# Consistent Returns, Sustainable Future

February 9, 2021

CHESAPEAKE ENERGY

# Disclaimers

## FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as “anticipate,” “estimate,” “believe,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “should,” “will,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target,” “trajectory” or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include the risks discussed in our filings with the SEC and the following: our ability to successfully consummate the restructuring of our existing debt, existing equity interests, and certain other obligations, and emerge from the chapter 11 in bankruptcy court; the impact of the COVID-19 pandemic and its effect on our business, financial condition, employees, contractors and vendors, and on the global demand for oil and natural gas and U.S. and world financial markets; the effects of chapter 11 on our business and the interests of various constituents; risks associated with assumption of contracts in chapter 11, our ability to comply with the covenants under our exit facility and the related impact on our ability to continue as a going concern; the volatility of oil, natural gas and natural gas liquids prices, which are affected by general economic and business conditions, as well as increased demand for (and availability of) alternative fuels and electric vehicles; uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and projecting future rates of production and the amount and timing of development expenditures; our ability to replace reserves and sustain production; drilling and operating risks and resulting liabilities; our ability to generate profits or achieve targeted results in drilling and well operations; the limitations our level of indebtedness may have on our financial flexibility; our inability to access the capital markets on favorable terms; the availability of cash flows from operations and other funds to finance reserve replacement costs or satisfy our debt obligations; adverse developments or losses from pending or future litigation and regulatory proceedings, including royalty claims; legislative and regulatory initiatives addressing environmental concerns, including initiatives addressing the impact of global climate change or further regulating hydraulic fracturing, methane emissions, flaring or water disposal; terrorist activities and/or cyber-attacks adversely impacting the our operations; effects of acquisitions and dispositions and our ability to realize related synergies and cost savings; and effects of purchase price adjustments and indemnity obligations. Additional factors that could affect our future results or events are described under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the “2019 10-K”) and our Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 2020, and in other reports we file with the U.S. Securities and Exchange Commission from time to time. Readers are cautioned not to place undue reliance on forward-looking statements. All forward-looking statements set forth in this document are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us or our business or operations. Forward-looking statements set forth in this document speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events, except to the extent required by law.

## NON-GAAP FINANCIAL MEASURES

Certain financial information included herein, including Adjusted EBITDA and Adjusted EBITDAX, are not presentations made in accordance with U.S. GAAP, and use of such terms varies from others in the same industry. Non-GAAP financial measures should not be considered as alternatives to net income (loss), total operating expenses or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance or cash flows as measures of liquidity. Non-GAAP financial measures have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for results as reported under U.S. GAAP. See the Appendix to this presentation for a reconciliation of certain non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with U.S. GAAP.

## NATURAL GAS, OIL & NATURAL GAS LIQUIDS RESERVES

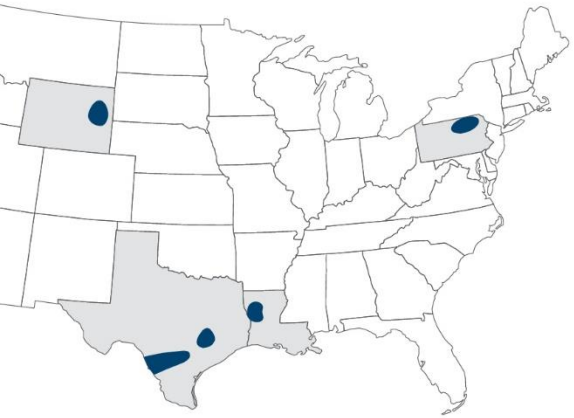
The Company’s proved reserves and adjusted proved reserves are those quantities of natural gas, oil, and natural gas liquids, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, 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.

The Company’s estimate of its total proved reserves is based on reports prepared by LaRoche Petroleum Consultants, Ltd., independent petroleum engineers, and internal estimates. Factors affecting ultimate recovery include the scope of the Company’s ongoing drilling program, which will be directly affected by the availability of capital, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, regulatory approvals, actual drilling results, including geological and mechanical factors affecting recovery rates, and other factors. Estimates may change significantly as development of the Company’s natural gas, oil and natural gas liquids assets provide additional data. The Company’s production forecasts and expectations for future periods are dependent upon many assumptions, including estimates of production decline rates from existing wells and the undertaking and outcome of future drilling activity, which may be affected by significant commodity price declines or drilling cost increases.

# Company Overview

# Chesapeake Today: A Fundamentally Different Company

**Low-cost operator built to generate sustainable free cash flow from a strong balance sheet, diverse asset base and leading ESG performance.**



CHESAPEAKE ENERGY

- **Strong balance sheet with low leverage profile**
- **Disciplined capital reinvestment strategy**
- **Low-cost operator with top-quartile cash costs**
- **Built to generate sustainable free cash flow**
- **World-class natural gas assets, oil optionality and scale to win**
- **Committed to ESG and safety excellence**

# Our Pledge: Consistent Returns, Sustainable Future

Preserve balance sheet strength

## Targeting <1X long-term leverage[1]

Disciplined capital reinvestment rate targeting

## 60% – 70%

to yield positive FCF and 400+ mboe/d on $700mm – $750mm of annual capex

## >$2B of FCF[2]

projected over next five years provides flexibility to enhance returns through debt reduction, dividends, share buybacks, redeployment or M&A

## Focus on cost reduction

Targets 30% – 40% of EBITDAX as FCF yield

Cash cost leadership

## ~$1B

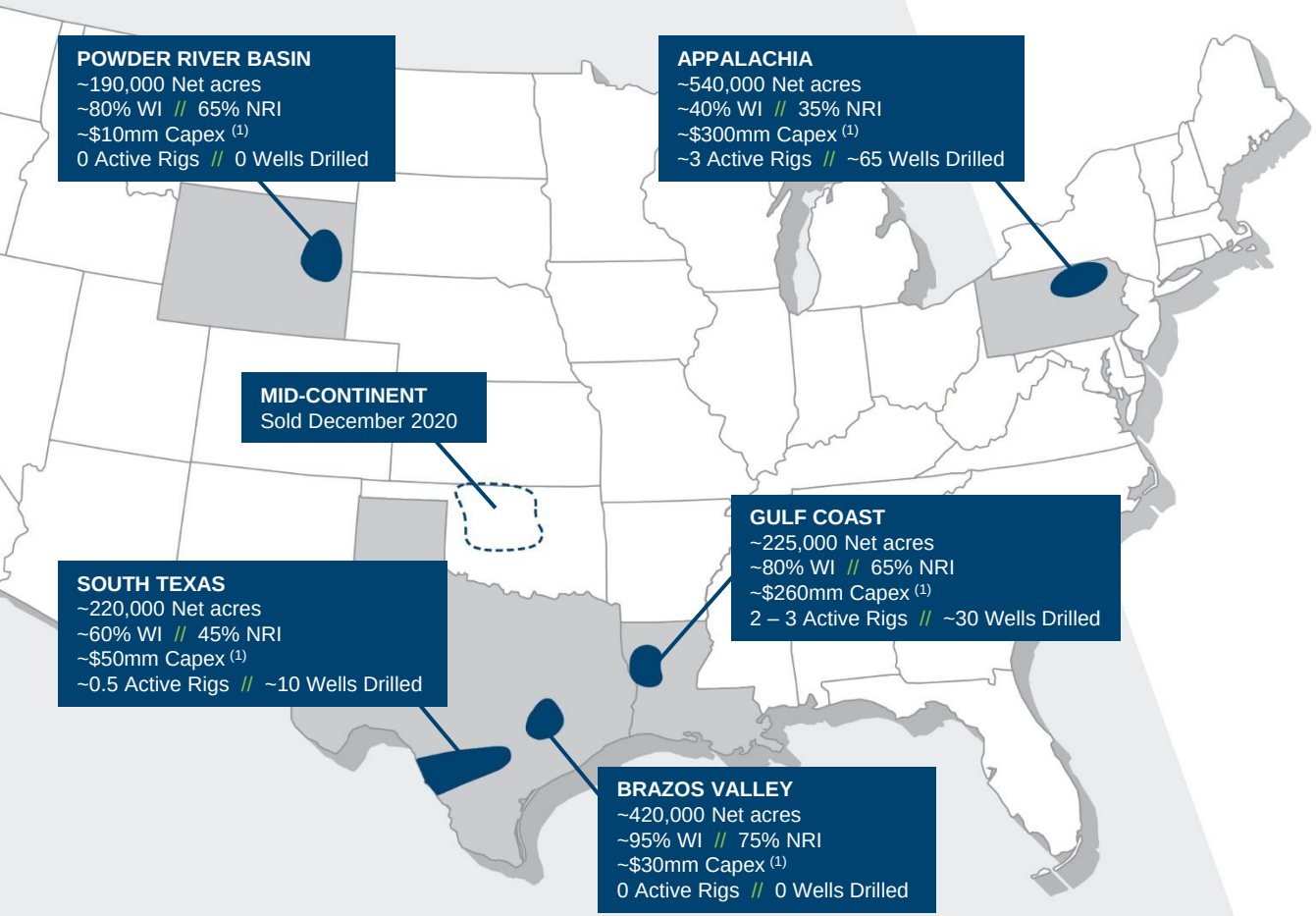
annual cash costs[3] removed vs. 2019, a permanent reduction

## Achieve net-zero direct GHG emissions by 2035

- Eliminate routine flaring on all new wells completed from 2021 forward, and enterprise-wide by 2025
- Reduce methane intensity[4] to 0.09% and GHG intensity[5] to 5.5 by 2025

(1) Defined as net debt / EBITDAX. Net debt = principal of debt + revolving facility balance - cash on hand. EBITDAX is a non-GAAP financial measure and is defined as earnings before interest, taxes, depreciation and amortization and exploration cost. See the appendix for a reconciliation of Net Cash from Operating Activities to EBITDAX. (2) Free cash flow (FCF) is a non-GAAP financial measure and is defined as net cash flow from all activities excluding financing transactions and restructuring costs. Estimated based on 1/22/2021 strip pricing from 2021 to 2025. (3) Total cash costs = LOE + GP&T + G&A + operating taxes (excluding income taxes) + interest. (4) Defined as volume methane emissions / volume gross gas produced. (5) Defined as $tCO_2e$/gross boe produced.

