

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

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

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

Date of Report (Date of earliest event reported): **March 9, 2022**



**CHESAPEAKE ENERGY CORPORATION**

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

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

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

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

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

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

Emerging growth company

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

## EXPLANATORY NOTE

As previously disclosed by Chesapeake Energy Corporation (the "Company" or "Chesapeake") under Item 2.01 of its Current Report on Form 8-K filed on March 9, 2022 (the "Original 8-K"), on March 9, 2022, the Company completed its previously announced acquisition of certain entities which own high quality producing assets and a deep inventory of premium drilling locations in the prolific Marcellus Shale in Northeast Pennsylvania (the "Marcellus Properties"), including Chief E&D Holdings, LP ("Chief"), for approximately \$2.76 billion, consisting of approximately \$2.0 billion in cash (subject to customary purchase price adjustments) and \$764 million in the Company's common stock (the "Marcellus Acquisition"). The Marcellus Properties were acquired on a cash-free, debt-free basis, effective as of January 1, 2022.

This Current Report on Form 8-K/A amends the Original 8-K to file the financial information required by Items 9.01(a) and 9.01(b) of Form 8-K and to allow such financial information to be incorporated by reference into the Company's Registration Statements under the Securities Act of 1933, as amended.

### Item 8.01 Other Events.

The Marcellus Acquisition included the transactions contemplated by the Partnership Interest Purchase Agreement (the "Chief Agreement") dated January 24, 2022, by and among the Company, its wholly owned subsidiary Chesapeake Appalachia, L.L.C., an Oklahoma limited liability company ("Appalachia" and together with the Company, the "Purchasers") and The Jan & Trevor Rees-Jones Revocable Trust, a Texas revocable trust ("Rees-Jones Trust"), Rees-Jones Family Holdings, LP, a Texas limited partnership ("Rees-Jones Holdings"), Chief E&D Participants, LP, a Texas limited partnership ("Chief Participants" and together with Rees-Jones Trust and Rees-Jones Holdings, the "Chief LPs"), and Chief E&D (GP) LLC, a Texas limited liability company ("Chief GP" and together with the Chief LPs, the "Chief Sellers").

The Marcellus Acquisition also included the transactions contemplated by the Membership Interest Purchase Agreements dated January 24, 2022 (the "Radler/Tug Hill Agreements") by and among the Purchasers and Radler 2000 Limited Partnership, a Texas limited partnership ("R2KLP") and Tug Hill Inc., a Nevada corporation ("THI" and together with R2KLP, the "Radler/Tug Hill Sellers"). The Chief Sellers and the Radler / Tug Hill Sellers are referred to herein as the "Sellers".

Included in this filing as Exhibit 99.4 are the historical audited consolidated financial statements of the Chief Sellers for the periods described in Item 9.01(a) below, the notes related thereto and the report of an independent auditor.

Included in this filing as Exhibit 99.5 are the historical audited statements of revenues and direct operating expenses of the Radler Sellers for the periods described in Item 9.01(a) below, the notes related thereto and the report of an independent auditor.

Included in this filing as Exhibit 99.6 are the historical audited statements of revenues and direct operating expenses of the Tug Hill Sellers for the periods described in Item 9.01(a) below, the notes related thereto and the report of an independent auditor.

Included in this filing as Exhibit 99.7 is the unaudited pro forma financial information of the Company giving effect to the Marcellus Acquisition for the year ended December 31, 2021 and the three months ended March 31, 2022. The unaudited pro forma financial information gives effect to certain pro forma events related to the Marcellus Acquisition and related transactions, and has been presented for informational purposes only. It does not purport to present the actual, or project the future financial position or operating results of the Company following the Marcellus Acquisition.

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## **Item 9.01 Financial Statements and Exhibits.**

### **(a) Financial Statements of Business Acquired**

Audited consolidated financial statements of the Chief Sellers comprised of the consolidated balance sheet as of December 31, 2021 and the related consolidated statements of operations, changes in partners' capital, and cash flows for the year then ended, and the related notes to the financial statements, are included in this filing as Exhibit 99.4 to this Current Report on Form 8-K/A.

Audited financial statements of the Radler/Tug Hill Sellers comprised of the historical audited statements of revenues and direct operating expenses for the year ended December 31, 2021, are included in this filing as Exhibit 99.5 and Exhibit 99.6 to this Current Report on Form 8-K/A.

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

The unaudited pro forma combined statements of operations (the "pro forma statements of operations") have been derived from the historical consolidated financial statements of Chesapeake, Vine Energy Inc. ("Vine"), and the Sellers, as well as the pro forma financial information included in Chesapeake's Final Prospectus filed pursuant to Rule 424(b)(3) dated January 6, 2022 and Vine's Final Prospectus filed pursuant to Rule 424(b)(4) filed on March 19, 2021, which give effect to Chesapeake's previously announced acquisition of Vine (the "Vine Acquisition") and the related acquisition by Vine of interests in Vine Oil & Gas, Vine Oil & Gas GP, Brix, Brix GP, Harvest and Harvest GP, respectively. Certain of the Sellers' and Vine's historical amounts have been reclassified to conform to Chesapeake's financial statement presentation. The pro forma statements of operations for the year ended December 31, 2021 and the three months ended March 31, 2022, give effect to the Marcellus Acquisition, the Vine Acquisition and Chesapeake's emergence from bankruptcy as if these transactions had been completed on January 1, 2021. The supplemental pro forma oil and natural gas reserves information as of December 31, 2021 gives effect to the Marcellus Acquisition as if the Marcellus Acquisition had been completed on January 1, 2021. The pro forma financial information, and the related notes thereto, required to be filed under Item 9.01 of this Current Report on Form 8-K/A are included in this filing as Exhibit 99.7 to this Current Report on Form 8-K/A.

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(c) Exhibits.

<b>Exhibit No.</b>	<b>Document Description</b>
<a href="#">23.1*</a>	Consent of Grant Thornton LLP, independent auditors of Chief E&D Holdings, LP.
<a href="#">23.2*</a>	Consent of Whitley Penn LLP, independent auditors of Radler 2000 LP
<a href="#">23.3*</a>	Consent of Whitley Penn LLP, independent auditors of Tug Hill Marcellus, LLC
<a href="#">23.4*</a>	Consent of Netherland, Sewell & Associates, Inc.
<a href="#">99.1</a>	Partnership Interest Purchase Agreement by and among The Jan & Trevor Rees-Jones Revocable Trust, Rees-Jones Family Holdings, LP, Chief E&D Participants, LP, and Chief E&D (GP) LLC (collectively, as Sellers) and Chesapeake Energy Corporation and its affiliates, dated as of January 24, 2022 (Incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2022).
<a href="#">99.2</a>	Membership Interest Purchase Agreement by and among Radler 2000 Limited Partnership and Tug Hill, Inc., together as Sellers, and Chesapeake Energy Corporation and its affiliates, dated as of January 24, 2022 (Incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2022).
<a href="#">99.3</a>	Membership Interest Purchase Agreement by and among Radler 2000 Limited Partnership and Tug Hill, Inc., together as Sellers, and Chesapeake Energy Corporation and its affiliates, dated as of January 24, 2022 (Incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2022).
<a href="#">99.4*</a>	Audited Historical Consolidated Financial Statements and Related Notes of Chief E&D Holdings, LP as of and for the year ended December 31, 2021.
<a href="#">99.5*</a>	Audited statements of revenues and direct operating expenses of the Radler Sellers for the year ended December 31, 2021.
<a href="#">99.6*</a>	Audited statements of revenues and direct operating expenses of the Tug Hill Sellers for the year ended December 31, 2021.
<a href="#">99.7*</a>	Unaudited Pro Forma Condensed Combined Financial Information for the three months ended March 31, 2022 and the year ended December 31, 2021.
104.0	Cover Page Interactive Data File (embedded within the Inline XBRL document).

\* Filed herewith

**SIGNATURE**

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

**CHESAPEAKE ENERGY CORPORATION**

By: /s/ BENJAMIN E. RUSS

Benjamin E. Russ

Executive Vice President - General Counsel and Corporate Secretary

Date: May 18, 2022

**CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

We have issued our report dated March 31, 2022, with respect to the consolidated financial statements of Chief E&D Holdings, LP included in this Current Report of Chesapeake Energy Corporation on Form 8-K. We consent to the incorporation by reference of said report in the Registration Statements of Chesapeake Energy Corporation on Forms S-3 (File No. 333-263820, File No. 333-256214, and File No. 333-260833) and Forms S-8 (File No. 333-253340 and File No. 333-260834).

/s/ GRANT THORNTON LLP

Dallas, Texas

May 18, 2022

**CONSENT OF INDEPENDENT AUDITOR**

We hereby consent to the inclusion of our report dated May 13, 2022, relating to the statements of revenues and direct operating expenses associated with certain oil and gas properties acquired by Chesapeake Energy Corporation from Tug Hill Marcellus, LLC, for the years ended December 31, 2021 and 2020 in the Current Report on Form 8-K of Chesapeake Energy Corporation dated May 18, 2022, and to the incorporation by reference of said report in the Registration Statements of Chesapeake Energy Corporation on Form S-3 (File No. 333-263820, File No. 333-256214, and File No. 333-260833) and Form S-8 (File No. 333-253340 and File No. 333-260834).

/s/ Whitley Penn LLP

May 18, 2022  
Fort Worth, Texas

**CONSENT OF INDEPENDENT AUDITOR**

We hereby consent to the inclusion of our report dated May 13, 2022, relating to the statements of revenues and direct operating expenses associated with certain oil and gas properties acquired by Chesapeake Energy Corporation from Radler 2000 Limited Partnership, for the years ended December 31, 2021 and 2020 in the Current Report on Form 8-K of Chesapeake Energy Corporation dated May 18, 2022, and to the incorporation by reference of said report in the Registration Statements of Chesapeake Energy Corporation on Form S-3 (File No. 333-263820, File No. 333-256214, and File No. 333-260833) and Form S-8 (File No. 333-253340 and File No. 333-260834).

/s/ Whitley Penn LLP

May 18, 2022  
Fort Worth, Texas





**CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS**

We hereby consent to the references to our firm, in the context in which they appear, and to the references to and the filing and incorporation by reference of our reports as of December 31, 2021 and 2020, to the Radler 2000, LP and Tug Hill Marcellus, LLC interests, prepared for Chesapeake Energy Corporation; and of our reports as of December 31, 2021 and 2020, to the interest of and prepared for Chief Exploration & Development LLC, included in or made part of this Form 8-K/A for Chesapeake Energy Corporation and to the incorporation by reference of said reports in the Registration Statements of Chesapeake Energy Corporation on Forms S-3 (File No. 333-263820, File No. 333-256214, and File No. 333-260833) and Forms S-8 (File No. 333-253340 and File No. 333-260834).

**NETHERLAND, SEWELL & ASSOCIATES, INC.**

By: /s/ C.H. (Scott) Rees III

C.H. (Scott) Rees III, P.E.

