

Southwestern Energy Announces Third Quarter 2022 Results

27.10.2022 | [Business Wire](#)

Returned more than \$300 million to shareholders through debt repayment and share repurchases

[Southwestern Energy Company](#) (NYSE: SWN) today announced financial and operating results for the third quarter ended September 30, 2022.

- Generated \$797 million net cash provided by operating activities, \$450 million net income and \$360 million adjusted net income (non-GAAP)
 - \$824 million adjusted EBITDA (non-GAAP) and \$222 million free cash flow (non-GAAP)
- Reduced total debt by \$227 million to achieve target leverage range with 1.4x net debt to adjusted EBITDA (non-GAAP)
- Repurchased \$80 million of common stock, bringing total share repurchases to date to approximately \$100 million, or 10% of authorized amount
- Total net production of 443 Bcfe, or 4.8 Bcfe per day, including 4.2 Bcf per day of natural gas and 97 MBbls per day of liquids
- Invested \$543 million of capital and placed 31 wells to sales, including 14 in Appalachia and 17 in Haynesville
- Reinforced long-term flow assurance and marketing optionality by adding a total of 500 MMcf per day of new firm transportation starting in 2024 to LNG corridor on Momentum's New Generation Gas Gathering system (NG3) and DT Midstream's LEAP pipeline
- Upgraded to BB+ by Fitch in August; now rated one notch below investment grade by all three credit agencies
- Established longer-term GHG emission reduction goal of 50% decrease by 2035, consistent with a path to net zero by 2050

"During the third quarter, the Company executed on its plan, progressed debt repayment and achieved our target leverage range. This was complemented by continued return of capital to our shareholders, bringing total share repurchases to date to 10% of the authorized amount. With an increasing and resilient free cash flow generation profile, a strengthening balance sheet, near investment grade credit ratings, and advantaged access to the LNG Corridor and other growing demand centers, Southwestern Energy offers a differentiated rate of change investment opportunity to what we believe is a structurally constructive long-term natural gas outlook," said Bill Way, Southwestern Energy President and Chief Executive Officer.

Financial Results

(in millions)	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 450	\$ (1,857)	) \$ (1,052	) \$ (2,386)
Adjusted net income (non-GAAP)	\$ 360	\$ 188	\$ 1,175	\$ 513
Diluted earnings (loss) per share	\$ 0.40	\$ (2.36)	) \$ (0.94	) \$ (3.34)
Adjusted diluted earnings per share (non-GAAP)	\$ 0.32	\$ 0.24	\$ 1.05	\$ 0.72
Adjusted EBITDA (non-GAAP)	\$ 824	\$ 426	\$ 2,551	\$ 1,108
Net cash provided by operating activities				

\$

\$

\$

Net cash flow (non-GAAP)	\$ 765	\$ 396	\$ 2,380	\$ 1,022
Total capital investments ⁽¹⁾	\$ 543	\$ 291	\$ 1,672	\$ 816
Free cash flow (non-GAAP)	\$ 222	\$ 105	\$ 708	\$ 206

Capital investments include a decrease of \$33 million and an increase of \$34 million for the three months (1) ended September 30, 2022 and 2021, respectively, and increases of \$44 million and \$63 million for the nine months ended September 30, 2022 and 2021, respectively, relating to the change in accrued expenditures between periods.

For the quarter ended September 30, 2022, Southwestern Energy recorded net income of \$450 million, or \$0.40 per diluted share. Adjusting for the impact of the Company's valuation allowance and other one-time items, adjusted net income (non-GAAP) was \$360 million, or \$0.32 per diluted share, and adjusted EBITDA (non-GAAP) was \$824 million. Net cash provided by operating activities was \$797 million, net cash flow (non-GAAP) was \$765 million and free cash flow (non-GAAP) was \$222 million.

The Company primarily utilized free cash flow generated in the third quarter of 2022 to reduce the balance of its revolving credit facility. As of September 30, 2022, Southwestern Energy had total debt of \$4.9 billion and net debt to adjusted EBITDA (non-GAAP) of 1.4x. At the end of the quarter, the Company had \$180 million of borrowings under its revolving credit facility and \$109 million in outstanding letters of credit. In August 2022, the Company received an upgrade to its long-term debt issuer rating from Fitch to BB+, placing the Company one notch below an investment grade credit rating by all three credit agencies.