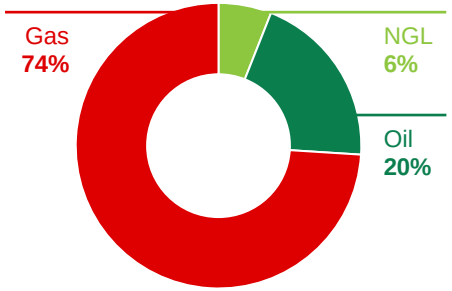
# Deep Portfolio: Diversified Positions Across Multiple Basins



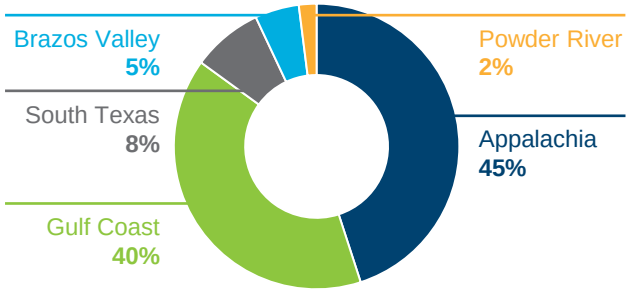

| 4Q'20E Production | |
|---|---|
| ~435 mboe/d | |
| Appalachia: 1,110 mmcf/d | Brazos Valley: 41 mboe/d |
| Gulf Coast: 558 mmcf/d | Powder River Basin: 22 mboe/d |
| South Texas: 84 mboe/d | Mid-Continent: 10 mboe/d ◀ Divested in Dec. 2020 |

## Projected $700mm – $750mm Annual Sustaining Capex(1)

**4Q'20E Production Mix**



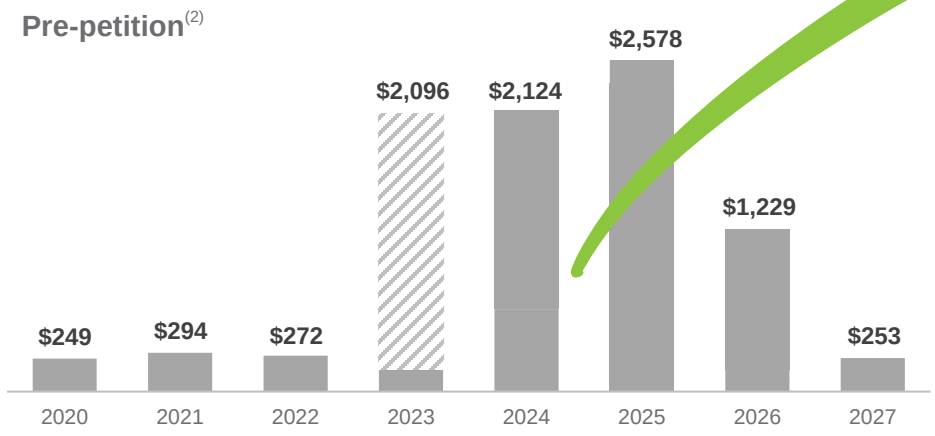

**2021E Asset Development Detail**
(~$650mm Development Capex)

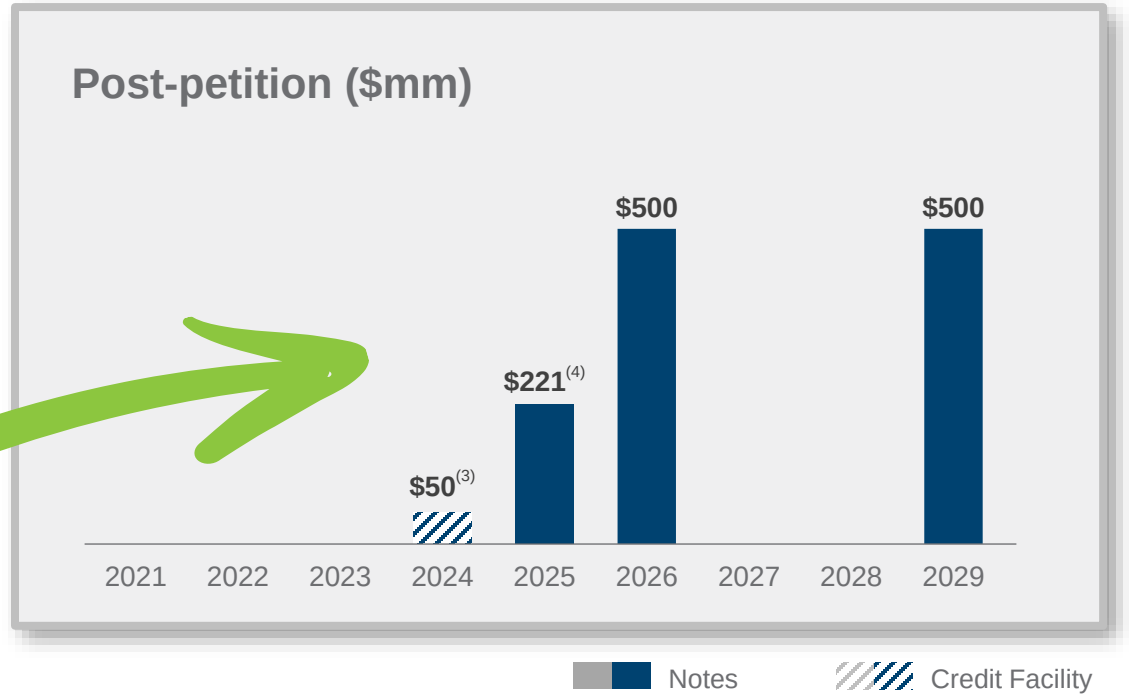



Note: Net acres and projected WI and NRI estimates as of 12/31/2020.
(1) Capex inclusive of D&C, workover, land/G&G, facilities and capitalized G&A but excludes capitalized interest

# Restored Balance Sheet

- Significant liquidity
  - $2.5B borrowing base at exit
  - $1.7B[1] available at emergence
- Expected substantial FCF targeted to result in revolver undrawn by year end 2021
- Cash flow projections substantially de-risked through robust hedging program

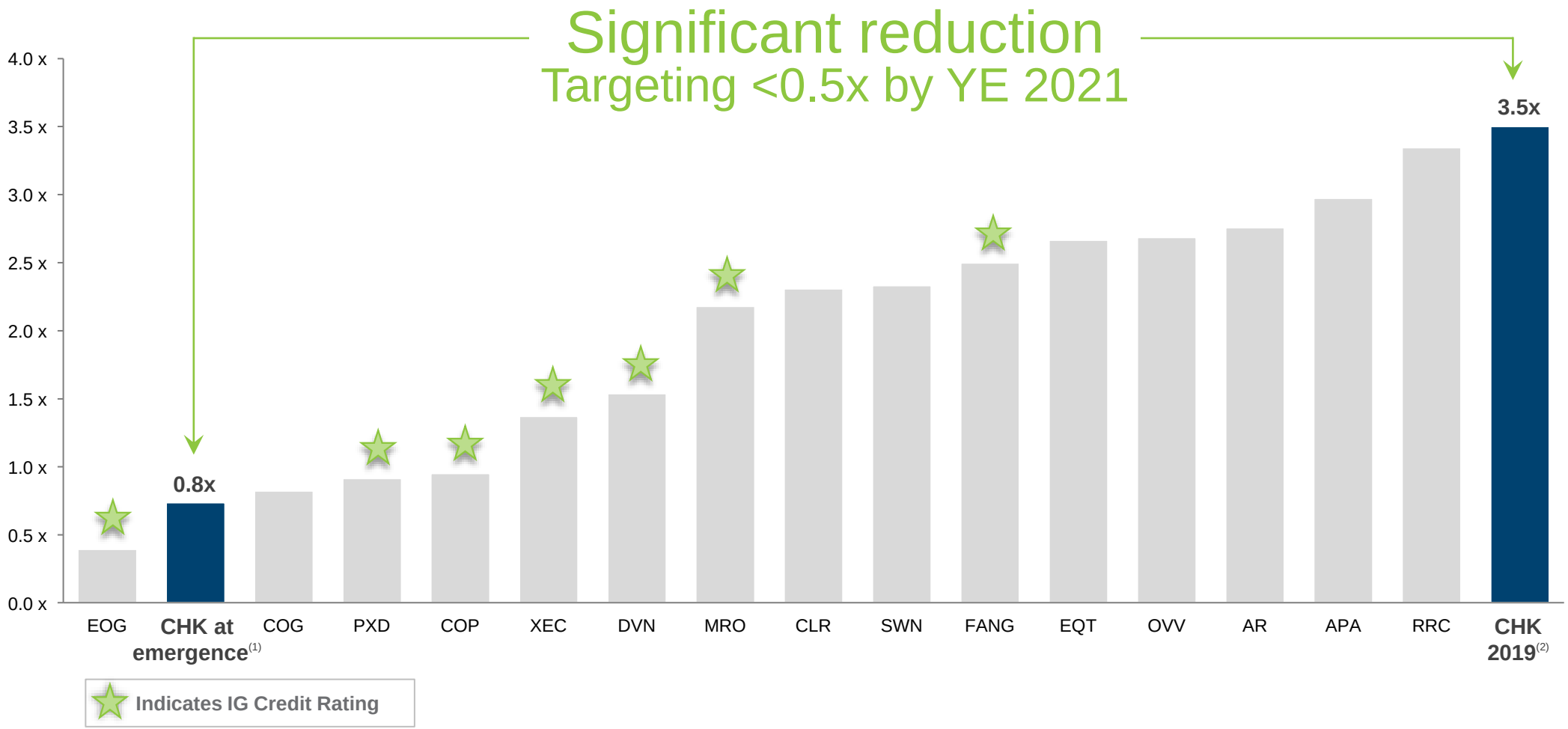



- Expected to issue 100mm – 138mm of common shares upon emergence
  - Inclusive of Rights Offerings, Backstop Agreement and Warrants, depending on exercise[5]

