

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

FORM 8-K

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

Date of Report (Date of earliest event reported): May 2, 2023



CHESAPEAKE ENERGY CORPORATION

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

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

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

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

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

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

On May 2, 2023, Chesapeake Energy Corporation (“Chesapeake”) issued a press release reporting financial and operational results for the first quarter of 2023. A copy of the press release and financial information are attached as Exhibit 99.1 and Exhibit 99.2, respectively, to this Current Report on Form 8-K.

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

Item 7.01 Regulation FD Disclosure.

On May 3, 2023, Chesapeake will make a presentation about its financial and operating results for the first quarter of 2023, as noted in the press release described in Item 2.02 above. Chesapeake has made the presentation available on its website at <http://investors.chk.com>.

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Document Description
99.1	Chesapeake Energy Corporation press release dated May 2, 2023
99.2	Supplemental Financial Information
104.0	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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

CHESAPEAKE ENERGY CORPORATION

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

Domenic J. Dell'Osso, Jr.

President and Chief Executive Officer

Date: May 2, 2023

NEWS RELEASE

FOR IMMEDIATE RELEASE
MAY 2, 2023

CHESAPEAKE ENERGY CORPORATION REPORTS 2023 FIRST QUARTER RESULTS

OKLAHOMA CITY, May 2, 2023 – Chesapeake Energy Corporation (NASDAQ:CHK) today reported 2023 first quarter financial and operating results.

- **Net cash provided by operating activities of \$889 million**
- **Net income totaled \$1,389 million, or \$9.60 per diluted share; adjusted net income⁽¹⁾ totaling \$270 million, or \$1.87 per diluted share**
- **Delivered adjusted EBITDAX⁽¹⁾ of \$774 million and \$241 million in adjusted free cash flow⁽¹⁾**
- **Announced total quarterly dividend of \$1.18 per common share to be paid in June 2023**
- **Returned more than \$250 million to shareholders YTD in the form of dividends and share repurchases**
- **Closed more than \$2.8 billion in Eagle Ford asset sales YTD; company remains actively engaged with other parties regarding the rest of its Eagle Ford position**
- **Cash on hand of approximately \$1.2 billion as of April 30, 2023**
- **Produced approximately 4,069 mmcf per day net**
- **Entered into HOA with Gunvor on long-term LNG supply indexed to the Japan Korea Marker (“JKM”)**
- **Upgraded to BB+ credit rating with Positive Outlook by Fitch Ratings**

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

Nick Dell'Osso, Chesapeake's President and Chief Executive Officer, commented, “We delivered another strong quarter as we remain focused on executing our disciplined capital program, maximizing returns, delivering sustainable free cash flow, and returning cash to shareholders through our peer-leading dividend and buyback programs. We were built to thrive through commodity price cycles enhanced by the added financial flexibility provided by the closing of our recent Eagle Ford sales. Behind the premium rock, returns and runway of our Marcellus and Haynesville positions our confidence in our long-term outlook remains unchanged.”

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CHESAPEAKE ENERGY CORPORATION

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Financial and Shareholder Return Update

During the first quarter of 2023, Chesapeake generated \$889 million of operating cash flow and had \$130 million of cash on hand with zero dollars drawn on its credit facility at quarter-end. Chesapeake plans to pay its base and variable dividend on June 6, 2023, to shareholders of record at the close of business on May 18, 2023. The total common stock dividend, including the variable and base components, is calculated as follows:

	1Q 2023	
(\$ and shares in millions, except per share amounts)		
Net cash provided by operating activities (GAAP)	\$	889
Less cash capital expenditures		497
Less cash contributions to investments		39
Less free cash flow associated with divested assets		112
Adjusted free cash flow (Non-GAAP)		241
Less cash paid for common base dividends		74
50% of adjusted free cash flow available for common variable dividends	\$	84
Common shares outstanding at 5/2/23 ⁽¹⁾		134
Variable dividend payable per common share in June 2023	\$	0.63
Base dividend payable per common share in June 2023	\$	0.55
Total dividend payable per common share in June 2023	\$	1.18

(1) Basic common shares outstanding as of the declaration date of 05/02/2023. Assumes no exercise of warrants between dividend declaration date and dividend record date.