Chairman and Chief Executive Officer

Dallas, Texas  
May 18, 2022

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**Chief E&D Holdings, LP**

December 31, 2021

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Partners  
Chief E&D Holdings, LP

### **Opinion**

We have audited the consolidated financial statements of Chief E&D Holdings, LP (a Texas limited partnership) and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2021 and the related consolidated statements of operations, changes in partners' capital, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for opinion**

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ Grant Thornton LLP

Dallas, Texas  
March 31, 2022

**Chief E&D Holdings, LP**  
**CONSOLIDATED BALANCE SHEET**

**December 31, 2021**  
(In thousands)

**ASSETS**

**Current assets**

Cash and cash equivalents	\$	30,652
Accounts receivable		
Joint operations receivable		41,693
Oil and natural gas receivable		121,137
Affiliate receivable		2,044
Pipe and equipment inventories		7,923
Prepaid expenses and other assets		7,965
		7,965
Total current assets		211,414

**Oil and natural gas properties (successful efforts method), net** 1,126,211

**Property and equipment, net** 3,167

**Investments in unconsolidated affiliates and other assets** 1,035

Total assets \$ 1,341,827

**LIABILITIES AND PARTNERS' CAPITAL**

**Current liabilities**

Accounts payable and accrued liabilities	\$	74,816
Revenue and royalties payable		88,715
Derivative liabilities - current		133,476
		133,476
Total current liabilities		297,007

Note payable - related party 60,000

Long-term debt 383,182

Asset retirement obligations 68,687

Derivative liabilities - non-current 78,284

**Commitments and contingencies (Note I)**

**Partners' capital** 454,667

Total liabilities and partners' capital \$ 1,341,827

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

**Chief E&D Holdings, LP**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**Year ended December 31, 2021**  
**(In thousands)**

<b>Revenues</b>		
Natural gas revenues		
Natural gas sales		\$ 630,694
Sales of purchased natural gas		118,595
Realized price risk management loss		(156,406)
Unrealized price risk management loss		(219,001)
		<hr/>
Total revenues		373,882
<b>Expenses</b>		
Cost of natural gas purchased		114,082
Transportation and gathering		160,928
Lease operating		22,989
Depletion, depreciation, amortization and accretion		122,851
Dry hole, well and lease abandonment, and impairment		9,583
Geological and geophysical		152
General and administrative		14,165
		<hr/>
Total operating expenses		444,750
		<hr/>
Operating loss		(70,868)
<b>Other income (expense)</b>		
Interest income		205
Interest expense		(21,644)
Realized interest rate derivatives loss		(9,729)
Unrealized interest rate derivatives gain		11,156
Other income, net		6,671
		<hr/>
<b>NET LOSS</b>		<b>\$ (84,209)</b>
		<hr/> <hr/>

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

Chief E&D Holdings, LP

CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' CAPITAL

Year ended December 31, 2021  
(In thousands)

Partners' capital - January 1, 2021	\$	538,876
Net loss		<u>(84,209)</u>
Partners' capital - December 31, 2021	\$	<u>454,667</u>

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



Chief E&D Holdings, LP

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2021  
(In thousands)

<b>Operating activities:</b>	
Net loss	\$ (84,209)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depletion, depreciation and amortization	121,095
Accretion of asset retirement obligation	1,756
Dry hole, well and lease abandonment, and impairment	9,061
Amortization of deferred financing costs	1,728
Non-cash net loss on derivative activities	207,845
Changes in operating assets and liabilities:	
Joint operations receivable	(21,817)
Oil and natural gas receivable	(50,774)
Affiliate receivable	184
Pipe and equipment inventories	(5,167)
Prepaid expenses and other assets	(5,713)
Accounts payable and accrued liabilities	(6,418)
Revenue and royalties payable	44,186
Net cash provided by operating activities	<u>211,757</u>
<b>Investing activities:</b>	
Oil and natural gas property additions	(128,584)
Expenditures for property and equipment	(639)
Return of investments in unconsolidated affiliates	164
Net cash used in investing activities	<u>(129,059)</u>
<b>Financing activities:</b>	
Repayments of note payable - related party	(54,843)
Borrowings on long-term debt	105,000
Repayments on long-term debt	(150,200)
Payment of deferred financing fees	(166)
Net cash used in financing activities	<u>(100,209)</u>
<b>Decrease in cash and cash equivalents</b>	<u>(17,511)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>48,163</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 30,652</u>
<b>Supplemental cash flow disclosure:</b>	
Cash paid for interest	\$ 11,315
Non-cash investing activities:	
Change in accrued oil and gas properties additions	\$ 15,909

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

**Chief E&D Holdings, LP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE A - NATURE OF OPERATIONS**

Chief E&D Holdings, LP ("Chief" or the "Partnership") is a Texas limited partnership engaged in the acquisition, exploration, development and production of oil and natural gas in the United States. Chief E&D (GP) LLC owns the 1% general partner interest in Chief. The Partnership's limited partner interests are held by Class A and Class B limited partners. Chief Exploration & Development LLC, a Texas limited liability company, is a wholly owned subsidiary of Chief and is in the business of exploration, development and production of oil and natural gas. Chief Oil & Gas LLC, a Texas limited liability company, is a wholly owned subsidiary of Chief Exploration & Development LLC, and is in the business of operating oil and gas properties.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation/Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of Chief, its wholly owned subsidiary Chief Exploration & Development LLC and its indirectly wholly owned subsidiary Chief Oil & Gas LLC. Intercompany transactions and balances have been eliminated in consolidation.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The Partnership's consolidated financial statements are based on a number of significant estimates including oil and natural gas reserve quantities that are the basis for the calculations of depletion and impairment of oil and natural gas properties, as well as a component of the estimate of asset retirement obligations. The Partnership's oil and natural gas reserves estimates, which are inherently imprecise, are prepared in accordance with guidelines established by the Securities and Exchange Commission. Other significant estimates and assumptions include, but are not limited to, uncollected revenues and unpaid (accrued) expenses and certain expense allocations.

***Cash and Cash Equivalents***

The Partnership considers all highly liquid investments with maturity dates of no more than three months from the purchase date to be cash equivalents. The Partnership maintains cash and cash equivalents in bank deposit accounts and money market funds that may not be federally insured. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on such accounts.

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

**Accounts Receivable**

The majority of the Partnership's accounts receivable are due from either purchasers of oil and natural gas or participants in oil and natural gas wells that the Partnership operates. The Partnership sells its operated oil and gas production to various purchasers. Management believes that the loss of any single purchaser would not significantly affect operations. In addition, the Partnership may participate with other parties in the drilling, completion and operation of oil and gas wells. Accounts receivable from joint interest partners are due within 30 days and are stated at amounts due from the working interest owners. The Partnership reviews its need for an allowance on a periodic basis and writes off accounts receivable when they become uncollectible. The Partnership determines the allowance by considering the length of time past due, previous history, and the debtor's ability to pay its obligation, among other things. As of and for the year ended December 31, 2021, no allowance for doubtful accounts or write-offs related to accounts receivable have been recorded. See Note K for discussion of affiliate receivable balance.

**Natural Gas Sales**

Through our marketing process, we sell natural gas to ultimate third-party customers at specified delivery points based on an agreed-upon fixed or index price, net of any price differentials. The Partnership recognizes revenue when control transfers to the customer. Based on the terms of the contracts, natural gas is delivered to a specified terminus point and customers take custody, title and risk of loss of the product, and therefore, control passes at the delivery point.

We utilize midstream and interstate pipeline companies to gather and transport our natural gas who in turn charge us a fee for their services. For these contracts, we concluded we are the principal in the arrangement, the ultimate third party is our customer and we recognize revenue on a gross basis with transportation and gathering expense presented separately on the statements of operations.

From time to time, the Partnership purchases natural gas to meet certain sales commitments and reflects these transactions gross in the income statement as both a sale and cost of purchased natural gas.

**Lease and Well Overhead Reimbursements**

The Partnership also receives certain overhead cost reimbursements associated with operated wells through joint operating agreements with working interest owners. These costs are viewed as reimbursements of general and administrative costs and have been netted with general and administrative expense.

**Fair Value of Financial Instruments**

Cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short maturity of those instruments. The Partnership believes that the fair value of its notes payable, along with long-term debt approximates its carrying value as a result of floating rate interest terms.

**Derivative Activities**

The Partnership recognizes all price risk management instruments and interest rate swaps as either assets or liabilities measured at fair value. The Partnership has presented the fair value of derivative assets and liabilities on a net basis in the accompanying consolidated balance sheets where the right of offset exists.

The Partnership has not designated any price risk management instruments or interest rate swaps as fair value or cash flow hedges during the year ended December 31, 2021.

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

***Pipe and Equipment Inventories***

Pipe and equipment inventories consist of lease and well equipment and parts on hand for future drilling activities. Pipe and equipment inventories are stated at the lower of cost or net realizable value under the weighted average cost method. There were no pipe and equipment inventories write-downs during the year ended December 31, 2021.

***Investments in Unconsolidated Affiliates and Other Assets***

Investments in unconsolidated affiliates in which the Partnership does not have significant influence over the operations of the investee are accounted for under the cost method, whereby the Partnership records the investment at cost and recognizes as income distributions received from the net accumulated earnings of the investee since the date of acquisition. The investment in Pablo Gathering LLC was \$0 at December 31, 2021 and reflects the Partnership's 7.83% membership interest at cost. The investment in Coal County Gathering, LLC was \$0.1 million at December 31, 2021, with distributions of \$0.1 million during the year ended December 31, 2021. The investment in Coal County Gathering LLC reflects the Partnership's 10.95% interest at cost.

***Long-Term Bonus Plans***

The Partnership has several long-term incentive bonus plans to compensate certain employees, as follows:

*2019, 2020 and 2021 Long-Term Incentive Plans* - Each year the performance of the Partnership is evaluated to determine if a bonus is appropriate and the corresponding amount of the overall bonus. The Partnership made long-term incentive awards in 2019, 2020, and 2021 to compensate certain employees.

The 2019, and 2020 Long-Term Incentive Plans are discretionary in nature. The 2019 bonuses are paid to the employees each December in three ratable installments beginning in 2019. The 2020 bonuses are paid ratably over four installments beginning in 2020. Employees must continue employment with the Partnership to receive the bonus. While these plans are still in effect, no new awards are being granted pursuant to these plans. As of December 31, 2021, future maximum expected payout under these plans is estimated to be approximately \$2.8 million. The Partnership accrues the costs of these long-term incentive programs on a ratable basis as the bonus is earned, which is typically commensurate with the service period required to receive the cash payment under the respective bonus plan. The 2021 Long-Term Incentive Plan is discretionary in nature and is calculated based on company performance and paid ratably over four installments starting in 2022. No costs were expensed or accrued for in 2021.

***Oil and Natural Gas Properties***

The Partnership follows the successful efforts method of accounting for oil and gas property acquisition, exploration, development, and production activities. Under this method, costs of productive exploratory wells, development dry holes and productive wells, and undeveloped leases are capitalized. Oil and natural gas lease acquisition costs are also capitalized. Exploration costs, including personnel costs, certain geological and geophysical expenses and delay rentals for oil and natural gas leases, are charged to expense as incurred. Exploratory drilling costs are initially capitalized, but such costs are charged to expense if and when the well is determined not to have found reserves in commercial quantities.

The application of the successful efforts method of accounting requires management's judgment to determine the proper designation of wells as either developmental or exploratory, which will ultimately determine the proper accounting treatment of the costs incurred. The results from a drilling operation can take considerable time to analyze, and the determination that commercial reserves have been discovered requires both judgment and application of industry experience.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Wells that are drilled to geologic structures that are both developmental and exploratory in nature may require an allocation of costs to properly account for the results. The evaluation of oil and natural gas leasehold acquisition costs requires management's judgment to estimate the fair value of exploratory costs related to drilling activity in a given area. Drilling activities in an area by other companies may also effectively condemn leasehold positions.

Net capitalized costs of unproved property and exploration well costs are reclassified to proved property and well costs when related proved reserves are found. Costs to operate and maintain wells and field equipment are expensed as incurred.

Capitalized proved property acquisition costs are amortized by field using the unit-of-production method based on total proved reserves. Capitalized exploration well costs and development costs are amortized similarly by field based on only proved developed reserves.

The economic producibility of oil and natural gas reserves, including the estimate of total proved developed and proved undeveloped reserves used as the basis for determining depletion of our oil and natural gas properties, is based on the unweighted arithmetic average of the first day of the month commodity prices during the 12-month period ending on the consolidated balance sheet date and costs in effect as of the last day of the accounting period, which are held constant for the life of the properties. Oil and natural gas prices have historically been volatile, and the prevailing prices at any given time may not reflect the Partnership's or the industry's forecast of future prices.

The Partnership's long-lived assets used in operations are assessed for impairment whenever changes in facts and circumstances indicate a possible significant deterioration in the future cash flows expected to be generated by an asset group. Individual assets are grouped for impairment purposes on a field-by-field basis. To determine if a field is impaired, the Partnership compares the carrying value of the field to the undiscounted future net cash flows by applying estimates of future oil and natural gas prices to the estimated future production of oil and natural gas reserves over the economic life of the property and deducting future costs. If, upon review, the sum of the undiscounted pre-tax cash flows is less than the carrying value of the asset group, the carrying value is written down to estimated fair value. The calculation of expected future net cash flows in impairment evaluations are mainly based on estimates of future oil and natural gas prices, proved reserves and risk-adjusted probable reserve quantities, and estimates of future production and capital costs associated with our proved and risk-adjusted reserves. No impairment indicators were identified for proved properties for the year ended December 31, 2021.

Unproved property costs and related leasehold expirations are assessed at least annually for potential impairment and when industry conditions dictate an impairment may be possible. No impairment indicators were identified on unproved properties. For the year ended December 31, 2021, the Partnership recorded well abandonment expenditures of \$0.5 million. The Partnership recorded non-cash lease abandonment expenses of \$9.1 million for leases currently expiring or expected to expire during the year ended December 31, 2022.

***Property and Equipment***

Property and equipment are mainly comprised of furniture and fixtures, office equipment, and leasehold improvements. These items are recorded at cost and are amortized on a straight-line method over their estimated useful lives ranging from 3 to 20 years. Maintenance and repairs are expensed as incurred.