(1) Borrowing base currently supporting up to $1.97B of Tranche A and B credit facility commitments assuming. (2) As of 6/28/2020. (3) Current balance upon exit from Ch. 11 proceedings (excludes letters of credit).
(4) Represents $221mm of CA-CIB and Natixis Tranche B. (5) Share range dependent upon method of warrant exercise elected by holders (method of exercise is for cash or cashless).

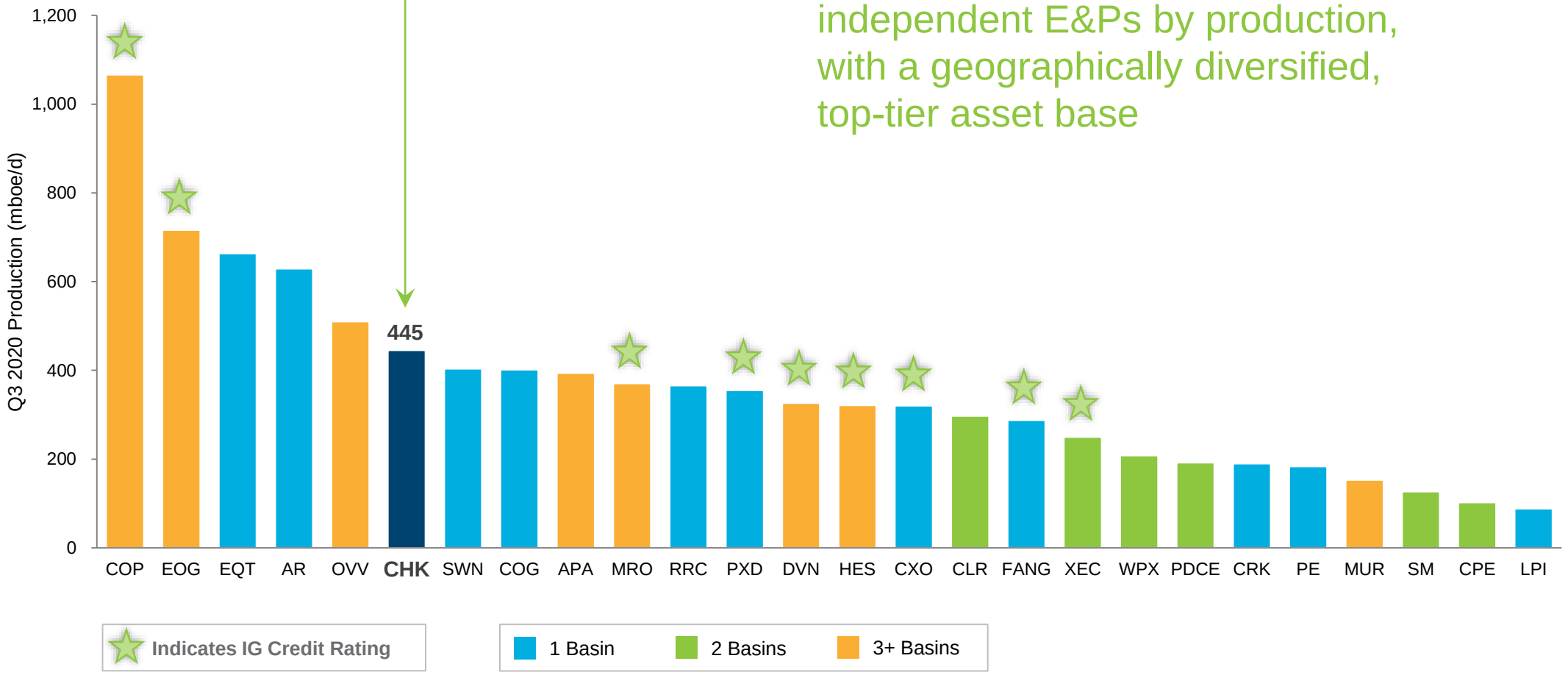
# Balance Sheet Improved vs. IG Peers




Source: Capital IQ, Eikon and Bloomberg; peer estimates per IBES market data as of 1/18/2021.
Note: Data based on strip prices as of 1/18/2021. COP and PXD estimates are pro forma for announced mergers. FANG shown pro forma for announced acquisition based on research estimates, exclusive of announced synergies.
(1) CHK at emergence calculated as net debt at emergence over LTM Q1 2021 EBITDA. (2) 2019 CHK calculated as YE 2019 net debt over 2019 EBITDA.

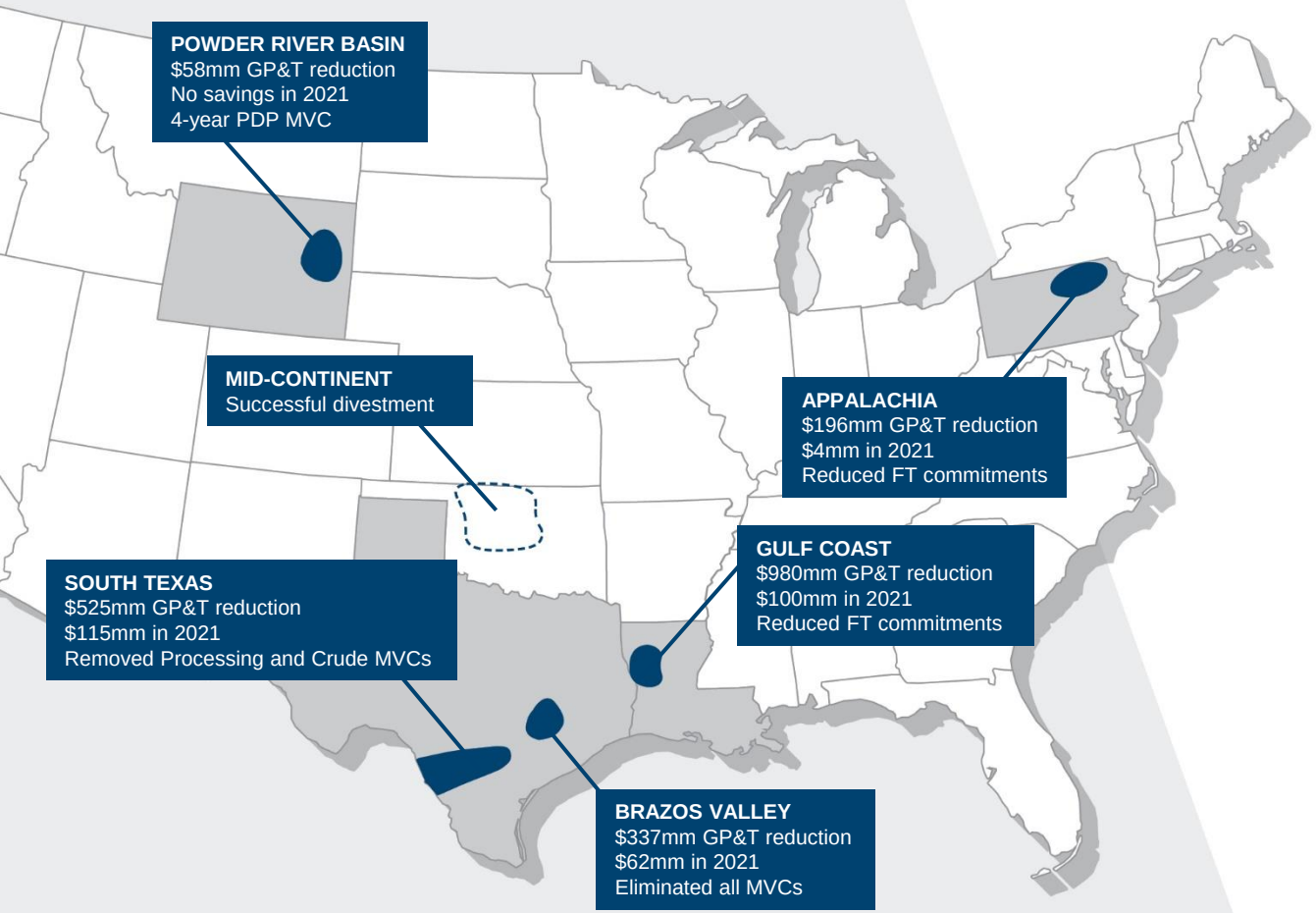
# Investment-Grade Scale

Chesapeake is one of the largest U.S. independent E&Ps by production, with a geographically diversified, top-tier asset base