During the third quarter, the Company repurchased approximately 10.8 million shares for a total cost of approximately \$80 million at an average price of \$7.41 per share.

As indicated in the table below, third quarter 2022 weighted average realized price, including \$0.26 per Mcfe of transportation expenses, was \$7.33 per Mcfe excluding the impact of derivatives. Including derivatives, weighted average realized price (including transportation) for the third quarter was up 23% from \$2.49 per Mcfe in 2021 to \$3.06 per Mcfe in 2022 primarily due to higher commodity prices including a 104% increase in NYMEX Henry Hub and a 30% increase in WTI. Third quarter 2022 weighted average realized price before transportation expense and excluding the impact of derivatives was \$7.59 per Mcfe.

Realized Prices (includes transportation costs)	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	
			2021	2021
Natural Gas Price:				
NYMEX Henry Hub price (\$/MMBtu) ⁽¹⁾	\$ 8.20	\$ 4.01	\$ 6.77	\$ 3.18
Discount to NYMEX ⁽²⁾	(0.78)	(0.83)	(0.62)	(0.74)
Average realized gas price, excluding derivatives (\$/Mcf)	\$ 7.42	\$ 3.18	\$ 6.15	\$ 2.44
Gain on settled financial basis derivatives (\$/Mcf)	0.10	0.11	0.06	0.11
Loss on settled commodity derivatives (\$/Mcf)	(4.71)	(1.14)	(3.38)	(0.43)
Average realized gas price, including derivatives (\$/Mcf)	\$ 2.81	\$ 2.15	\$ 2.83	\$ 2.12
Oil Price:				
WTI oil price (\$/Bbl) ⁽³⁾	\$ 91.56	\$ 70.56	\$ 98.09	\$ 64.82
Discount to WTI ⁽⁴⁾	(7.22)	(8.24)	(7.39)	(8.71)
Average realized oil price, excluding derivatives (\$/Bbl)				

\$

\$

\$

\$

Average realized oil price, including derivatives (\$/Bbl)	\$ 49.06	\$ 44.83	\$ 52.29	\$ 40.06
NGL Price:				
Average realized NGL price, excluding derivatives (\$/Bbl)	\$ 33.33	\$ 31.76	\$ 37.50	\$ 26.05
Average realized NGL price, including derivatives (\$/Bbl)	\$ 26.55	\$ 19.31	\$ 27.64	\$ 17.13
Percentage of WTI, excluding derivatives	36	% 45	% 38	% 40
Total Weighted Average Realized Price:				
Excluding derivatives (\$/Mcfe)	\$ 7.33	\$ 3.74	\$ 6.32	\$ 3.01
Including derivatives (\$/Mcfe)	\$ 3.06	\$ 2.49	\$ 3.11	\$ 2.41

(1) Based on last day settlement prices from monthly futures contracts.

(2) This discount includes a basis differential, a heating content adjustment, physical basis sales, third-party transportation charges and fuel charges, and excludes financial basis derivatives.

(3) Based on the average daily settlement price of the nearby month futures contract over the period.

(4) This discount primarily includes location and quality adjustments.

Operational Results

Total net production for the quarter ended September 30, 2022 was 443 Bcfe, of which 88% was natural gas, 10% NGLs and 2% oil. Capital investments totaled \$543 million for the third quarter of 2022 with 31 wells drilled, 36 wells completed and 31 wells placed to sales.

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Production				
Natural gas production (Bcf)	389	251	1,148	684
Oil production (MBbls)	1,173	1,729	3,806	5,222
NGL production (MBbls)	7,788	8,011	22,445	23,255
Total production (Bcfe)	443	310	1,306	855
Average unit costs per Mcfe				
Lease operating expenses ⁽¹⁾	\$ 1.02	\$ 0.95	\$ 0.98	\$ 0.94
General & administrative expenses ^(2,3)	\$ 0.08	\$ 0.09	\$ 0.08	\$ 0.11
Taxes, other than income taxes	\$ 0.17	\$ 0.11	\$ 0.15	\$ 0.10
Full cost pool amortization	\$ 0.66	\$ 0.43	\$ 0.65	\$ 0.37

(1) Includes post-production costs such as gathering, processing, fractionation and compression.

(2) Excludes \$27 million in merger-related expenses for the nine months ended September 30, 2022.

Excludes \$35 million and \$39 million in merger-related expenses for the three and nine months ended (3) September 30, 2021, respectively, and \$7 million in restructuring charges for the nine months ended September 30, 2021.