***Asset Retirement Obligations***

U.S. GAAP requires that the present value of a legal liability for an asset retirement obligation is recorded in the period it is incurred. The asset retirement obligation primarily relates to the abandonment of oil and gas producing facilities and includes costs to dismantle and relocate, or dispose of producing platforms,

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

wells and related structures. When this liability is recorded, the carrying amount of the related asset is increased by the same amount. Over time, the liability is accreted each period toward its future value, and the capitalized cost is depleted under the unit-of-production method based on proved reserves of the related asset. Upon settlement of the liability, a gain or loss is recorded to the extent the actual cost differs from the recorded liability.

Annually, the Partnership reassesses the obligation to determine whether a change in the estimated obligation is necessary. The Partnership evaluates whether there are indicators that suggest the estimated cash flows underlying the obligation have materially changed. Should those indicators suggest the estimated obligation may have materially changed on an annual basis, the Partnership will accordingly update its assessment.

The following table summarizes the changes in the Partnership's asset retirement obligation during the year ended December 31, 2021 (in thousands):

	2021
Beginning balance	\$ 26,754
Incurred	3,548
Revision in estimated cash flows	36,808
Accretion expense	1,756
Settlements and disposals	(179)
Ending balance	<u>\$ 68,687</u>

**Income Taxes**

Generally, income or loss of the Partnership is allocated to the individual partners for inclusion in their respective tax returns. Accordingly, no provision is made for federal income taxes in the accompanying consolidated financial statements. Certain state and local jurisdictions impose income-based taxes which the Partnership is subject to, however, the impact of these taxes to the Partnership has been insignificant to historical results of operations.

As required by the uncertain tax position guidance in Accounting Standards Codification ("ASC") 740, *Income Taxes*, the Partnership recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Partnership has no uncertain tax positions as of December 31, 2021.

**Joint Operating Activity**

Exploration and production activities may be conducted jointly with others and, accordingly, the consolidated financial statements reflect only the Partnership's proportionate interest in such activities. The Partnership is periodically reimbursed by the other joint interest partners for certain overhead costs incurred on their behalf. For the year ended December 31, 2021, these reimbursed costs have totaled \$13.1 million, and are reflected net within general and administrative expense in the consolidated statement of operations.

**Risks and Uncertainties**

Historically, the market for oil and natural gas has experienced significant price fluctuations. Prices are impacted by supply and demand, both domestic and international, seasonal variations caused by changing

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

weather conditions, political conditions, governmental regulations, the availability, proximity and capacity of gathering systems for natural gas, and numerous other factors. Increases or decreases in prices received could have a significant impact on the Partnership's future results of operations, reserves estimates and financial position.

Estimating oil and gas reserves is complex and is not exact because of the numerous uncertainties inherent in the process. The process relies on interpretations of available geological, geophysical, petrophysical, engineering and production data. The extent, quality and reliability of both the data and the associated interpretations of that data can vary. The process also requires certain economic assumptions, including, but not limited to, oil and gas prices, drilling and operating expenses, capital expenditures, and taxes. Actual future production, oil and gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas most likely will vary from the Partnership's estimates.

**NOTE C - FAIR VALUE MEASUREMENTS**

The Partnership measures and discloses fair value in accordance with ASC 820, *Fair Value Measurement* ("ASC 820"). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The Partnership's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy. The Partnership uses appropriate valuation techniques based on available inputs to measure the fair values of its assets and liabilities.

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3 - Unobservable inputs which are supported by little or no market activity.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The following table provides fair value measurement information for net financial assets and liabilities measured at fair value on a recurring basis (in thousands):

Description	December 31, 2021			Fair Value
	Level 1	Level 2	Level 3	
Commodity derivatives (current)	\$ -	\$ (125,296)	\$ -	\$ (125,296)
Commodity derivatives (non-current)	-	(75,961)	-	(75,961)
Interest rate swaps liability (current)	\$ -	\$ (8,180)	\$ -	\$ (8,180)
Interest rate swaps liability (non-current)	-	(2,323)	-	(2,323)

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

**Level 2 Fair Value Measurements**

*Derivative activity assets and liabilities* - Fair value of natural gas price swaps, basis swaps, interest rate swaps and collars are generally based on quoted prices for similar contracts or instruments as determined by independent brokers. All derivative financial instruments are classified within Level 2 of the valuation hierarchy as quoted market prices are not available in active markets for identical instruments.

**NOTE D - DERIVATIVE ACTIVITIES**

***Commodity Derivatives***

The Partnership uses various derivative financial instruments, including natural gas price swaps, basis swaps and collars to execute a strategy to mitigate and maintain acceptable exposure to the risk of changes in future cash flows due to fluctuations in commodity prices. All derivative financial instruments are recorded at fair value. The fair value of the derivative instruments is generally determined using established index prices and other sources which are based upon, among other things, futures prices and time to maturity.

The Partnership has not designated its derivative instruments as hedges for accounting purposes and, as a result, recognizes its price risk instruments at fair value and the corresponding realized and unrealized changes in fair value in the consolidated statement of operations under the captions "Realized price risk management gain (loss)" and "Unrealized price risk management gain (loss)" for commodity derivative transactions and within "Realized interest rate derivatives loss" or "Unrealized interest rate derivatives gain" for interest rate swap contracts.

The Partnership has entered into derivative contracts with counterparties who the Partnership believes are credit worthy counterparties that are investment grade.



Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Set forth below are the summarized amounts, terms and fair values of outstanding commodity derivative instruments as of December 31, 2021:

Description and Production Period	Total Volumes by Day (Mmbtu)	Weighted Average Strike Price (Per Mmbtu)	Fair Value (in thousands)
<b>Natural Gas Swaps:</b>			
January - December 2022	300,226	\$2.81	\$ (94,835)
January - December 2023	217,397	\$2.73	\$ (49,549)
January - December 2024	140,000	\$2.77	\$ (17,600)
January - December 2025	40,000	\$2.71	\$ (4,835)
<b>Basis Swaps:</b>			
January - March 2022	(40,000)	(\$6.11)	\$ (8,266)
<b>Collars:</b>			
January - December 2022	20,000	\$2.35 - 3.69	\$ (7,421)
<b>Swaptions:</b>			
January - December 2022	10,000	\$2.98	\$ (2,561)
January - December 2023	20,000	\$2.88	\$ (4,023)
<b>Three Way Collars:</b>			
January - December 2022	72,466	\$2.76/3.31/3.93	\$ (12,214)
January - December 2023	10,000	\$2.50/3.40/3.79	\$ 47

**Interest Rate Swaps**

The Partnership uses various interest rate swaps as a strategy to mitigate and maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations. At December 31, 2021, the Partnership had \$385.7 million of floating rate debt outstanding. The fair value of the interest rate swaps at December 31, 2021 is (\$10.5) million. A portion of the interest rate exposure is managed by utilizing interest rate swaps to lock in the rate on a portion of outstanding debt. The following table summarizes the outstanding interest rate swaps.

Term	Type	Notional Amount Outstanding (in thousands) December 31, 2021
01/2021-12/2024	Receive floating based on 1-month LIBOR, pay fixed	\$ 325,000

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

**NOTE E - OIL AND NATURAL GAS PROPERTIES**

Oil and natural gas properties consist of the following as of December 31, (in thousands):

	2021
Proved oil and natural gas properties	\$ 2,078,077
Unproved oil and natural gas properties	78,760
Wells in progress	3,001
Accumulated depreciation, depletion and amortization	(1,033,627)
	<hr/>
Oil and natural gas properties, net	\$ 1,126,211
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For the year ending December 31, 2021 depletion expense related to the Partnership's oil and natural gas properties was \$120.3 million.

**Capitalized Exploratory Well Costs**

The following table summarizes the changes in the capitalized exploratory well costs during the year ended December 31, 2021 (in thousands):

	2021
Balance, beginning of period	\$ 12,711
Additions to exploratory well costs	22,789
Reclassification to proved properties	(28,844)
Exploratory charges expensed	(3,655)
	<hr/>
Balance, end of period	\$ 3,001
	<hr/> <hr/>

Exploratory drilling costs capitalized for a period of greater than one year were \$2.6 million as of December 31, 2021.

**NOTE F - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, (in thousands):

	Useful Life In Years	2021
Furniture & fixtures	5	\$ 3,003
Office equipment	3-5	7,029
Leasehold improvements	5-15	7,315
Vehicles	3	318
		<hr/>
		17,665
Accumulated depreciation and amortization		(14,498)
		<hr/>
Total property and equipment, net		\$ 3,167
		<hr/> <hr/>

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

For the year ended December 31, 2021, depreciation expense related to property and equipment was \$0.8 million.

**NOTE G - NOTE PAYABLE - RELATED PARTY**

The Partnership entered into a loan agreement with Trevor Rees-Jones (the "Subordinated Note"), the principal owner of the Partnership, on April 1, 2008, and the Subordinated Note was subsequently amended, most recently on May 11, 2018. The Subordinated Note and amendments indicate the outstanding principal of the note may reach \$600.0 million and all outstanding and unpaid principal and interest is due on June 30, 2027.

Effective June 30, 2011, the unpaid principal balance of the loan bears interest at the lesser of (i) the Prime Rate plus 3% based on prime rates of J.P. Morgan Chase Bank of New York or (ii) the maximum rate of interest permitted to be charged on the loan under applicable law. Beginning on June 30, 2019, interest is paid on a quarterly basis. Prior to June 30, 2019, interest was paid in kind (added to the principal amount of the note) and accrued interest was compounded annually at the end of each calendar year and added to the outstanding principal balance of the loan.

The interest rate was 6.25% as of December 31, 2021. The loan is subordinate to the Texas Capital Bank credit agreement described in Note H. The initial funding of the loan consisted of a conversion of \$100.0 million of partners' capital interest into the note payable. For the year ended December 31, 2021, the interest incurred on this note was \$6.0 million. The loan balance at December 31, 2021 was \$60.0 million. The loan and security agreement contain covenants which relate only to the ongoing operation of the business; there are no financial covenants. There was no default under the Subordinated Note for the year ended December 31, 2021.

**NOTE H - LONG-TERM DEBT**

On March 6, 2013, Chief Exploration & Development LLC entered into a credit agreement with Texas Capital Bank, N.A. (the "Credit Agreement"). The original agreement has been amended, most recently on May 22, 2020. This amendment was accounted for as a modification and not an extinguishment. The Credit Agreement bears interest equal to the base rate advance, as defined (generally Prime Rate plus a margin of 1% to 2%), or London Interbank Offered Rate ("LIBOR") plus a margin of 2% to 3%, depending on the amount outstanding. The Credit Agreement is collateralized by security interests in specific oil and natural gas properties defined as the borrowing base properties and the amended maturity date of the Credit Agreement is May 11, 2023. The Credit Agreement, as amended, has a current borrowing base of \$575.0 million at December 31, 2021. The balance outstanding at December 31, 2021, was \$385.7 million. The Credit Agreement contains certain restrictive financial covenants, including a minimum required current ratio, a maximum leverage ratio, and the maintenance of a minimum interest coverage ratio. There exists no default under the Credit Agreement for the year ended December 31, 2021.

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

The Partnership has recorded debt issuance costs of \$2.5 million as of December 31, 2021. These costs are recorded as a reduction to "Long-term debt" on the Partnership's consolidated balance sheets and will be amortized to interest expense, net, over the life of the notes using the effective interest method. A reconciliation of long-term debt at December 31, 2021 to the amount contained in the consolidated balance sheets is as follows (in thousands):

	2021
Future maturities of long-term debt	\$ 385,650
Less: Debt issuance costs	(2,468)
	<hr/>
Long-term debt	\$ 383,182
	<hr/> <hr/>

**Debt Guarantee**

The Partnership is party to certain loan agreements entered into by Southridge Energy, LLC, ("Southridge"), MSC Southridge, LLC ("MSC") and Coal County Gathering, LLC in proportion to its interest in certain unconsolidated affiliates. The Partnership is responsible to provide for guarantees of its respective share of the outstanding debt. As of December 31, 2021, the Partnership's proportionate share of outstanding debt under these arrangements is approximately \$0.6 million. No amounts have been recorded in the consolidated balance sheets related to these proportionate guarantees.

**Debt Maturity Schedule**

The following is a schedule of future debt maturities, excluding the impact of amortizing debt issuance costs, under the various debt agreements discussed above, including the Note Payable - Related Party described in Note G, as of December 31, 2021 (in thousands):

Year ending December 31,	Amount
2022	\$ -
2023	385,650
2024	-
2025	-
2026	-
Thereafter	60,000
	<hr/>
Total	\$ 445,650
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**NOTE I - COMMITMENTS AND CONTINGENCIES**

**Volume Commitment**

The Partnership is party to a gas transportation contract which includes a firm minimum natural gas commitment of 120,000 Dth/day through October 2023 and escalates to 170,000 Dth/day through September 2033. To the extent the Partnership does not deliver natural gas volumes in sufficient quantities, we would be required to reimburse the counterparty an amount equal to the shortage multiplied by a deficiency fee of \$0.69/Dth. The Partnership is currently meeting the existing delivery commitment; however, decreased drilling activity could impact the ability to meet these commitments in the future.