Through April 30, 2023, Chesapeake repurchased approximately one million shares of its common stock for approximately \$80 million at an average price of \$76.02 per share. Chesapeake has approximately \$850 million remaining under its share repurchase program and, in total, has repurchased approximately 12.7 million shares of its common stock at a cost of approximately \$1.15 billion under its current \$2 billion authorization.

On April 13, 2023 Fitch Ratings upgraded Chesapeake's IDR to 'BB+' while maintaining a positive outlook. The agency attributed strengths of scale, conservative financial policy, and cash optionality as fundamental to the company's continued rating improvement. Chesapeake now sits one notch below investment grade at the agency.

Operational Results

First quarter net production was approximately 4,069 mmcf per day (90% natural gas and 10% total liquids), utilizing an average of 14 rigs to drill 60 wells and placed 53 wells on production.

Chesapeake is currently operating 13 rigs including five in the Marcellus, six in the Haynesville, and two in the Eagle Ford. As previously announced, the company plans to release both rigs in the Eagle Ford in the second quarter as well as releasing one rig from the Haynesville and the Marcellus in the third quarter. The company is currently operating four frac crews including one in the Marcellus, two in the Haynesville and one in the Eagle Ford. As previously announced, the company will drop one frac crew from the Haynesville in the second quarter. The company expects to drill 35 to 45 wells and place 30 to 35 wells on production in the second quarter of 2023. The company's operating plan remains flexible and is prepared for further adjustments, higher or lower, based on market conditions.

On its continued path to Be LNG Ready, the company entered into a Heads of Agreement (HOA) with Gunvor Group Limited. Under the agreement, Chesapeake will supply up to 2 million tonnes of LNG per annum to Gunvor with the purchase price indexed to the JKM. Chesapeake and Gunvor are working to jointly select the most optimal liquefaction facility in the United States to liquify the gas produced by Chesapeake and deliver LNG to Gunvor on a Free-on-Board basis with a target start date in 2027.

Conference Call Information

Chesapeake plans to conduct a conference call to discuss recent financial and operating results at 9:00 a.m. EDT on Wednesday, May 3, 2023. The telephone number to access the conference call is 888-317-6003 or 412-317-6061 for international callers. The passcode for the call is 5806932.

Financial Statements, Non-GAAP Financial Measures and 2023 Guidance

The company's 2023 first quarter financial and operational results, along with non-GAAP measures that adjust for items that are typically excluded by securities analysts, are available on the company's website. Such non-GAAP measures should be not considered as an alternative to GAAP measures. Reconciliations of these non-GAAP measures and other disclosures are provided with the supplemental financial tables available on the company's website at www.chk.com. Management's updated guidance for 2023 can be found within the company's quarterly data supplement found on their website at www.chk.com.

Headquartered in Oklahoma City, Chesapeake Energy Corporation (NASDAQ:CHK) is powered by dedicated and innovative employees who are focused on discovering and responsibly developing leading positions in top U.S. oil and gas plays. With a goal to achieve net zero GHG emissions (Scope 1 and 2) by 2035, Chesapeake is committed to safely answering the call for affordable, reliable, lower carbon energy.

Forward-Looking Statements

This news release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements include our current expectations or forecasts of future events, including matters relating to the continuing effects of the impact of inflation and commodity price volatility resulting from Russia's invasion of Ukraine, COVID-19 and related supply chain constraints, and the impact of each on our business, financial condition, results of operations and cash flows, the potential effects of the Plan on our operations, management, and employees, actions by, or disputes among or between, members of OPEC+ and other foreign oil-exporting countries, market factors, market prices, our ability to meet debt service requirements, our ability to continue to pay cash dividends, the amount and timing of any cash dividends, and our ESG initiatives. Forward-looking and other statements in this presentation regarding our environmental, social and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking environmental, social and sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. Forward-looking statements often address our expected future business, financial performance and financial condition, and often contain words such as "expect," "could," "may," "anticipate," "intend," "plan," "ability," "believe," "seek," "see," "will," "would," "estimate," "forecast," "target," "guidance," "outlook," "opportunity" or "strategy."

