes consistent with the DIP Credit Facility. The DIP Credit Facility was approved by the Bankruptcy Court on a final basis on July 31, 2020.

Borrowings under the DIP Credit Facility will mature, and the lending commitments thereunder will terminate, upon the earliest to occur of: (a) March 28, 2021 (the 9-month anniversary of the Petition Date); (b) the date of the termination of the commitments and/or the acceleration of all of obligations following the occurrence and continuance of an event of default defined the DIP Credit Facility; (c) the first business day on which the interim order, as defined in the DIP Credit Facility, expires or is terminated; (d) the conversion of any of Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code; (e) the dismissal of any of the Chapter 11 Cases; (f) the closing of a sale of all or substantially all of the equity or assets of the Debtors; (g) the date of the payment in full in cash of all obligations and termination of all the commitments of the Debtors and; (h) the effective date of any of the Debtors’ approved plan of reorganization.

Borrowings under the DIP Credit Facility bear interest at an alternative base rate (ABR) or LIBOR, at our election, plus an applicable margin of 5.00% per annum for ABR loans and 6.00% per annum for LIBOR loans for the New Money Facility and bear interest at an ABR or LIBOR, at our election, plus an applicable margin of 4.50% per annum for ABR loans and 5.50% per annum for LIBOR loans for the New Money Roll-Up Loans and Incremental Roll-up Loans.

In addition to paying interest on outstanding principal under the DIP Credit Facility, we are required to pay a commitment fee of 0.50% per annum to the lenders of the DIP Credit Facility in respect of the unutilized revolving commitments thereunder and a letter of credit fee equal to 0.125% per annum.

The DIP Credit Facility includes negative covenants that, subject to significant exceptions, limit our ability and the ability of our restricted subsidiaries to, among other things, (i) incur additional indebtedness, (ii) create liens on assets, (iii) engage in mergers, consolidations, liquidations and dissolutions, (iv) sell assets, (v) make investments, loans or advances, except as described in the DIP Credit Facility, (vi) pay dividends and distributions or repurchase capital stock, (vii) engage in certain transactions with affiliates and (viii) change lines of business. The DIP Credit Facility includes certain customary representations and warranties, affirmative covenants and events of default, including but not limited to, payment defaults, breach of representations and warranties, covenant defaults, certain bankruptcy-related events, certain events under ERISA, material judgments and a change in control. If an event of default occurs, the lenders under the DIP Credit Facility will be entitled to take various actions, including the acceleration of all amounts due under the DIP Credit Facility and all actions permitted to be taken under the loan documents or application of law. In addition, the DIP Credit Facility is subject to various other financial covenants, including compliance with certain financial metrics to an approved budget and a required Asset Coverage Ratio (as defined in the DIP Credit Agreement) of not less than 1.25:1.00.

Senior Notes

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

	Notes Repurchased
	($ in millions)
6.625% senior notes due 2020	$ 32
6.875% senior notes due 2020	20
4.875% senior notes due 2022	66
5.75% senior notes due 2023	42
Total	$ 160

Phase-Out of LIBOR

In July 2017, the UK's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR as a benchmark by the end of 2021. At the present time, our pre-petition revolving credit facility and our term loan have terms that extend beyond 2021. Our pre-petition revolving credit facility and our term loan each provide for a mechanism to amend the underlying agreements to reflect the establishment of an alternate rate of interest upon the occurrence of certain events related to the phase-out of LIBOR. However, we have not yet pursued any technical amendment or other contractual alternative to our pre-petition revolving credit facility or term loan to address this matter. We are currently evaluating the potential impact of the eventual replacement of the LIBOR interest rate.

Fair Value of Debt

We estimate the fair value of our Level 1 debt based on the market value of our publicly traded debt as determined based on the yield of our senior notes. The fair value of our Level 2 debt is based on a market approach using estimates provided by an independent investment financial data services firm. Upon emergence from the Chapter 11 Cases, the pre-petition revolving credit facility will be paid in full with proceeds from our exit financing and, therefore, the estimated fair value equals the carrying value and is excluded from the table below.

	June 30, 2020		December 31, 2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	($ in millions)			
Short-term debt (Level 1)	$ —	$ —	$ 385	$ 360
Long-term debt (Level 1)	$ —	$ —	$ 753	$ 622
Long-term debt (Level 2)	$ —	$ —	$ 8,320	$ 6,085
Liabilities subject to compromise (Level 1)	$ 982	$ 28	$ —	$ —
Liabilities subject to compromise (Level 2)	$ 6,184	$ 1,191	$ —	$ —

5. Contingencies and Commitments

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

Contingencies

Chapter 11 Proceedings

Commencement of the Chapter 11 Cases automatically stayed the proceedings and actions against us that are described below, in addition to actions seeking to collect pre-petition indebtedness or to exercise control over the property of the Company's bankruptcy estates. The plan contemplated by the RSA, if confirmed, will provide for the treatment of claims against the Company's bankruptcy estates, including pre-petition liabilities that have not been satisfied or addressed during the Chapter 11 Cases. See Note 1 for additional information.

Litigation and Regulatory Proceedings

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

Business Operations. We are involved in various lawsuits and disputes incidental to our business operations, including commercial disputes, personal injury claims, royalty claims, property damage claims and contract actions.

We and other natural gas producers have been named in various lawsuits alleging underpayment of royalties and other shares of the proceeds of production. The lawsuits against us allege, among other things, that we used below-market prices, made improper deductions, utilized improper measurement techniques, entered into arrangements with affiliates that resulted in underpayment of amounts owed in connection with the production and sale of natural gas and NGL, or similar theories. These lawsuits include cases filed by individual royalty owners and putative class actions, some of which seek to certify a statewide class. The lawsuits seek compensatory, consequential, treble, and punitive damages, restitution and disgorgement of profits, declaratory and injunctive relief regarding our payment practices, pre-and post-judgment interest, and attorney's fees and costs. Royalty plaintiffs have varying provisions in their respective leases, oil and gas law varies from state to state, and royalty owners and producers differ in their interpretation of the legal effect of lease provisions governing royalty calculations. We have resolved a number of these claims through negotiated settlements of past and future royalty obligations and have prevailed in various other lawsuits. We are currently defending numerous lawsuits seeking damages with respect to underpayment of royalties or other shares of the proceeds of production in multiple states where we have operated, including those discussed below.

On December 9, 2015, the Commonwealth of Pennsylvania, by the Office of Attorney General, filed a lawsuit in the Bradford County Court of Common Pleas related to royalty underpayment and lease acquisition and accounting practices with respect to properties in Pennsylvania. The lawsuit, which primarily relates to the Marcellus Shale and Utica Shale, alleges that we violated the Pennsylvania Unfair Trade Practices and Consumer Protection Law (UTPCPL) by making improper deductions and entering into arrangements with affiliates that resulted in underpayment of royalties. The lawsuit includes other UTPCPL claims and antitrust claims, including that a joint exploration agreement to which we are a party established unlawful market allocation for the acquisition of leases. The lawsuit seeks statutory restitution, civil penalties and costs, as well as a temporary injunction from exploration and drilling activities in Pennsylvania until restitution, penalties and costs have been paid, and a permanent injunction from further violations of the UTPCPL. We intend to vigorously defend these claims.

Putative statewide class actions in Pennsylvania and Ohio and purported class arbitrations in Pennsylvania have been filed on behalf of royalty owners asserting various claims for damages related to alleged underpayment of royalties as a result of the divestiture of substantially all of our midstream business and most of our gathering assets in 2012 and 2013. These cases include claims for violation of and conspiracy to violate the federal Racketeer Influenced and Corrupt Organizations Act and for an unlawful market allocation agreement for mineral rights, intentional interference with contractual relations, and violations of antitrust laws related to purported markets for gas mineral rights, operating rights and gas gathering sources. These lawsuits seek in aggregate compensatory, consequential, treble, and punitive damages, restitution and disgorgement of profits, declaratory and injunctive relief regarding our royalty payment practices, pre-and post-judgment interest, and attorney's fees and costs. On December 20, 2017 and August 9, 2018, we reached tentative settlements to resolve substantially all Pennsylvania civil royalty cases for a total of approximately $36 million.

We believe losses are reasonably possible in certain of the pending royalty cases for which we have not accrued a loss contingency, but we are currently unable to estimate an amount or range of loss or the impact the actions could have on our future results of operations or cash flows. Uncertainties in pending royalty cases generally include the complex nature of the claims and defenses, the potential size of the class in class actions, the scope and types of the properties and agreements involved, and the applicable production years.

On July 24, 2018, HOOPP filed a demand for arbitration with the American Arbitration Association regarding HOOPP's purchase of our interest in Chaparral Energy, Inc. stock for $215 million on January 5, 2014. HOOPP claims that we engaged in material misrepresentations and fraud, and that we violated the Securities Exchange Act of 1934 (the "Exchange Act") and Oklahoma Uniform Securities Act. HOOPP seeks either rescission or $215 million in monetary damages, and in either case, interest, attorney's fees, disgorgement and punitive damages. We intend to vigorously defend these claims.

In February 2019, a putative class action lawsuit was filed in the District Court of Dallas County, Texas against FTS International, Inc. (FTSI), certain investment banks, FTSI's directors including certain of our officers and certain shareholders of FTSI including us. The lawsuit alleges various violations of Sections 11 (with respect to certain of our officers in their capacities as directors of FTSI) and 15 (with respect to such officers and us) of the Securities Act of 1933 in connection with public disclosure made during the initial public offering of FTSI. The suit seeks damages in excess of $1 million and attorneys' fees and other expenses. On June 18, 2020, we were dismissed from the case without prejudice.

Environmental Contingencies

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

We are named as a defendant in numerous lawsuits in Oklahoma alleging that we and other companies have engaged in activities that have caused earthquakes. These lawsuits seek compensation for injury to real and personal property, diminution of property value, economic losses due to business interruption, interference with the use and enjoyment of property, annoyance and inconvenience, personal injury and emotional distress. In addition, they seek the reimbursement of insurance premiums and the award of punitive damages, attorneys' fees, costs, expenses and interest. We intend to vigorously defend these claims.

Other Matters

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

Commitments

Gathering, Processing and Transportation Agreements

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

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

	June 30, 2020
	($ in millions)
Remainder of 2020	$ 547
2021	988
2022	882
2023	754
2024	683
2025 – 2034	3,485
Total	$ 7,339

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

6. Other Liabilities

Other current liabilities as of June 30, 2020 and December 31, 2019 are detailed below:

	June 30, 2020	December 31, 2019
	($ in millions)	
Revenues and royalties due others	$ 138	$ 516
Accrued drilling and production costs	24	326
Joint interest prepayments received	28	52
VPP deferred revenue[(a)]	36	55
Accrued compensation and benefits[(b)]	52	156
Other accrued taxes	114	150
Other	26	177
Total other current liabilities	$ 418	$ 1,432

Other long-term liabilities as of June 30, 2020 and December 31, 2019 are detailed below:

	June 30, 2020	December 31, 2019
	($ in millions)	
VPP deferred revenue[(a)]	$ —	$ 9
Other	8	116
Total other long-term liabilities	$ 8	$ 125

(a) At the inception of our volumetric production payment (VPP) agreements, we (i) removed the proved reserves associated with the VPP, (ii) recognized VPP proceeds as deferred revenue which are being amortized on a unit-of-production basis to other revenue over the term of the VPP, (iii) retained responsibility for the production costs and capital costs related to VPP interests and (iv) ceased recognizing production associated with the VPP volumes. The remaining deferred revenue balance will be recognized in other revenues in the consolidated statement of operations through 2021, assuming the related VPP production volumes are delivered as scheduled.

(b) In the Current Period, we terminated our nonqualified deferred compensation plan. Accordingly, we derecognized the asset associated with the plan after the participants' investments were liquidated. The cash was distributed to the participants, and we extinguished the corresponding $43 million accrued liability.

7. Revenue

The following table shows revenue disaggregated by operating area and product type, for the Current Quarter the Prior Quarter, the Current Period and the Prior Period:

	Three Months Ended June 30, 2020			
	Oil	Natural Gas	NGL	Total
	($ in millions)			
Marcellus	$ —	$ 131	$ —	$ 131
Haynesville	—	67	—	67
Eagle Ford	73	21	14	108
Brazos Valley	76	3	1	80
Powder River Basin	29	7	3	39
Mid-Continent	8	5	2	15
Revenue from contracts with customers	186	234	20	440
Losses on oil, natural gas and NGL derivatives	(148)	(25)	—	(173)
Oil, natural gas and NGL revenue	$ 38	$ 209	$ 20	$ 267
Marketing revenue from contracts with customers	$ 121	$ 96	$ 15	$ 232
Other marketing revenue	6	2	—	8
Marketing revenue	$ 127	$ 98	$ 15	$ 240

	Three Months Ended June 30, 2019			
	Oil	Natural Gas	NGL	Total
	($ in millions)			
Marcellus	$ —	$ 198	$ —	$ 198
Haynesville	—	164	—	164
Eagle Ford	349	37	20	406
Brazos Valley	199	9	5	213
Powder River Basin	102	18	8	128
Mid-Continent	50	10	10	70
Revenue from contracts with customers	700	436	43	1,179
Gains on oil, natural gas and NGL derivatives	86	189	—	275
Oil, natural gas and NGL revenue	$ 786	$ 625	$ 43	$ 1,454
Marketing revenue from contracts with customers	$ 614	$ 162	$ 48	$ 824
Other marketing revenue	78	15	—	93
Losses on marketing derivatives	—	(1)	—	(1)
Marketing revenue	$ 692	$ 176	$ 48	$ 916

	Six Months Ended June 30, 2020			
	Oil	Natural Gas	NGL	Total
	($ in millions)			
Marcellus	$ —	$ 306	$ —	$ 306
Haynesville	—	151	—	151
Eagle Ford	350	52	34	436
Brazos Valley	248	7	5	260
Powder River Basin	97	23	10	130
Mid-Continent	30	15	6	51
Revenue from contracts with customers	725	554	55	1,334
Gains on oil, natural gas and NGL derivatives	691	43	—	734
Oil, natural gas and NGL revenue	$ 1,416	$ 597	$ 55	$ 2,068
Marketing revenue from contracts with customers	$ 629	$ 220	$ 45	$ 894
Other marketing revenue	67	3	—	70
Marketing revenue	$ 696	$ 223	$ 45	$ 964

	Six Months Ended June 30, 2019			
	Oil	Natural Gas	NGL	Total
	($ in millions)			
Marcellus	$ —	$ 500	$ —	$ 500
Haynesville	—	365	—	365
Eagle Ford	680	85	66	831
Brazos Valley	320	13	7	340
Powder River Basin	176	43	18	237
Mid-Continent	90	25	21	136
Revenue from contracts with customers	1,266	1,031	112	2,409
Gains (losses) on oil, natural gas and NGL derivatives	(173)	147	—	(26)
Oil, natural gas and NGL revenue	$ 1,093	$ 1,178	$ 112	$ 2,383
Marketing revenue from contracts with customers	$ 1,227	$ 575	$ 165	$ 1,967
Other marketing revenue	150	35	—	185
Losses on marketing derivatives	—	(3)	—	(3)
Marketing revenue	$ 1,377	$ 607	$ 165	$ 2,149

Accounts Receivable

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

On January 1, 2020 we adopted ASU 2016-03, *Financial Instruments-Credit Losses*. The standard, as further amended, affects trade receivables, financial assets and certain other instruments that are not measured at fair value through net income. This ASU replaced the previously required incurred loss approach for estimating credit losses with an expected loss model. The adoption and implementation of this ASU did not have a material impact on our accounts receivable.