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

**Operating Leases**

The Partnership has entered into certain office lease agreements which call for escalating rent payments, including an arrangement with a related party. There are other certain arrangements for copier, postage machine, and compressor lease agreements. The leases have expiration dates through May 2025. The Partnership records rent expense on a straight-line basis over the lease term.

The following is a schedule of future minimum lease payments required under the various leases as of December 31, 2021 (in thousands):

Year ending December 31,	Amount
2022	\$ 2,707
2023	2,616
2024	2,612
2025	1,957
Thereafter	—
Total	<u>\$ 9,892</u>

Rent expense, including fees for operating expenses and consumption of electricity, are included in the consolidated statement of operations under the caption general and administrative and was \$6.0 million for the year ended December 31, 2021.

**Litigation**

The Partnership is involved in ongoing legal and/or administrative proceedings arising in the ordinary course of business, none of which have predictable outcomes. Management believes none of these matters will have a material impact on the Partnership's financial position, cash flows, or operating results.

**Environmental**

The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are often changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed as incurred. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments is fixed and readily determinable. Management believes no liabilities of this nature exist at December 31, 2021.

**NOTE J - MAJOR CUSTOMERS**

During 2021, the Partnership had 10 customers accounting for approximately 97% of its total natural gas revenues. As alternative purchasers of oil and gas are readily available, the Partnership believes that the loss of these customers would not result in a material adverse effect on our ability to market future oil and gas production. The Partnership also had four customers that account for approximately 78% of the joint operations receivable balances at December 31, 2021. Within the oil and gas receivables balances at December 31, 2021, four customers represented approximately 76%.

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

**NOTE K - AFFILIATE RECEIVABLE**

The Partnership is involved in various related-party transactions. The Partnership has a note payable with Trevor Rees-Jones, the principal owner of the Partnership, as discussed in Note G. Additionally, the Partnership incurs payroll expenses and general and administrative expenses on behalf of other entities in which Trevor Rees-Jones has an interest and on a monthly basis allocates costs to certain affiliated entities on an employee-by-employee basis or other systematic allocation method. During 2021, there were allocations made to the related entities of approximately \$1.2 million for payroll expenses and \$3.7 million for general and administrative expenses, respectively.

The affiliate receivable at December 31, 2021 consists of the following amounts (in thousands):

	<u>2021</u>
Rees-Jones family office	\$ 203
Other	<u>1,841</u>
Total	<u>\$ 2,044</u>

**NOTE L - ALLOCATION OF PARTNERSHIP EARNINGS AND LOSSES**

Generally, the Partnership's earnings are allocated 1% to the General Partner and 99% to the Class A limited partners until their capital accounts equal any unreturned capital contributions plus a preferred return (the "Preference Amount"). After the Preference Amount has been achieved, earnings are generally allocated 1% to the General Partner, approximately 69% to Class A limited partners and approximately 30% to the Class B limited partners. Losses are generally allocated 1% to the General Partner, approximately 69% to Class A and 30% to Class B, except that the limited partners' capital accounts may not be reduced below zero.

**NOTE M - RETIREMENT PLAN**

The Partnership provides a 401(k) retirement plan covering all eligible employees. The plan provides for discretionary employer contributions as determined by the Partnership or its management in addition to a \$1.00 per \$1.00 Partnership match of up to 3% of an employee's salary, plus a \$0.50 per \$1.00 Partnership match on an additional 2% of an employee's salary. The Partnership contributed \$0.4 million for the match to the 401(k) retirement plan for the year ended December 31, 2021. There were no discretionary contributions for the year ended December 31, 2021.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

**NOTE N - SUBSEQUENT EVENTS**

On January 24, 2022, the Partnership entered into a definitive Partnership Interest Purchase Agreement with Chesapeake Energy Corporation to sell all Partnership interests for \$1.6 billion in cash and approximately 7.6 million common shares for a total purchase price of \$2.1 billion with an effective date of January 1, 2022. The transaction closed on March 9, 2022 and concurrently all outstanding debt and interest was paid off using proceeds from the transaction. Prior to closing, the Partnership terminated all interest rate swap positions resulting in net cash settlements of \$6.6 million to the counterparties.

The Partnership evaluated the consolidated financial statements for subsequent events through March 31, 2022, the date the consolidated financial statements were made available to be issued.

**NOTE O - SUPPLEMENTAL DISCLOSURES ABOUT NATURAL GAS PRODUCING ACTIVITIES (unaudited)**

***Net Capitalized Costs***

Capitalized costs related to our natural gas producing activities are summarized as follows:

	December 31, 2021 (in thousands)
Natural gas properties:	
Proved	\$ 2,078,077
Unproved	81,761
Total	2,159,838
Less accumulated depreciation, depletion and amortization	(1,033,627)
Net capitalized costs	<u>\$ 1,126,211</u>

Unproved properties as of December 31, 2021 consisted mainly of leasehold acquired through direct purchases of oil and natural gas property interests. We will continue to evaluate our unproved properties, and although the timing of the ultimate evaluation or disposition of the properties cannot be determined, we can expect the majority of our unproved properties not held by production to be transferred into the amortization base over the next five years.

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

**Costs Incurred in Natural Gas Property Acquisition, Exploration and Development**

Costs incurred in natural gas property acquisition, exploration and development, including asset retirement costs, are summarized as follows:

	December 31, 2021 (in thousands)
Acquisition of properties:	
Proved properties	\$ 584
Unproved properties	2,734
Exploratory costs	22,789
Development costs	102,477
	<hr/>
Costs incurred	\$ 128,584

The following table includes revenues and expenses associated directly with our natural gas producing activities for the periods presented. It does not include any interest costs or indirect general and administrative costs and, therefore, is not necessarily indicative of the contribution to consolidated net operating results of our natural gas operations.

	December 31, 2021 (in thousands)
Natural gas sales	\$ 630,694
Lease operating expenses	(22,989)
Transportation and gathering expenses	(160,928)
Exploration	(3,655)
Depletion and depreciation, amortization, and accretion	(122,851)
	<hr/>
Results of operations from natural gas producing activities	\$ 320,271

**Natural Gas Reserve Quantities**

Our petroleum engineers and independent petroleum engineering firms estimated all of our proved reserves as of December 31, 2021. Independent petroleum engineering firm Netherland, Sewell and associates, Inc. estimated 100% of our estimated proved reserves (by volume) as of December 31, 2021.

Proved natural gas reserves are those quantities of natural gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible - from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations - prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. Based on reserve reporting rules, the price is calculated using the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within the period, unless prices are defined by contractual arrangements, excluding escalations



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

based upon future conditions. A project to extract hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. The area of the reservoir considered as proved includes: (i) the area identified by drilling and limited by fluid contacts, if any, and (ii) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or natural gas on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons as seen in a well penetration unless geoscience, engineering or performance data and reliable technology establish a lower contact with reasonable certainty. Where direct observation from well penetrations has defined a highest known oil elevation and the potential exists for an associated natural gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering or performance data and reliable technology establish the higher contact with reasonable certainty. Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (i) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (ii) the project has been approved for development by all necessary parties and entities, including governmental entities.

Developed natural gas reserves are reserves of any category that can be expected to be recovered through existing wells with existing equipment and operating methods where production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

The information provided below on our natural gas reserves is presented in accordance with regulations prescribed by the SEC. Our reserve estimates are generally based upon extrapolation of historical production trends, analogy to similar properties and volumetric calculations. Accordingly, these estimates will change as future information becomes available and as commodity prices change. These changes could be material and could occur in the near term.

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Presented below is a summary of changes in estimated reserves for the periods presented:

	December 31, 2021
	Natural Gas (mmcf)
Proved reserves, beginning of period	2,659,259
Extensions, discoveries and other additions	315,443
Revisions of previous estimates	80,707
Production	(197,101)
	<hr/>
Proved reserves, end of period	2,858,308
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Proved developed reserves	
Beginning of period	1,361,798
End of period	1,574,537
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Proved undeveloped reserves	
Beginning of period	1,297,461
End of period <sup>(a)</sup>	1,283,771
	<hr/> <hr/>

<sup>(a)</sup> As of December 31, 2021, there were no PUDs that had remained undeveloped for five years or more. The natural gas price used in computing our reserves as of December 31, 2021, was \$2.391 per mcf, after basis differential adjustments.

The following summary sets forth our future net cash flows relating to proved natural gas reserves based on the standardized measure:

	Year Ended December 31, 2021 (in thousands)
Future cash inflows <sup>(a)</sup>	\$ 6,835,345
Future production costs	(480,067)
Future development costs	(551,592)
	<hr/>
Future net cash flows	5,803,686
	<hr/>
Less effect of a 10% discount factor	(2,987,720)
	<hr/>
Standardized measure of discounted future net cash flows	\$ 2,815,966
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<sup>(a)</sup> Calculated using prices of \$2.391 per mcf of natural gas, after basis differential adjustments.

Chief E&D Holdings, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

	Year Ended December 31, 2021 (in thousands)
Standardized measure, beginning of period <sup>(a)</sup>	\$ 628,348
Sales of natural gas produced, net of production costs and gathering, processing and transportation	(446,777)
Net changes in prices and production costs	1,743,030
Extensions and discoveries, net of production and development costs	258,414
Changes in estimated future development costs	10,745
Previously estimated development costs incurred during the period	125,990
Revisions of previous quantity estimates	84,907
Accretion of discount	62,835
Changes in production rates and other	348,474
	<u>2,815,966</u>
Standardized measure, end of period <sup>(a)</sup>	<u>\$ 2,815,966</u>

<sup>(a)</sup> Calculated using prices of \$2.391 per mcf of natural gas, after basis differential adjustments.

**RADLER 2000 LIMITED PARTNERSHIP**  
**STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**  
**Years Ended December 31, 2021 and 2020**  
**with Report of Independent Auditors**

**RADLER 2000 LIMITED PARTNERSHIP**  
**STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**  
**Years Ended December 31, 2021 and 2020**  
**with Report of Independent Auditors**

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## REPORT OF INDEPENDENT AUDITORS

To the Partners of  
Radler 2000 Limited Partnership

### Opinion

We have audited the accompanying statements of revenues and direct operating expenses associated with certain oil and gas properties acquired by Chesapeake Energy Corporation from Radler 2000 Limited Partnership (the "Properties" described in Note 1), for the years ended December 31, 2021 and 2020, and the related notes to the statements (collectively, the "Operating Statements").

In our opinion, the Operating Statements referred to above present fairly, in all material respects, the revenues and direct operating expenses of the Properties for the years ended December 31, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Operating Statements section of our report. We are required to be independent of Radler 2000 Limited Partnership (the "Company") and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis of Accounting

As described in Note 1 to the Operating Statements, the Operating Statements have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and are not intended to be a complete financial statement presentation. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Operating Statements

Management is responsible for the preparation and fair presentation of the Operating Statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Operating Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Operating Statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the Operating Statements are issued.



## Auditor's Responsibilities for the Audit of the Operating Statements

Our objectives are to obtain reasonable assurance about whether the Operating Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Operating Statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Operating Statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Operating Statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Operating Statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Whitley Penn LLP

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Fort Worth, Texas

May 13, 2022

**RADLER 2000 LIMITED PARTNERSHIP**  
**STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Revenues	\$ 120,007,961	\$ 56,458,818
Direct operating expenses	<u>34,391,458</u>	<u>31,572,880</u>
Excess of revenues over direct operating expenses	<u>\$ 85,616,503</u>	<u>\$ 24,885,938</u>

See accompanying Notes to the Statements of Revenues and Direct Operating Expenses.



## RADLER 2000 LIMITED PARTNERSHIP

### NOTES TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

December 31, 2021 and 2020

#### 1. Basis of Presentation

The Statements of Revenues and Direct Operating Expenses have been derived from the historical financial records of Radler 2000 Limited Partnership (the "Company"), which represents their interests in revenues and expenses associated with their ownership interest in non-operated oil and gas properties located in Pennsylvania (the "Properties"), and were not accounted for as a separate subsidiary or division during the period presented. Accordingly, a complete financial statement prepared under U.S. generally accepted accounting principles ("GAAP") is not available or practicable to obtain for the Properties. The Statements of Revenues and Direct Operating Expenses are not intended to be a complete presentation of the results of operations of the Properties and will not be representative of future operations as it does not include depreciation, depletion and amortization, accretion of asset retirement obligations, general and administrative expenses, interest expense, and income taxes and other income and expense items not directly associated with the revenues and direct operating expenses related to the Properties. Furthermore, no balance sheet has been presented for the Properties because they were not accounted for as a separate subsidiary or division of the Company, and complete financial statements are not available, nor has information about the Properties' operating, investing, and financing cash flows been provided for similar reasons.

