ASCENT RESOURCES UTICA HOLDINGS, LLC

Condensed Consolidated Financial Statements (Unaudited)

As of March 31, 2022 and December 31, 2021 and for the Three Months Ended March 31, 2022 and 2021.

ASCENT RESOURCES UTICA HOLDINGS, LLC

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GLOSSARY OF COMMONLY USED TERMS

The following are abbreviations and definitions of certain terms used in this document:

"2022 Notes" means 10.00% senior unsecured notes due 2022.

"2025 Second Lien Term Loans" means second lien term loans due 2025.

"2026 Notes" means 7.00% senior unsecured notes due 2026.

"2027 Notes" means 9.00% senior unsecured notes due 2027.

"2028 Notes" means 8.25% senior unsecured notes due 2028.

"2029 Notes" means 5.875% senior unsecured notes due 2029.

"bbl(s)" means barrel(s) as used in reference to crude oil, condensate or NGL. One barrel equals 42 U.S. gallons liquid volume.

"bbls/d" means barrels of crude oil, condensate or NGL per day.

"bcf" means billion cubic feet of natural gas.

"bcfe" means billion cubic feet of natural gas equivalent with one barrel of oil, condensate or NGL converted to six thousand cubic feet of natural gas.

"bcfe/d" means billion cubic feet of natural gas equivalent per day.

"btu" means British thermal units, a measure of heating value.

"Credit Facility" means our senior secured revolving credit facility.

"Convertible Notes" means convertible notes due 2021.

"DD&A" means depreciation, depletion and amortization.

"gross" means:

- In relation to our interest in production and reserves, our interest (operating and non-operating) before deduction of royalty and overriding royalty interests;
- In relation to our wells, the total number of wells in which we own an interest before the deduction of outside working interests, royalty interests and overriding royalty interests; and
- In relation to our interest in a property, the total area in acres of properties in which we own an interest.

"mbbls" means thousand barrels of crude oil, condensate or NGL.

"mbbls/d" means thousand barrels of crude oil, condensate or NGL per day.

"mcf" means thousand cubic feet of natural gas.

"mcfe" means thousand cubic feet of natural gas equivalent with one barrel of oil, condensate or NGL converted to six thousand cubic feet of natural gas.

"mmbtu" means million British thermal units.

"mmbtu/d" means million British thermal units per day.

"mmcf" means million cubic feet of natural gas.

"mmcf/d" means million cubic feet of natural gas per day.

"mmcfe" means million cubic feet of natural gas equivalent with one barrel of oil, condensate or NGL converted to six thousand cubic feet of natural gas.

"mmcfe/d" means million cubic feet of natural gas equivalent per day.

"net" means:

- In relation to our interest in production and reserves, our interest (operating and non-operating) after the deduction of royalty and overriding royalty interests;
- In relation to our wells, the total number of wells obtained by aggregating our working interest after the deduction of royalty and overriding royalty interests in each of its gross wells;
- In relation to our interest in a property, the total area in acres in which we own an interest multiplied by our working interest in the area after the deduction of royalty and overriding royalty interests; and
- In relation to our interest in leasehold acreage, our gross acres after the deduction of royalty and overriding royalty interests.

"NGL" means natural gas liquids.

"NYMEX" means the New York Mercantile Exchange.

"operator" means the individual or company responsible for the exploration, development and/or production of an oil or gas well or lease.

"proved reserves" means, as defined by the SEC, the quantities of natural gas, oil and NGL, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward from known reservoirs under existing economic conditions, operating methods and government regulations.

"reserves" means estimated remaining quantities of natural gas and oil and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and natural gas or related substances to market, and all permits and financing required to implement the project.

"royalty interest" means an interest in a natural gas and oil lease that gives the owner of the interest the right to receive a portion of the production from the leased acreage (or the proceeds of the sale thereof), but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage.

"Senior Notes" means the 2022 Notes, 2026 Notes, 2027 Notes, 2028 Notes and 2029 Notes.

"*unproved properties"* means properties with no proved reserves.

"working interest" means an interest in a natural gas and oil lease that gives the owners of the interest the right to drill for and produce natural gas, oil and NGL on the leased acreage and requires the owners of the interest to pay their share of the costs of drilling, completions and production operations.

"WTI" means West Texas Intermediate.