Source: Company disclosure and SEC filings

# Marketing Contract Negotiations




**$4B in Contract Savings**
($2.2B PV-10, $281mm in 2021)

Successfully renegotiated or rejected ~$15B in contracts

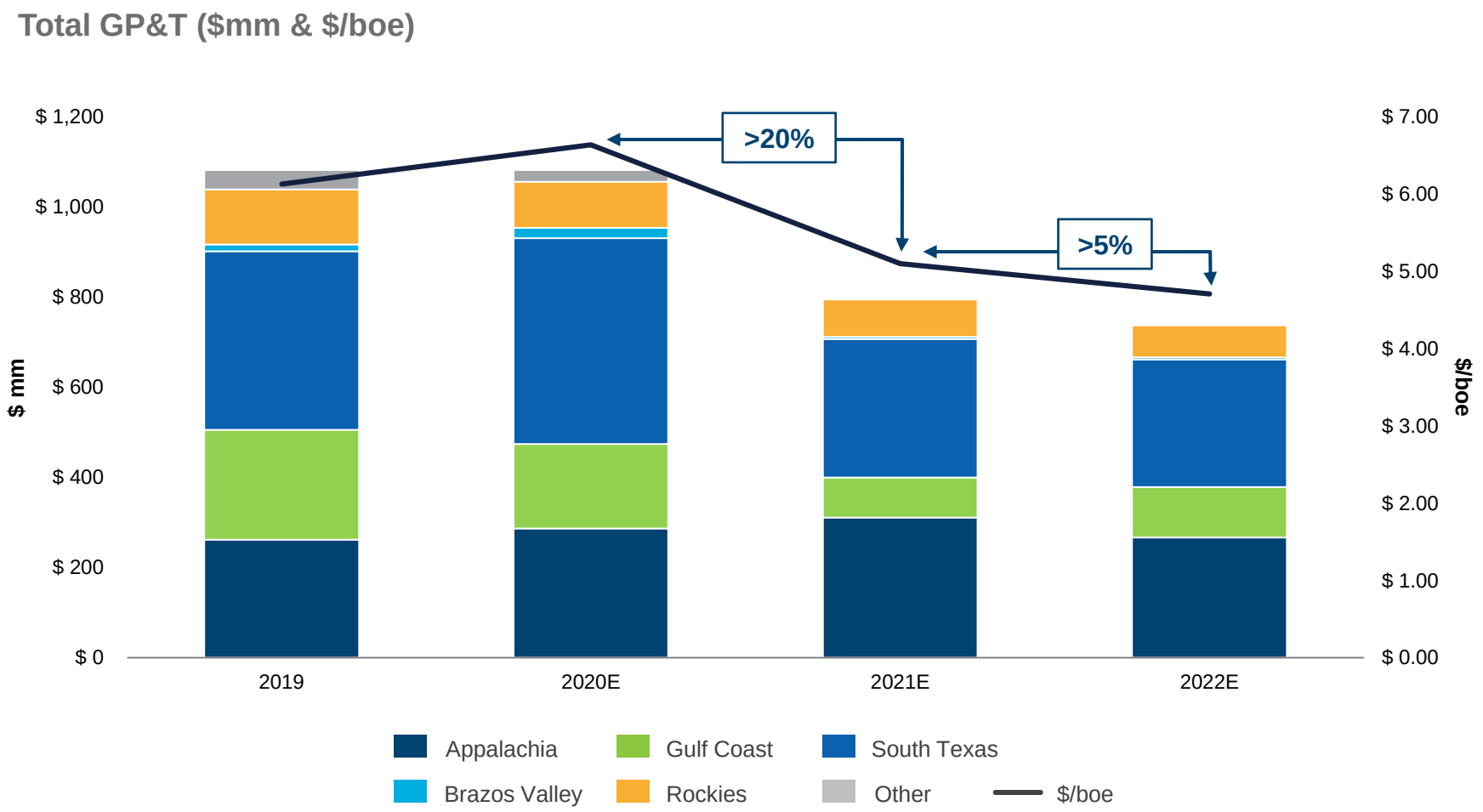
~$5.15/boe 2021 GP&T
(Down >20% from 2020, 40% from 2015)

Long term commitments reduced by 55% (~$3.0B)[1]

Reduced contracts from over 2,000 to approximately 800

(1) All figures compared vs Chapter 11 commencement in May 2020 and current as of January 2021.

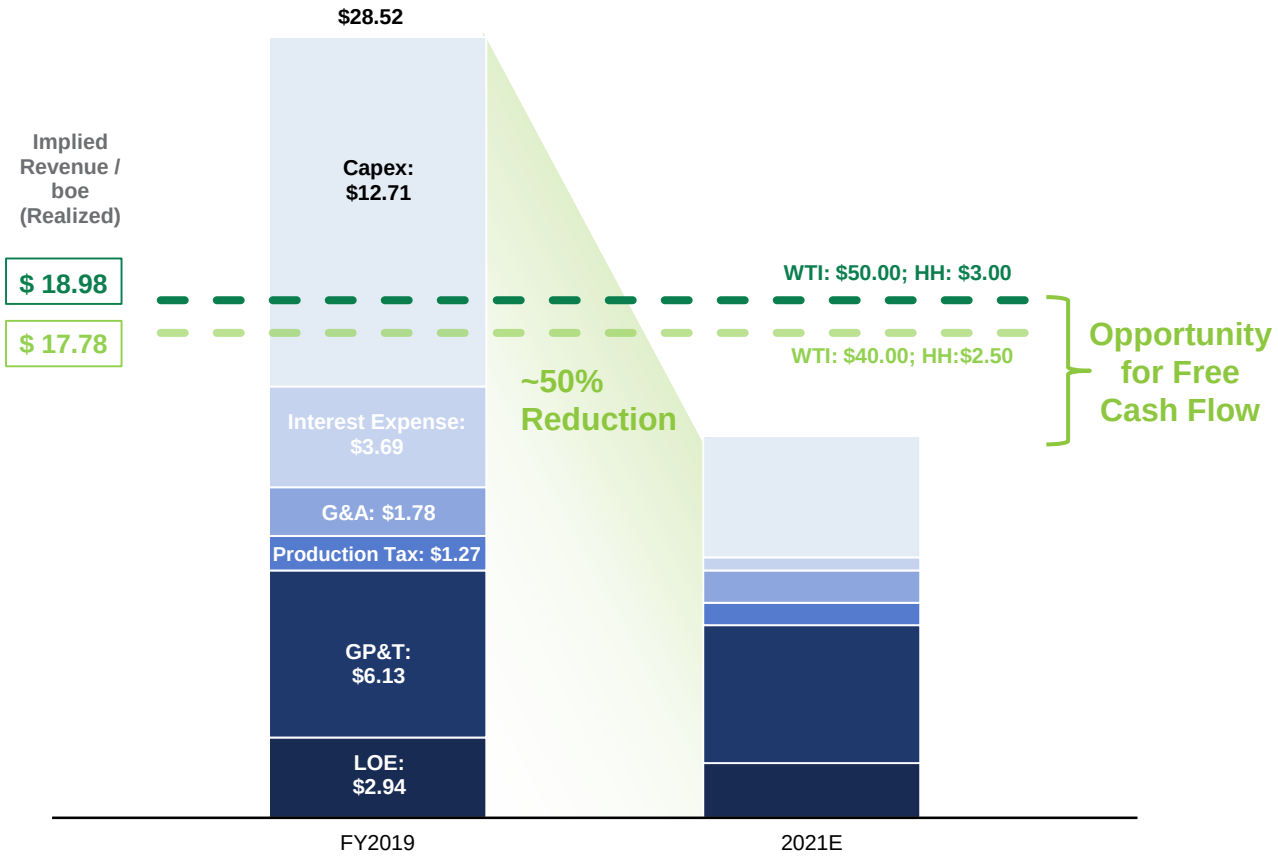
# Reset, Competitive Midstream Contracts




Source: Chesapeake Filings, Management Projections
Note: 2021E and 2022E excludes Mid-Continent.

# Significant Improvement in Cost Structure to Support Sustainable Free Cash Flow Generation

## Meaningful Cost Reduction ($/boe)




## 2021 Cost Guidance

| | $mm | per/boe |
|---|---|---|
| Capex | $670 – $740 | $4.35 – $4.80 |
| Interest Expense | $60 – $70 | $0.40 – $0.45 |
| G&A | $180 – $200 | $1.15 – $1.30 |
| Production Tax | $130 – $150 | $0.85 – $0.95 |
| GP&T | $760 – $830 | $4.90 – $5.40 |
| LOE | $300 – $330 | $1.95 – $2.15 |
| TOTAL | $2,100 – $2,320 | $13.60 – $15.05 |