#### 2. Summary of Significant Accounting Policies

##### *Revenue Recognition*

Revenue is recognized from the sale of crude oil and condensate, natural gas liquids ("NGLs"), and natural gas when performance obligations are satisfied. Contracts with customers are primarily short-term (less than 12 months). The responsibilities to deliver a unit of crude oil and condensate, NGL, and natural gas under these contracts represent separate, distinct performance obligations. These performance obligations are satisfied at the point in time control of each unit is transferred to the customer. Pricing is primarily determined utilizing a particular pricing or market index, plus or minus adjustments reflecting quality or location differentials.

##### *Direct Operating Expenses*

Direct operating expenses are recognized when incurred and consist of direct expenses of the Properties. The direct operating expenses include lease operating expenses and deductions. Lease operating expenses include lifting costs, well repair expenses, facility maintenance expenses, well workover costs, gathering and transportation expenses, and other field-related expenses. Lease operating expenses also include overhead charged by the operator of the property for non-operated properties and expenses directly associated with support personnel, support services, equipment, and facilities directly related to oil and gas production activities.

## **RADLER 2000 LIMITED PARTNERSHIP**

### **NOTES TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES** *(continued)*

#### **2. Summary of Significant Accounting Policies – continued**

##### *Use of Estimates in the Preparation of Operating Revenues less Direct Operating Expenses*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of operating revenues and direct operating expenses during the reporting period. Actual amounts could differ from those estimates.

##### *Contingencies*

The activities of the Properties may become subject to potential claims and litigation in the normal course of operations. The Company's management is not aware of any claims or threatened litigation that management believes will have a material adverse effect on the operations or financial results of the Properties.

#### **3. Major Purchasers**

During the years ended December 31, 2021 and 2020, one purchaser accounted for 99% and 98%, respectively, of total revenue attributable to the Properties. Management does not believe that the loss of this purchaser would have a material adverse effect because alternative purchasers are readily available.

#### **4. Subsequent Events**

The Company has evaluated subsequent events through May 13, 2022, the date the Statements of Revenues and Direct Operating Expenses were available to be issued, and has concluded that no events need to be reported.

On January 1, 2022, Radler 2000 Limited Partnership contributed certain oil and gas leasehold and other real and personal property interests to a newly formed entity, Radler 2000 PA LLC. Effective January 1, 2022, these properties were sold by Radler 2000 PA LLC to Chesapeake Energy Corporation.

#### **5. Supplementary Oil and Gas Information (Unaudited)**

##### *Oil, Natural Gas, and NGL Reserve Quantities*

Our petroleum engineers and independent petroleum engineering firms estimated all of our proved reserves as of December 31, 2021. Independent petroleum engineering firm Netherland, Sewell and Associates, Inc. estimated 100% of our estimated proved reserves (by volume) as of December 31, 2021.

## RADLER 2000 LIMITED PARTNERSHIP

### NOTES TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES (continued)

#### 5. Supplementary Oil and Gas Information (Unaudited) – continued

##### *Oil, Natural Gas, and NGL Reserve Quantities – continued*

Proved oil, natural gas, and NGL reserves are those quantities of oil, natural gas, and NGL which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. Based on reserve reporting rules, the price is calculated using the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within the period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. A project to extract hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. The area of the reservoir considered as proved includes: (i) the area identified by drilling and limited by fluid contacts, if any, and (ii) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or natural gas on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establish a lower contact with reasonable certainty. Where direct observation from well penetrations has defined a highest known oil elevation and the potential exists for an associated natural gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty. Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (i) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (ii) the project has been approved for development by all necessary parties and entities, including governmental entities.

Developed oil, natural gas, and NGL reserves are reserves of any category that can be expected to be recovered through existing wells with existing equipment and operating methods where production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

**RADLER 2000 LIMITED PARTNERSHIP**

**NOTES TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**  
*(continued)*

**5. Supplementary Oil and Gas Information (Unaudited) – continued**

*Oil, Natural Gas, and NGL Reserve Quantities – continued*

The information provided below on our oil, natural gas, and NGL reserves is presented in accordance with regulations prescribed by the Securities and Exchange Commission. Our reserve estimates are generally based upon extrapolation of historical production trends, analogy to similar properties, and volumetric calculations. Accordingly, these estimates will change as future information becomes available and as commodity prices change. These changes could be material and could occur in the near term.

Presented below is a summary of changes in estimated reserves for the periods presented:

	<b>Natural Gas (Mcf)</b>
<b>December 31, 2021</b>	
Proved reserves, beginning of period	505,891
Extensions, discoveries and other additions	79,908
Revisions of previous estimates	6,313
Production	(39,824)
Proved reserves, end of period	552,288
Proved developed reserves:	
Beginning of period	237,385
End of period	295,300
Proved undeveloped reserves:	
Beginning of period	268,506
End of period <sup>(a)</sup>	256,988

(a) As of December 31, 2021, there were no PUDs that had remained undeveloped for five years or more. The oil and natural gas prices used in computing our reserves as of December 31, 2021, were \$2.20 per mcf, after basis differential adjustments.

**RADLER 2000 LIMITED PARTNERSHIP**

**NOTES TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**  
*(continued)*

**5. Supplementary Oil and Gas Information (Unaudited) – continued**

*Standardized Measure of Discounted Cash Flows*

The following summary sets forth our future net cash flows relating to proved oil, natural gas, and NGL reserves based on the standardized measure for the year ended December 31, 2021:

Future cash inflows <sup>(a)</sup>	\$	1,215,034
Future production costs		(106,545)
Future development costs		(108,726)
Future net cash flows		999,763
Less effect of a 10% discount factor		(506,942)
Standard measure of discounted future net cash flows	\$	492,821

(a) Calculated using prices of \$2.20 per mcf of natural gas, before basis differential adjustments.

Standardized measure, beginning of period <sup>(a)</sup>	\$	123,486
Sales of oil and natural gas produced, net of production and development costs <sup>(b)</sup>		(85,617)
Net changes in prices and production costs		282,987
Extensions and discoveries, net of production and development costs		58,936
Changes in estimated future development costs		7,044
Previously estimated development costs incurred during the period		27,930
Revisions of previous quantity estimates		6,111
Accretion of discount		12,349
Changes in production rates and other		59,595
Standardized measure, end of period <sup>(a)</sup>	\$	492,821

(a) The impact of cash flow hedges has not been included in any of the periods presented.

(b) Excludes gains and losses on derivatives.

As Radler 2000 Limited Partnership is a pass-through entity for tax purposes, no changes in future income tax provisions are presented.

**TUG HILL MARCELLUS, LLC**  
**STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**  
**Years Ended December 31, 2021 and 2020**  
**with Report of Independent Auditors**

**TUG HILL MARCELLUS, LLC**  
**STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**  
**Years Ended December 31, 2021 and 2020**

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## REPORT OF INDEPENDENT AUDITORS

To the Member of  
Tug Hill Marcellus, LLC

### Opinion

We have audited the accompanying statements of revenues and direct operating expenses associated with certain oil and gas properties acquired by Chesapeake Energy Corporation from Tug Hill Marcellus, LLC (the "Properties" described in Note 1), for the years ended December 31, 2021 and 2020, and the related notes to the statements (collectively, the "Operating Statements").

In our opinion, the Operating Statements referred to above present fairly, in all material respects, the revenues and direct operating expenses of the Properties for the years ended December 31, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Operating Statements section of our report. We are required to be independent of Tug Hill Marcellus, LLC (the "Company") and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis of Accounting

As described in Note 1 to the Operating Statements, the Operating Statements have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and are not intended to be a complete financial statement presentation. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Operating Statements

Management is responsible for the preparation and fair presentation of the Operating Statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Operating Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Operating Statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the Operating Statements are issued.



## Auditor's Responsibilities for the Audit of the Operating Statements

Our objectives are to obtain reasonable assurance about whether the Operating Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Operating Statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Operating Statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Operating Statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Operating Statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Whitley Penn LLP

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Fort Worth, Texas

May 13, 2022

**TUG HILL MARCELLUS, LLC**

**STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Revenues	\$ 18,682,920	\$ 10,974,798
Direct operating expenses	5,613,076	6,421,588
Excess of revenues over direct operating expenses	<u>\$ 13,069,844</u>	<u>\$ 4,553,210</u>

See accompanying notes to the statements of revenues and direct operating expenses.

## TUG HILL MARCELLUS, LLC

### NOTES TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

December 31, 2021 and 2020

#### 1. Basis of Presentation

The Statements of Revenues and Direct Operating Expenses have been derived from the historical financial records of Tug Hill Marcellus, LLC (the “Company”), which represents their interests in revenues and expenses associated with their ownership interest in non-operated oil and gas properties located in Pennsylvania (the “Properties”), and were not accounted for as a separate subsidiary or division during the period presented. Accordingly, a complete financial statement prepared under U.S. generally accepted accounting principles (“GAAP”) is not available or practicable to obtain for the Properties. The Statements of Revenues and Direct Operating Expenses are not intended to be a complete presentation of the results of operations of the Properties and will not be representative of future operations as it does not include depreciation, depletion and amortization, accretion of asset retirement obligations, general and administrative expenses, interest expense, and income taxes and other income and expense items not directly associated with the revenues and direct operating expenses related to the Properties. Furthermore, no balance sheet has been presented for the Properties because they were not accounted for as a separate subsidiary or division of the Company, and complete financial statements are not available, nor has information about the Properties’ operating, investing, and financing cash flows been provided for similar reasons.

#### 2. Summary of Significant Accounting Policies

##### *Revenue Recognition*

Revenue is recognized from the sale of crude oil and condensate, natural gas liquids (“NGLs”), and natural gas when performance obligations are satisfied. Contracts with customers are primarily short-term (less than 12 months). The responsibilities to deliver a unit of crude oil and condensate, NGL, and natural gas under these contracts represent separate, distinct performance obligations. These performance obligations are satisfied at the point in time control of each unit is transferred to the customer. Pricing is primarily determined utilizing a particular pricing or market index, plus or minus adjustments reflecting quality or location differentials.

##### *Direct Operating Expenses*

Direct operating expenses are recognized when incurred and consist of direct expenses of the Properties. The direct operating expenses include lease operating expenses and deductions. Lease operating expenses include lifting costs, well repair expenses, facility maintenance expenses, well workover costs, gathering and transportation expenses, and other field-related expenses. Lease operating expenses also include overhead charged by the operator of the property for non-operated properties and expenses directly associated with support personnel, support services, equipment, and facilities directly related to oil and gas production activities.

TUG HILL MARCELLUS, LLC

NOTES TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES  
(continued)

**2. Summary of Significant Accounting Policies – continued**

*Use of Estimates in the Preparation of Operating Revenues less Direct Operating Expenses*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of operating revenues and direct operating expenses during the reporting period. Actual amounts could differ from those estimates.

*Contingencies*

The activities of the Properties may become subject to potential claims and litigation in the normal course of operations. The Company's management is not aware of any claims or threatened litigation that management believes will have a material adverse effect on the operations or financial results of the Properties.

**3. Major Purchasers**

During the years ended December 31, 2021 and 2020, one purchaser accounted for 100% of total revenue attributable to the Properties. Management does not believe that the loss of this purchaser would have a material adverse effect because alternative purchasers are readily available.

**4. Subsequent Events**

The Company has evaluated subsequent events through May 13, 2022, the date the Statements of Revenues and Direct Operating Expenses were available to be issued, and has concluded that no events need to be reported.

On January 1, 2022, the Company sold certain oil and gas leasehold and other real and personal property interests to Chesapeake Energy Corporation.

**5. Supplementary Oil and Gas Information (Unaudited)**

*Oil, Natural Gas, and NGL Reserve Quantities*

Our petroleum engineers and independent petroleum engineering firms estimated all of our proved reserves as of December 31, 2021. Independent petroleum engineering firm Netherland, Sewell and Associates, Inc. estimated 100% of our estimated proved reserves (by volume) as of December 31, 2021.