Accounts receivable as of June 30, 2020 and December 31, 2019 are detailed below:

	June 30, 2020	December 31, 2019
	($ in millions)	
Oil, natural gas and NGL sales	$ 385	$ 737
Joint interest	102	200
Other	53	74
Allowance for doubtful accounts	(27)	(21)
Total accounts receivable, net	$ 513	$ 990

8. Income Taxes

We estimate our annual effective tax rate (AETR) for continuing operations in recording our interim quarterly income tax provision for the various jurisdictions in which we operate. The tax effects of statutory rate changes, significant unusual or infrequently occurring items, and certain changes in the assessment of the realizability of deferred tax assets are excluded from the determination of our estimated AETR as such items are recognized as discrete items in the quarter in which they occur.

Our estimated AETR for the Current Quarter is 0.1%. The impairments of long-lived assets recorded during the first quarter of 2020 (see Note 13 for additional information on the impairments) resulted in the deferred tax position attributable to Texas reverting back to a net asset before valuation allowance. As of December 31, 2019, we reported Texas as the only tax jurisdiction being in a net deferred tax liability position and recorded an associated income tax expense of $10 million. The $10 million of net deferred tax liability attributable to Texas is being reversed through the determination of the estimated AETR for the year ended December 31, 2020. The estimated AETR is otherwise low as a result of projecting a full valuation allowance for the year with only the $10 million going through the estimated AETR as a deferred tax benefit.

Based on all available positive and negative evidence, including projections of future taxable income, we believe it is more likely than not that our deferred tax assets will not be realized, including the deferred tax assets attributable to Texas. A significant piece of objectively verifiable negative evidence evaluated is the cumulative loss incurred over the rolling thirty-six-month period ended June 30, 2020. Such evidence limits our ability to consider various forms of subjective positive evidence, such as any projections of future growth and earnings. However, should we return to a level of sustained profitability, consideration will need to be given to projections of future taxable income to determine whether such projections provide an adequate source of taxable income for the realization of our deferred tax assets, primarily federal and state net operating loss (NOL) carryforwards. A full valuation allowance was recorded against our net deferred tax asset position for federal and state purposes as of June 30, 2020 and, with the exception of Texas which was in a net deferred tax liability position, as of December 31, 2019.

On February 1, 2019, we completed the acquisition of WildHorse Resource Development Corporation (“WildHorse”). For federal income tax purposes, the transaction (the “WildHorse Merger”) qualified as a tax-free merger under Section 368 of the Internal Revenue Code of 1986, as amended, (the “Code”) and, as a result, we acquired carryover tax basis in WildHorse’s assets and liabilities. We recorded a net deferred tax liability of $314 million as part of the business combination accounting for WildHorse. As a consequence of having a full valuation allowance against our net deferred tax asset, a partial release of the valuation allowance was recorded as a discrete income tax benefit of $314 million through the condensed consolidated statement of operations in the first quarter of 2019. The net deferred tax liability acquired includes deferred tax liabilities on plant, property and equipment and prepaid compensation totaling $401 million, partially offset by deferred tax assets totaling $87 million relating to federal NOL carryforwards, disallowed business interest carryforwards and certain other deferred tax assets. These carryforwards will be subject to an annual limitation under Section 382 of the Code of approximately $61 million. We determined that no separate valuation allowances were required to be established through business combination accounting against any of the individual deferred tax assets acquired.

We are subject to U.S. federal income tax as well as income and capital taxes in various state and local jurisdictions in which we operate. As a result of having a full valuation allowance against our net deferred tax asset position, we did not record an income tax provision for the Current Quarter. However, we recorded an income tax benefit of $13 million for the Current Period, which includes the impact of Texas reverting back to a net deferred tax asset position as well as recording a receivable for amounts previously sequestered from refunds of corporate alternative minimum tax (AMT) credits.

Our ability to utilize NOL carryforwards and other tax attributes to reduce future federal taxable income and federal income tax is subject to various limitations under Section 382 of the Code. The utilization of these attributes may be subject to an annual limitation under Section 382 of the Code should transactions involving our equity, including issuances of our stock or the sale or exchange of our stock by certain shareholders, result in a cumulative shift of more than 50% in the beneficial ownership of our stock during any three-year testing period (an “Ownership Change”). (For this purpose, “stock” includes certain preferred stock.) Some states impose similar limitations on tax attribute utilization upon experiencing an Ownership Change. As of June 30, 2020, we do not believe that an Ownership Change has occurred that would subject us to an annual limitation on the utilization of our NOL carryforwards and other tax attributes; however, our current ownership shift remains at greater than 40%.

On April 23, 2020, our Board of Directors approved the adoption of a rights plan that is designed to protect the availability of NOL carryforwards and other tax attributes by reducing the likelihood of an Ownership Change (see Note 9 for additional information on the rights plan). Further, as part of the Chapter 11 Cases, the Bankruptcy Court has granted a first day motion for entry of an order seeking relief that will enable the Company to closely monitor certain transfers of beneficial ownership of our stock so as to be in a position to prevent such transfers with the purpose of avoiding an Ownership Change, thereby preserving the value of our NOL carryforwards and other tax attributes.

Certain of the restructuring transactions contemplated by the RSA may have a material impact on the Company’s tax attributes, the full extent of which is currently unknown. Cancellation of indebtedness income resulting from such restructuring transactions may significantly reduce the Company’s tax attributes, including but not limited to NOL carryforwards. Further, the Company will experience an Ownership Change under Section 382 of the Code upon confirmation of the Plan by the Bankruptcy Court which will subject certain remaining tax attributes to an annual limitation under Section 382 of the Code. Additionally, the Company will incur significant one-time costs associated with the Plan, a material amount of which are non-deductible for tax purposes under the Code.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The CARES Act provides relief to corporate taxpayers by permitting a five year carryback of NOLs incurred from 2018 through 2020, removing the 80% limitation on the utilization of certain NOLs carried forward to years beginning before January 1, 2021, increasing the 30% limitation on interest expense deductibility under Section 163(j) of the Code to 50% of adjusted taxable income for 2019 and 2020 and accelerating refunds for AMT credit carryforwards, along with a few other provisions. With respect to the Current Quarter and the Current Period, there was no impact on our income tax provision from the enactment of the CARES Act.

9. Equity

Common Stock

A summary of the changes in our common shares issued is detailed below.

	Six Months Ended June 30,	
	2020	2019
	(in thousands)	
Beginning balance[a]	9,773	4,568
Common shares issued for WildHorse Merger[a]	—	3,587
Restricted stock issuances (net of forfeitures and cancellations)[a][b]	7	17
Ending balance[a]	9,780	8,172

(a) All share information has been retroactively adjusted to reflect a 1-for-200 (1:200) reverse stock split effective April 14, 2020. See below for additional information.

(b) See Note 10 for discussion of restricted stock.

Reverse Stock Split

On April 13, 2020, our Board of Directors and our shareholders approved a 1-for-200 (1:200) reverse stock split of our common stock and a reduction of the total number of authorized shares of our common stock as determined by a formula based on two-thirds of the reverse stock split ratio. The reverse stock split became effective as of the close of business on April 14, 2020. Our common stock began trading on a split-adjusted basis on the NYSE at the market open on April 15, 2020. The par value of the common stock was not adjusted as a result of the reverse stock split.

The reverse stock split was intended to, among other things, increase the per share trading price of our common shares to satisfy the $1.00 minimum closing price requirement for continued listing on the NYSE. As a result of the reverse stock split, each 200 pre-split shares of common stock outstanding were automatically combined into one issued and outstanding share of common stock. The fractional shares that resulted from the reverse stock split were canceled by paying cash in lieu of the fair value. The number of outstanding shares of common stock were reduced from approximately 1.957 billion as of April 10, 2020 to approximately 9.784 million shares (without giving effect to the liquidation of fractional shares). The total number of shares of common stock that we are authorized to issue was reduced from 3,000,000,000 to 22,500,000 shares. All share and per share amounts in the accompanying condensed consolidated financial statements and notes thereto were retroactively adjusted for all periods presented to give effect to this reverse stock split, including reclassifying an amount equal to the reduction in par value of our common stock to additional paid-in capital.

Preferred Stock Dividend Suspension

On April 17, 2020, we announced that we were suspending payment of dividends on each series of our outstanding convertible preferred stock. Suspension of the dividends did not constitute an event of default under any of our debt instruments.

Adoption of Rights Plan

On April 23, 2020, the Board of Directors of the Company declared a dividend of one preferred share purchase right (a “Right”), payable on May 4, 2020, for each share of common stock, par value $0.01 per share, of the Company (the “Common Stock”) outstanding on May 4, 2020 to the stockholders of record on that date. In connection with the distribution of the Rights, the Company entered into a Section 382 Rights Agreement (the “Rights Agreement”), dated as of April 23, 2020, between the Company and Computershare Trust Company, N.A., as rights agent. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series B Preferred Stock, par value $0.01 per share, of the Company at a price of $90.00 subject to adjustment.

The purpose of the Rights Agreement is to protect value by preserving the Company’s ability to use its tax attributes (e.g., federal NOLs) to offset potential future income taxes for federal income tax purposes. As of December 31, 2019, the Company had federal NOLs of approximately $7.6 billion available to offset future federal taxable income. The Company's ability to use its federal NOLs as well as other tax attributes would be substantially limited if it experiences an Ownership Change. The Rights Agreement is intended to reduce the likelihood of an Ownership Change by deterring any person or group of affiliated or associated persons from acquiring beneficial ownership of 4.9% or more of the outstanding shares of Common Stock.

The Rights Agreement will expire on the close of business on the day following the certification of the voting results from the Company's 2021 annual meeting, unless the Company's shareholders ratify the Rights Agreement at or prior to such meeting, in which case it will continue in effect until April 22, 2023, unless terminated earlier in accordance with its terms.

10. Share-Based Compensation

Our share-based compensation program consists of restricted stock, stock options, performance share units (PSUs) and cash restricted stock units (CRSUs) granted to employees and restricted stock granted to non-employee directors under our long-term incentive plans. The restricted stock and stock options are equity-classified awards and the PSUs and CRSUs are liability-classified awards. On May 5, 2020, all of the outstanding share-based compensation issued to executive officers and designated vice presidents was canceled and replaced with cash retention incentives. Refer to *2020 Compensation Adjustments* below for more information.

Equity-Classified Awards

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

	Shares of Unvested Restricted Stock[(a)]	Weighted Average Grant Date Fair Value Per Share[(a)]
	(in thousands)	
Unvested as of January 1, 2020	52	$ 710
Granted	68	$ 60
Vested	(21)	$ 793
Forfeited/canceled	(97)	$ 243
Unvested as of June 30, 2020	2	$ 630

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(a) All share information has been retroactively adjusted to reflect a 1-for-200 (1:200) reverse stock split effective April 14, 2020. See Note 9 for additional information.

The aggregate intrinsic value of restricted stock that vested during the Current Period was approximately $1 million based on the stock price at the time of vesting.

As of June 30, 2020, there was approximately $1 million of total unrecognized compensation expense related to unvested restricted stock. The expense is expected to be recognized over a weighted average period of approximately 1.31 years.

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

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

The following table provides information related to stock option activity in the Current Period:

	Number of Shares Underlying Options[(a)]	Weighted Average Exercise Price Per Share[(a)]	Weighted Average Contract Life in Years	Aggregate Intrinsic Value[(b)]
	(in thousands)			($ in millions)
Outstanding as of January 1, 2020	90	$ 1,420	5.70	$ —
Granted	—	$ —		
Exercised	—	$ —		$ —
Expired	(20)	$ 888		
Forfeited/canceled	(47)	$ 1,666		
Outstanding as of June 30, 2020	23	$ 1,385	4.91	$ —
Exercisable as of June 30, 2020	22	$ 1,397	4.99	$ —

(a) All share information has been retroactively adjusted to reflect a 1-for-200 (1:200) reverse stock split effective April 14, 2020. See Note 9 for additional information.

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

As of June 30, 2020, there was no unrecognized compensation expense related to unvested stock options.

Restricted Stock and Stock Option Compensation. We recognized the following compensation costs, net of actual forfeitures, related to restricted stock and stock options for the Current Quarter, the Prior Quarter, the Current Period and the Prior Period:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
General and administrative expenses	$ 4	$ 9	$ 8	$ 15
Oil and natural gas properties	—	—	1	1
Oil, natural gas and NGL production expenses	—	1	1	2
Total restricted stock and stock option compensation	$ 4	$ 10	$ 10	$ 18

Liability-Classified Awards

Performance Share Units. In the Prior Period, we granted PSUs to senior management that vest ratably over a three-year performance period and are settled in cash. The ultimate amount earned is based on achievement of performance metrics established by the Compensation Committee of the Board of Directors. Compensation expense associated with PSU awards is recognized over the service period based on the graded-vesting method. The value of the PSU awards at the end of each reporting period is dependent upon our estimates of the underlying performance measures.

Cash Restricted Stock Units. In 2018, we granted CRSUs to employees that vest straight-line over a three-year period and are settled in cash on each of the three annual vesting dates. The ultimate amount earned is based on the closing price of our common stock on each of the vesting dates. We used the closing price of our common stock on the grant date to determine the grant date fair value of the CRSUs. The CRSU liability will be adjusted quarterly, based on changes in our stock price, through the end of the vesting period.

The following table presents a summary of our liability-classified awards:

	Units[(a)]	Grant Date Fair Value	June 30, 2020 Fair Value	June 30, 2020 Vested Liability
		($ in millions)	($ in millions)	
2018 CRSU Awards:				
Payable 2021	16,322	$ 10	$ —	$ —

(a) All share information has been retroactively adjusted to reflect a 1-for-200 (1:200) reverse stock split effective April 14, 2020. See Note 9 for additional information.

We recognized the following compensation costs (credits), net of actual forfeitures, related to our liability-classified awards for the Current Quarter, the Prior Quarter, the Current Period and the Prior Period.

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	($ in millions)			
General and administrative expenses	$ —	$ (1)	$ (3)	$ 8
Oil and natural gas properties	—	—	—	1
Oil, natural gas and NGL production expenses	—	1	(1)	3
Exploration expenses	—	(1)	—	—
Total liability-classified awards compensation	$ —	$ (1)	$ (4)	$ 12

2020 Compensation Adjustments

On May 5, 2020, all of the outstanding share-based compensation, including restricted stock, stock options, PSUs and CRSUs, granted to our executive officers and designated vice presidents was canceled and replaced with cash retention incentives. The cash retention incentives granted to executive officers are equally weighted between achievement of certain specified performance metrics and a service period. The cash retention incentives may be clawed back if an executive officer or vice president terminates employment for any reason other than a qualifying termination prior to the earlier of (i) the effective date of a plan of reorganization under Chapter 11 of the Bankruptcy Code or (ii) May 8, 2021. The transactions were considered a modification to the previously issued equity-classified awards. As such, the remaining unrecognized expense related to restricted stock and stock options will result in $18 million of share-based compensation expense to be amortized over the relevant service period of the new cash retention incentives. The $15 million after-tax fair value of the cash retention incentives was capitalized to other current assets in the condensed consolidated balance sheets in the Current Quarter and will be amortized over the relevant service period. The difference between the cash and after-tax value of the cash retention incentives of approximately $10 million, which is not subject to the claw back provisions contained within the agreements, was expensed to general and administrative expenses in the condensed consolidated statements of operations for the Current Quarter.