Although we believe the expectations and forecasts reflected in our forward-looking statements are reasonable, they are inherently subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. No assurance can be given that such forward-looking statements will be correct or achieved or that the assumptions are accurate or will not change over time. Particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include those described under "Risk Factors" in Item 1A of our Annual Report on Form 10-K and any updates to those factors set forth in subsequent quarter reports on Form 10-Q or current reports on Form 8-K (available at <http://www.chk.com/investors/sec-filings>). These factors include: the impact of inflation and commodity price volatility resulting from Russia's invasion of Ukraine, COVID-19 and related labor and supply chain constraints, along with the effects of the current global economic environment, including impacts from higher interest rates and recent bank closures and liquidity concerns at certain financial institutions, on our business, financial condition, employees, contractors, vendors and the global demand for natural gas and oil and U.S. and on world financial markets; our ability to comply with the covenants under the credit agreement for our New Credit Facility and other indebtedness; risks related to acquisitions or dispositions, or potential acquisitions or dispositions; our ability to realize anticipated cash cost reductions; the volatility of natural gas, oil and NGL prices, which are affected by general economic and business conditions, as well as increased demand for (and availability of) alternative fuels and electric vehicles; a deterioration in general economic, business or industry conditions; uncertainties inherent in estimating quantities of natural gas, oil and NGL reserves and projecting future rates of production and the amount and timing of development expenditures; our ability to replace reserves and sustain production; drilling and operating risks and resulting liabilities; our ability to generate profits or achieve targeted results in drilling and well operations; the limitations our level of indebtedness may have on our financial flexibility; our ability to achieve and maintain ESG certifications, goals and commitments; our inability to access the capital markets on favorable terms; the availability of cash flows from operations and other funds to fund cash dividends and repurchases of equity securities, to

finance reserve replacement costs and/or satisfy our debt obligations; write-downs of our natural gas and oil asset carrying values due to low commodity prices; charges incurred in response to market conditions; limited control over properties we do not operate; leasehold terms expiring before production can be established; commodity derivative activities resulting in lower prices realized on natural gas, oil and NGL sales; the need to secure derivative liabilities and the inability of counterparties to satisfy their obligations; potential OTC derivatives regulations limiting our ability to hedge against commodity price fluctuations; adverse developments or losses from pending or future litigation and regulatory proceedings, including royalty claims; our need to secure adequate supplies of water for our drilling operations and to dispose of or recycle the water used; pipeline and gathering system capacity constraints and transportation interruptions; legislative, regulatory and ESG initiatives, addressing environmental concerns, including initiatives addressing the impact of global climate change or further regulating hydraulic fracturing, methane emissions, flaring or water disposal; terrorist activities and/or cyber-attacks adversely impacting our operations; and an interruption in operations at our headquarters due to a catastrophic event; federal and state tax proposals affecting our industry; competition in the natural gas and oil exploration and production industry; negative public perceptions of our industry; effects of purchase price adjustments and indemnity obligations; and the ability to execute on our business strategy following emergence from bankruptcy.