TUG HILL MARCELLUS, LLC

NOTES TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES  
(continued)

**5. Supplementary Oil and Gas Information (Unaudited) – continued**

*Oil, Natural Gas, and NGL Reserve Quantities – continued*

Proved oil, natural gas, and NGL reserves are those quantities of oil, natural gas, and NGL which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. Based on reserve reporting rules, the price is calculated using the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within the period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. A project to extract hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. The area of the reservoir considered as proved includes: (i) the area identified by drilling and limited by fluid contacts, if any, and (ii) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or natural gas on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establish a lower contact with reasonable certainty. Where direct observation from well penetrations has defined a highest known oil elevation and the potential exists for an associated natural gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty. Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (i) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (ii) the project has been approved for development by all necessary parties and entities, including governmental entities.

Developed oil, natural gas, and NGL reserves are reserves of any category that can be expected to be recovered through existing wells with existing equipment and operating methods where production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

**TUG HILL MARCELLUS, LLC**

**NOTES TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**  
*(continued)*

**5. Supplementary Oil and Gas Information (Unaudited) – continued**

*Oil, Natural Gas, and NGL Reserve Quantities – continued*

The information provided below on our oil, natural gas, and NGL reserves is presented in accordance with regulations prescribed by the SEC. Our reserve estimates are generally based upon extrapolation of historical production trends, analogy to similar properties and volumetric calculations. Accordingly, these estimates will change as future information becomes available and as commodity prices change. These changes could be material and could occur in the near term.

Presented below is a summary of changes in estimated reserves for the periods presented:

	<b>Natural Gas (Mcf)</b>
<b>December 31, 2021</b>	
Proved reserves, beginning of period	79,492
Extensions, discoveries and other additions	8,790
Revisions of previous estimates	(3,468)
Production	(5,374)
Proved reserves, end of period	79,440
Proved developed reserves:	
Beginning of period	48,205
End of period	49,455
Proved undeveloped reserves:	
Beginning of period	31,287
End of period <sup>(a)</sup>	29,986

(a) As of December 31, 2021, there were no PUDs that had remained undeveloped for five years or more. The oil and natural gas prices used in computing our reserves as of December 31, 2021, were \$2.20 per mcf, after basis differential adjustments.

**TUG HILL MARCELLUS, LLC**

**NOTES TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**  
*(continued)*

**5. Supplementary Oil and Gas Information (Unaudited) – continued**

*Standardized Measure of Discounted Cash Flows*

The following summary sets forth our future net cash flows relating to proved oil, natural gas, and NGL reserves based on the standardized measure for the year ended December 31, 2021:

Future cash inflows <sup>(a)</sup>	\$	174,768
Future production costs		(24,510)
Future development costs		(14,277)
Future net cash flows		135,981
Less effect of a 10% discount factor		(68,713)
Standard measure of discounted future net cash flows	\$	67,268

(a) Calculated using prices of \$2.20 per mcf of natural gas, before basis differential adjustments.

Standardized measure, beginning of period <sup>(a)</sup>	\$	19,488
Sales of oil and natural gas produced, net of production and development costs <sup>(b)</sup>		(13,070)
Net changes in prices and production costs		46,132
Extensions and discoveries, net of production and development costs		6,649
Changes in estimated future development costs		344
Previously estimated development costs incurred during the period		686
Revisions of previous quantity estimates		(4)
Accretion of discount		1,949
Changes in production rates and other		5,094
Standardized measure, end of period <sup>(a)</sup>	\$	67,268

(a) The impact of cash flow hedges has not been included in any of the periods presented.

(b) Excludes gains and losses on derivatives.

As Tug Hill Marcellus, LLC is a pass-through entity for tax purposes, no changes in future income tax provisions are presented.

## UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

On January 24, 2022, Chesapeake Energy Corporation, an Oklahoma corporation, and its wholly owned subsidiary Chesapeake Appalachia, L.L.C., an Oklahoma limited liability company (together with Chesapeake Energy Corporation, "Chesapeake"), entered into a Partnership Interest Purchase Agreement (the "Chief Agreement") with The Jan & Trevor Rees-Jones Revocable Trust, a Texas revocable trust ("Rees-Jones Trust"), Rees-Jones Family Holdings, LP, a limited partnership ("Rees-Jones Holdings"), Chief E&D Participants LP, a Texas limited partnership ("Chief Participants" and together with Rees-Jones Trust and Rees-Jones Holdings, the "Chief LPs"), and Chief E&D (GP) LLC, a Texas limited liability company ("Chief GP" and together with the Chief LPs, the "Chief Sellers"). On January 24, 2022, Chesapeake also entered into Membership Interest Purchase Agreements (the "Radler / Tug Hill Agreements") with Radler 2000 Limited Partnership, a Texas limited partnership ("R2KLP") and Tug Hill, Inc., a Nevada corporation ("THI" and together with R2KLP, the "Radler / Tug Hill Sellers"). The Chief Sellers and the Radler / Tug Hill Sellers are referred to herein as the "Sellers".

Pursuant to the Chief Agreement and the Radler / Tug Hill Agreements (together the "Marcellus Agreements"), Chesapeake agreed to acquire all of the outstanding ownership interests in certain entities which own high quality producing assets and a deep inventory of premium drilling locations in the prolific Marcellus Shale in Northeast Pennsylvania (the "Marcellus Properties"). On March 9, 2022, Chesapeake and the Sellers completed the Marcellus Acquisition and under the terms and conditions contained in the Marcellus Agreements the Sellers received approximately \$2.0 billion in cash (subject to customary purchase price adjustments) and \$764 million in Chesapeake's common stock based on Chesapeake's stock price as of March 9, 2022. The Marcellus Properties were acquired on a cash-free, debt-free basis, effective as of January 1, 2022.

The following unaudited pro forma condensed combined statements of operations (the "pro forma statements of operations") have been prepared to give effect to the Marcellus Acquisition and certain other transactions of Chesapeake as further described below.

On January 6, 2022, Chesapeake filed a final prospectus pursuant to Rule 424(b)(3), containing pro forma financial statements to reflect the following transactions:

- On November 1, 2021, Chesapeake and Vine Energy Inc. ("Vine") completed the previously announced merger (the "Vine Acquisition"), and under the terms and conditions contained in the merger agreement holders of shares on Vine common stock received fixed consideration of 0.2486 shares of Chesapeake common stock plus \$1.20 cash per share of Vine common stock.
- As part of the Vine Acquisition, Chesapeake repaid Vine's second lien credit facility of approximately \$150 million for approximately \$163 million, including a \$13 million make-whole premium.
- The Vine Acquisition was accounted for as a business combination under the acquisition method in accordance with Accounting Standards Codification 805, *Business Combinations*.

On May 17, 2021, Chesapeake filed a Form 8-K containing pro forma financial statements to reflect the following:

- Chesapeake's Fifth Amended Joint Chapter 11 Plan of Reorganization, which became effective on February 9, 2021 ("the Effective Date"), and its application of fresh start accounting on the Effective Date. References to "Successor" relate to the results of operations of Chesapeake subsequent to February 9, 2021, and references to "Predecessor" relate to the results of operations of Chesapeake prior to, and including, February 9, 2021.

On March 19, 2021, in connection with its initial public offering, Vine filed a final prospectus pursuant to Rule 424(b)(4), containing pro forma financial statements to reflect the following transactions:

- As part of a business combination transaction, the owners who prior to the completion of the business combination directly held interests in Vine Oil & Gas, Vine Oil & Gas GP, Brix, Brix GP, Harvest and Harvest GP contributed such equity interests to Vine Energy Holdings, LLC in exchange for newly issued equity in Vine Energy Holdings, LLC (the "Brix Companies Acquisition"). Vine Oil & Gas and Brix were not entities under common control for financial reporting purposes, whereas Brix and Harvest were entities under common control for financial reporting purposes. Accordingly, Vine Oil & Gas was identified as the accounting acquirer of the Brix Companies. Vine accounted for the acquisition of the Brix Companies as a business combination under the acquisition method in accordance with Accounting Standards Codification 805, *Business Combinations*.



## UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The pro forma statements of operations contained herein have been further adjusted to reflect the Marcellus Acquisition, as follows:

- On March 9, 2022, Chesapeake and the Sellers completed the Marcellus Acquisition and under the terms and conditions contained in the Marcellus Agreements the Sellers received approximately \$2.0 billion in cash and \$764 million in Chesapeake's common stock based on Chesapeake's stock price as of March 9, 2022. The Marcellus Properties were acquired on a cash-free, debt-free basis, effective as of January 1, 2022.
- The Marcellus Acquisition was funded by cash on hand and \$914 million of borrowings under Chesapeake's existing credit agreement.

The following pro forma statements of operations have been prepared from the respective historical consolidated financial statements and previously filed pro forma financial information of Chesapeake, the Sellers, and Vine, adjusted to give effect to the Marcellus Acquisition, the Vine Acquisition and Chesapeake's emergence from bankruptcy. No pro forma balance sheet for Chesapeake giving effect to the Marcellus Acquisition, the Vine Acquisition or emergence from bankruptcy and application of fresh start accounting is presented herein because the effects are reflected in Chesapeake's March 31, 2022 unaudited condensed consolidated balance sheet filed with the Securities and Exchange Commission on Form 10-Q on May 6, 2022. The pro forma statement of operations for the three months ended March 31, 2022, combines the historical unaudited condensed consolidated statements of operations of Chesapeake for the three months ended March 31, 2022 and the historical results of operations for the Chief Sellers and the Radler / Tug Hill Sellers for the 2022 pre-acquisition period ended March 9, 2022. The pro forma statement of operations for the year ended December 31, 2021, combines the historical audited consolidated statements of operations of Chesapeake and the Chief Sellers for the year ended December 31, 2021, the historical audited statements of revenues and direct operating expenses for the Radler / Tug Hill Sellers for the year ended December 31, 2021, as well as previously filed unaudited pro forma statements of operations of Chesapeake (giving effect to the Vine Acquisition) and Vine (giving effect to the Brix Companies Acquisition), with the effects of the Marcellus Acquisition as if it had been completed on January 1, 2021.

The pro forma statements of operations reflect the following pro forma adjustments related to the Marcellus Acquisition, based on available information and certain assumptions that Chesapeake believes are reasonable.

- Chesapeake's acquisition of the Marcellus Properties, which will be accounted for using the acquisition method of accounting, with Chesapeake identified as the accounting acquirer;
- Certain reclassification adjustments to conform the Sellers' historical financial presentation to Chesapeake's financial statement presentation;
- the assumption of liabilities by Chesapeake for any transaction-related expenses; and
- the estimated tax impact of pro forma adjustments.

The pro forma statements of operations have been developed from and should be read in conjunction with:

- the accompanying notes to the unaudited pro forma combined financial information;
- the historical audited consolidated financial statements of Chesapeake as of and for the year ended December 31, 2021, included in Chesapeake's Annual Report on Form 10-K filed on February 24, 2022;
- the historical unaudited condensed consolidated financial statements of Chesapeake as of March 31, 2022, included in Chesapeake's Quarterly Report on Form 10-Q filed on May 6, 2022;
- the historical audited consolidated financial statements for the Chief Sellers as of and for the year ended December 31, 2021, included in this document;
- the historical audited statements of revenues and direct operating expenses for the Radler / Tug Hill Sellers for the year ended December 31, 2021, included in this document;
- the historical unaudited condensed consolidated financial statements of Vine as of and for the nine months ended September 30, 2021, included in Chesapeake's Final Prospectus filed pursuant to Rule 424(b)(3) dated January 6, 2022;

## UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

- the historical financial activity of Vine for the month ended October 31, 2021, because the Vine Acquisition was completed on November 1, 2021;
- the unaudited pro forma condensed combined statement of operations of Chesapeake for the nine months ended September 30, 2021 included in Chesapeake's Final Prospectus filed pursuant to Rule 424(b)(3) dated January 6, 2022;
- other information relating to Chesapeake, the Sellers and Vine contained in or, solely in the case of Chesapeake, incorporated by reference into this current report on Form 8-K/A.

The pro forma statements of operations are presented to reflect the Marcellus Acquisition, the Vine Acquisition and Chesapeake's emergence from bankruptcy, and they do not represent what Chesapeake's results of operations would have been had the Marcellus Acquisition, Vine Acquisition and Chesapeake's emergence from bankruptcy occurred on the date noted above, nor do they project the results of operations of the combined company following the transactions. The pro forma statements of operations are intended to provide information about the continuing impact of the transactions as if they had been consummated earlier. The pro forma adjustments are based on available information and certain assumptions that management believes are factually supportable as further described below. In the opinion of management, all adjustments necessary to present fairly the pro forma statements of operations have been made.

Chesapeake has incurred certain nonrecurring charges in connection with the Marcellus Acquisition, the substantial majority of which consist of fees paid to financial, legal and accounting advisors, integration costs and filing fees. Any such charge could affect the future results of the post acquisition company in the period in which such charges are incurred; however, these costs are not expected to be incurred in any period beyond twelve months from the closing date of the transaction. Accordingly, the pro forma statements of operations reflect an estimated accrual for the effects of these nonrecurring charges, which are not included in the historical statements of operations of Chesapeake for the historical periods presented.