11. Derivative and Hedging Activities

We use derivative instruments to reduce our exposure to fluctuations in future commodity prices and to protect our expected operating cash flow against significant market movements or volatility. All of our oil, natural gas and NGL derivative instruments are net settled based on the difference between the fixed-price payment and the floating-price payment, resulting in a net amount due to or from the counterparty. None of our oil, natural gas or NGL derivative instruments were designated for hedge accounting as of December 31, 2019. As of June 30, 2020, we had no open derivative contracts. All of our existing contracts were settled in the Current Quarter prior to the Bankruptcy Filing. Pursuant to the RSA associated with our Chapter 11 Cases, we are required to hedge a certain amount of our production with our DIP Credit Facility lenders. See Note 1 for additional details regarding these hedging requirements and see Note 19 for details regarding hedges entered into subsequent to June 30, 2020.

Oil, Natural Gas and NGL Derivatives

Our oil, natural gas and NGL derivative instruments consist of the following types of instruments:

- *Swaps*: We receive a fixed price and pay a floating market price to the counterparty for the hedged commodity. In exchange for higher fixed prices on certain of our swap trades, we may sell call options and call swaptions.
- *Options*: We sell, and occasionally buy, call options in exchange for a premium. At the time of settlement, if the market price exceeds the fixed price of the call option, we pay the counterparty the excess on sold call options and we receive the excess on bought call options. If the market price is lower than the fixed price of the call option, no payment is due from either party.
- *Call Swaptions*: We sell call swaptions to counterparties in exchange for a premium. Swaptions allow the counterparty, on a specific date, to extend an existing fixed-price swap for a certain period of time or to increase the notional volumes of an existing fixed-price swap.
- *Collars*: These instruments contain a fixed floor price (put) and ceiling price (call). If the market price exceeds the call strike price or falls below the put strike price, we receive the fixed price and pay the market price. If the market price is between the put and the call strike prices, no payments are due from either party. Three-way collars include the sale by us of an additional put option in exchange for a more favorable strike price on the call option. This eliminates the counterparty's downside exposure below the second put option strike price.
- *Basis Protection Swaps*: These instruments are arrangements that guarantee a fixed price differential to NYMEX from a specified delivery point. We receive the fixed price differential and pay the floating market price differential to the counterparty for the hedged commodity.
- *Put spreads:* These instruments contain a fixed floor price (bought put) and sub floor price (sold put). If the market price exceeds the bought put strike, we receive the market price. If the market price is between the bought put and sold put strike prices, we receive the bought put price. If the market price falls below the sub floor, we receive the market price plus the difference between the sold put and bought put.

The estimated fair values of our oil, natural gas and NGL derivative instrument assets (liabilities) as of June 30, 2020 and December 31, 2019 are provided below:

	June 30, 2020		December 31, 2019	
	Notional Volume	Fair Value	Notional Volume	Fair Value
		($ in millions)		($ in millions)
Oil (mmbbl):				
Fixed-price swaps	—	$ —	24	$ (7)
Call options (sold)	—	—	—	—
Collars	—	—	2	14
Basis protection swaps	—	—	8	(2)
Total oil	—	—	34	5
Natural gas (bcf):				
Fixed-price swaps	—	—	265	125
Call options (sold)	—	—	22	—
Call swaptions	—	—	29	(2)
Put spreads	—	—	—	—
Basis protection swaps	—	—	30	2
Total natural gas	—	—	346	125
Total estimated fair value		$ —		$ 130

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

Effect of Derivative Instruments – Condensed Consolidated Balance Sheets

As of June 30, 2020, we had no open derivative contracts. The following table presents the fair value and location of each classification of derivative instrument included in the condensed consolidated balance sheets as of December 31, 2019 on a gross basis and after same-counterparty netting:

	December 31, 2019		
Balance Sheet Classification	Gross Fair Value	Amounts Netted in the Consolidated Balance Sheets	Net Fair Value Presented in the Consolidated Balance Sheets
		($ in millions)	
Commodity Contracts:			
Short-term derivative asset	$ 174	$ (40)	$ 134
Short-term derivative liability	(42)	40	(2)
Long-term derivative liability	(2)	—	(2)
Total derivatives	$ 130	$ —	$ 130

Effect of Derivative Instruments – Condensed Consolidated Statements of Operations

The components of oil, natural gas and NGL revenues for the Current Quarter, the Prior Quarter, the Current Period and the Prior Period are presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
Oil, natural gas and NGL revenues	$ 440	$ 1,179	$ 1,334	$ 2,409
Gains (losses) on undesignated oil, natural gas and NGL derivatives	(165)	283	751	(8)
Losses on terminated cash flow hedges	(8)	(8)	(17)	(18)
Total oil, natural gas and NGL revenues	$ 267	$ 1,454	$ 2,068	$ 2,383

The components of marketing revenues for the Current Quarter, the Prior Quarter, the Current Period and the Prior Period are presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
Marketing revenues	$ 240	$ 917	$ 964	$ 2,152
Losses on undesignated marketing natural gas derivatives	—	(1)	—	(3)
Total marketing revenues	$ 240	$ 916	$ 964	$ 2,149

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

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

	Three Months Ended June 30,			
	2020		2019	
	Before Tax	After Tax	Before Tax	After Tax
	($ in millions)			
Balance, beginning of period	$ (36)	$ 21	$ (70)	$ (13)
Losses reclassified to income	8	8	8	8
Balance, end of period	$ (28)	$ 29	$ (62)	$ (5)

	Six Months Ended June 30,			
	2020		2019	
	Before Tax	After Tax	Before Tax	After Tax
	($ in millions)			
Balance, beginning of period	$ (45)	$ 12	$ (80)	$ (23)
Losses reclassified to income	17	17	18	18
Balance, end of period	$ (28)	$ 29	$ (62)	$ (5)

The accumulated other comprehensive loss as of June 30, 2020 represents the net deferred loss associated with commodity derivative contracts that were previously designated as cash flow hedges for which the original contract months are yet to occur. Remaining deferred gain or loss amounts will be recognized in earnings in the month for which the original contract months are to occur. As of June 30, 2020, we expect to transfer approximately $22 million of net loss included in accumulated other comprehensive income (loss) to net income (loss) during the next 12 months. The remaining amounts will be transferred by December 31, 2022.

Credit Risk Considerations

Our derivative instruments expose us to our counterparties' credit risk. To mitigate this risk, we enter into derivative contracts only with counterparties that have a high credit rating or are deemed by us to have acceptable credit strength, and are deemed by management to be competent and competitive market-makers, and we attempt to limit our exposure to non-performance by any single counterparty.

Hedging Arrangements

Certain of our hedging arrangements are with counterparties that are also lenders (or affiliates of lenders) under our pre-petition revolving credit facility. The contracts entered into with these counterparties are secured by the same collateral that secures the pre-petition revolving credit facility. In addition, we enter into bilateral hedging agreements with other counterparties. The counterparties' and our obligations under the bilateral hedging agreements must be secured by cash or letters of credit to the extent that any mark-to-market amounts owed to us or by us exceed defined thresholds. As of June 30, 2020, we did not have any cash or letters of credit posted as collateral for our commodity derivatives.

Fair Value

The fair value of our derivatives is based on third-party pricing models, which utilize inputs that are either readily available in the public market, such as oil, natural gas and NGL forward curves and discount rates, or can be corroborated from active markets or broker quotes. These values are compared to the values given by our counterparties for reasonableness. Since oil, natural gas and NGL swaps do not include optionality and therefore generally have no unobservable inputs, they are classified as Level 2. All other derivatives have some level of unobservable input, such as volatility curves, and are therefore classified as Level 3. Derivatives are also subject to the risk that either party to a contract will be unable to meet its obligations. We factor non-performance risk into the valuation of our derivatives using current published credit default swap rates. To date, this has not had a material impact on the values of our derivatives.

As of June 30, 2020, we had no open derivative contracts. The following table provides information for financial assets (liabilities) measured at fair value on a recurring basis as of December 31, 2019:

	December 31, 2019			
	Quoted Prices in Active Markets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Derivative Assets (Liabilities):		**($ in millions)**		
Commodity assets	$ —	$ 160	$ 14	$ 174
Commodity liabilities	—	(42)	(2)	(44)
Total derivatives	$ —	$ 118	$ 12	$ 130

A summary of the changes in the fair values of our financial assets (liabilities) classified as Level 3 during the Current Period and the Prior Period is presented below:

	Commodity Derivatives	Utica Contingent Consideration
	($ in millions)	
Balance, as of January 1, 2020	$ 12	$ —
Total gains (losses) (realized/unrealized):		
Included in earnings[(a)]	3	—
Total purchases, issuances, sales and settlements:		
Settlements	(15)	—
Balance, as of June 30, 2020	$ —	$ —
Balance, as of January 1, 2019	$ 87	$ 7
Total gains (losses) (realized/unrealized):		
Included in earnings[(a)]	(64)	(7)
Total purchases, issuances, sales and settlements:		
Settlements	(1)	—
Balance, as of June 30, 2019	$ 22	$ —

(a)

	Commodity Derivatives		Utica Contingent Consideration	
	2020	2019	2020	2019
	($ in millions)			
Total gains (losses) included in earnings for the period	$ 3	$ (64)	$ —	$ (7)
Change in unrealized gains (losses) related to assets still held at reporting date	$ —	$ (66)	$ —	$ 7

12. Exploration Expense

A summary of our exploration expense for the Current Quarter, the Prior Quarter, the Current Period and the Prior Period is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
Impairments of unproved properties	$ 127	$ 7	$ 399	$ 25
Dry hole expense	—	—	7	—
Geological and geophysical expense and other	3	8	6	14
Exploration expense	$ 130	$ 15	$ 412	$ 39

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

13. Impairments

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

Proved Oil and Gas Properties

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

- We calculated the expected undiscounted future net cash flows of our long-lived assets using management's assumptions and expectations of (i) commodity prices, which are based on the NYMEX strip pricing escalated by an inflationary rate after 2 years, (ii) pricing adjustments for differentials, (iii) operating costs, (iv) capital investment plans, (v) future production volumes, and (vi) estimated proved reserves.

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

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

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

Sand Mine

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

14. Capitalized Exploratory Well Costs

A summary of the changes in our capitalized well costs for the Current Period is detailed below.

	Six Months Ended June 30, 2020
	($ in millions)
Balance as of January 1	$ 7
Charges to exploration expense	(7)
Balance as of June 30	$ —

As of June 30, 2020, there were no drilling and completion costs on exploratory wells pending determination of proved reserves capitalized for greater than one year.

15. Investments

In the Current Period, the hydraulic fracturing industry experienced challenging operating conditions resulting in the current fair value of our investment in FTS International, Inc. (NYSE: FTSI) falling below book value of $23 million and remaining below that value as of the end of the Current Period. Based on FTSI's operating results, we determined that the reduction in fair value is other-than-temporary, and recognized an impairment of our entire investment in FTSI of $23 million.

In the Prior Period, in connection with the acquisition of WildHorse, we obtained a 50% membership interest in JWH Midstream LLC (JWH). The carrying value of our investment in JWH, which was being accounted for as an equity method investment, was approximately $17 million as of March 31, 2019. In the Prior Quarter, we paid approximately $7 million to terminate our involvement in the partnership. This removed us from any future obligations related to this joint venture and, therefore, we impaired the full value of the investment and recognized an approximate $23 million expense in the Prior Quarter.

16. Other Operating Expense

In the Current Period, we terminated certain gathering, processing and transportation contracts and recognized a non-recurring $80 million expense related to the contract terminations. The contract terminations removed approximately $169 million of future commitments related to gathering, processing and transportation agreements. See Note 5 for further discussion of contingencies and commitments.

In the Prior Period, we recorded approximately $26 million of costs related to our acquisition of WildHorse which consisted of consulting fees, financial advisory fees, legal fees and travel and lodging expenses. In addition, we recorded approximately $38 million of severance expense as a result of the acquisition of WildHorse. A majority of the WildHorse executives and employees were terminated. These executives and employees were entitled to severance benefits in accordance with existing employment agreements.

17. Separation and Other Termination Costs

In the Current Quarter and the Current Period, we incurred charges of approximately $22 million and $27 million, respectively, related to one-time termination benefits for certain employees.

18. Condensed Combined Debtor-in-Possession Financial Information

The financial statements below represent the condensed combined financial statements of the Debtors as of June 30, 2020 and December 31, 2019 and for the three and six months ended June 30, 2020 and 2019.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2020	December 31, 2019
ASSETS	($ in millions)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 80	$ 4
Other current assets	608	1,244
Total Current Assets	688	1,248
PROPERTY AND EQUIPMENT:		
Oil and natural gas properties, based on successful efforts accounting, net	4,671	13,586
Other property and equipment, net	1,014	1,118
Property and equipment held for sale, net	10	10
Total Property and Equipment, Net	5,695	14,714
Other long-term assets	161	187
Investments in subsidiaries and intercompany advances	(12)	6
TOTAL ASSETS	$ 6,532	$ 16,155
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Current liabilities	$ 2,389	$ 2,391
Total Current Liabilities	2,389	2,391
Long-term debt, net	—	9,073
Deferred income tax liabilities	—	10
Other long-term liabilities	217	317
Liabilities subject to compromise	8,135	—
Total Liabilities	10,741	11,791
EQUITY (DEFICIT):		
Chesapeake Stockholders' Equity (Deficit)	(4,209)	4,364
Total Equity (Deficit)	(4,209)	4,364
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 6,532	$ 16,155

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
REVENUES AND OTHER:				
Oil, natural gas and NGL	$ 265	$ 1,451	$ 2,064	$ 2,376
Marketing	240	916	964	2,149
Total Revenues	505	2,367	3,028	4,525
Other	14	15	30	30
Gains on sales of assets	—	1	—	20
Total Revenues and Other	519	2,383	3,058	4,575
OPERATING EXPENSES:				
Oil, natural gas and NGL production	91	144	213	259
Oil, natural gas and NGL gathering, processing and transportation	269	270	553	542
Severance and ad valorem taxes	25	62	79	113
Exploration	130	15	412	39
Marketing	242	940	988	2,170
General and administrative	111	88	176	191
Separation and other termination costs	22	—	27	—
Provision for legal contingencies, net	7	3	8	3
Depreciation, depletion and amortization	157	578	759	1,096
Impairments	—	1	8,489	2
Other operating expense	5	3	88	64
Total Operating Expenses	1,059	2,104	11,792	4,479
INCOME (LOSS) FROM OPERATIONS	(540)	279	(8,734)	96
OTHER INCOME (EXPENSE):				
Interest expense	(137)	(175)	(282)	(336)
Losses on investments	—	(23)	(23)	(24)
Gains on purchases or exchanges of debt	2	—	65	—
Other income	6	18	12	27
Reorganization items, net	394	—	394	—
Equity in net earnings (losses) of subsidiary	(1)	(1)	(18)	—
Total Other Income (Expense)	264	(181)	148	(333)
INCOME (LOSS) BEFORE INCOME TAXES	(276)	98	(8,586)	(237)
Income tax benefit	—	—	(13)	(314)
NET INCOME (LOSS)	(276)	98	(8,573)	77
Other comprehensive income	8	8	17	18
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CHESAPEAKE	$ (268)	$ 106	$ (8,556)	$ 95

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2020	**2019**
	($ in millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Cash Provided By Operating Activities	$ 771	$ 850
CASH FLOWS FROM INVESTING ACTIVITIES:		
Drilling and completion costs	(843)	(1,070)
Business combination, net	—	(353)
Acquisitions of proved and unproved properties	(9)	(17)
Proceeds from divestitures of proved and unproved properties	7	82
Additions to other property and equipment	(15)	(18)
Proceeds from sales of other property and equipment	4	4
Net Cash Used In Investing Activities	(856)	(1,372)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from pre-petition revolving credit facility borrowings	3,806	6,416
Payments on pre-petition revolving credit facility borrowings	(3,467)	(5,452)
Cash paid to purchase debt	(95)	(381)
DIP credit facility financing costs	(55)	—
Cash paid for preferred stock dividends	(22)	(46)
Other financing activities	(6)	(16)
Net Cash Provided By Financing Activities	161	521
Net increase (decrease) in cash and cash equivalents	76	(1)
Cash and cash equivalents, beginning of period	4	3
Cash and cash equivalents, end of period	$ 80	$ 2

19. Subsequent Events

On July 1, 2020, the Company, as borrower, entered into the DIP Credit Agreement, which was approved by the Bankruptcy Court on July 31, 2020.