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

CHESAPEAKE ENERGY CORPORATION - SUPPLEMENTAL TABLES**Table of Contents:**

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CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(\$ in millions, except per share data)

	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 130	\$ 130
Restricted cash	67	62
Accounts receivable, net	864	1,438
Short-term derivative assets	464	34
Assets held for sale	862	819
Other current assets	242	215
Total current assets	2,629	2,698
Property and equipment:		
Natural gas and oil properties, successful efforts method		
Proved natural gas and oil properties	10,793	11,096
Unproved properties	2,002	2,022
Other property and equipment	498	500
Total property and equipment	13,293	13,618
Less: accumulated depreciation, depletion and amortization	(2,770)	(2,431)
Total property and equipment, net	10,523	11,187
Long-term derivative assets	122	47
Deferred income tax assets	973	1,351
Other long-term assets	344	185
Total assets	\$ 14,591	\$ 15,468
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 631	\$ 603
Accrued interest	40	42
Short-term derivative liabilities	25	432
Other current liabilities	1,202	1,627
Total current liabilities	1,898	2,704
Long-term debt, net	2,040	3,093
Long-term derivative liabilities	42	174
Asset retirement obligations, net of current portion	279	323
Other long-term liabilities	49	50
Total liabilities	4,308	6,344
Contingencies and commitments		
Stockholders' equity:		
Common stock, \$0.01 par value, 450,000,000 shares authorized: 134,019,253 and 134,715,094 shares issued	1	1
Additional paid-in capital	5,729	5,724
Retained earnings	4,553	3,399
Total stockholders' equity	10,283	9,124
Total liabilities and stockholders' equity	\$ 14,591	\$ 15,468

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
<i>(\$ in millions, except per share data)</i>		
Revenues and other:		
Natural gas, oil and NGL	\$ 1,453	\$ 1,914
Marketing	652	867
Natural gas and oil derivatives	930	(2,125)
Gains on sales of assets	335	279
Total revenues and other	3,370	935
Operating expenses:		
Production	131	110
Gathering, processing and transportation	264	242
Severance and ad valorem taxes	69	63
Exploration	7	5
Marketing	651	851
General and administrative	35	26
Depreciation, depletion and amortization	390	409
Other operating expense, net	3	23
Total operating expenses	1,550	1,729
Income (loss) from operations	1,820	(794)
Other income (expense):		
Interest expense	(37)	(32)
Other income	10	16
Total other income (expense)	(27)	(16)
Income (loss) before income taxes	1,793	(810)
Income tax expense (benefit)	404	(46)
Net income (loss) available to common stockholders	\$ 1,389	\$ (764)
Earnings (loss) per common share:		
Basic	\$ 10.31	\$ (6.32)
Diluted	\$ 9.60	\$ (6.32)
Weighted average common shares outstanding (in thousands):		
Basic	134,742	120,805
Diluted	144,731	120,805

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

<i>(\$ in millions)</i>	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flows from operating activities:		
Net income (loss)	\$ 1,389	\$ (764)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	390	409
Deferred income tax expense	378	—
Derivative (gains) losses, net	(930)	2,125
Cash payments on derivative settlements, net	(285)	(568)
Share-based compensation	7	4
Gains on sales of assets	(335)	(279)
Exploration	3	4
Other	9	(8)
Changes in assets and liabilities	263	(70)
Net cash provided by operating activities	889	853
Cash flows from investing activities:		
Capital expenditures	(497)	(344)
Business combination, net	—	(2,006)
Contributions to investments	(39)	—
Proceeds from divestitures of property and equipment	931	403
Net cash provided by (used in) investing activities	395	(1,947)
Cash flows from financing activities:		
Proceeds from New Credit Facility	1,000	—
Payments on New Credit Facility	(2,050)	—
Proceeds from Exit Credit Facility	—	1,565
Payments on Exit Credit Facility	—	(1,065)
Proceeds from warrant exercise	—	1
Cash paid to repurchase and retire common stock	(54)	(83)
Cash paid for common stock dividends	(175)	(210)
Net cash provided by (used in) financing activities	(1,279)	208
Net increase (decrease) in cash, cash equivalents and restricted cash	5	(886)
Cash, cash equivalents and restricted cash, beginning of period	192	914
Cash, cash equivalents and restricted cash, end of period	\$ 197	\$ 28
Cash and cash equivalents	\$ 130	\$ 19
Restricted cash	67	9
Total cash, cash equivalents and restricted cash	\$ 197	\$ 28