## Confirmed Cost Reduction Efforts

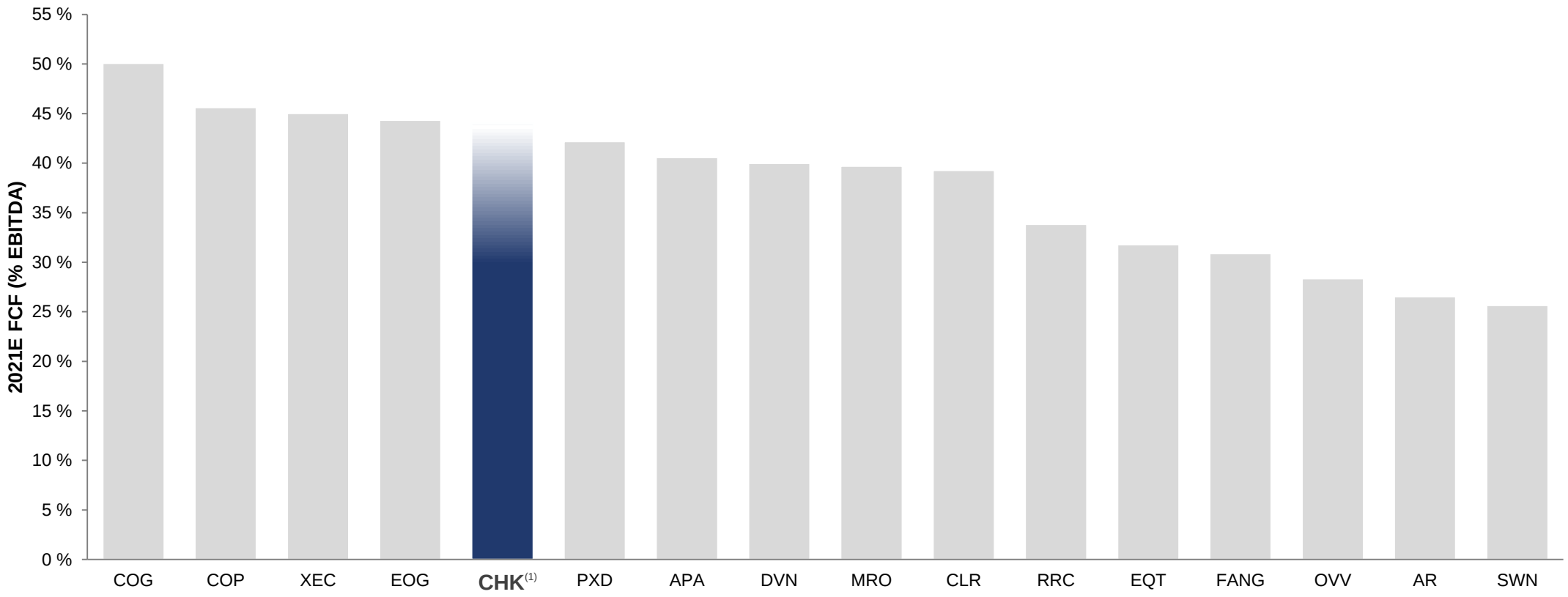
- Rationalized drilling program to target highest return locations
- At emergence debt burden will be reduced by ~$7.7B from pre-bankruptcy levels
- Reduction of cash G&A expenses of ~$125mm compared to YE 2019
- Successfully renegotiated GP&T agreements in all operating areas
- Continued efforts to reduce LOE including reducing SWD costs, optimizing repairs and maintenance expense and workover

Source: Public filings, Management Guidance
Note: Implied revenue per boe calculated as illustrative 2021E revenues at each price deck and including the effect of hedges in place divided by 2021E projected production.

# Top-Quartile Cost Structure


Source: Peer figures based on company 2020 Third Quarter 10-Q filings, quarter-to-date (3 month) results only. CHK 2021E based on midpoints of 2021 guidance.
Note: Total cash costs = LOE + GP&T + G&A + operating taxes (excluding income taxes) + interest

# Meaningful Shift to Delivering Free Cash Flow




Source: Capital IQ, Eikon and Bloomberg; peer estimates per IBES, market data as of 1/18/2021.
Note: Data based on IBES estimates as adjusted for strip prices as of 1/18/2021. COP and PXD estimates are pro forma for announced mergers. FANG shown pro forma for announced acquisition based on research estimates, exclusive of announced synergies.
(1) CHK excludes financing transaction and restructuring cost.

# Leading a Responsible Energy Future

## Our path to achieving net-zero direct GHG emissions by 2035

### Environmental Stewardship

- Eliminate routine flaring on all wells completed from 2021 forward, and enterprise-wide targeted by 2025
- Targeted reduction of GHG intensity and methane intensity by 2025
- Intend to initiate first electric frac in 2021, opportunity to implement enterprise-wide

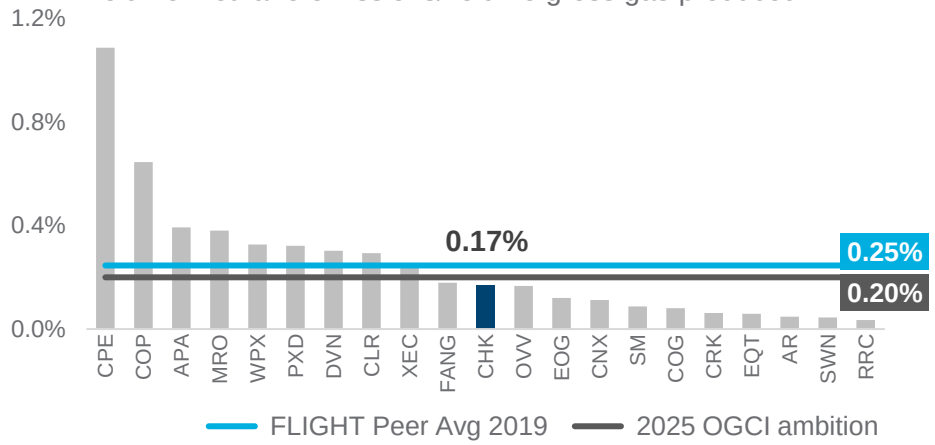
### Social Engagement

- One CHK culture and company core values promote a diverse, inclusive and productive workplace
- Commitment to increased I&D education and training

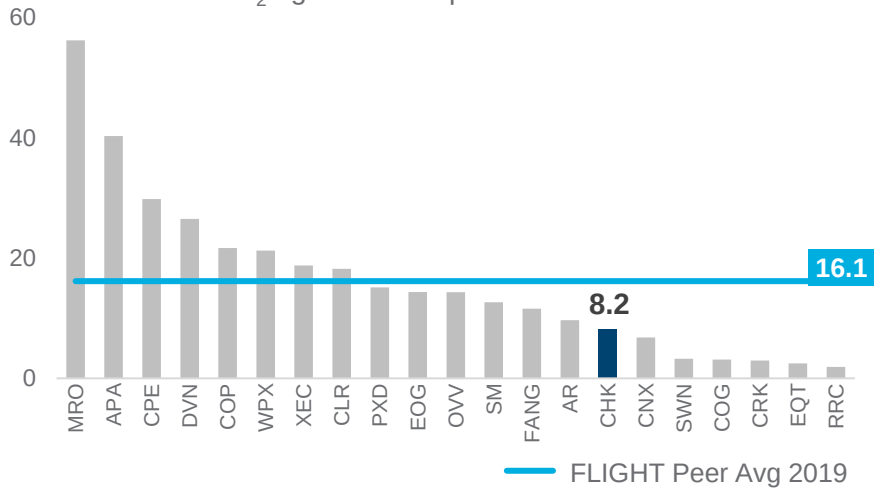
### Governance Reform

- Forming Board committee dedicated to ESG oversight

**2019 Methane Intensity**
volume methane emissions/volume gross gas produced




**2019 GHG Emissions Intensity**
metric tons $CO_2e$/gross mboe produced




Source: Company disclosure

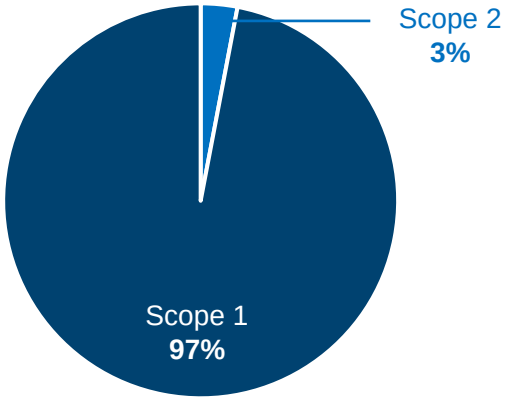
# CHK Scope 1 and 2 GHG Metrics

- 2019 GHG and methane intensity increased due to the WRD acquisition
- Post-acquisition, CHK initiated a concerted effort to high-grade the BV asset to CHK standards by adding
  - Emission controls
  - Emission monitoring programs
  - Reducing programs
- We expect 2020 GHG metrics will show that methane intensity decreased compared to 2019