Subsequent to June 30, 2020, pursuant to requirements of the RSA associated with our Chapter 11 Cases, we were required to enter into hedge agreements with certain of our DIP Credit Facility lenders, within 30 days of the Petition Date, for at least 50% of the projected monthly production from proved developed producing oil and natural gas reserves for a forward 24-month period. These hedge agreements provide downside price protection through swaps on 23 mmbbls of oil at an average price of $41.74 per bbl and 532 bcf of natural gas at an average price of $2.45 per mcf.

Oil, Natural Gas and NGL Reserve Quantities

Presented below is a summary of changes in estimated reserves through March 31, 2020:

	Oil	Natural Gas	NGL	Total
	(mmbbl)	(bcf)	(mmbbl)	(mmboe)
March 31, 2020				
Proved reserves, beginning of period	358	6,566	120	1,572
Extensions, discoveries and other additions	3	91	1	19
Revisions of previous estimates	(136)	(2,298)	(40)	(560)
Production	(12)	(173)	(3)	(43)
Proved reserves, end of period	213	4,186	78	988
Proved developed reserves:				
Beginning of period	201	3,377	82	846
End of period	198	3,371	73	832
Proved undeveloped reserves:				
Beginning of period	157	3,189	38	726
End of period	15	815	5	156

Reflected above represents material changes to estimated reserves from December 31, 2019 through March 31, 2020. There were no material changes to estimated reserves in the Current Quarter. During the quarter ended March 31, 2020, revisions of previous estimates decreased primarily due to updates to our five-year development plan in contemplation of ongoing market conditions and uncertainty regarding our ability to finance the development of our proved reserves over a five-year period.

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

Introduction

The following discussion should be read together with the condensed consolidated financial statements included in Item 1 of Part I of this report and in Item 8 of our 2019 Form 10-K.

We are an independent exploration and production company engaged in the acquisition, exploration and development of properties to produce oil, natural gas and NGL from underground reservoirs. We own a large and geographically diverse portfolio of onshore U.S. unconventional natural gas and liquids assets, including interests in approximately 13,600 oil and natural gas wells. We have significant positions in the liquids-rich resource plays of the Eagle Ford Shale in South Texas, the stacked pay in the Powder River Basin in Wyoming and the Anadarko Basin in northwestern Oklahoma. Our natural gas resource plays are the Marcellus Shale in the northern Appalachian Basin in Pennsylvania and the Haynesville/Bossier Shales in northwestern Louisiana.

Our strategy is to develop our significant resource plays in a manner that generates cash flow from operating activities and improves margins through financial discipline and operating efficiencies, while maintaining exceptional environmental and safety performance. Current market conditions make it difficult to execute on this strategy, as evidenced by our voluntary filing for Chapter 11 protection on June 28, 2020; however, we continue to focus on increasing cash provided by operating activities, improving margins through financial discipline and operating efficiencies and maintaining exceptional environmental and safety performance. To accomplish these goals, we intend to allocate our capital expenditures to projects we believe offer the highest return and value, to deploy leading drilling and completion technology throughout our portfolio, and to take advantage of acquisition and divestiture opportunities to strengthen our cost structure and our portfolio. We continue to seek opportunities to reduce cash costs per barrel of oil equivalent production (production, gathering, processing and transportation and general and administrative) through operational efficiencies, including but not limited to improving our production volumes from existing wells. In response to current market conditions, we have reduced our workforce, curtailed production and reduced capital, which will further reduce future production.

Recent Developments

Voluntary Reorganization Under Chapter 11

On June 28, 2020 (the "Petition Date"), we and certain of our subsidiaries (collectively, the "Debtors") filed voluntary petitions (the "Chapter 11 Cases") for relief (the "Bankruptcy Filing") under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). On June 29, 2020, the Bankruptcy Court entered an order authorizing the joint administration of the Chapter 11 Cases under the caption *In re Chesapeake Energy Corporation*, Case No. 20-33233 (DRJ). Subsidiaries with noncontrolling interests, consolidated variable interest entities and certain de minimis subsidiaries (collectively, the "Non-Filing Entities") were not part of the Bankruptcy Filing. The Non-Filing Entities will continue to operate in the ordinary course of business.

We are currently operating as debtors-in-possession in accordance with the applicable provisions of the Bankruptcy Code. The Bankruptcy Court has granted first day motions filed by us that were designed primarily to mitigate the impact of the Chapter 11 Cases on our operations, customers and employees. As a result, we are able to conduct normal business activities and pay all associated obligations for the period following the Bankruptcy Filing and are authorized to pay owner royalties, employee wages and benefits, and certain vendors and suppliers in the ordinary course for goods and services provided. During the pendency of the Chapter 11 Cases, all transactions outside the ordinary course of business require the prior approval of the Bankruptcy Court.

For the duration of the Chapter 11 Cases, our operations and ability to develop and execute our business plan are subject to the risks and uncertainties associated with the Chapter 11 process as described in Item 1A. "Risk Factors." As a result of these risks and uncertainties, the number of our shares of common stock and stockholders, assets, liabilities, officers and/or directors could be significantly different following the outcome of the Chapter 11 Cases, and the description of our operations, properties and capital plans included in this Form 10-Q may not accurately reflect our operations, properties and capital plans following the Chapter 11 Cases.

During the Chapter 11 Cases, we expect our financial results to continue to be volatile as Restructuring activities and expenses, contract terminations and rejections, and claims assessments significantly impact our consolidated financial statements. As a result, our historical financial performance is likely not indicative of our financial performance after the date of the Bankruptcy Filing. In addition, we have incurred significant professional fees and other costs in connection with preparation for the Chapter 11 Cases and expect that we will continue to incur significant professional fees and costs throughout our Chapter 11 Cases.

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

Delisting of our Common Stock from the New York Stock Exchange

Our common stock was previously listed on the New York Stock Exchange (the “NYSE”) under the symbol “CHK.” As a result of our failure to satisfy the continued listing requirements of the NYSE, on June 29, 2020, our common stock ceased to trade on the NYSE. Since June 30, 2020, our common stock has been quoted on the OTC Pink Marketplace maintained by the OTC Markets Group, Inc. under the symbol “CHKAQ.” On July 20, 2020, the NYSE filed a Form 25 with the SEC to delist our common stock, senior notes and cumulative convertible preferred stock from the NYSE. The delisting was effective 10 days after the Form 25 was filed. The deregistration of our common stock, senior notes and cumulative convertible preferred stock under Section 12(b) of the Exchange Act will become effective 90 days after the filing date of the Form 25.

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

The global spread of COVID-19 created significant volatility, uncertainty, and economic disruption during the first six months of 2020. The pandemic has reached more than 200 countries and territories and has resulted in widespread adverse impacts on the global economy and on our customers and other parties with whom we have business relations. State and local authorities have also implemented multi-step policies with the goal of re-opening. However, certain jurisdictions began re-opening only to return to restrictions in the face of increases in new COVID-19 cases. To date, we have experienced limited operational impacts as a result of the restrictions from working remotely or COVID-19 directly. As an essential business under the guidelines issued by each of the states in which we operate, we have been allowed to continue operations. As a result, since mid-March, we have restricted access to all of our offices and for a period of time directed employees to work remotely to the extent possible. We began to re-open our offices in phases beginning mid-May and special precautions have been implemented to minimize the risk of exposure. These actions have allowed us to maintain the engagement and connectivity of our personnel. However, due to severe impacts from the global COVID-19 pandemic on the global demand for oil and natural gas, financial results may not necessarily be indicative of operating results for the entire year. Moreover, future operations could be negatively affected if a significant number of our employees are quarantined as a result of exposure to the virus.

Our first priority in our response to this crisis has been the health and safety of our employees and those of our other business counterparties. We have implemented preventative measures and developed corporate and regional response plans to minimize unnecessary risk of exposure and prevent infection, while supporting our employees, contractors and vendors to the best of our ability in the circumstances. We have a business continuity team for health, safety and environmental matters and personnel issues, and we have activated this business continuity team to address various impacts of the situation, as they develop. We also have modified certain business practices (including those related to employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences) to protect the health and safety of our employees, contractors and communities in which we operate by conforming to government restrictions and best practices encouraged by the Centers for Disease Control and Prevention, the World Health Organization and other governmental and regulatory authorities.

There is considerable uncertainty regarding the extent to which COVID-19 will continue to spread and the extent and duration of governmental and other measures implemented to try to slow the spread of the virus, such as large-scale travel bans and restrictions, border closures, quarantines, shelter-in-place orders and business and government shutdowns. One of the largest impacts of the pandemic has been a significant reduction in global demand for oil and, to a lesser extent, natural gas. This significant decline in demand has been met with a sharp decline in oil prices following the announcement of price reductions and production increases in March 2020 by members of the Organization of Petroleum Exporting Countries (OPEC+) and other foreign, oil-exporting countries. Further, in April 2020, OPEC+ finalized an agreement to cut oil production by 9.7 million barrels per day during May and June 2020. On June 6, 2020, OPEC+ agreed to extend such production cuts until the end of July 2020. However, prices in the oil and gas market have remained depressed, as the oversupply and lack of demand in the market persist. Oil and natural gas prices are expected to continue to be volatile as a result of the near-term production instability and the ongoing COVID-19 outbreaks and as changes in oil and natural gas inventories, industry demand and global and national economic performance are reported. The resulting supply/demand imbalance is having disruptive impacts on the oil and natural gas exploration and production industry and on other industries that serve exploration and production companies. We expect to see continued volatility in oil and natural gas prices for the foreseeable future, and such volatility, combined with the current depressed prices, has impacted and is expected to continue to adversely impact our business. The continued low level of demand and prices for oil and natural gas or otherwise has had and will continue to have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

As of the date of this Form 10-Q, our efforts to respond to the challenges presented by the conditions described above and minimize the impacts to our business have yielded results. We have moved quickly to implement strategies to reduce costs, increase operational efficiencies and lower our capital spending. In April, we underwent a reduction in workforce impacting approximately 13% of our employees. In connection with the reduction, we recorded a non-recurring charge of approximately $22 million in the Current Quarter and we anticipate an estimated annualized savings of approximately $36 million. Due to the significant drop in oil prices and midstream constraints in the Current Quarter, we shut-in wells and delayed turn-in-lines, which reduced our oil production by approximately 50% and 25% in May and June, respectively. As market conditions improve, we have returned most wells to production and intend to complete most of our drilled but uncompleted wells. We anticipate our capital expenditures for the remainder of the year will be focused primarily on our gas assets. We have not received any funding under the CARES Act or other federal programs to support our operations and do not anticipate that we will. We are continuing to address concerns to protect the health and safety of our employees and those of our customers and other business counterparties, and this includes changes to comply with health-related guidelines as they are modified and supplemented.

We cannot predict the full impact that COVID-19 or the significant disruption and volatility currently being experienced in the oil and natural gas markets will have on our business, cash flows, liquidity, financial condition and results of operations at this time due to numerous uncertainties. The ultimate impacts will depend on future developments, including, among others, the ultimate geographic spread of the virus, the consequences of governmental and other measures designed to prevent the spread of the virus, the development of effective treatments, the duration of the outbreak, actions taken by members of OPEC+ and other foreign, oil-exporting countries, governmental authorities, customers and other thirds parties, workforce availability, and the timing and extent to which normal economic and operating conditions resume. For additional discussion regarding risks associated with the COVID-19 pandemic, see Item 1A “Risk Factors” in this report.

Reverse Stock Split

On April 13, 2020, our Board of Directors and our shareholders approved a 1-for-200 (1:200) reverse stock split of our common stock and a reduction of the total number of authorized shares of our common stock as determined by a formula based on two-thirds of the reverse stock split ratio. The reverse stock split became effective as of the close of business on April 14, 2020. Our common stock began trading on a split-adjusted basis on the NYSE at the market open on April 15, 2020. The par value of the common stock was not adjusted as a result of the reverse stock split.

The reverse stock split was intended to, among other things, increase the per share trading price of our common shares to satisfy the $1.00 minimum closing price requirement for continued listing on the NYSE. The price condition will be deemed cured if on the last trading day of any calendar month within six months following the receipt from the NYSE of the notice of non-compliance, we have a closing share price of at least $1.00 and an average closing share price of at least $1.00 over the 30 trading-day period ending on the last trading day of that month. On April 1, 2020, the NYSE tolled the compliance period through June 30, 2020. As a result of the reverse stock split, each 200 pre-split shares of common stock outstanding were automatically combined into one issued and outstanding share of common stock. The fractional shares that resulted from the reverse stock split were canceled by paying cash in lieu of the fair value. The number of outstanding shares of common stock were reduced from approximately 1.957 billion as of April 10, 2020 to approximately 9.784 million shares (without giving effect to the liquidation of fractional shares). The total number of shares of common stock that we are authorized to issue was reduced from 3,000,000,000 to 22,500,000 shares. All share and per share amounts in the accompanying condensed consolidated financial statements and notes thereto were retroactively adjusted for all periods presented to give effect to this reverse stock split, including reclassifying an amount equal to the reduction in par value of our common stock to additional paid-in capital.

Adoption of Rights Plan

On April 23, 2020, our Board of Directors declared a dividend of one Right payable on May 4, 2020 for each share of our common stock outstanding on May 4, 2020 to the shareholders of record on that date. In connection with the distribution of the Rights, we entered into a Rights Agreement with Computershare Trust Company, N.A., as rights agent. Each Right entitles the registered holder to purchase from us Preferred Shares.