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

	Three Months Ended March 31, 2023							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBbl per day	\$/Bbl	MMcfe per day	\$/Mcfe
Marcellus	1,974	3.47	—	—	—	—	1,974	3.47
Haynesville	1,549	2.88	—	—	—	—	1,549	2.88
Eagle Ford	128	1.97	54	76.82	16	26.71	546	8.82
Total	<u>3,651</u>	<u>3.17</u>	<u>54</u>	<u>76.82</u>	<u>16</u>	<u>26.71</u>	<u>4,069</u>	<u>3.97</u>
Average NYMEX Price		3.42		76.13				
Average Realized Price (including realized derivatives)		2.74		66.79		26.71		3.45

	Three Months Ended March 31, 2022							
	Natural Gas		Oil		NGL		Total	
	MMcf per day	\$/Mcf	MBbl per day	\$/Bbl	MBbl per day	\$/Bbl	MMcfe per day	\$/Mcfe
Marcellus	1,452	4.66	—	—	—	—	1,452	4.66
Haynesville	1,625	4.46	—	—	—	—	1,625	4.46
Eagle Ford	129	4.04	52	95.00	16	41.09	540	11.44
Powder River Basin	41	5.45	8	95.18	3	53.96	102	10.66
Total	<u>3,247</u>	<u>4.54</u>	<u>60</u>	<u>95.02</u>	<u>19</u>	<u>43.05</u>	<u>3,719</u>	<u>5.72</u>
Average NYMEX Price		4.95		94.29				
Average Realized Price (including realized derivatives)		3.08		65.64		43.05		3.96

ADJUSTED GROSS MARGIN (unaudited)

(\$ in millions, except per unit)	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
	\$	\$/Mcf	\$	\$/Mcf
Marcellus				
Natural gas, oil and NGL sales	\$ 617	3.47	\$ 609	4.66
Production expenses	24	0.13	13	0.10
Gathering, processing and transportation expenses	111	0.62	71	0.54
Severance and ad valorem taxes	5	0.03	4	0.03
Adjusted gross margin (Non-GAAP)	<u>\$ 477</u>	2.69	<u>\$ 521</u>	3.99
Haynesville				
Natural gas, oil and NGL sales	\$ 402	2.88	\$ 652	4.46
Production expenses	47	0.34	32	0.22
Gathering, processing and transportation expenses	68	0.49	65	0.45
Severance and ad valorem taxes	34	0.24	12	0.09
Adjusted gross margin (Non-GAAP)	<u>\$ 253</u>	1.81	<u>\$ 543</u>	3.70
Eagle Ford				
Natural gas, oil and NGL sales	\$ 434	8.82	\$ 554	11.44
Production expenses	60	1.23	55	1.15
Gathering, processing and transportation expenses	85	1.73	84	1.73
Severance and ad valorem taxes	30	0.60	36	0.75
Adjusted gross margin (Non-GAAP)	<u>\$ 259</u>	5.26	<u>\$ 379</u>	7.81
Powder River Basin				
Natural gas, oil and NGL sales	\$ —	—	\$ 99	10.66
Production expenses	—	—	10	0.94
Gathering, processing and transportation expenses	—	—	22	2.32
Severance and ad valorem taxes	—	—	11	1.09
Adjusted gross margin (Non-GAAP)	<u>\$ —</u>	—	<u>\$ 56</u>	6.31

CAPITAL EXPENDITURES ACCRUED (unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
<i>(\$ in millions)</i>		
Drilling and completion capital expenditures:		
Marcellus	\$ 118	\$ 57
Haynesville	259	183
Eagle Ford	123	43
Powder River Basin	—	22
Total drilling and completion capital expenditures	500	305
Non-drilling and completion - field	24	12
Non-drilling and completion - corporate	20	22
Total capital expenditures	<u>\$ 544</u>	<u>\$ 339</u>