Appalachia - In the third quarter, total production was 267 Bcfe, with NGL production of 84 MBbls per day and oil production of 13 MBbls per day. The Company drilled 16 wells, completed 21 wells and placed 14 wells to sales with an average lateral length of 15,629 feet.

Haynesville - In the third quarter, total production was 176 Bcf. There were 15 wells drilled, 15 wells completed and 17 wells placed to sales in the quarter with an average lateral length of 9,332 feet.

E&P Division Results		For the three months ended September 30, 2022	
		Appalachia	Haynesville
Natural gas production (Bcf)		213	176
Liquids production			
Oil (MBbls)		1,169	4
NGL (MBbls)		7,787	-
Production (Bcfe)		267	176
Capital investments (in millions)			
Drilling and completions, including workovers	\$	193	\$ 278
Land acquisition and other		12	2
Capitalized interest and expense		32	21
Total capital investments	\$	237	\$ 301
Gross operated well activity summary			
Drilled		16	15
Completed		21	15
Wells to sales		14	17
Total weighted average realized price per Mcfe, excluding derivatives	\$	7.03	\$ 7.78
Well the three months ended September 30, 2022			
to			
Sales wells to sales	Average lateral length		
summary			
Appalachia			
Super	15,425		
Rich			
Marcellus	11,989		
Gas			
Utica	19,814		
Gas			
Haynesville	9,332		
Total			

(1)
Ohio
~~Fourth~~ Quarter 2022 Guidance

Based on current market conditions, Southwestern expects fourth quarter production and price differentials to be within the following ranges.

PRODUCTION		For the quarter ended December 31, 2022
Gas production (Bcf)		368 - 384
Liquids (% of production)		~12.0%
Total (Bcfe)		417 - 437
Total (Bcfe/day)		~4.6
PRICING		
Natural gas discount to NYMEX including transportation (1)		\$0.55 - \$0.70 per Mcf
Oil discount to West Texas Intermediate (WTI) including transportation	\$7.00 - \$9.00 per Bbl	
Natural gas liquids realization as a % of WTI including transportation	26% - 32%	

(1) Includes impact of transportation costs and expected \$0.15 - \$0.17 per Mcf gain in Q4 2022 from financial basis hedges.

Conference Call

Southwestern Energy will host a conference call and webcast on Friday, October 28, 2022 at 9:30 a.m. Central to discuss third quarter 2022 results. To participate, dial US toll-free 877-883-0383, or international 412-902-6506 and enter access code 5197466. The conference call will webcast live at www.swn.com.

A replay will also be available on SWN's website at www.swn.com following the call.

About Southwestern Energy

[Southwestern Energy Company](http://SouthwesternEnergy.com) (NYSE: SWN) is a leading U.S. producer and marketer of natural gas and natural gas liquids focused on responsibly developing large-scale energy assets in the nation's most prolific shale gas basins. SWN's returns-driven strategy strives to create sustainable value for its stakeholders by leveraging its scale, financial strength and operational execution. For additional information, please visit www.swn.com and www.swn.com/responsibility.

Forward Looking Statement

This news release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. These statements are based on current expectations. The words "anticipate," "intend," "plan," "project," "estimate," "continue," "potential," "should," "could," "may," "will," "objective," "guidance," "outlook," "effort," "expect," "believe," "predict," "budget," "projection," "goal," "forecast," "model," "target," "seek," "strive," "would," "approximate," and similar words are intended to identify forward-looking statements. Statements may be forward looking even in the absence of these particular words.

Examples of forward-looking statements include, but are not limited to, the expectations of plans, business strategies, objectives and growth and anticipated financial and operational performance, including guidance regarding our strategy to develop reserves, drilling plans and programs, estimated reserves and inventory

duration, projected production and sales volume and growth rates, commodity prices, projected average well costs, generation of free cash flow, our return of capital, leverage targets and debt repayment, expected benefits from acquisitions, potential acquisitions and strategic transactions, the timing thereof and our ability to achieve the intended operational, financial and strategic benefits of any such transactions or other initiatives. These forward-looking statements are based on management's current beliefs, based on currently available information, as to the outcome and timing of future events. All forward-looking statements speak only as of the date of this news release. The estimates and assumptions upon which forward-looking statements are based are inherently uncertain and involve a number of risks that are beyond our control. Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance, and we cannot assure you that such statements will be realized or that the events and circumstances they describe will occur. Therefore, you should not place undue reliance on any of the forward-looking statements contained herein.