The Rights Agreement is intended to protect value by preserving our ability to use our tax attributes to offset potential future income taxes for federal income tax purposes. Our ability to use our tax attributes would be substantially limited if we experience an "ownership change," as such term is defined in Section 382 of the Code. A company generally experiences an ownership change if the percentage of its shares of stock owned by its "5-percent shareholders," as such term is defined in Section 382 of the Code, increases by more than 50 percentage points over a rolling three-year period. The Rights Agreement is intended to reduce the likelihood of an ownership change under Section 382 of the Code by deterring any person or group of affiliated or associated persons from acquiring 4.9% or more of our outstanding shares of common stock.

The Rights Agreement will expire on the close of business on the day following the certification of the voting results from our 2021 annual meeting of shareholders, unless our shareholders ratify the Rights Agreement at or prior to such meeting, in which case it will continue in effect until April 22, 2023, unless terminated earlier in accordance with its terms. This summary description of the rights plan does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which was filed as an exhibit to our current report on Form 8-K filed on April 23, 2020.

Liquidity and Capital Resources

Liquidity Overview

Our primary sources of capital resources and liquidity have historically consisted of internally generated cash flows from operations, borrowings under certain credit agreements, dispositions of non-core assets and the capital markets when conditions are favorable. Our ability to issue additional indebtedness, dispose of assets or access the capital markets may be substantially limited or nonexistent during the Chapter 11 Cases and will require court approval in most instances. Accordingly, our liquidity will depend mainly on cash generated from operating activities and available funds under the DIP Credit Facility discussed below.

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

Recent Events Affecting Liquidity

On June 28, 2020, prior to the commencement of the Chapter 11 Cases, the Company entered into a commitment letter (the "Commitment Letter") with certain of the lenders under the pre-petition revolving credit facility and/or their affiliates (collectively, the "Commitment Parties"), pursuant to which, and subject to the satisfaction of certain customary conditions, including the approval of the Bankruptcy Court, the Commitment Parties agreed to provide the Debtors with a post-petition senior secured super-priority debtor-in-possession revolving credit facility in an aggregate principal amount of up to approximately $2.104 billion (the "DIP Credit Facility"), consisting of a revolving loan facility of new money in an aggregate principal amount of up to $925 million, which includes a sub-facility of up to $200 million for the issuance of letters of credit, and an up to approximately $1.179 billion term loan that reflects the roll-up of a portion of outstanding borrowings under the pre-petition revolving credit facility. Pursuant to the Commitment Letter, the Commitment Parties also committed to provide, subject to certain conditions, an up to $2.5 billion exit credit facility, consisting of an up to $1.75 billion revolving credit facility (the "Exit Revolving Facility") and an up to $750 million senior secured term loan facility (the "Exit Term Loan Facility" and, together with the Exit Revolving Facility, the "Exit Credit Facilities"). The terms and conditions of the DIP Credit Facility are set forth in the DIP Credit Agreement (the "DIP Credit Agreement") attached to the Commitment Letter. The financing package provides us the capital necessary to fund our operations during the Court-supervised Chapter 11 reorganization proceedings. The proceeds of the DIP Credit Facility may be used for, among other things, post-petition working capital, permitted capital investments, general corporate purposes, letters of credit, administrative costs, premiums, expenses and fees for the transactions contemplated by the Chapter 11 Cases, payment of court approved adequate protection obligations, and other such purposes consistent with the DIP Credit Facility. On July 1, 2020, the Company, as borrower, entered into the DIP Credit Agreement along with the Debtor guarantors party thereto, MUFG Union Bank, N.A., as agent, and the other lender, issuer, and agent parties thereto with the other Debtors party thereto. See Note 4 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion of our DIP Credit Facility.

As of June 30, 2020 and December 31, 2019, we had a cash balance of $82 million and $6 million, respectively. As of June 30, 2020 and December 31, 2019, we had a net working capital deficit of $1.699 billion and $1.141 billion, respectively. Additionally, our DIP Credit Facility was approved by the Bankruptcy Court on a final basis on July 31, 2020 which allows us up to $925 million of borrowing capacity.

We believe our cash flow from operations, borrowing capacity under the DIP Credit Facility and cash on hand will provide sufficient liquidity during the bankruptcy process. We expect to incur significant costs associated with the bankruptcy process, including fees for legal, financial and restructuring advisors to the Company, certain of our creditors and royalty interest owners. Therefore, our ability to obtain confirmation of the Plan in a timely manner is critical to ensuring our liquidity is sufficient during the bankruptcy process.

Our ability to continue as a going concern is contingent on our ability to comply with the financial and other covenants contained in our DIP Credit Facility, the Bankruptcy Court's approval of the Plan and our ability to successfully implement the Plan and obtain exit financing, among other factors. As a result of the Bankruptcy Filing, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession under Chapter 11, we may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business (and subject to restrictions contained in the DIP Credit Facility), for amounts other than those reflected in the accompanying condensed consolidated financial statements. Further, the Plan could materially change the amounts and classifications of assets and liabilities reported in the condensed consolidated financial statements. The factors noted above raise substantial doubt about our ability to continue as a going concern.

Credit Risk

Our customers and counterparties are experiencing uncertain economic conditions which may impact their ability to make payments to us, which could adversely affect our business, cash flows, liquidity, financial condition and results of operations. We monitor the creditworthiness of all our counterparties and we generally require letters of credit or parent guarantees for receivables from parties deemed to have sub-standard credit, unless the credit risk can otherwise be mitigated

Derivative and Hedging Activities

Our results of operations and cash flows are impacted by changes in market prices for oil, natural gas and NGL. To mitigate a portion of our exposure to adverse market price changes, we enter into various derivative instruments. Our oil, natural gas and NGL derivative activities, when combined with our sales of oil, natural gas and NGL, allow us to better predict the total revenue we expect to receive. Pursuant to the RSA associated with our Chapter 11 Cases, we are required to hedge a certain amount of our production with our DIP Credit Facility lenders. See Note 1 for additional details regarding these hedging requirements and see Note 19 for details regarding hedges entered into subsequent to June 30, 2020.

As of August 7, 2020, including July and August derivative contracts that have settled, we had 2020 downside oil price protection through swaps at an average price of $41.69 per bbl. We had 2020 downside gas price protection through swaps at $2.45 per mcf.

Oil Derivatives[a]

Year	Type of Derivative Instrument	Notional Volume	Average NYMEX Price
		(mmbbls)	
2020	Swaps	6	$41.69
2021	Swaps	12	$41.90
2022	Swaps	5	$41.41

Natural Gas Derivatives[a]

Year	Type of Derivative Instrument	Notional Volume	Average NYMEX Price
		(bcf)	
2020	Swaps	164	$2.45
2021	Swaps	235	$2.44
2022	Swaps	133	$2.46

(a) Includes amounts settled in July and August 2020.

See Note 11 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion of derivatives and hedging activities.

Contractual Obligations and Off-Balance Sheet Arrangements

From time to time, we enter into arrangements and transactions that can give rise to contractual obligations and off-balance sheet commitments. As of June 30, 2020, these arrangements and transactions included (i) certain operating lease agreements, (ii) open purchase commitments, (iii) open delivery commitments, (iv) open drilling commitments, (v) undrawn letters of credit, (vi) open gathering and transportation commitments, and (vii) various other commitments we enter into in the ordinary course of business that could result in future cash obligations.

Capital Expenditures

We have significant control and flexibility over the timing and execution of our development plan, enabling us to reduce our capital spending as needed. As a result of the impact to global oil demand primarily caused by the COVID-19 pandemic, we are significantly reducing our forecasted 2020 capital expenditures to a range of $1.0 billion - $1.2 billion compared to our 2019 capital spending level of $2.2 billion. This reduction in spending will reduce our future production levels. Management continues to review operational plans for 2020 and beyond, which could result in changes to projected capital expenditures and projected revenues from sales of oil, natural gas and NGL.

Sources of Funds

The following table presents the sources of our cash and cash equivalents for the Current Period and the Prior Period.

	Six Months Ended June 30,	
	2020	2019
	($ in millions)	
Cash provided by operating activities	$ 773	$ 853
Proceeds from divestitures of proved and unproved properties, net	7	82
Proceeds from revolving pre-petition credit facility borrowings, net	339	964
Proceeds from sales of other property and equipment, net	4	4
Total sources of cash and cash equivalents	$ 1,123	$ 1,903

Cash Flows from Operating Activities

Cash provided by operating activities was $773 million in the Current Period compared to $853 million in the Prior Period. The decrease in the Current Period is primarily due to the lower prices for the oil, natural gas and NGL we sold and lower volumes of oil, natural gas and NGL sold. Cash flows from operations are largely affected by the same factors that affect our net income, excluding various non-cash items, such as depreciation, depletion and amortization, certain impairments, gains or losses on sales of assets, deferred income taxes and mark-to-market changes in our open derivative instruments. The Current Period was impacted by COVID-19 and the related economic volatility and a continued low level of demand or depressed prices for oil and natural gas has had a continued material adverse effect on our cash flows. See further discussion below under *Results of Operations*.

Uses of Funds

The following table presents the uses of our cash and cash equivalents for the Current Period and the Prior Period:

	Six Months Ended June 30,	
	2020	2019
	($ in millions)	
Oil and Natural Gas Expenditures:		
Drilling and completion costs	$ 843	$ 1,070
Acquisitions of proved and unproved properties	9	17
Total oil and natural gas expenditures	852	1,087
Other Uses of Cash and Cash Equivalents:		
Cash paid to purchase debt	95	381
DIP credit facility financing costs	55	—
Business combination, net	—	353
Additions to other property and equipment	15	18
Dividends paid	22	46
Other	8	18
Total other uses of cash and cash equivalents	195	816
Total uses of cash and cash equivalents	$ 1,047	$ 1,903

Drilling and Completion Costs

Our drilling and completion costs decreased in the Current Period compared to the Prior Period primarily as a result of decreased drilling and completion activity.

Cash Paid to Purchase Debt

In the Current Period, we repurchased approximately $160 million aggregate principal amount of our senior notes for $95 million. See Note 4 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion of the notes repurchased.

DIP Credit Facility Financing Costs

In the Current Period, we paid $55 million of one-time fees to lenders to establish our DIP Credit Facility.

Business Combination - Acquisition of WildHorse

In the Prior Period, we acquired WildHorse for approximately 717.4 million shares of our common stock and $381 million less $28 million of cash held by WildHorse as of the acquisition date.

Dividends

We paid dividends of $22 million and $46 million on our preferred stock in the Current Period and the Prior Period, respectively. On April 17, 2020, we announced that we were suspending payment of dividends on each series of our outstanding convertible preferred stock. Pursuant to the RSA associated with our Chapter 11 Cases, each holder of an equity interest in Chesapeake would have such interest canceled, released, and extinguished without any distribution. See Note 1 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for additional information about the Chapter 11 Cases.

Results of Operations

Oil, Natural Gas and NGL Production and Average Sales Prices

	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
Marcellus	—	—	1,051	1.38	—	—	175	41	8.26
Haynesville	—	—	502	1.46	—	—	84	20	8.75
Eagle Ford	40	20.15	117	1.95	16	9.68	75	18	15.76
Brazos Valley	36	23.42	49	0.69	6	1.93	50	12	17.58
Powder River Basin	13	23.80	52	1.44	3	10.59	25	6	16.96
Mid-Continent	4	24.41	36	1.50	3	8.03	12	3	13.39
Retained assets[a]	93	22.06	1,807	1.42	28	7.86	421	100	11.46
Divested assets	—	—	(1)	2.92	—	—	—	—	.
Total	93	22.06	1,806	1.42	28	7.86	421	100%	11.46

	Three Months Ended June 30, 2019								
	Oil		Natural Gas		NGL		Total		
	mbbl per day	$/bbl	mmcf per day	$/mcf	mbbl per day	$/bbl	mboe per day	%	$/boe
Marcellus	—	—	929	2.33	—	—	155	31	13.99
Haynesville	—	—	751	2.39	—	—	125	25	14.36
Eagle Ford	58	65.82	152	2.69	19	12.78	102	21	43.89
Brazos Valley	35	63.34	55	1.81	5	9.33	49	10	47.57
Powder River Basin	20	57.05	89	2.26	5	16.30	40	8	35.58
Mid-Continent	9	58.12	59	2.03	6	16.97	25	5	30.53
Retained assets[a]	122	63.09	2,035	2.35	35	13.50	496	100	26.13
Divested assets	—	—	(1)	4.66	—	—	—	—	—
Total	122	63.04	2,034	2.35	35	13.43	496	100%	26.12

	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
Marcellus	—	—	1,013	1.66	—	—	168	38	9.99
Haynesville	—	—	528	1.58	—	—	88	20	9.46
Eagle Ford	52	37.49	138	2.08	18	10.79	92	20	26.17
Brazos Valley	38	35.62	59	0.63	7	3.82	56	12	25.77
Powder River Basin	15	34.71	71	1.69	4	12.37	32	7	22.40
Mid-Continent	4	36.35	42	1.93	3	11.37	14	3	19.14
Retained assets[a]	109	36.39	1,851	1.64	32	9.48	450	100	16.28
Divested assets	—	—	1	1.00	—	—	—	—	—
Total	109	36.39	1,852	1.64	32	9.48	450	100%	16.28

	Six Months Ended June 30, 2019								
	Oil		Natural Gas		NGL		Total		
	mbbl per day	$/bbl	mmcf per day	$/mcf	mbbl per day	$/bbl	mboe per day	%	$/boe
Marcellus	—	—	939	2.94	—	—	156	32	17.63
Haynesville	—	—	755	2.67	—	—	126	26	15.99
Eagle Ford	60	62.73	150	3.13	21	17.74	106	21	43.42
Brazos Valley[b]	28	61.76	39	1.88	4	8.93	39	8	47.56
Powder River Basin	18	54.31	85	2.79	6	17.54	38	8	34.70
Mid-Continent	9	55.72	59	2.47	6	19.14	24	5	30.62
Retained assets[a]	115	60.64	2,027	2.81	37	16.89	489	100	27.16
Divested assets	—	—	2	1.33	—	—	1	—	18.97
Total	115	60.59	2,029	2.81	37	16.86	490	100%	27.15

(a) Includes assets retained as of June 30, 2020.

(b) Average production per day since the date of the WildHorse acquisition on February 1, 2019, 150 days, was 34 mbbl, 47 mmcf and 5 mbbl for oil, natural gas and NGL, respectively.

Oil, Natural Gas and NGL Sales

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	($ in millions)					
Oil	$ 186	$ 700	(73)%	$ 725	$ 1,266	(43)%
Natural gas	234	436	(46)%	554	1,031	(46)%
NGL	20	43	(53)%	55	112	(51)%
Oil, natural gas and NGL sales	$ 440	$ 1,179	(63)%	$ 1,334	$ 2,409	(45)%

The net decrease in oil, natural gas and NGL sales in the Current Quarter of $739 million is primarily attributable to (i) $561 million decrease in revenues due to decreases in the average price received per boe and (ii) $178 million decrease in revenues due to decreased sales volumes from production curtailments, natural declines and shut-in wells.

The net decrease in oil, natural gas and NGL sales in the Current Period of $1.075 billion is primarily attributable to (i) $889 million decrease in revenues due to decreases in the average price received per boe and (ii) $186 million decrease in revenues due to decreased sales volumes from production curtailments, natural declines and shut-in wells.