**Scope 1**

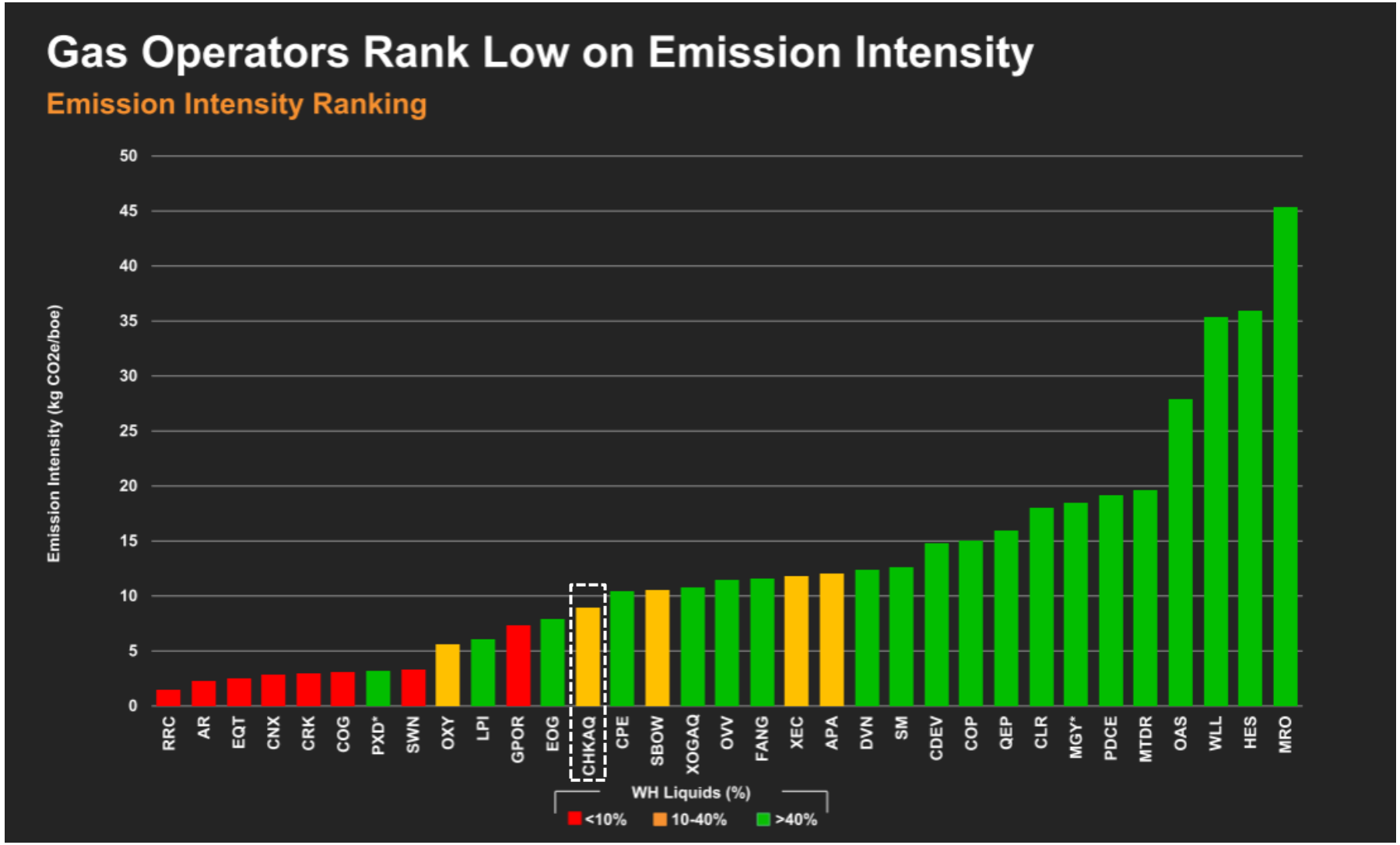
| | Methane intensity[1] | GHG intensity[2] |
|---|---|---|
| **2019** | 0.17% | 8.2 |
| **2018** | 0.16% | 7.2 |
| **2017** | 0.19% | 9.1 |

**Total GHG Intensity[2]**




(1) Volume methane emissions/volume gross gas produced. (2) Metric tons methane emissions / gross oil and gas production, mboe.
GHG: Greenhouse Gas as carbon dioxide, methane, and nitrous oxide; Scf: Standard cubic feet; MMscf: Million standard cubic feet; mboe: Thousand barrels of crude oil equivalent. 6 thousand scf = 1 boe;
$CO_2e$: Carbon dioxide equivalent. 1 metric ton methane = 25 $CO_2e$ and 1 metric ton nitrous oxide = 298 $CO_2e$

# 2019 Emissions by Operator




Source: Enverus December 2020 Play by Play Conference. PXD and MGY assumes 2018 data.

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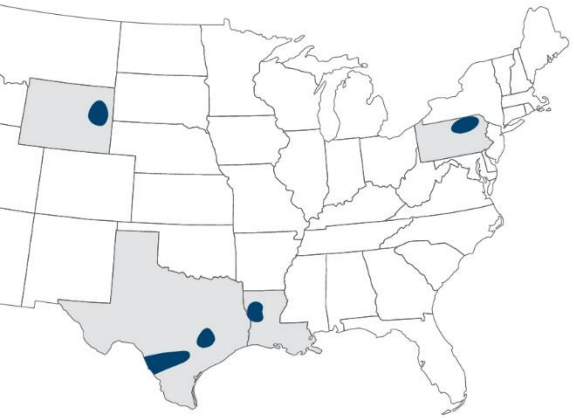

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- **World-class natural gas assets, oil optionality and scale to win**
- **Committed to ESG and safety excellence**

# Appendix

# Board of Directors

**MICHAEL WICHTERICH, Chairman**

- Founder and CEO of Three Rivers Operating Company LLC
- Most recently served as CFO of Texas American Resources
- Previous experience includes CFO at New Braunfels Utilities and Mariner Energy, and energy audit at PwC
- Currently serving on the boards of Grizzly Energy, Bruin E&P Operating and Extraction Oil and Gas

**TIMOTHY S. DUNCAN**

- Founder, President and CEO of Talos Energy Inc.
- Served as a director at Talos since April 2012
- Prior to Talos, served as Senior Vice President of Business Development and a founder of Phoenix Exploration Company LP

**BENJAMIN C. DUSTER, IV**

- Founder and Chief Executive Officer of Cormorant IV Corporation, LLC, a consulting firm specializing in operational turnarounds and organizational transformations
- A 30-year veteran of Wall Street with extensive experience in M&A and Strategic Advisory Services in both developed and emerging markets
- Currently serving on the boards of Weatherford International, Plc and Alaska Communications Systems Group, Inc.

**SARAH EMERSON**

- President and managing principal at ESAI Energy, LLC, an energy consulting firm
- Currently serving as a Senior Associate at the Center for Strategic and International Studies and has been a Senior Fellow at the Kennedy School at Harvard University

**MATTHEW M. GALLAGHER**

- Former President and CEO of Parsley Energy Inc.
- Prior to serving as CEO, served as Parsley's COO from 2014 to 2019
- Currently serving on the board of Pioneer Natural Resources

**ROBERT D. LAWLER**

- President, CEO and Director of Chesapeake Energy Corporation since 2013
- Prior to Chesapeake, has held multiple engineering and leadership positions at Anadarko Petroleum Corporation and Kerr-McGee

**BRIAN STECK**

- Currently the Chairman of Bonanza Creek Energy, Inc.
- Previously served as a Partner at Mangrove Partners since 2011
- Currently serving on boards of Bonanza Creek and California Resources Corporation

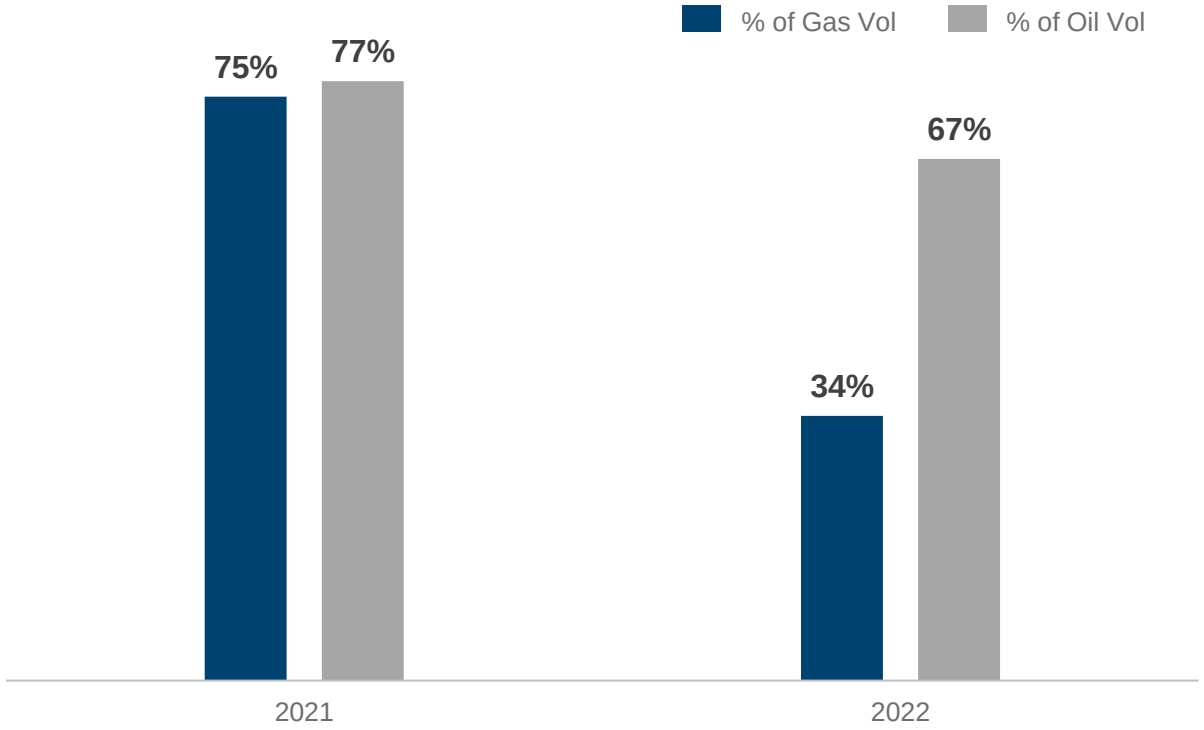
# Hedging Program Reduces Risk, Protects Returns

Locked in

**>75%**

of forecasted volumes for 2021

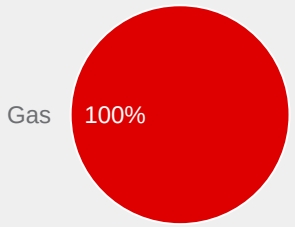
| Average Hedged Price | 2021 | 2022 |
|---|---|---|
| Gas ($/mcf) | $ 2.69 | $ 2.53 |
| Oil ($/bbl) | $ 42.69 | $ 44.30 |




Note: Hedged volumes and hedged prices reflect hedges as of 2/4/2021.