Factors that could cause our actual results to differ materially from those indicated in any forward-looking statement are subject to all of the risks and uncertainties incident to the exploration for and the development, production, gathering and sale of natural gas, NGLs and oil, most of which are difficult to predict and many of which are beyond our control. These risks include, but are not limited to, commodity price volatility, inflation, lack of availability of drilling and production equipment and services, environmental risks, drilling and other operating risks, legislative and regulatory changes, the uncertainty inherent in estimating natural gas and oil reserves and in projecting future rates of production, cash flow and access to capital, the timing of development expenditures, a change in our credit rating, an increase in interest rates, our ability to increase commitments under our revolving credit facility, our ability to maintain leases that may expire if production is not established or profitably maintained, our ability to transport our production to the most favorable markets or at all, any increase in severance or similar taxes, the impact of the adverse outcome of any material litigation against us or judicial decisions that affect us or our industry generally, the effects of weather or power outages, increased competition, the financial impact of accounting regulations and critical accounting policies, the comparative cost of alternative fuels, credit risk relating to the risk of loss as a result of non-performance by our counterparties, impacts of world health events, including the COVID-19 pandemic, cybersecurity risks, geopolitical and business conditions in key regions of the world, our ability to realize the expected benefits from acquisitions, including our mergers with GEP Haynesville, LLC, Montage Resources Corporation and Indigo Natural Resources LLC, our ability to achieve our GHG emission reduction goals and the costs associated therewith, and any other factors described or referenced under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and under Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021.

We have no obligation and make no undertaking to publicly update or revise any forward-looking statements, except as required by applicable law. All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

Southwestern Energy Company AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in millions, except share/per share amounts)	For the three months ended		For the nine months ended	
	September 30,	2022	September 30,	2021
Operating Revenues:				
Gas sales	\$ 2,884	\$ 811	\$ 7,061	\$ 1,708
Oil sales	100	110	349	297
NGL sales	260	255	842	607
Marketing	1,298	418	3,371	1,102
Other				

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	4,541	1,598	11,622	3,720
Operating Costs and Expenses:				
Marketing purchases	1,289	420	3,366	1,109
Operating expenses	423	296	1,206	805
General and administrative expenses	41	32	120	104
Merger-related expenses	-	35	27	39
Restructuring charges	-	-	-	7
Depreciation, depletion and amortization	298	138	861	334
Impairments	-	6	-	6
Taxes, other than income taxes	76	35	198	86
	2,127	962	5,778	2,490
Operating Income	2,414	636	5,844	1,230
Interest Expense:				
Interest on debt	77	56	218	154
Other interest charges	3	3	10	9
Interest capitalized	(30	) (25	) (89	) (68)
	50	34	139	95
Loss on Derivatives	(1,903	) (2,399	) (6,709	) (3,461)
Loss on Early Extinguishment of Debt	-	(59	) (6	) (59)
Other Loss, Net	-	(1	) (1	) (1)
Income (Loss) Before Income Taxes	461	(1,857	) (1,011	) (2,386)
Provision (Benefit) for Income Taxes:				
Current	11	-	41	-
Deferred	-	-	-	-
	11	-	41	-
Net Income (Loss)	\$ 450	\$ (1,857	) \$ (1,052	) \$ (2,386)
Earnings (Loss) Per Common Share:				
Basic	\$ 0.41	\$ (2.36	) \$ (0.94	) \$ (3.34)
Diluted	\$ 0.40	\$ (2.36	) \$ (0.94	) \$ (3.34)
Weighted Average Common Shares Outstanding:				
Basic	1,110,259,907	787,032,414	1,113,705,502	713,455,662
Diluted				

1,112,522,861

787,032,414

1,113,705,502

Southwestern Energy Company AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30,
ASSETS	(in millions)
Current assets:	
Cash and cash equivalents	\$ 11
Accounts receivable, net	1,763
Derivative assets	176
Other current assets	52
Total current assets	2,002
Natural gas and oil properties, using the full cost method	35,293
Other	515
Less: Accumulated depreciation, depletion and amortization	(25,068)
Total property and equipment, net	10,740
Operating lease assets	183
Long-term derivative assets	77
Other long-term assets	102
Total long-term assets	362
TOTAL ASSETS	\$ 13,104
LIABILITIES AND EQUITY	
Current liabilities:	
Current portion of long-term debt	\$ 5
Accounts payable	1,896
Taxes payable	121
Interest payable	43
Derivative liabilities	3,270
Current operating lease liabilities	43
Other current liabilities	73
Total current liabilities	5,451
Long-term debt	4,855
Long-term operating lease liabilities	