Oil and Natural Gas Derivatives

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
Oil derivatives – realized gains (losses)	$ 569	$ (18)	$ 696	$ (8)
Oil derivatives – unrealized gains (losses)	(717)	104	(5)	(165)
Total gains (losses) on oil derivatives	(148)	86	691	(173)
Natural gas derivatives – realized gains (losses)	123	24	174	(12)
Natural gas derivatives – unrealized gains (losses)	(148)	165	(131)	159
Total gains (losses) on natural gas derivatives	(25)	189	43	147
Total gains (losses) on oil and natural gas derivatives	$ (173)	$ 275	$ 734	$ (26)

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

Marketing Revenues and Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	($ in millions)					
Marketing revenues	$ 240	$ 916	(74)%	$ 964	$ 2,149	(55)%
Marketing expenses	242	940	(74)%	988	2,170	(54)%
Marketing margin	$ (2)	$ (24)	(92)%	$ (24)	$ (21)	(14)%

Marketing revenues and expenses decreased in the Current Quarter and the Current Period primarily as a result of decreased oil, natural gas, and NGL prices received in our marketing operations and less volumes being marketed. Marketing margin increased in the Current Quarter primarily due to improved margins related to non-equity transactions. Marketing margin decreased in the Current Period primarily as a result of decreased inventory due to lower prices offset by improved margins related to non-equity transactions.

Other Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	($ in millions)					
Other revenue	$ 14	$ 15	(7)%	$ 30	$ 30	—%

Other revenue relates primarily to the amortization of deferred VPP revenue. Our remaining deferred revenue balance of $36 million will be amortized on a straight-line basis through 2021. See Note 6 of the notes to our condensed consolidated financial statements included in Item 1 of this report for further discussion of our VPP.

Oil, Natural Gas and NGL Production Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	($ in millions, except per unit)					
Marcellus	$ 7	$ 8	(13)%	$ 16	$ 18	(11)%
Haynesville	11	12	(8)%	22	25	(12)%
Eagle Ford	25	52	(52)%	61	93	(34)%
Brazos Valley	22	31	(29)%	50	45	11 %
Powder River Basin	10	16	(38)%	28	30	(7)%
Mid-Continent	16	24	(33)%	36	49	(27)%
Retained Assets[(a)]	91	143	(36)%	213	260	(18)%
Divested Assets	—	1	(100)%	—	(1)	(100)%
Total oil, natural gas and NGL production expenses	$ 91	$ 144	(37)%	$ 213	$ 259	(18)%
	($ per boe)					
Marcellus	$ 0.46	$ 0.59	(22)%	$ 0.52	$ 0.61	(15)%
Haynesville	$ 1.41	$ 1.01	40 %	$ 1.36	$ 1.11	23 %
Eagle Ford	$ 3.72	$ 5.52	(33)%	$ 3.66	$ 4.81	(24)%
Brazos Valley	$ 4.91	$ 6.91	(29)%	$ 4.95	$ 6.35	(22)%
Powder River Basin	$ 4.13	$ 4.42	(7)%	$ 4.81	$ 4.39	10 %
Mid-Continent	$ 13.94	$ 10.45	33 %	$ 13.94	$ 11.04	26 %
Retained Assets[(a)]	$ 2.37	$ 3.14	(25)%	$ 2.60	$ 2.92	(11)%
Divested Assets	$ —	$ —	— %	$ —	$ —	— %
Total oil, natural gas and NGL production expenses per boe	$ 2.37	$ 3.17	(25)%	$ 2.60	$ 2.91	(11)%

(a) Includes assets retained as of June 30, 2020.

The absolute and per unit decrease in the Current Quarter and the Current Period is primarily the result of production curtailments in the liquids-rich operating areas due to lower commodity prices.

Oil, Natural Gas, and NGL Gathering, Processing and Transportation Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	($ in millions, except per unit)					
Oil, natural gas and NGL gathering, processing and transportation expenses	$ 270	$ 271	— %	$ 555	$ 545	2%
Oil ($ per bbl)	$ 3.94	$ 2.42	63 %	$ 3.63	$ 2.92	24%
Natural gas ($ per mcf)	$ 1.36	$ 1.23	11 %	$ 1.34	$ 1.22	10%
NGL ($ per bbl)	$ 5.35	$ 5.01	7 %	$ 5.55	$ 5.30	5%
Total ($ per boe)	$ 7.04	$ 6.00	17 %	$ 6.78	$ 6.14	10%

The per unit increase in oil, natural gas and NGL gathering, processing and transportation expenses was primarily due to the increase in transportation expense related to oil deficiency fees for our Eagle Ford operating area and production curtailments.

Severance and Ad Valorem Taxes

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	($ in millions, except per unit)					
Severance taxes	$ 12	$ 40	(70)%	$ 43	$ 74	(42)%
Ad valorem taxes	13	22	(41)%	36	39	(8)%
Severance and ad valorem taxes	$ 25	$ 62	(60)%	$ 79	$ 113	(30)%
Severance taxes per boe	$ 0.31	$ 0.88	(65)%	$ 0.52	$ 0.83	(37)%
Ad valorem taxes per boe	0.35	0.51	(31)%	0.45	0.44	2 %
Severance and ad valorem taxes per boe	$ 0.66	$ 1.39	(53)%	$ 0.97	$ 1.27	(24)%

The decrease in severance taxes was primarily due to the reduction in net revenue value as a result of decreased prices in areas where tax is calculated on net revenue instead of production. The decrease in ad valorem taxes is primarily due to lower assessed property values for 2020 compared to 2019. The lower valuations were achieved during the Current Quarter, resulting in the lower absolute and per unit amounts for the Current Quarter as compared to the Prior Quarter.

Exploration Expense

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	($ in millions)					
Impairments of unproved properties	$ 127	$ 7	1,714 %	$ 399	$ 25	1,496 %
Dry hole expense	—	—	— %	7	—	n/a
Geological and geophysical expense and other	3	8	(63)%	6	14	(57)%
Exploration expense	$ 130	$ 15	767 %	$ 412	$ 39	956 %

The increase in exploration expense in the Current Quarter is the result of non-cash impairment charges in unproved properties, primarily in our Haynesville operating area. The increase in exploration expense in the Current Period is the result of non-cash impairment charges in unproved properties, primarily in our Brazos Valley, Powder River Basin, Haynesville and Mid-Continent operating areas. See Note 12 of the notes to our condensed consolidated financial statements included in Item 1 of this report for further discussion.

General and Administrative Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	($ in millions, except per unit)					
Gross compensation and overhead	$ 189	$ 185	2 %	$ 350	$ 380	(8)%
Allocated to production expenses	(24)	(37)	(35)%	(54)	(72)	(25)%
Allocated to marketing expenses	(2)	(4)	(50)%	(6)	(8)	(25)%
Allocated to exploration expenses	—	(2)	(100)%	—	(6)	(100)%
Allocated to sand mine expenses	(1)	(3)	(67)%	(3)	(3)	n/a
Capitalized general and administrative expenses	(16)	(13)	23 %	(37)	(26)	42 %
Reimbursed from third parties	(34)	(37)	(8)%	(73)	(73)	— %
General and administrative expenses, net	$ 112	$ 89	26 %	$ 177	$ 192	(8)%
General and administrative expenses, net per boe	$ 2.91	$ 1.99	46 %	$ 2.16	$ 2.17	— %

The $23 million increase in general and administrative expenses in the Current Quarter is primarily attributable to $42 million in fees for legal, financial and restructuring advisors in preparation for the Chapter 11 Cases and a decrease in allocated compensation expense of $18 million. These increases were partially offset by $37 million in cost reduction initiatives including decreases in salary and benefits resulting from reductions in workforce in the Current Quarter.

The $15 million decrease in general and administrative expenses in the Current Period is primarily attributable to $72 million in cost reduction initiatives including decreases in salary and benefits resulting from reduction in workforce in the Current Quarter and the fourth quarter of 2019. These decreases were partially offset by $42 million in fees for legal, financial and restructuring advisors in preparation for the Chapter 11 Cases and a decrease in allocated compensation expense of $15 million.

Separation and Other Termination Costs

In the Current Quarter and the Current Period, we incurred charges of approximately $22 million and $27 million, respectively, related to one-time termination benefits for certain employees.

Depreciation, Depletion and Amortization

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	($ in millions, except per unit)					
Depreciation, depletion and amortization	$ 158	$ 580	(73)%	$ 761	$ 1,099	(31)%
Depreciation, depletion and amortization per boe	$ 4.12	$ 12.84	(68)%	$ 9.28	$ 12.38	(25)%

The absolute and per unit decrease in the Current Quarter and the Current Period is primarily the result of an $8.446 billion impairment recognized in the Current Period on our proved oil and natural gas properties due to lower forecasted commodity prices, which reduced the depletable carrying value.

Impairments

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
Impairments of proved oil and natural gas properties	$ —	$ —	$ 8,446	$ —
Impairments of other fixed assets and other	—	1	76	2
Total impairments	$ —	$ 1	$ 8,522	$ 2

In the Current Period, we recorded impairments of proved oil and natural gas properties related to Eagle Ford, Brazos Valley, Powder River Basin, Mid-Continent and other non-core assets, all of which are due to lower forecasted commodity prices. Additionally, in the Current Period we recorded a $76 million impairment of our sand mine assets that support our Brazos Valley operating area for the difference between fair value and the carrying value of the assets. See Note 13 of the notes to our condensed consolidated financial statements included in Item 1 of this report for further discussion.

Other Operating Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions)			
Other operating expense	$ 5	$ 3	$ 88	$ 64

In the Current Period, we terminated certain gathering, processing and transportation contracts and recognized a non-recurring $80 million expense related to the contract terminations. The contract terminations removed approximately $169 million of future commitments related to gathering, processing and transportation agreements.

In the Prior Period, we recorded $26 million of costs related to our acquisition of WildHorse, which consisted of consulting fees, financial advisory fees, legal fees and travel and lodging expenses. Additionally, we recorded $38 million of severance expense as a result of our acquisition of WildHorse. A majority of the WildHorse executives and employees were terminated. These executives and employees were entitled to severance benefits in accordance with existing employment agreements.

Interest Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	($ in millions, except per unit)			
Interest expense on senior notes	$ 117	$ 142	$ 239	$ 281
Interest expense on term loan	33	—	71	—
Interest expense on pre-petition revolving credit facility	20	24	42	40
Amortization of discount, issuance costs and other	14	15	28	28
Amortization of premium	(43)	—	(87)	—
Realized gains on interest rate derivatives	—	(1)	—	(1)
Unrealized losses on interest rate derivatives	—	1	—	1
Capitalized interest	(4)	(6)	(11)	(13)
Total interest expense	$ 137	$ 175	$ 282	$ 336
Interest expense per boe	$ 3.56	$ 3.86	$ 3.44	$ 3.79
Average senior notes borrowings	$ 5,666	$ 8,161	$ 5,725	$ 8,183
Average credit facilities borrowings	$ 2,043	$ 2,032	$ 1,845	$ 1,627
Average term loan borrowings	$ 1,500	$ —	$ 1,500	$ —

The decrease in interest expense on senior notes is due to the decrease of the average outstanding balance on our senior notes. The increase in interest expense on the term loan is due to the issuance of our term loan in the fourth quarter of 2019. The increase in amortization of premium is due to the issuance of our senior secured second lien notes in the fourth quarter of 2019.

Losses on Investments

In the Current Period, the hydraulic fracturing industry experienced challenging operating conditions resulting in the current fair value of our investment in FTSI falling below book value of $23 million and remaining below that value as of the end of the Current Period. Based on FTSI's operating results, we determined that the reduction in fair value is other-than-temporary and recognized an impairment of our entire investment in FTSI of $23 million.

In the Prior Period, in connection with the acquisition of WildHorse, we obtained a 50% membership interest in JWH Midstream LLC (JWH). The carrying value of our investment in JWH, which was being accounted for as an equity method investment, was approximately $17 million as of March 31, 2019. In the Prior Quarter, we paid approximately $7 million to terminate our involvement in the partnership. This removed us from any future obligations related to this joint venture and, therefore, we impaired the full value of the investment and recognized an approximate $23 million expense in the Prior Quarter.

Gains on Purchases or Exchanges of Debt

In the Current Period, we repurchased approximately $160 million aggregate principal amount of senior notes for $95 million and recorded an aggregate gain of approximately $65 million. See Note 4 of the notes to our condensed consolidated financial statements included in Item 1 of this report for further discussion.

Reorganization Items, Net

In the Current Quarter, we recorded $394 million of reorganization items consisting of $518 million of income related to pre-petition premiums and discounts offset by $61 million of expense related to deferred charges on debt that is considered subject to compromise and $63 million of expense for debtor-in-possession financing fees to lenders for funding.

Income Tax Benefit

No income tax provision was recorded in the Current Quarter and a $13 million income tax benefit was recorded in the Current Period. No income tax provision was recorded in the Prior Quarter and a $314 million income tax benefit was recorded in the Prior Period. Our effective income tax rate was 0.0% for the Current Quarter and for the Prior Quarter. The rate for the Current Period was 0.2% whereas the effective income tax rate for the Prior Period was 132.5%. The rate for the Prior Period was due to the partial release of the valuation allowance against our net deferred tax asset position as a result of the acquisition of WildHorse. Our effective tax rate can fluctuate as a result of the impact of discrete items, state income taxes and permanent differences. See Note 8 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for a discussion of income taxes.

Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. Forward-looking statements include our current expectations or forecasts of future events, including matters relating to the continuing effects of the COVID-19 pandemic and the impact thereof on our business, financial condition, results of operations and cash flows, the potential effects of the Chapter 11 Cases on our operations, management, and employees, our ability to consummate the Restructuring, actions by, or disputes among or between, members of OPEC+, market factors, market prices, our ability to meet debt service requirements, our ongoing evaluation and implementation of strategic alternatives, cost-cutting measures, reductions in capital expenditures, refinancing transactions, capital exchange transactions, asset divestitures, operational efficiencies and future impairments. In this context, forward-looking statements often address our expected future business, financial performance and financial condition, and often contain words such as "expect," “could,” “may,” "anticipate," "intend," "plan," “ability,” "believe," "seek," "see," "will," "would," “estimate,” “forecast,” "target," “guidance,” “outlook,” “opportunity” or “strategy.”