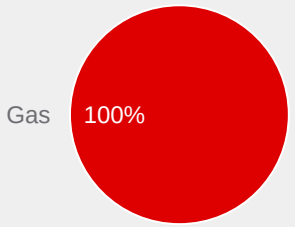
# Gas Assets: Appalachia and Gulf Coast

**4Q'20E Production:**
1,110 mmcf/d



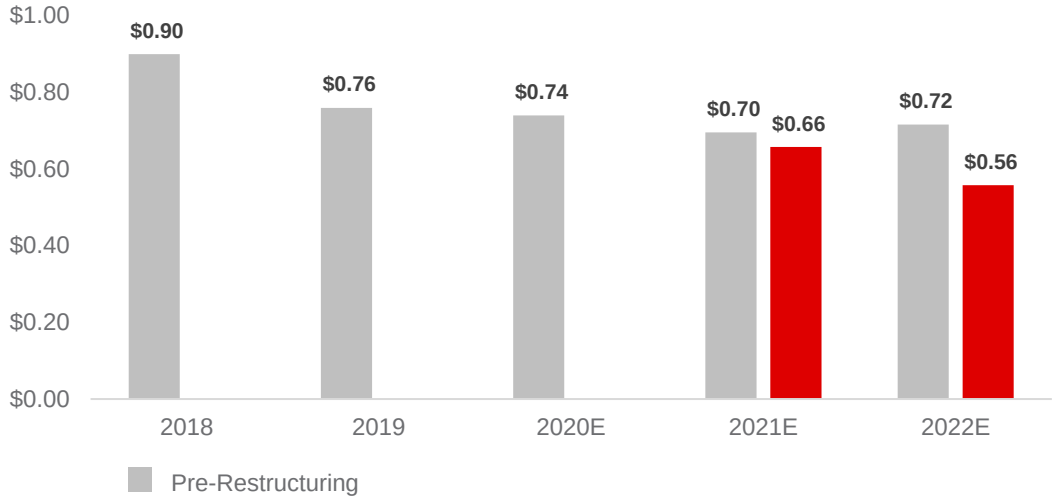

- ($0.50)/mcf annual average in-basin to NYMEX pricing
- Premium realizations in winter months
- ~40% of 4Q'20E production

**4Q'20E Production:**
558 mmcf/d

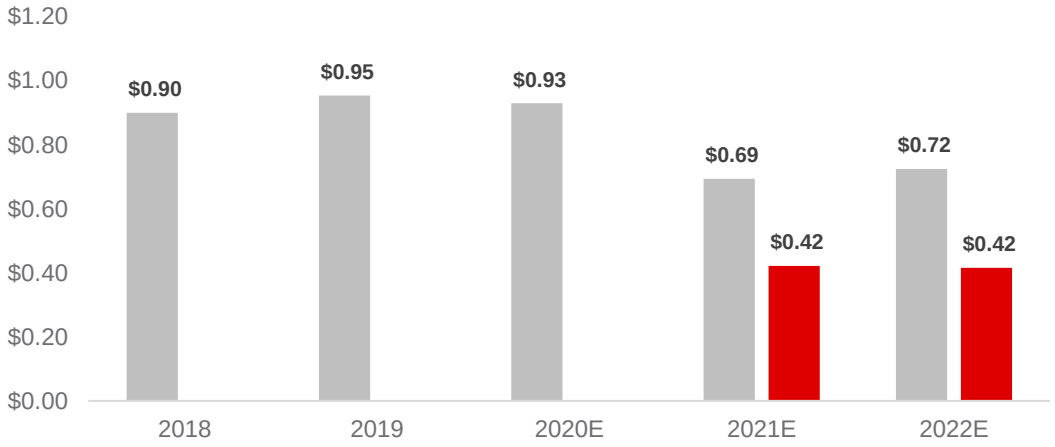



- ($0.18)/mcf annual average in-basin to NYMEX pricing
- ~20% of 4Q'20E production

**Appalachia: Gas GP&T ($/mcf)**



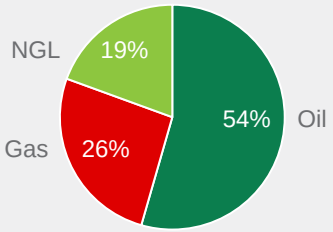

**Gulf Coast: Gas GP&T ($/mcf)**




Marketing fee excluded. Basis based on periods 2021E – 2025E.

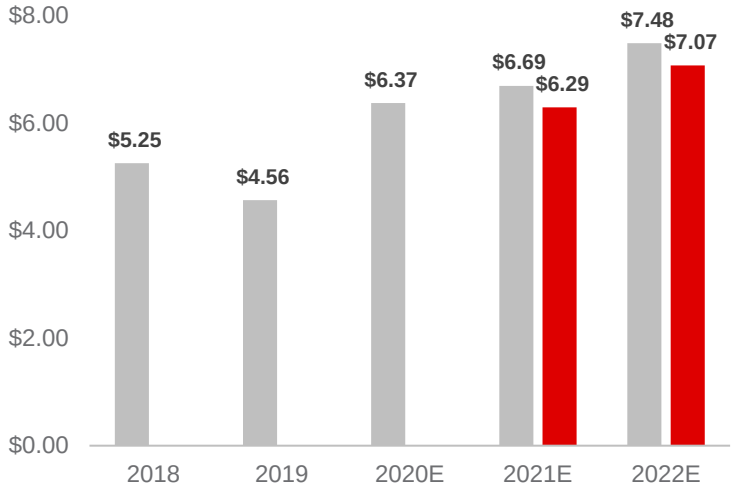
# South Texas

**4Q'20E Production:**
84 mboe/d

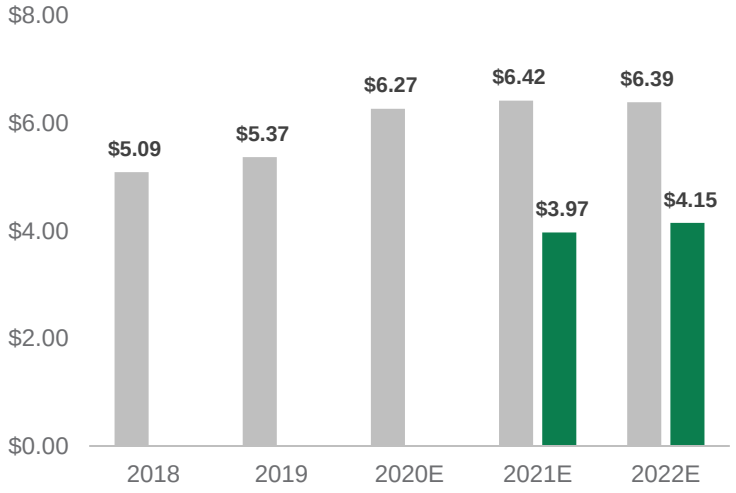



- +$0.15/mcf, +$0.30/bbl oil, and +$0.15/bbl NGL annual average in-basin to NYMEX pricing
- Eliminated processing and crude MVCs, only gas gathering MVCs remain
- ~20% of 4Q'20E production