Long-term derivative liabilities	1,009
Pension and other postretirement liabilities	27
Other long-term liabilities	210
Total long-term liabilities	6,239
Commitments and contingencies	
Equity:	
Common stock, \$0.01 par value; 2,500,000,000 shares authorized; issued 1,161,475,422 shares as of September 30, 2022 and 1,158,672,666 shares as of December 31, 2021	12
Additional paid-in capital	7,169
Accumulated deficit	(5,440)
Accumulated other comprehensive loss	(25)
Common stock in treasury, 57,966,919 shares as of September 30, 2022 and 44,353,224 shares as of December 31, 2021	(302)
Total equity	1,414
TOTAL LIABILITIES AND EQUITY	\$ 13,104

[Southwestern Energy Company](#) AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the nine months ended	
	September 30,	
(in millions)	2022	2021
Cash Flows From Operating Activities:		
Net loss	\$ (1,052)	\$ (2,386)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	861	334
Amortization of debt issuance costs	8	6
Impairments	-	6
Loss on derivatives, unsettled	2,524	2,952
Stock-based compensation	4	2
Loss on early extinguishment of debt	6	59
Other	2	3
Change in assets and liabilities, excluding impact from acquisitions:		
Accounts receivable		

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Accounts payable	506	58
Taxes payable	28	(10)
Interest payable	(22)	(13)
Inventories	(8)	(2)
Other assets and liabilities	(59)	(32)
Net cash provided by operating activities	2,196	830
Cash Flows From Investing Activities:		
Capital investments	(1,623)	(747)
Proceeds from sale of property and equipment	15	4
Cash acquired through acquisitions	-	55
Cash paid through acquisitions	-	(373)
Other	-	(1)
Net cash used in investing activities	(1,608)	(1,062)
Cash Flows From Financing Activities:		
Payments on current portion of long-term debt	(205)	(844)
Payments on long-term debt	(71)	-
Payments on revolving credit facility	(10,341)	(3,401)
Borrowings under revolving credit facility	10,061	3,366
Change in bank drafts outstanding	62	33
Proceeds from exercise of common stock options	7	-
Purchase of treasury stock	(100)	-
Debt issuance/amendment costs	(14)	(25)
Cash paid for tax withholding	(4)	(3)
Repayment of Indigo revolving credit facility	-	(95)
Proceeds from issuance of long-term debt	-	1,200
Net cash provided by (used in) financing activities	(605)	231
Decrease in cash and cash equivalents	(17)	(1)
Cash and cash equivalents at beginning of year	28	13
Cash and cash equivalents at end of period	\$ 11	\$ 12
Hedging Summary		

A detailed breakdown of derivative financial instruments and financial basis positions as of September 30, 2022, including the remainder of 2022 and excluding those positions that settled in the first, second and third

quarters, is shown below. Please refer to the Company's quarterly report on Form 10-Q to be filed with the Securities and Exchange Commission for complete information on the Company's commodity, basis and interest rate protection.

Weighted Average Price per MMBtu						
	Volume (Bcf)	Swaps	Sold Puts	Purchased Puts	Sold Calls	
Natural gas						
2022						
Fixed price swaps	207	\$ 3.04	\$ -	\$ -	\$ -	
Two-way costless collars	18	-	-	2.47	2.89	
Three-way costless collars	92	-	2.03	2.48	2.88	
Total	317					
2023						
Fixed price swaps	504	\$ 3.08	\$ -	\$ -	\$ -	
Two-way costless collars	219	-	-	3.03	3.55	
Three-way costless collars	215	-	2.09	2.54	3.00	
Total	938					
2024						
Fixed price swaps	224	\$ 2.96	\$ -	\$ -	\$ -	
Two-way costless collars	44	-	-	3.07	3.53	
Three-way costless collars	11	-	2.25	2.80	3.54	
Total	279					
Natural gas financial basis positions						
		Volume	Basis	Differential		
		(Bcf)	(\$/MMBtu)			
Q4 2022						
Dominion South	30	\$ (0.65)			
TCO	26	\$ (0.57)			
TETCO M3	20	\$ (0.16)			
Columbia Gulf Mainline	6	\$ (0.25)			
Total	82	\$ (0.48)			
2023						
Dominion South	134	\$ (0.75)			
TCO	72	\$ (0.62)			
TETCO M3						