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

- uncertainties relating to our Chapter 11 Cases, including but not limited to: our ability to obtain Bankruptcy Court approval with respect to motions in the Chapter 11 Cases; the effects of the Chapter 11 Cases on us and our various constituents; the impact of Bankruptcy Court rulings in the Chapter 11 Cases; our ability to develop and implement the Plan and whether that Plan will be approved by the Bankruptcy Court and the ultimate outcome of the Chapter 11 Cases in general; the length of time we will operate under the Chapter 11 Cases; attendant risks associated with restrictions on our ability to pursue our business strategies; risks associated with third-party motions in the Chapter 11 Cases; the potential adverse effects of the Chapter 11 Cases on our liquidity; the potential cancellation of our common and preferred stock in the Chapter 11 Cases; the potential material adverse effect of claims that are not discharged in the Chapter 11 Cases; uncertainty regarding our ability to retain key personnel; and uncertainty and continuing risks associated with our ability to achieve our stated goals and continue as a going concern;
- the impact of the COVID-19 pandemic and its effect on our business, financial condition, employees, contractors, vendors and the global demand for oil and natural gas and U.S. and world financial markets;
- our ability to comply with the covenants under our DIP Credit Facility and other indebtedness and the related impact on our ability to continue as a going concern;
- the significant changes in our stock price, the liquidity of the market for our common stock and the risk of future declines or fluctuations, including limitations caused by the delisting of our common stock from the New York Stock Exchange and the subsequent trading of our common stock in less established markets;
- the volatility of oil, natural gas and NGL prices, which are affected by general economic and business conditions, as well as increased demand for (and availability of) alternative fuels and electric vehicles;
- uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and projecting future rates of production and the amount and timing of development expenditures;
- our ability to replace reserves and sustain production;
- drilling and operating risks and resulting liabilities;
- our ability to generate profits or achieve targeted results in drilling and well operations;
- the limitations our level of indebtedness may have on our financial flexibility;
- our inability to access the capital markets on favorable terms;
- the availability of cash flows from operations and other funds to finance reserve replacement costs or satisfy our debt obligations;

- adverse developments or losses from pending or future litigation and regulatory proceedings, including royalty claims;
- legislative and regulatory initiatives addressing environmental concerns, including initiatives addressing the impact of global climate change or further regulating hydraulic fracturing, methane emissions, flaring or water disposal;
- terrorist activities and/or cyber-attacks adversely impacting our operations;
- effects of acquisitions and dispositions, including our acquisition of WildHorse and our ability to realize related synergies and cost savings;
- effects of purchase price adjustments and indemnity obligations; and
- other factors that are described under *Risk Factors* in Item 1A of our 2019 Form 10-K and this Form 10-Q.

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

Information About Us

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

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

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

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

Commodity Price Risk

Our results of operations and cash flows are impacted by changes in market prices for oil, natural gas and NGL, which have been historically volatile and are even more volatile as a result of COVID-19 and the OPEC+ decisions discussed in this Form 10-Q. To mitigate a portion of our exposure to adverse price changes, we enter into various derivative instruments. Our oil, natural gas and NGL derivative activities, when combined with our sales of oil, natural gas and NGL, allow us to predict with greater certainty the revenue we will receive. We believe our derivative instruments continue to be highly effective in achieving our risk management objectives.

We determine the fair value of our derivative instruments utilizing established index prices, volatility curves and discount factors. These estimates are compared to counterparty valuations for reasonableness. Derivative transactions are also subject to the risk that counterparties will be unable to meet their obligations. This non-performance risk is considered in the valuation of our derivative instruments, but to date has not had a material impact on the values of our derivatives. Future risk related to counterparties not being able to meet their obligations has been partially mitigated under our commodity hedging arrangements that require counterparties to post collateral if their obligations to us are in excess of defined thresholds. The values we report in our financial statements are as of a point in time and subsequently change as these estimates are revised to reflect actual results, changes in market conditions and other factors. See Note 11 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report for further discussion of the fair value measurements associated with our derivatives.

For the six months ended June 30, 2020, oil, natural gas, and NGL revenue, excluding any effect of our derivative instruments, were $725 million, $554 million and $55 million, respectively. Based on production, oil, natural gas, and NGL revenue for the six months ended June 30, 2020 would have increased or decreased by approximately $73 million, $55 million, and $6 million, respectively, for each 10% increase or decrease in prices. This fair value change assumes volatility based on prevailing market parameters at June 30, 2020.

Interest Rate Risk

Our exposure to interest rate changes relates primarily to borrowings under our pre-petition revolving credit facility, and DIP Credit Facility. Interest is payable on borrowings under the pre-petition revolving credit facility and DIP Credit Facility based on a floating rate. See Note 4 for additional information. As of June 30, 2020, we had $1.929 billion in borrowings outstanding under our pre-petition revolving credit facility and no outstanding borrowings under our DIP Credit Facility. A 1.0% increase in interest rates based on the variable borrowings as of June 30, 2020 would result in an increase in our interest expense of approximately $19 million per year. Changes in interest rates do affect the fair value of our fixed-rate debt.

ITEM 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

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

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of June 30, 2020 that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. *Legal Proceedings*

For a description of our material pending legal proceedings as of June 30, 2020, see Note 5 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report.

For more information on the Chapter 11 Cases, see Note 1 of the notes to our condensed consolidated financial statements included in Item 1 of Part I of this report and Part I, Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Developments - Voluntary Reorganization Under Chapter 11*.

ITEM 1A. *Risk Factors*

Our business has many risks. Factors that could materially adversely affect our business, financial condition, operating results or liquidity and the trading price of our common stock, preferred stock or senior notes are described under "Risk Factors" in Item 1A of our 2019 Form 10-K, which risk factors could also be affected by the potential effects of the COVID-19 pandemic discussed herein, and in this Form 10-Q. This information should be considered carefully, together with other information in this report and other reports and materials we file with the SEC.

Risk Factors Relating to the Chapter 11 Cases

The Chapter 11 Cases may have a material adverse impact on our business, financial condition, results of operations and cash flows. In addition, the consummation of a plan of reorganization will result in the cancellation and discharge of our equity securities, including our common stock.

The Chapter 11 Cases could have a material adverse effect on our business, financial condition, results of operations and cash flows. During the pendency of the Chapter 11 Cases, our management may be required to spend a significant amount of time and effort dealing with restructuring matters rather than focusing exclusively on our business operations. Bankruptcy Court protection and operating as debtors-in-possession also may make it more difficult to retain management and the key personnel necessary to the success of our business. In addition, during the pendency of the Chapter 11 Cases, our customers might lose confidence in our ability to reorganize our business successfully and may seek to establish alternative commercial relationships, renegotiate the terms of our agreements, terminate their relationships with us or require financial assurances from us. Customers may lose confidence in our ability to provide them the level of service they expect, resulting in a significant decline in our revenues, profitability and cash flow.

Other significant risks include or relate to the following:

- the effects of the filing of the Chapter 11 Cases on our business and the interests of various constituents, including our shareholders;
- Bankruptcy Court rulings in the Chapter 11 Cases, including with respect to our motions and third-party motions, as well as the outcome of other pending litigation;
- our ability to operate within the restrictions and the liquidity limitations of the DIP Credit Agreement and any related orders entered by the Bankruptcy Court in connection with the Chapter 11 Cases;
- our ability to maintain strategic control as debtors-in-possession during the pendency of the Chapter 11 Cases;
- the length of time that we will operate with Chapter 11 protection and the continued availability of operating capital during the pendency of the Chapter 11 Cases;
- increased advisory costs during the pendency of the Chapter 11 Cases;
- the risks associated with restrictions on our ability to pursue some of our business strategies during the pendency of the Chapter 11 Cases;
- our ability to satisfy the conditions precedent to consummation of a plan of reorganization;
- the potential adverse effects of the Chapter 11 Cases on our business, cash flows, liquidity, financial condition and results of operations;

- the ultimate outcome of the Chapter 11 Cases in general;
- the cancellation of our existing equity securities, including our outstanding shares of common stock and preferred stock, in the Chapter 11 Cases;
- the potential material adverse effects of claims that are not discharged in the Chapter 11 Cases;
- uncertainties regarding the reactions of our customers, prospective customers and service providers to the Chapter 11 Cases;
- uncertainties regarding our ability to retain and motivate key personnel; and
- uncertainties and continuing risks associated with our ability to achieve our stated goals and continue as a going concern.

Further, under Chapter 11, transactions outside the ordinary course of business are subject to the prior approval of the Bankruptcy Court, which may limit our ability to respond in a timely manner to certain events, to take advantage of certain opportunities or adapt to changing market or industry conditions.

Because of the risks and uncertainties associated with the Chapter 11 Cases, we cannot predict or quantify the ultimate impact that events occurring during the Chapter 11 Cases may have on our business, cash flows, liquidity, financial condition and results of operations, nor can we provide any assurance as to our ability to continue as a going concern.

As a result of the Chapter 11 Cases, realization of assets and liquidation of liabilities are subject to uncertainty. While operating under the protection of the Bankruptcy Code, and subject to Bankruptcy Court approval or otherwise as permitted in the normal course of business, we may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in our consolidated financial statements.

Delays in the Chapter 11 Cases may increase the risk of us being unable to reorganize our business and emerge from bankruptcy and increase our costs associated with the bankruptcy process.

There can be no assurance that a plan of reorganization will become effective in accordance with its terms on the timeline we anticipate, or at all. Prolonged Chapter 11 proceedings could adversely affect our relationships with customers and employees, among other parties, which in turn could adversely affect our business, competitive position, financial condition, liquidity and results of operations and our ability to continue as a going concern. A weakening of our financial condition, liquidity and results of operations could adversely affect our ability to implement a plan of reorganization (or any other Chapter 11 plan). If we are unable to consummate a plan of reorganization, we may be forced to liquidate our assets.

We are subject to the risks and uncertainties associated with our exclusive right to file a plan of reorganization.

At the outset of the Chapter 11 Cases, the Bankruptcy Code provides debtors-in-possession the exclusive right to file and solicit acceptance of a plan of reorganization for the first 120 days of the bankruptcy case, subject to extension at the discretion of the court. All other parties are prohibited from filing or soliciting a plan of reorganization during this period. If the Bankruptcy Court terminates that right or the exclusivity period expires, there could be a material adverse effect on our ability to achieve confirmation of a plan in order to achieve our stated goals. The possible decision of creditors and/or other third parties, whose interest may be inconsistent with our own, to file alternative plans of reorganization could further protract the Chapter 11 Cases, leading us to continue to incur significant professional fees and costs. Because of these risks and uncertainties associated with the termination or expiration of our exclusivity rights, we cannot predict or quantify the ultimate impact that events occurring during the Chapter 11 Cases may have on our business, cash flows, liquidity, financial condition and results of operations, nor can we predict the ultimate impact that events occurring during the Chapter 11 Cases may have on our corporate or capital structure.

Adverse publicity in connection with the Chapter 11 Cases or otherwise could negatively affect our businesses.

Adverse publicity or news coverage relating to us, including, but not limited to, publicity or news coverage in connection with the Chapter 11 Cases, may negatively impact our efforts to establish and promote a positive image after emergence from the Chapter 11 Cases.

Trading in our common stock and preferred stock during the pendency of the Chapter 11 Cases is highly speculative and poses substantial risks.

All of our indebtedness is senior to the existing common stock in our capital structure. The RSA contemplates that our existing equity interests will be canceled and discharged in connection with the Chapter 11 Cases and the holders of those equity interests, including the holders of our common and preferred stock, will be entitled to no recovery. Accordingly, any trading in our common and preferred stock during the pendency of the Chapter 11 Cases is highly speculative and poses substantial risks to purchasers of our common and preferred stock.

Risks of trading in an over-the-counter market.

Since June 30, 2020, our common stock has been trading on the OTC Pink Marketplace maintained by the OTC Markets Group, Inc. under the symbol “CHKAQ.” Securities traded in the over-the-counter market generally have significantly less liquidity than securities traded on a national securities exchange, due to factors such as a reduction in the number of investors that will consider investing in the securities, the number of market makers in the securities, reduction in securities analyst and news media coverage and lower market prices than might otherwise be obtained. In addition to those factors, the market for the outstanding shares of our common stock has been adversely affected by the provisions of the RSA that contemplate that our existing equity interests will be cancelled and discharged in connection with the Chapter 11 Cases and the holders of those equity interests, including the holders of our outstanding shares of common stock, will be entitled to no recovery relating to those equity interests. We can provide no assurance that our common stock will continue to trade on the OTC Pink Marketplace, whether broker-dealers will continue to provide public quotes of our common stock on that market, whether the trading volume of our common stock will be sufficient to provide for an efficient trading market or whether quotes for our common stock will continue to be provided on that market in the future.

The RSA is subject to significant conditions and milestones that may be difficult for us to satisfy.

There are certain material conditions we must satisfy under the RSA, including the timely satisfaction of milestones in the Chapter 11 Cases, which include the consummation of the financing contemplated by the Exit Credit Facilities and other transactions contemplated by a plan of reorganization. Our ability to timely complete such milestones is subject to risks and uncertainties, many of which are beyond our control.

A plan of reorganization may not become effective.

Even if a plan of reorganization is confirmed by the Bankruptcy Court, it may not become effective because it is subject to the satisfaction of certain conditions precedent (some of which are beyond our control). There can be no assurance that such conditions will be satisfied and, therefore, that a plan of reorganization will become effective and that the Debtors will emerge from the Chapter 11 Cases as contemplated by a plan of reorganization. If the effective date of a plan of reorganization is delayed, the Debtors may not have sufficient cash available to operate their businesses. In that case, the Debtors may need new or additional post-petition financing, which may increase the cost of consummating a plan of reorganization. There can be no assurance of the terms on which such financing may be available or if such financing will be available. If the transactions contemplated by a plan of reorganization are not completed, it may become necessary to amend the plan. The terms of any such amendment are uncertain and could result in material additional expense and result in material delays to the Chapter 11 Cases.

Even if a Chapter 11 plan of reorganization is consummated, we may not be able to achieve our stated goals.

Even if a Chapter 11 plan of reorganization is consummated, we may continue to face a number of risks, such as changes in economic conditions, changes in our industry, changes in demand for our services and increasing expenses. Some of these risks become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the transactions under a Chapter 11 plan of reorganization will close. As a result of these and other risks, we cannot guarantee that a Chapter 11 plan of reorganization will achieve our stated goals. Furthermore, even if our debts are reduced or discharged through a plan of reorganization, we may need to raise additional funds through public or private debt or equity financing or other various means to fund our business after the completion of the Chapter 11 Cases. Our access to additional financing may be limited, if it is available at all. Therefore, adequate funds may not be available when needed or may not be available on favorable terms.

As a result, a plan of reorganization may not become effective and, thus, we cannot assure you of our ability to continue as a going concern.

Our long-term liquidity requirements and the adequacy of our capital resources are difficult to predict at this time.

We face uncertainty regarding the adequacy of our liquidity and capital resources and have extremely limited, if any, access to additional financing. In addition to the cash requirements necessary to fund our ongoing operations, we have incurred significant professional fees and other costs in connection with preparation for the Chapter 11 Cases and expect that we will continue to incur significant professional fees and other costs throughout the Chapter 11 Cases. We cannot assure you that cash on hand and cash flow from operations will be sufficient to continue to fund our operations and allow us to satisfy our obligations related to the Chapter 11 Cases. Although we entered into the DIP Credit Agreement providing for new money in an aggregate principal amount of up to $925 million pursuant to the DIP Credit Facility in connection with the Chapter 11 Cases, we cannot assure you that such financing will be sufficient, that we will be able to secure additional interim financing or adequate exit financing sufficient to meet our liquidity needs (or if sufficient funds are available, that they will be offered to us on acceptable terms).

Our liquidity, including our ability to meet our ongoing operational obligations, depends on, among other things: (1) our ability to comply with the terms and conditions of any order governing the use of cash collateral that may be entered by the Bankruptcy Court in connection with the Chapter 11 Cases, (2) our ability to access credit under the DIP Credit Facility, (3) our ability to maintain adequate cash on hand, (4) our ability to generate cash flow from operations, (5) our ability to consummate a plan of reorganization or other alternative restructuring transaction, and (6) the cost, duration and outcome of the Chapter 11 Cases.