NON-GAAP FINANCIAL MEASURES

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

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

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

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

RECONCILIATION OF NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS TO ADJUSTED NET INCOME (unaudited)

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
	\$	\$/Share	\$	\$/Share
<i>(\$ in millions, except per share data)</i>				
Net income (loss) available to common stockholders (GAAP)	\$ 1,389	\$ 10.31	\$ (764)	\$ (6.32)
Effect of dilutive securities	—	(0.71)	—	—
Diluted income (loss) available to common stockholders (GAAP)	\$ 1,389	\$ 9.60	\$ (764)	\$ (6.32)
Adjustments:				
Unrealized (gains) losses on natural gas and oil derivatives	(1,119)	(7.73)	1,538	12.73
Gains on sales of assets	(335)	(2.32)	(279)	(2.31)
Other operating expense, net	7	0.05	31	0.26
Other	(6)	(0.04)	(13)	(0.11)
Tax effect of adjustments ^(a)	334	2.31	(77)	(0.64)
Effect of dilutive securities	—	—	—	(0.52)
Adjusted net income available to common stockholders (Non-GAAP)	<u>\$ 270</u>	<u>\$ 1.87</u>	<u>\$ 436</u>	<u>\$ 3.09</u>

(a) The 2023 First Quarter and 2022 First Quarter include a tax effect attributed to the reconciling adjustments using a statutory tax rate of 23% and an estimated annual effective tax rate of 6%, respectively.

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

<i>(\$ in millions)</i>	<u>Three Months Ended March 31, 2023</u>	<u>Three Months Ended March 31, 2022</u>
Net income (loss) (GAAP)	\$ 1,389	\$ (764)
Adjustments:		
Interest expense	37	32
Income tax expense (benefit)	404	(46)
Depreciation, depletion and amortization	390	409
Exploration	7	5
Unrealized (gains) losses on natural gas and oil derivatives	(1,119)	1,538
Gains on sales of assets	(335)	(279)
Other operating expense, net	7	31
Other	(6)	(13)
Adjusted EBITDAX (Non-GAAP)	<u>\$ 774</u>	<u>\$ 913</u>

RECONCILIATION OF GROSS MARGIN TO ADJUSTED GROSS MARGIN (unaudited)

<i>(\$ in millions)</i>	<u>Three Months Ended March 31, 2023</u>	<u>Three Months Ended March 31, 2022</u>
Gross margin (GAAP)		
Natural gas, oil and NGL sales	\$ 1,453	\$ 1,914
Less:		
Production expenses	(131)	(110)
Gathering, processing and transportation expenses	(264)	(242)
Severance and ad valorem taxes	(69)	(63)
Depreciation, depletion and amortization	(390)	(409)
Gross margin (GAAP)	<u>599</u>	<u>1,090</u>
Add back: Depreciation, depletion and amortization	390	409
Adjusted gross margin (Non-GAAP)	<u>\$ 989</u>	<u>\$ 1,499</u>

RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO ADJUSTED FREE CASH FLOW
(unaudited)

<i>(\$ in millions)</i>	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net cash provided by operating activities (GAAP)	\$ 889	\$ 853
Cash capital expenditures	(497)	(344)
Free cash flow (Non-GAAP)	392	509
Cash paid for acquisition costs	—	23
Cash contributions to investments	(39)	—
Free cash flow associated with assets under contract and divested assets	(112)	—
Adjusted free cash flow (Non-GAAP)	\$ 241	\$ 532

RECONCILIATION OF TOTAL DEBT TO NET DEBT (unaudited)

<i>(\$ in millions)</i>	March 31, 2023
Total debt (GAAP)	\$ 2,040
Premiums and issuance costs on debt	(90)
Principal amount of debt	1,950
Cash and cash equivalents	(130)
Net debt (Non-GAAP)	\$ 1,820