\$

Trunkline Zone 1A 13 \$ (0.29)

Total 281 \$ (0.50)

2024

Dominion South 46 \$ (0.71)

2025

Dominion South 9 \$ (0.64)

Call Options - Natural Gas (Net) Volume Weighted Average Strike Price

(Bcf) (\$/MMBtu)

2022 21 \$ 3.01

2023 46 \$ 2.94

2024 9 \$ 3.00

Total 76

Weighted Average Price per Bbl

Volume (MBbls) Swaps Sold Puts Purchased Puts Sold Calls

Oil

2022

Fixed price swaps 846 \$ 52.68 \$ - \$ - \$ -

Three-way costless collars 344 - 39.76 50.08 56.97

Total 1,190

2023

Fixed price swaps 1,081 \$ 60.05 \$ - \$ - \$ -

Three-way costless collars 1,268 - 33.97 45.51 56.12

Total 2,349

2024

Fixed price swaps 913 \$ 70.66 \$ - \$ - \$ -

2025

Fixed price swaps 41 \$ 77.66 \$ - \$ - \$ -

Ethane

2022

Fixed price swaps 1,463 \$ 11.44 \$ - \$ - \$ -

2023

Fixed price swaps

\$

\$

Propane

2022

Fixed price swaps	1,536	\$ 31.22	\$ -	\$ -
Three-way costless collars	77	-	16.80	21.00
Total	1,613			31.92

2023

Fixed price swaps	1,925	\$ 36.79	\$ -	\$ -
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2024

Fixed price swaps	73	\$ 42.32	\$ -	\$ -
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Normal Butane

2022

Fixed price swaps	464	\$ 36.22	\$ -	\$ -
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2023

Fixed price swaps	347	\$ 41.24	\$ -	\$ -
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Natural Gasoline

2022

Fixed price swaps	501	\$ 55.78	\$ -	\$ -
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2023

Fixed price swaps	359	\$ 66.00	\$ -	\$ -
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Explanation and Reconciliation of Non-GAAP Financial Measures

The Company reports its financial results in accordance with accounting principles generally accepted in the United States of America ("GAAP"). However, management believes certain non-GAAP performance measures may provide financial statement users with additional meaningful comparisons between current results, the results of the Company's peers and of prior periods.

One such non-GAAP financial measure is net cash flow. Management presents this measure because (i) it is accepted as an indicator of an oil and gas exploration and production company's ability to internally fund exploration and development activities and to service or incur additional debt, (ii) changes in operating assets and liabilities relate to the timing of cash receipts and disbursements which the Company may not control and (iii) changes in operating assets and liabilities may not relate to the period in which the operating activities occurred.

Additional non-GAAP financial measures the Company may present from time to time are free cash flow, net debt, adjusted net income, adjusted diluted earnings per share and adjusted EBITDA, all which exclude certain charges or amounts. Management presents these measures because (i) they are consistent with the manner in which the Company's position and performance are measured relative to the position and performance of its peers, (ii) these measures are more comparable to earnings estimates provided by securities analysts, and (iii) charges or amounts excluded cannot be reasonably estimated and guidance provided by the Company excludes information regarding these types of items. These adjusted amounts are not a measure of financial performance under GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Adjusted net income:	(in millions)			
Net income (loss)	\$ 450	\$ (1,857)	\$ (1,052)	\$ (2,386)
Add back (deduct):				
Merger-related expenses	-	35	27	39
Restructuring charges	-	-	-	7
Impairments	-	6	-	6
Loss on unsettled derivatives ⁽¹⁾	14	2,011	2,524	2,952
Loss on early extinguishment of debt	-	59	6	59
Other loss	-	-	1	-
Adjustments due to discrete tax items ⁽²⁾	(100)	447	285	570
Tax impact on adjustments	(4)	(513)	(616)	(734)
Adjusted net income	\$ 360	\$ 188	\$ 1,175	\$ 513

Includes (\$2) million and \$7 million of non-performance risk adjustment to derivative activities for the three (1) and nine months ended September 30, 2022, respectively, and \$4 million and \$5 million of non-performance risk adjustment to derivative activities for the three and nine months ended September 30, 2021, respectively.