The pro forma statements of operations do not include the realization of any cost savings from operating efficiencies, synergies or other restructuring activities which might result from the Marcellus Acquisition. Further, there may be additional charges related to other integration activities resulting from the Marcellus Acquisition, the timing, nature and amount of which management cannot identify as of the date of this current report on Form 8-K/A, and thus, such charges are not reflected in the pro forma statements of operations.

The assets acquired and liabilities assumed from the Sellers and Vine were recorded at their preliminary estimated fair values as of their respective acquisition close dates. As of the date of this current report on Form 8-K/A, the purchase price allocations that the pro forma statements of operations are based on are still preliminary. Certain data necessary to complete the purchase price allocations is not yet available, and includes, but is not limited to, valuation of pre-acquisition contingencies and final appraisals of assets acquired and liabilities assumed. We expect to complete the purchase price allocations during the 12-month period following the respective acquisition dates, during which time the value of the assets and liabilities may be revised as appropriate.

As a result of the foregoing, the pro forma adjustments are preliminary and subject to change as additional information becomes available and additional analysis is performed. The preliminary pro forma adjustments have been made solely for the purpose of providing the pro forma statements of operations presented herein. Any increases or decreases in the fair value of assets acquired and liabilities assumed upon completion of the final valuation could result in adjustments to the pro forma statements of operations.

**CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**  
**(\$ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)**

	Transaction Adjustments							Chesapeake Pro Forma Combined
	Chesapeake Historical	Chief Sellers Historical	Tug Hill Sellers Historical	Radler Sellers Historical	Chief Sellers Reclass Adjustments (Note 2)	Chief/ Tug Hill/ Radler Sellers Pro Forma Adjustments (Note 2)		
<b>Revenues and other:</b>								
Oil, natural gas and NGL	\$ 1,914	\$ 160	\$ 4	\$ 26	\$ —	\$ —		\$ 2,104
Marketing	867	—	—	—	6 (a)	—		873
Sales of purchased natural gas	—	6	—	—	(6) (a)	—		—
Oil and natural gas derivatives	(2,125)	—	—	—	(193) (a)	—		(2,318)
Realized loss on commodity derivatives	—	(67)	—	—	67 (a)	—		—
Unrealized loss on commodity derivatives	—	(126)	—	—	126 (a)	—		—
Gains on sales of assets	279	—	—	—	—	—		279
<b>Total revenues and other</b>	<b>935</b>	<b>(27)</b>	<b>4</b>	<b>26</b>	<b>—</b>	<b>—</b>		<b>938</b>
<b>Operating expenses:</b>								
Production	110	—	1	5	4 (a)	—		120
Cost of natural gas purchased	—	6	—	—	(6) (a)	—		—
Lease operating expense	—	4	—	—	(4) (a)	—		—
Gathering, processing and transportation	242	24	—	—	—	—		266
Severance and ad valorem taxes	63	—	—	—	—	—		63
Exploration	5	—	—	—	—	—		5
Marketing	851	—	—	—	6 (a)	—		857
General and administrative	26	11	—	—	—	—		37
Depreciation, depletion and amortization	409	23	—	—	—	32 (b)		464
Other operating (income) expense	23	—	—	—	—	—		23
<b>Total operating expenses</b>	<b>1,729</b>	<b>68</b>	<b>1</b>	<b>5</b>	<b>—</b>	<b>32</b>		<b>1,835</b>
<b>Income (loss) from operations</b>	<b>(794)</b>	<b>(95)</b>	<b>3</b>	<b>21</b>	<b>—</b>	<b>(32)</b>		<b>(897)</b>
<b>Other income (expense):</b>								
Interest expense	(32)	(6)	—	—	—	6 (c)		(32)
Realized interest rate derivative loss	—	(1)	—	—	—	1 (d)		—
Unrealized interest rate derivative gain	—	4	—	—	—	(4) (d)		—
Other income	16	1	—	—	—	—		17
<b>Total other income (expense)</b>	<b>(16)</b>	<b>(2)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3</b>		<b>(15)</b>
<b>Income (loss) before income taxes</b>	<b>(810)</b>	<b>(97)</b>	<b>3</b>	<b>21</b>	<b>—</b>	<b>(29)</b>		<b>(912)</b>
Income tax expense (benefit)	(46)	—	—	—	—	(6) (e)		(52)
<b>Net income (loss) available to common stockholders</b>	<b>\$ (764)</b>	<b>\$ (97)</b>	<b>\$ 3</b>	<b>\$ 21</b>	<b>\$ —</b>	<b>\$ (23)</b>		<b>\$ (860)</b>
<b>Earnings (loss) per common share:</b>								
Basic	\$ (6.32)							\$ (6.77)
Diluted	\$ (6.32)							\$ (6.77)
<b>Weighted average common and common equivalent shares outstanding (in thousands):</b>								
Basic	120,805					6,247 (f)		127,052
Diluted	120,805					6,247 (f)		127,052

**CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(\$ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)**

	Historical Predecessor (Jan. 1, 2021 through Feb. 9, 2021)	Historical Successor (Feb. 10, 2021 through Dec. 31, 2021)	Reorganization and Fresh Start Adjustments (Note 2)	Chesapeake Pro Forma	Vine Pro Forma (Jan 1, 2021 through Sep 30, 2021)	Vine Historical (Oct. 1, 2021 through Oct. 31, 2021)	Transaction Adjustments			Transaction Adjustments					Chesapeake Pro Forma Combined	
							Vine Pro Forma Adjustments (Note 2)	Vine Pro Forma Adjustments (Note 2)	Vine Pro Forma (Jan 1, 2021 through Oct 31, 2021)	Chief Sellers Historical	Tug Hill Sellers Historical	Radler Sellers Historical	Chief Sellers Reclass Adjustments (Note 2)	Chief/ Tug Hill/ Radler Sellers Pro Forma Adjustments (Note 2)		
<b>Revenues and other:</b>																
Oil, natural gas and NGL	\$ 398	\$ 4,401	\$ —	\$ 4,799	\$ 737	\$ 132	\$ —	\$ —	\$ 869	\$ 631	\$ 19	\$ 120	\$ —	\$ —	\$ 6,438	
Marketing	239	2,263	—	2,502	—	—	—	—	—	—	—	—	119 (a)	—	2,621	
Sales of purchased natural gas	—	—	—	—	—	—	—	—	—	119	—	—	(119) (a)	—	—	
Oil and natural gas derivatives	(382)	(1,127)	—	(1,509)	—	—	(918) (a)	—	(918)	—	—	—	(375) (a)	—	(2,802)	
Realized loss on commodity derivatives	—	—	—	—	(145)	(86)	231 (a)	—	—	(156)	—	—	156 (a)	—	—	
Unrealized loss on commodity derivatives	—	—	—	—	(784)	97	687 (a)	—	—	(219)	—	—	219 (a)	—	—	
Gains on sales of assets	5	12	—	17	—	—	—	—	—	—	—	—	—	—	17	
Total revenues and other	260	5,549	—	5,809	(192)	143	—	—	(49)	375	19	120	—	—	6,274	
<b>Operating expenses:</b>																
Production	32	297	—	329	53	6	—	—	59	—	6	34	17 (a)	—	445	
Cost of natural gas purchased	—	—	—	—	—	—	—	—	—	114	—	—	(114) (a)	—	—	
Lease operating expense	—	—	—	—	—	—	—	—	—	23	—	—	(23) (a)	—	—	
Gathering, processing and transportation	102	780	—	882	83	9	—	—	92	161	—	—	—	—	1,135	
Severance and ad valorem taxes	18	158	—	176	17	2	—	—	19	—	—	—	6 (a)	—	201	
Exploration	2	7	—	9	1	—	—	—	1	—	—	—	10 (a)	—	20	
Marketing	237	2,257	—	2,494	—	—	—	—	—	—	—	—	114 (a)	—	2,608	
General and administrative	21	97	—	118	18	7	14 (a)	—	39	14	—	—	—	—	171	
Stock-based compensation for Existing Management Owners	—	—	—	—	14	—	(14) (a)	—	—	—	—	—	—	—	—	
Separation and other termination costs	22	11	—	33	—	—	—	—	—	—	—	—	—	—	33	
Depreciation, depletion and amortization	72	919	29 (g)	1,020	347	36	—	63 (b)	446	123	—	—	—	136 (b)	1,725	
Impairments	—	1	—	1	—	—	—	—	—	—	—	—	—	—	1	
Dry hole, well and lease abandonment, and impairment	—	—	—	—	—	—	—	—	—	10	—	—	(10) (a)	—	—	
Other operating (income) expense	(12)	84	—	72	—	—	—	—	—	—	—	—	—	40 (o)	112	
Total operating expenses	494	4,611	29	5,134	533	60	—	63	656	445	6	34	—	176	6,451	
<b>Income (loss) from operations</b>	<b>(234)</b>	<b>938</b>	<b>(29)</b>	<b>675</b>	<b>(725)</b>	<b>83</b>	<b>—</b>	<b>(63)</b>	<b>(705)</b>	<b>(70)</b>	<b>13</b>	<b>86</b>	<b>—</b>	<b>(176)</b>	<b>(177)</b>	

**CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(\$ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)**

	Historical Predecessor (Jan. 1, 2021 through Feb. 9, 2021)	Historical Successor (Feb. 10, 2021 through Dec. 31, 2021)	Reorganization and Fresh Start Adjustments (Note 2)	Chesapeake Pro Forma	Transaction Adjustments				Transaction Adjustments					Chesapeake Pro Forma Combined	
					Vine Pro Forma (Jan 1, 2021 through Sep 30, 2021)	Vine Historical (Oct. 1, 2021 through Oct. 31, 2021)	Vine Reclass Adjustments (Note 2)	Vine Pro Forma Adjustments (Note 2)	Vine Pro Forma (Jan 1, 2021 through Oct 31, 2021)	Chief Sellers Historical	Tug Hill Sellers Historical	Radler Sellers Historical	Chief Sellers Reclass Adjustments (Note 2)		Chief/ Tug Hill/ Radler Sellers Pro Forma Adjustments (Note 2)
<b>Other income (expense):</b>															
Interest expense	(11)	(73)	4 (h)	(80)	(80)	(7)	—	40 (k)	(47)	(22)	—	—	—	22 (c)	(127)
Realized interest rate derivative loss	—	—	—	—	—	—	—	—	—	(10)	—	—	—	10 (d)	—
Unrealized interest rate derivative gain	—	—	—	—	—	—	—	—	—	11	—	—	—	(11) (d)	—
Loss on extinguishment of debt	—	—	—	—	(73)	—	—	—	(73)	—	—	—	—	—	(73)
Other income	2	31	—	33	—	—	—	—	7	—	—	—	—	—	40
Reorganization items, net	5,569	—	(5,569) (l)	—	—	—	—	—	—	—	—	—	—	—	—
Total other income (expense)	5,560	(42)	(5,565)	(47)	(153)	(7)	—	40	(120)	(14)	—	—	—	21	(160)
<b>Income (loss) before income taxes</b>	<b>5,326</b>	<b>896</b>	<b>(5,594)</b>	<b>628</b>	<b>(878)</b>	<b>76</b>	<b>—</b>	<b>(23)</b>	<b>(825)</b>	<b>(84)</b>	<b>13</b>	<b>86</b>	<b>—</b>	<b>(155)</b>	<b>(337)</b>
Income tax expense (benefit)	(57)	(49)	57 (j)	(49)	11	—	—	(11) (l)	—	—	—	—	—	—	(49)
<b>Net income (loss)</b>	<b>5,383</b>	<b>945</b>	<b>(5,651)</b>	<b>677</b>	<b>(889)</b>	<b>76</b>	<b>—</b>	<b>(12)</b>	<b>(825)</b>	<b>(84)</b>	<b>13</b>	<b>86</b>	<b>—</b>	<b>(155)</b>	<b>(288)</b>
Net loss attributable to noncontrolling interests	—	—	—	—	398	(35)	—	(363) (m)	—	—	—	—	—	—	—
<b>Net income (loss) available to common stockholders</b>	<b>\$ 5,383</b>	<b>\$ 945</b>	<b>\$ (5,651)</b>	<b>\$ 677</b>	<b>\$ (491)</b>	<b>\$ 41</b>	<b>\$ —</b>	<b>\$ (375)</b>	<b>\$ (825)</b>	<b>\$ (84)</b>	<b>\$ 13</b>	<b>\$ 86</b>	<b>\$ —</b>	<b>\$ (155)</b>	<b>\$ (288)</b>
<b>Earnings (loss) per common share:</b>															
Basic	\$ 550.35	\$ 9.29													\$ (2.27)
Diluted	\$ 534.51	\$ 8.12													\$ (2.27)
<b>Weighted average common and common equivalent shares outstanding (in thousands):</b>															
Basic	9,781	101,754												9,442 (f)	126,596
Diluted	10,071	116,341												9,442 (f)	126,596

## 1. Basis of Presentation

The unaudited pro forma combined statements of operations (the "pro forma statements of operations") have been derived from the historical consolidated financial statements of Chesapeake, Vine, the Chief Sellers and the Radler / Tug Hill Sellers as well as the pro forma financial information included in Chesapeake's Final Prospectus filed pursuant to Rule 424(b)(3) dated January 6, 2022 and Vine's Final Prospectus filed pursuant to Rule 424(b)(4) filed on March 19, 2021, which give effect to the Vine Acquisition and the Brix Companies Acquisition, respectively. Certain of the Sellers' and Vine's historical amounts have been reclassified to conform to Chesapeake's financial statement presentation. The pro forma statements of operations for the year ended December 31, 2021 and the three months ended March 31, 2022, give effect to the Marcellus Acquisition, the Vine Acquisition and Chesapeake's emergence from bankruptcy as if these transactions had been completed on January 1, 2021.