In certain limited instances, a Chapter 11 case may be converted to a case under Chapter 7 of the Bankruptcy Code.

Upon a showing of cause, the Bankruptcy Court may convert the Chapter 11 Cases to cases under Chapter 7 of the Bankruptcy Code. In such event, a Chapter 7 trustee would be appointed or elected to liquidate our assets for distribution in accordance with the priorities established by the Bankruptcy Code. We believe that liquidation under Chapter 7 would result in significantly smaller distributions being made to our creditors than those provided for in a plan of reorganization because of: (1) the likelihood that the assets would have to be sold or otherwise disposed of in a distressed fashion over a short period of time rather than in a controlled manner and as a going concern; (2) additional administrative expenses involved in the appointment of a Chapter 7 trustee; and (3) additional expenses and claims, some of which would be entitled to priority, that would be generated during the liquidation and from the rejection of executory contracts in connection with a cessation of operations.

The unaudited condensed consolidated financial statements included in this Form 10-Q for the period ended June 30, 2020 contain disclosures that express substantial doubt about our ability to continue as a going concern.

The unaudited condensed consolidated financial statements included in this Form 10-Q for the period ended June 30, 2020 have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and other commitments in the normal course of business and does not include any adjustments that might result from uncertainty about our ability to continue as a going concern. Such assumption may not be justified. Our liquidity has been negatively impacted by the prolonged depressed prices we receive for the oil, natural gas and NGL we sell and our substantial indebtedness and associated debt-related expenses. As a result of these and other factors, we entered into the RSA and commenced the Chapter 11 Cases. The RSA contemplates that our equity investors, including the holders of our common and preferred stock, will lose the entire value of their investment in our business. The inclusion of disclosures that express substantial doubt about our ability to continue as a going concern may negatively impact the trading price of our common and preferred stock and have an adverse impact on our relationships with third parties with whom we do business, including our customers, subcontractors, suppliers and employees, and could have a material adverse impact on our business, financial condition, results of operations and cash flows.

As a result of the Chapter 11 Cases, our historical financial information may not be indicative of our future performance, which may be volatile.

During the Chapter 11 Cases, we expect our financial results to continue to be volatile as restructuring activities and expenses impact our consolidated financial statements. As a result, our historical financial performance is likely not indicative of our financial performance after the date of the filing of the Chapter 11 Cases. In addition, if we emerge from Chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to our historical consolidated financial statements. We also will be required to adopt fresh start accounting, in which case our assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on our historical consolidated balance sheets. Our financial results after the application of fresh start accounting may be different from historical trends.

The actual results achieved during the periods covered by our recently issued projections will vary from those set forth in those projections, and such variations may be material.

In connection with the commencement of the Chapter 11 Cases, we were required to file with the SEC certain projections that we had previously provided to our lenders and others under confidentiality arrangements (the "Projections"). Although we believe the Projections were made on a reasonable basis, no representation was or can be made regarding, and there can be no assurance as to, their attainability. Our actual results achieved during the periods covered by the Projections will vary from those set forth in the Projections, and those variations may be material. The Projections are dependent upon numerous assumptions with respect to commodity prices, operating expenses, availability and cost of capital and performance. In addition, as disclosed elsewhere in this "Risk Factors" section, our business and operations are subject to substantial risks which increase the uncertainty inherent in the Projections. Many of the facts disclosed in this "Risk Factors" section could cause actual results to differ materially from those projected in the Projections. The Projections were not prepared with a view towards public disclosure or complying with the guidelines established by the American Institute of Certified Public Accountants or the SEC's published guidelines regarding projections or forecasts. Our independent public accountants did not examine, compile, review or perform any procedures with respect to the Projections, and, accordingly, assumed no responsibility for the Projections. No independent expert reviewed the Projections on our behalf. The Projections have not been included or incorporated by reference in this Quarterly Report on Form 10-Q, and, except as may be required by applicable law, we do not intend to update or otherwise revise the Projections, even if any or all the underlying assumptions are not realized.

We may be subject to claims that will not be discharged in the Chapter 11 Cases, which could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from, among other things, substantially all debts arising prior to consummation of a plan of reorganization. With few exceptions, all claims against the Debtors that arose prior to June 28, 2020 or before consummation of a plan of reorganization (i) would be subject to compromise and/or treatment under a plan of reorganization and/or (ii) would be discharged in accordance with the Bankruptcy Code and the terms of a plan of reorganization. Subject to the terms of a plan of reorganization and orders of the Bankruptcy Court, any claims not ultimately discharged pursuant to a plan of reorganization could be asserted against the reorganized entities and may have an adverse effect on our business, cash flows, liquidity, financial condition and results of operations on a post-reorganization basis.

The Chapter 11 Cases limit the flexibility of our management team in running our business.

While we operate our businesses as debtor-in-possession under supervision by the Bankruptcy Court, we are required to obtain the approval of the Bankruptcy Court, and in some cases certain lenders, prior to engaging in activities or transactions outside the ordinary course of business. Bankruptcy Court approval of non-ordinary course activities entails preparation and filing of appropriate motions with the Bankruptcy Court, negotiation with the various creditors' committees and other parties-in-interest and one or more hearings. The creditors' committees and other parties-in-interest may be heard at any Bankruptcy Court hearing and may raise objections with respect to these motions. This process may delay major transactions and limit our ability to respond quickly to opportunities and events. Furthermore, in the event the Bankruptcy Court does not approve a proposed activity or transaction, we would be prevented from engaging in activities and transactions that we believe are beneficial to us.

We may experience employee attrition as a result of the Chapter 11 Cases.

As a result of the Chapter 11 Cases, we have experienced, and may continue to experience, employee attrition, and our employees may face considerable distraction and uncertainty. A loss of key personnel or material erosion of employee morale could adversely affect our business and results of operations. Our ability to engage, motivate and retain key employees or take other measures intended to motivate and incentivize key employees to remain with us through the pendency of the Chapter 11 Cases is limited by certain restrictions on the implementation of incentive programs under the Bankruptcy Code. The loss of services of members of our senior management team could impair our ability to execute our business strategies and implement operational initiatives, which may have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Upon emergence from bankruptcy, the composition of our Board of Directors will change significantly.

The composition of our Board of Directors is expected to change significantly following the Chapter 11 Cases. Any new directors may have different backgrounds, experiences and perspectives from those individuals who currently serve on our Board of Directors and, thus, may have different views on the issues that will determine the future of our company. As a result, our future strategy and plans may differ materially from those of the past.

Risk Factors Relating to the COVID-19 Pandemic

The ongoing coronavirus (COVID-19) pandemic and related economic turmoil have affected and could continue to adversely affect our business, financial condition, results of operations and cash flows.

The global spread of COVID-19 created significant volatility, uncertainty, and economic disruption during the first six months of 2020. The ongoing COVID-19 outbreak has reached more than 200 countries and has continued to be a rapidly evolving economic and public health situation. The pandemic has resulted in widespread adverse impacts on the global economy, and there is considerable uncertainty regarding the extent to which COVID-19 will continue to spread and the extent and duration of governmental and other measures implemented to try to slow the spread of the virus, such as quarantines, shelter-in-place orders and business and government shutdowns. State and local authorities have also implemented multi-step policies with the goal of re-opening. However, certain jurisdictions began re-opening only to return to restrictions in the face of increases in new COVID-19 cases. We have taken certain precautionary measures intended to help minimize the risk to our employees, our business and the communities in which we operate, and we are actively assessing and planning for various operational contingencies in the event one or more of our operational employees experiences any symptoms consistent with COVID-19. However, we cannot guarantee that any actions taken by us will be effective in preventing future disruptions to our business. Moreover, future operations could be negatively affected if a significant number of our employees are quarantined as a result of exposure to the virus.

We regularly monitor the credit worthiness of our customers and derivative contract counterparties. Although we have not received notices from our customers or counterparties regarding non-performance issues or delays resulting from the pandemic, we may have to temporarily shut down or further reduce production, which could result in significant downtime and have significant adverse consequences for our business, financial condition, results of operations, and cash flows. In addition, most of our non-operational employees are now working remotely, which could increase the risk of security breaches or other cyber-incidents or attacks, loss of data, fraud and other disruptions.

Furthermore, the impact of the pandemic, including a resulting reduction in demand for oil and natural gas, coupled with the sharp decline in commodity prices following the announcement of price reductions and production increases in March 2020 by members of OPEC+ has led to significant global economic contraction generally and in our industry in particular. While an agreement to cut production has since been announced by OPEC+ and its allies, the situation, coupled with the impact of COVID-19, has continued to result in a significant downturn in the oil and gas industry. Although OPEC+ finalized an agreement in April 2020 to cut oil production by 9.7 million barrels per day during May and June 2020, and OPEC+ agreed in June 2020 to extend such production cuts until the end of July 2020, crude oil prices have remain depressed as a result of an increasingly utilized global storage network and the decrease in crude oil demand due to COVID-19. Oil and natural gas prices are expected to continue to be volatile as a result of the near term production increases and the ongoing COVID-19 outbreak and as changes in oil and natural gas inventories, industry demand and national and economic performance are reported, and we cannot predict when prices will improve and stabilize. We cannot predict the full impact that COVID-19 or the significant disruption and volatility currently being experienced in the oil and natural gas markets will have on our business, financial condition and results of operations at this time due to numerous uncertainties.

The ultimate impact of COVID-19 will depend on future developments, including, among others, the ultimate geographic spread and severity of the virus, the consequences of governmental and other measures designed to prevent the spread of the virus, the development of effective treatments, the duration of the outbreak, further actions taken by members of OPEC+, actions taken by governmental authorities, customers, suppliers and other third parties, workforce availability, and the timing and extent to which normal economic and operating conditions resume.

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

There were no repurchases of our common stock during the quarter ended June 30, 2020.

ITEM 3. *Defaults Upon Senior Securities*

Our Bankruptcy Filing described above constitutes an event of default that accelerated our obligations under our senior credit facility, our senior secured notes and our unsecured notes. Under the Bankruptcy Code, the creditors under these debt agreements are stayed from taking any action against us as a result of an event of default. See Note 4 and Note 1 to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for additional details about the principal and interest amounts of debt included in liabilities subject to compromise on the accompanying unaudited condensed consolidated balance sheet at June 30, 2020 and our Bankruptcy Filing and the Chapter 11 Cases.

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

ITEM 4. *Mine Safety Disclosures*

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

ITEM 5. *Other Information*

Not applicable.

ITEM 6. *Exhibits*

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

INDEX OF EXHIBITS

		Incorporated by Reference				
Exhibit Number	**Exhibit Description**	**Form**	**SEC File Number**	**Exhibit**	**Filing Date**	**Filed or Furnished Herewith**
3.1.1	Restated Certificate of Incorporation.	10-K	001-13726	3.1.1	2/27/2019	
3.1.2	Amendment to Restated Certificate of Incorporation, dated April 13, 2020.	8-K	001-13726	3.1	4/13/2020	
3.1.3	Certificate of Designation of 5% Cumulative Convertible Preferred Stock (Series 2005B), as amended.	10-Q	001-13726	3.1.4	11/10/2008	
3.1.4	Certificate of Designation of 4.5% Cumulative Convertible Preferred Stock, as amended.	10-Q	001-13726	3.1.6	8/11/2008	
3.1.5	Certificate of Designation of 5.75% Cumulative Non-Voting Convertible Preferred Stock (Series A).	8-K	001-13726	3.2	5/20/2010	
3.1.6	Certificate of Designation of 5.75% Cumulative Non-Voting Convertible Preferred Stock, as amended.	10-Q	001-13726	3.1.5	8/9/2010	
3.1.7	Certificate of Designations of Series B preferred Stock, dated April 23, 2020.	8-K	001-13726	3.1	4/13/2020	
3.2	Chesapeake's Amended and Restated Bylaws.	8-K	001-13726	3.2	6/19/2014	
4.1	Section 382 Rights Agreement, dated April 23, 2020, between Chesapeake Energy Corporation and Computershare Trust Company, N.A., as rights agent.	8-K	001-13726	4.1	4/23/2020	
10.1	Fourth Amendment and Waiver to Amended and Restated Credit Agreement, dated as of June 12, 2020, among Chesapeake Energy Corporation and MUFG Union Bank, N.A., as administrative agent and the Lenders party thereto.	8-K	001-13726	10.1	6/18/2020	
10.2	Restructuring Support Agreement, dated June 28, 2020.	8-K	001-13726	10.1	6/29/2020	
10.3	Commitment Letter, dated June 28, 2020.	8-K	001-13726	10.2	6/29/2020	
22.1	List of Guarantor Subsidiaries	10-Q	001-13726	22.1	5/11/2020	
31.1	Robert D. Lawler, President and Chief Executive Officer, Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Domenic J. Dell'Osso, Jr., Executive Vice President and Chief Financial Officer, Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Robert D. Lawler, President and Chief Executive Officer, Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Domenic J. Dell'Osso, Jr., Executive Vice President and Chief Financial Officer, Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
95.1	Mine Safety Disclosure					X

Exhibit Number	Exhibit Description	Incorporated by Reference Form	SEC File Number	Exhibit	Filing Date	Filed or Furnished Herewith
101 INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101 SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101 LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.					X
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					X

† Management contract or compensatory plan or arrangement

Signatures

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

CHESAPEAKE ENERGY CORPORATION

Date: August 10, 2020	By:	/s/ ROBERT D. LAWLER Robert D. Lawler President and Chief Executive Officer
Date: August 10, 2020	By:	/s/ DOMENIC J. DELL'OSSO, JR. Domenic J. Dell'Osso, Jr. Executive Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Robert D. Lawler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Chesapeake Energy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 10, 2020

By: /s/ ROBERT D. LAWLER

Robert D. Lawler

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

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

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

August 10, 2020 By: /s/ DOMENIC J. DELL'OSSO, JR.

Domenic J. Dell'Osso, Jr.

Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Chesapeake Energy Corporation (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert D. Lawler, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 10, 2020	By:	/s/ ROBERT D. LAWLER
		Robert D. Lawler President and Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Chesapeake Energy Corporation (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Domenic J. Dell’Osso, Jr., Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 10, 2020	By:	/s/ DOMENIC J. DELL’OSSO, JR.
		Domenic J. Dell’Osso, Jr.
		Executive Vice President and Chief Financial Officer

Exhibit 95.1

Mine Safety Disclosures

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

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

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

During the three-month period ended June 30, 2020, Burleson Sand did not receive any of the following from MSHA: (i) a citation for a violation of a mandatory health or safety standard that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under Section 104 of the Mine Act; (ii) an order issued under Section 104(b) of the Mine Act; (iii) a citation or order for unwarrantable failure to comply with mandatory health or safety standards under Section 104(d) of the Mine Act; (iv) written notice of a flagrant violation under Section 110(b)(2) of the Mine Act; (v) an imminent danger order issued under Section 107(a) of the Mine Act; (vi) any proposed assessments under the Mine Act; (vii) written notice of a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under Section 104(e) of the Mine Act; or (viii) written notice of the potential to have such a pattern. Moreover, during the three-month period ended June 30, 2020, Burleson Sand did not experience a mining-related fatality or have any pending legal action before the Federal Mine Safety and Health Review Commission.