(2) The Company's 2022 income tax rate is 24.1% before the impacts of any valuation allowance.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Adjusted diluted earnings per share:				
Diluted earnings (loss) per share	\$ 0.40	\$ (2.36)	\$ (0.94)	\$ (3.34)
Add back (deduct):				
Merger-related expenses	-	0.05	0.02	0.05
Restructuring charges	-	-	-	0.01
Impairments	-	0.01	-	0.01
Loss on unsettled derivatives ⁽¹⁾	0.01	2.54	2.27	4.12
Loss on early extinguishment of debt	-	0.08	0.00	0.08
Other loss	-	-	0.00	-
Adjustments due to discrete tax items ⁽²⁾	(0.09)	0.57	0.25	0.80
Tax impact on adjustments	(0.00)	(0.65)	(0.55)	(1.01)

Adjusted diluted earnings per share	\$ 0.32	\$ 0.24	\$ 1.05	\$ 0.72
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Includes (\$2) million and \$7 million of non-performance risk adjustment to derivative activities for the three (1) and nine months ended September 30, 2022, respectively, and \$4 million and \$5 million of non-performance risk adjustment to derivative activities for the three and nine months ended September 30, 2021, respectively.

(2) The Company's 2022 income tax rate is 24.1% before the impacts of any valuation allowance.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net cash flow:	(in millions)			
Net cash provided by operating activities	\$97	\$ 213	\$ 2,196	\$ 830
Add back (deduct):				
Changes in operating assets and liabilities (32)	148		157	146
Merger-related expenses	-	35	27	39
Restructuring charges	-	-	-	7
Net cash flow	\$65	\$ 396	\$ 2,380	\$ 1,022
Free cash flow:	(in millions)			
Net cash flow	\$65	\$ 396	\$ 2,380	\$ 1,022
Subtract:				
Total capital investments	(543)	(291)	(1,672)	(816)
Free cash flow	\$22	\$ 105	\$ 708	\$ 206
Adjusted EBITDA:	(in millions)			
Net income (loss)	\$50	\$ (1,857)	\$ (1,052)	\$ (2,386)
Add back (deduct):				
Interest expense	50	34	139	95
Income tax expense (benefit)	11	-	41	-
Depreciation, depletion and amortization	298	138	861	334
Merger-related expenses	-	35	27	39
Restructuring charges				

Impairments	-	6	-	6
Loss on unsettled derivatives ⁽¹⁾	14 b	2,011	2,524	2,952
Loss on early extinguishment of debt	-	59	6	59
Other loss	-	-	1	-
Stock-based compensation expense	1	-	4	2
Adjusted EBITDA	\$24	\$ 426	\$ 2,551	\$ 1,108

Includes (\$2) million and \$7 million of non-performance risk adjustment to derivative activities for the three (1) and nine months ended September 30, 2022, respectively, and \$4 million and \$5 million of non-performance risk adjustment to derivative activities for the three and nine months ended September 30, 2021, respectively.

12 Months Ended September 30, 2022

Adjusted EBITDA:	(in millions)
Net income	\$ 1,309
Add back (deduct):	
Interest expense	180
Income tax expense (benefit)	41
Depreciation, depletion and amortization	1,073
Merger-related expenses	64
Loss on unsettled derivatives ⁽¹⁾	516
Loss on early extinguishment of debt	40
Stock-based compensation expense	4
Other	(5)
Adjusted EBITDA	\$ 3,222

(1) Includes
\$3
million
of
non-performance
risk
September 30, 2022

Net debt
risk
September 30, 2022
(in millions)

Total debt
for
the
September 30, 2022
\$ 4,890

Subtract:
twelve
months
Cash and cash equivalents (11)
ended
September 30, 2022
\$ 4,879

(1) Does
not
include
\$30
million
of

unamortized
debt
discount
and
issuance
expense.

September 30, 2022

Net debt to Adjusted EBITDA: (in millions)

Net debt	\$ 4,879
Adjusted EBITDA ⁽¹⁾	\$ 3,375
Net debt to Adjusted EBITDA	1.4x

(1) Adjusted EBITDA for the twelve

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ended September

30,

Contact

2022

includes

Investor Contact

\$153 million

Brittany Raiford

Director, Investor Relations

(832) 796-7906

adjusted

EBITDA

generated

by

GER

Haynesville

to

the

December

2021

AGB

Disposition.

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