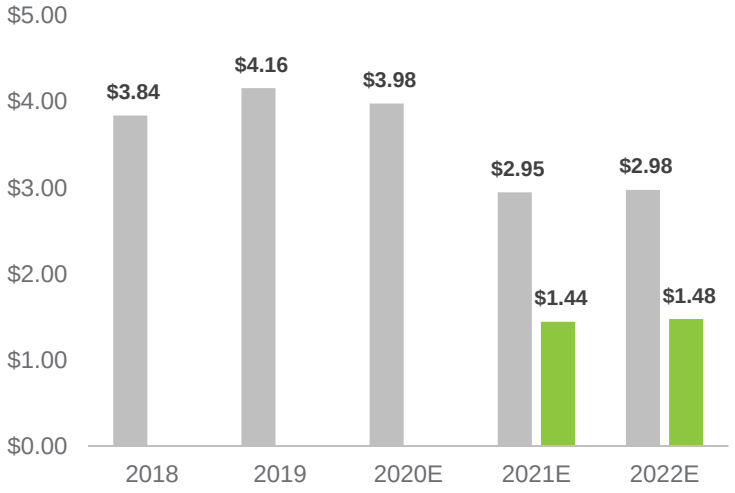
**Gas GP&T ($/mcf)**




**Oil GP&T ($/bbl)**




**NGL GP&T ($/bbl)**

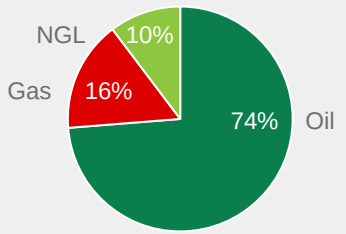



Pre-Restructuring

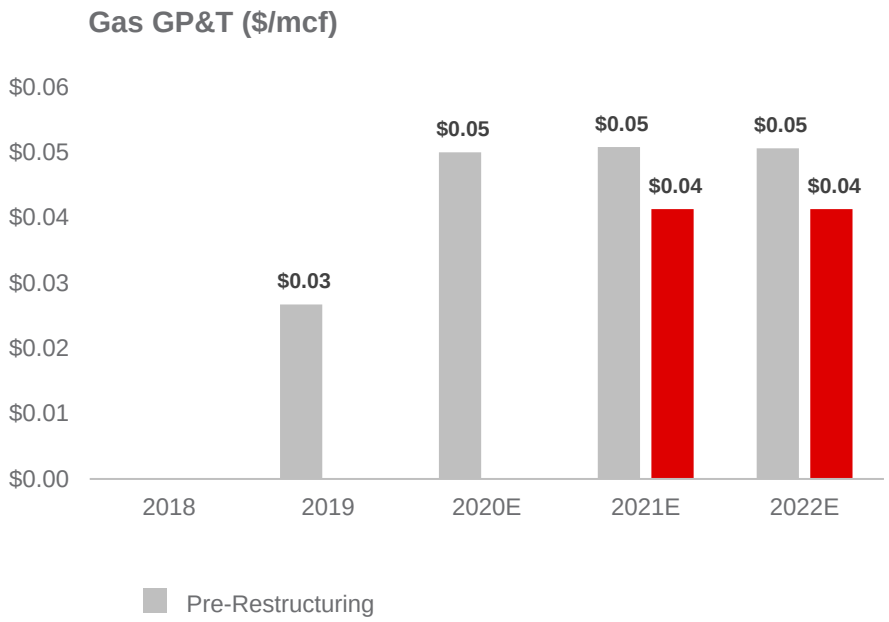
Marketing fee excluded. Basis based on periods 2021E – 2025E.

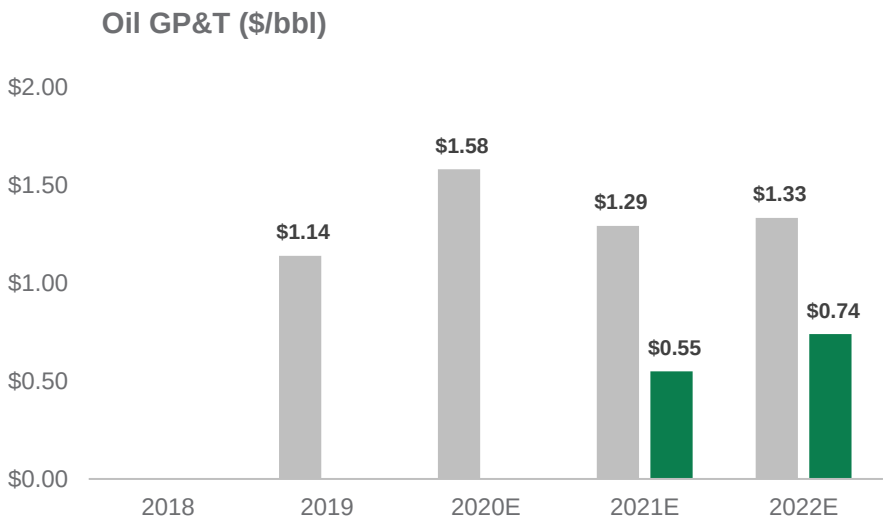
# Brazos Valley

**4Q'20E Production:**
41 mboe/d




- ($0.50)/mcf, ($0.75)/bbl oil, and ($8.30)/bbl NGL annual average in-basin to NYMEX pricing
- Eliminated all MVCs
- ~10% of 4Q'20E production

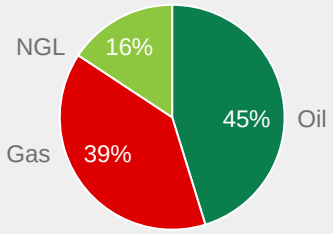



Marketing fee excluded. Basis based on periods 2021E – 2025E.

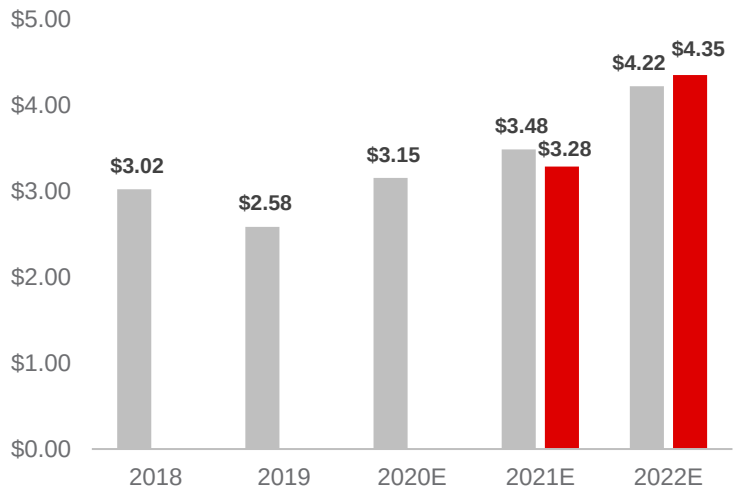
# Powder River Basin

**4Q'20E Production:**
22 mboe/d

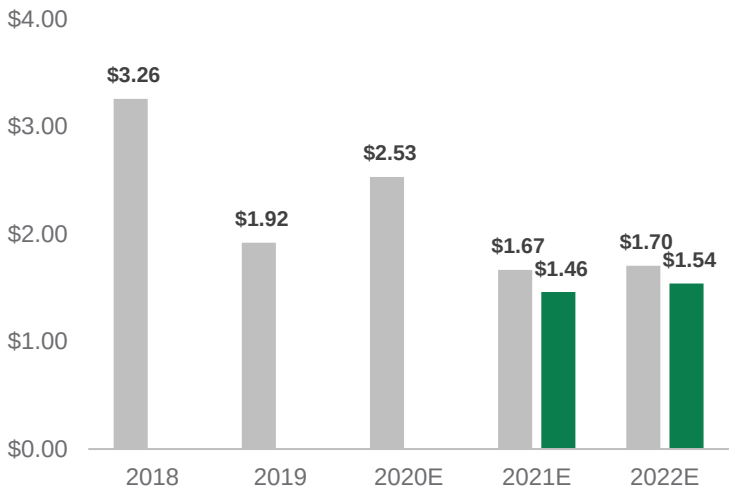



- ($0.05)/mcf, ($2.25)/bbl oil, and ($4.15)/bbl NGL annual average in-basin to NYMEX pricing
- MVC/EBITDAX recoupment converted to straight MVC, four years, 90% of PDP
- ~5% of 4Q'20E production

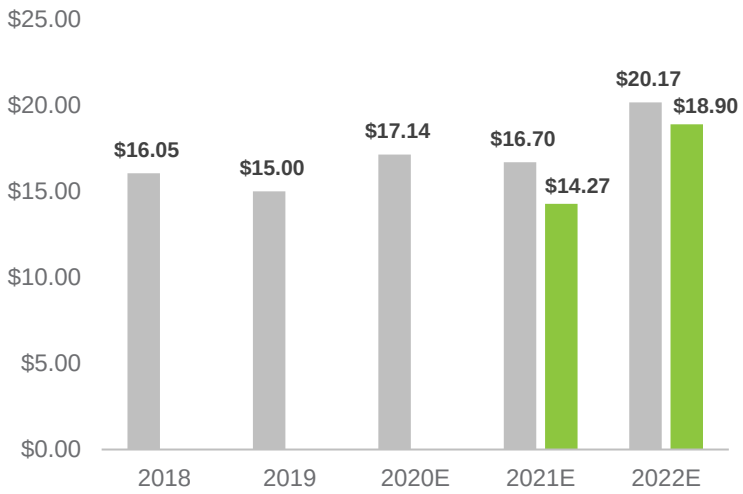
**Gas GP&T ($/mcf)**




**Oil GP&T ($/bbl)**




**NGL GP&T ($/bbl)**




Pre-Restructuring

Marketing fee excluded. Basis based on periods 2021E – 2025E.

# Reconciliation of Net Cash from Operating Activities to Adj. EBITDAX

**CHESAPEAKE ENERGY CORPORATION**
**RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO ADJUSTED EBITDAX**
**($ in millions) (unaudited)**

| | Years Ended December 31, 2019 |
|---|---|
| **NET CASH PROVIDED BY OPERATING ACTIVITIES (GAAP)** | $1,623 |
| **Adjustments:** | |
| Changes in assets and liabilities | 254 |
| Other revenue | (59) |
| Interest expense | 651 |
| Exploration | 35 |
| Income tax benefit | (26) |
| Stock-based compensation | (30) |
| Restructuring and other termination costs | 12 |
| Losses on investments | 7 |
| Losses on purchases or exchanges of debt | 5 |
| Net income attributable to noncontrolling interests | — |
| Other items | 58 |
| **Adjusted EBITDAX[(a)] (Non-GAAP)** | $2,530 |

*Financial information for 2018 has been recast to reflect the retrospective application of the successful efforts method of accounting.
(a) Adjusted EBITDAX is not a measure of financial performance under GAAP, and should not be considered as an alternative to, or more meaningful than, cash flow provided by operating activities prepared in accordance with GAAP. Adjusted EBITDAX excludes certain items that management believes affect the comparability of operating results. The company believes this non-GAAP financial measure is a useful adjunct to cash flow provided by operating activities because:
(i) Management uses adjusted EBITDAX to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
(ii) Adjusted EBITDAX is more comparable to estimates provided by securities analysts.
(iii) Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.
Because adjusted EBITDAX excludes some, but not all, items that affect net income (loss), our calculations of adjusted EBITDAX may not be comparable to similarly titled measures of other companies.