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

## 2. Pro Forma Adjustments

The following adjustments have been made to the accompanying unaudited pro forma statements of operations:

(a) The following reclassifications conform the Sellers' and Vine's historical financial information to Chesapeake's financial statement presentation:

### *Chief Sellers Reclassification and Conforming Adjustments*

#### **Pro Forma Condensed Combined Statement of Operations for the Three Months Ended March 31, 2022**

- Reclassification of approximately \$6 million of sales of purchased natural gas to marketing revenue to conform to Chesapeake's presentation of marketing revenue.
- Reclassification of approximately \$67 million and \$126 million from realized loss on commodity derivatives and unrealized loss on commodity derivatives, respectively, to conform to Chesapeake's presentation of oil and natural gas derivatives.
- Reclassification of approximately \$4 million from lease operating expense to production expense to conform to Chesapeake's presentation of production expense and ad valorem taxes.
- Reclassification of approximately \$6 million from cost of natural gas purchased to marketing expense to conform to Chesapeake's presentation of marketing expense.

#### **Pro Forma Combined Statement of Operations for the Year Ended December 31, 2021**

- Reclassification of approximately \$119 million of sales of purchased natural gas to marketing revenue to conform to Chesapeake's presentation of marketing revenue.
- Reclassification of approximately \$156 million and \$219 million from realized loss on commodity derivatives and unrealized loss on commodity derivatives, respectively, to conform to Chesapeake's presentation of oil and natural gas derivatives.
- Reclassification of approximately \$17 million and \$6 million from lease operating expense to production expense and severance and ad valorem taxes, respectively, to conform to Chesapeake's presentation of production expense and ad valorem taxes.
- Reclassification of approximately \$114 million from cost of natural gas purchased to marketing expense to conform to Chesapeake's presentation of marketing expense.
- Reclassification of approximately \$10 million from dry hole, well and lease abandonment, and impairment to exploration to conform to Chesapeake's presentation of exploration expense.

### *Vine Reclassification and Conforming Adjustments*

#### **Pro Forma Combined Statement of Operations for the Year Ended December 31, 2021**

- Reclassification of approximately \$231 million and \$687 million from realized loss on commodity derivatives and unrealized loss on commodity derivatives, respectively, to conform to Chesapeake's presentation of oil and natural gas derivatives.
- Reclassification of approximately \$14 million of incentive unit compensation to general and administrative expense.

(b) Adjustment to reflect the change in depreciation, depletion and amortization resulting from the change in the basis of property and equipment.

(c) Adjustment to eliminate interest expense related to long-term debt and notes payable as no debt was acquired related to the Marcellus Acquisition.

(d) Adjustment to eliminate the realized interest rate derivative loss and unrealized interest rate derivative gain as no debt or interest rate derivatives were acquired related to the Marcellus Acquisition.

(e) Adjustment to Chesapeake's estimated tax benefit based on the pro forma net loss before income taxes using Chesapeake's estimated annual effective tax rate.

(f) Reflects Chesapeake's shares issued in the Marcellus Acquisition.

(g) Adjustment to depletion, depreciation and amortization expense to reflect the revaluation of Chesapeake's property and equipment in accordance with fresh start accounting, assuming Chesapeake's emergence from bankruptcy on January 1, 2021.

(h) Reflects a reduction in interest expense as a result of the settlement of certain previously outstanding debt obligations through the issuance of equity in accordance with Chesapeake's Fifth Amended Joint Chapter 11 Plan of Reorganization, assuming Chesapeake's emergence from bankruptcy on January 1, 2021.

(i) Reflects the elimination of reorganization items, net for the Historical Predecessor period from January 1, 2021 through February 9, 2021.

(j) Adjustment to remove the income tax effect associated with the fair value adjustment of hedging settlements from accumulated other comprehensive income in accordance with fresh start accounting, assuming Chesapeake's emergence from bankruptcy on January 1, 2021.

(k) Reflects approximately \$40 million net decrease in interest expense for the ten months ended October 31, 2021 related to the repayment and retirement of Vine's second lien credit facility and the fair value adjustment of the unsecured senior notes.

(l) The transactions had no impact to the combined income tax benefit as Chesapeake was in a full valuation allowance position in 2021. Further, we estimate that there would have been no impact to current tax expense as we believe if the transactions had occurred on January 1, 2021, Chesapeake would have generated a taxable loss in the current period.

(m) Adjustment to eliminate Vine's noncontrolling interest due to the acquisition of 100% of Vine's equity.

(n) Reflects Chesapeake's shares issued to Vine's shareholders.

(o) Adjustment to reflect the estimated non-recurring transaction costs of \$40 million related to the Marcellus Acquisition, including underwriting, banking, legal and accounting fees that are not capitalized as part of the transaction.



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

The following tables present the estimated pro forma condensed combined net proved developed and undeveloped oil, natural gas and NGL reserves as of December 31, 2021, along with a summary of changes in the quantities of net remaining proved reserves during the year ended December 31, 2021. The pro forma reserve information set forth below gives effect to the Marcellus Acquisition as if the Marcellus Acquisition had been completed on January 1, 2021. The impact of the Vine Acquisition is reflected in Chesapeake's historical reserve information as of December 31, 2021. The supplemental pro forma oil and natural gas reserves information have been prepared from Chesapeake's previously filed historical reserve information included in its audited financial statements as of and for the year ended December 31, 2021 and the Sellers' historical reserve information included in this document.

	Oil (mmbbls)				
	Chesapeake Historical	Chief Sellers Historical	Tug Hill Sellers Historical	Radler Sellers Historical	Chesapeake Pro Forma Combined
As of December 31, 2020	161.3	—	—	—	161.3
Extensions, discoveries and other additions	41.0	—	—	—	41.0
Revisions of previous estimates	33.3	—	—	—	33.3
Production	(25.9)	—	—	—	(25.9)
Sale of reserves-in-place	—	—	—	—	—
Purchase of reserves-in-place	—	—	—	—	—
As of December 31, 2021	209.7	—	—	—	209.7
Proved developed reserves:					
December 31, 2020	158.1	—	—	—	158.1
December 31, 2021	165.7	—	—	—	165.7
Proved undeveloped reserves:					
December 31, 2020	3.2	—	—	—	3.2
December 31, 2021	44.0	—	—	—	44.0

	Natural Gas (bcf)				
	Chesapeake Historical	Chief Sellers Historical	Tug Hill Sellers Historical	Radler Sellers Historical	Chesapeake Pro Forma Combined
As of December 31, 2020	3,530	2,659	79	506	6,774
Extensions, discoveries and other additions	1,744	315	9	80	2,148
Revisions of previous estimates	1,522	81	(3)	6	1,606
Production	(807)	(197)	(6)	(40)	(1,050)
Sale of reserves-in-place	—	—	—	—	—
Purchase of reserves-in-place	1,835	—	—	—	1,835
As of December 31, 2021	7,824	2,858	79	552	11,313
Proved developed reserves:					
December 31, 2020	3,196	1,362	48	237	4,843
December 31, 2021	4,246	1,574	49	295	6,164
Proved undeveloped reserves:					
December 31, 2020	334	1,297	31	269	1,931
December 31, 2021	3,578	1,284	30	257	5,149

	Natural Gas Liquids (mmbbls)				
	Chesapeake Historical	Chief Sellers Historical	Tug Hill Sellers Historical	Radler Sellers Historical	Chesapeake Pro Forma Combined
As of December 31, 2020	52.0	—	—	—	52.0
Extensions, discoveries and other additions	16.9	—	—	—	16.9
Revisions of previous estimates	21.1	—	—	—	21.1
Production	(8.0)	—	—	—	(8.0)
Sale of reserves-in-place	—	—	—	—	—
Purchase of reserves-in-place	—	—	—	—	—
As of December 31, 2021	82.0	—	—	—	82.0
Proved developed reserves:					
December 31, 2020	51.4	—	—	—	51.4
December 31, 2021	61.7	—	—	—	61.7
Proved undeveloped reserves:					
December 31, 2020	0.6	—	—	—	0.6
December 31, 2021	20.3	—	—	—	20.3

	Total Reserves (mmboe)				
	Chesapeake Historical	Chief Sellers Historical	Tug Hill Sellers Historical	Radler Sellers Historical	Chesapeake Pro Forma Combined
As of December 31, 2020	802	443	13	85	1,343
Extensions, discoveries and other additions	348	53	2	13	416
Revisions of previous estimates	308	14	(1)	1	322
Production	(168)	(33)	(1)	(7)	(209)
Sale of reserves-in-place	—	—	—	—	—
Purchase of reserves-in-place	306	—	—	—	306
As of December 31, 2021	1,596	477	13	92	2,178
Proved developed reserves:					
December 31, 2020	742	227	8	40	1,017
December 31, 2021	935	263	8	49	1,255
Proved undeveloped reserves:					
December 31, 2020	60	216	5	45	326
December 31, 2021	661	214	5	43	923

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

The pro forma standardized measure of discounted future net cash flows relating to proved oil, natural gas and NGL reserves as of December 31, 2021 is as follows (in millions):

	<b>As of December 31, 2021</b>				
	<b>Chesapeake Historical</b>	<b>Chief Sellers Historical</b>	<b>Tug Hill Sellers Historical</b>	<b>Radler Sellers Historical</b>	<b>Chesapeake Pro Forma Combined</b>
Future cash inflows	\$ 33,700	\$ 6,835	\$ 175	\$ 1,216	\$ 41,926
Future production costs	(6,735)	(480)	(25)	(107)	(7,347)
Future development costs	(3,687)	(551)	(14)	(109)	(4,361)
Future income tax expense	(2,254)	—	—	—	(2,254)
Future net cash flows	21,024	5,804	136	1,000	27,964
Less effect of a 10% discount factor	(8,737)	(2,988)	(69)	(507)	(12,301)
Standardized measure of discounted future net cash flows	\$ 12,287	\$ 2,816	\$ 67	\$ 493	\$ 15,663

The changes in the pro forma standardized measure of discounted future net cash flows relating to proved oil, natural gas and NGL reserves for the year ended December 31, 2021 are as follows (in millions):

	<b>Chesapeake Historical</b>	<b>Chief Sellers Historical</b>	<b>Tug Hill Sellers Historical</b>	<b>Radler Sellers Historical</b>	<b>Chesapeake Pro Forma Combined</b>
Standardized measure, as of December 31, 2020	\$ 3,086	\$ 628	\$ 19	\$ 124	\$ 3,857
Sales of oil and natural gas produced, net of production costs and gathering, processing and transportation	(3,414)	(447)	(13)	(86)	(3,960)
Net changes in prices and production costs	6,674	1,743	46	283	8,746
Extensions and discoveries, net of production and development costs	2,834	258	7	59	3,158
Changes in estimated future development costs	(459)	11	—	7	(441)
Previously estimated development costs incurred during the period	130	126	1	28	285
Revisions of previous quantity estimates	2,034	85	—	6	2,125
Purchase of reserves-in-place	2,807	—	—	—	2,807
Sales of reserves-in-place	—	—	—	—	—
Accretion of discount	309	63	2	12	386
Net changes in income taxes	(1,423)	—	—	—	(1,423)
Changes in production rates and other	(291)	349	5	60	123
Standardized measure, as of December 31, 2021	\$ 12,287	\$ 2,816	\$ 67	\$ 493	\$ 15,663