ASCENT RESOURCES UTICA HOLDINGS, LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

($ in thousands)	March 31, 2022	December 31, 2021
Current Assets:		
Cash and cash equivalents	$ 6,054	$ 5,674
Accounts receivable – natural gas, oil and NGL sales[(a)]	399,306	453,464
Accounts receivable – joint interest and other	7,908	8,309
Short-term derivative assets	221	6,866
Other current assets	10,650	9,012
Total Current Assets	424,139	483,325
Property and Equipment:		
Natural gas and oil properties, based on successful efforts accounting	9,605,634	9,383,879
Other property and equipment	37,061	36,318
Less: accumulated depreciation, depletion and amortization	(3,377,960)	(3,225,844)
Property and Equipment, net	6,264,735	6,194,353
Other Assets:		
Long-term derivative assets	1,517	522
Other long-term assets	38,431	46,241
Total Assets	$ 6,728,822	$ 6,724,441
Current Liabilities:		
Accounts payable	$ 59,805	$ 86,812
Accrued interest	51,654	45,929
Short-term derivative liabilities	1,913,870	648,873
Other current liabilities[(b)]	515,643	517,953
Total Current Liabilities	2,540,972	1,299,567
Long-Term Liabilities:		
Long-term debt, net	2,556,825	2,588,248
Long-term derivative liabilities	791,034	435,022
Other long-term liabilities	113,395	104,796
Total Long-Term Liabilities	3,461,254	3,128,066
Commitments and contingencies (Note 10)		
Member's Equity	726,596	2,296,808
Total Liabilities and Member's Equity	$ 6,728,822	$ 6,724,441

(a) Including related party accounts receivable - NGL sales of $23.8 million and $20.5 million as of March 31, 2022 and December 31, 2021, respectively.
(b) Including related party other current liabilities of $92.6 million and $96.5 million as of March 31, 2022 and December 31, 2021, respectively.

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

ASCENT RESOURCES UTICA HOLDINGS, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

($ in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Revenues:		
Natural gas	$ 812,878	$ 430,198
Oil	54,366	41,958
NGL[(a)]	69,497	55,532
Commodity derivative loss	(1,995,560)	(98,670)
Total Revenues	(1,058,819)	429,018
Operating Expenses:		
Lease operating expenses	27,827	21,154
Gathering, processing and transportation expenses[(b)]	231,125	220,671
Taxes other than income	10,522	9,040
Exploration expenses	18,409	18,493
General and administrative expenses	19,843	16,569
Depreciation, depletion and amortization	152,279	139,456
Total Operating Expenses	460,005	425,383
Income (Loss) from Operations	(1,518,824)	3,635
Other Income (Expense):		
Interest expense, net	(44,965)	(41,457)
Change in fair value of contingent payment right	(7,980)	(5,446)
Other income	682	348
Total Other Expense	(52,263)	(46,555)
Net Loss	$ (1,571,087)	$ (42,920)

(a) Including related party NGL revenues of $29.2 million and $26.7 million for the three months ended March 31, 2022 and 2021, respectively.

(b) Including related party gathering, processing and transportation expenses of $153.5 million and $149.7 million for the three months ended March 31, 2022 and 2021, respectively.

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

ASCENT RESOURCES UTICA HOLDINGS, LLC
CONDENSED CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(Unaudited)

($ in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Balance, Beginning of Period	$ 2,296,808	$ 3,102,590
Contributions from Member	875	1,083
Net loss	(1,571,087)	(42,920)
Balance, End of Period	$ 726,596	$ 3,060,753

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

ASCENT RESOURCES UTICA HOLDINGS, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

($ in thousands)	Three Months Ended March 31, 2022	2021
Cash Flows from Operating Activities:		
Net loss	$ (1,571,087)	$ (42,920)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	152,279	139,456
Change in fair value of commodity derivatives	1,628,397	77,659
Change in fair value of interest rate derivatives	(1,738)	(139)
Impairment of unproved natural gas and oil properties	17,858	17,394
Non-cash interest expense	4,859	4,686
Stock-based compensation	875	1,083
Change in fair value of contingent payment right	7,980	5,446
Other	—	3,463
Changes in operating assets and liabilities	42,607	4,218
Net Cash Provided by Operating Activities	282,030	210,346
Cash Flows from Investing Activities:		
Drilling and completion costs	(208,610)	(110,551)
Acquisitions of natural gas and oil properties	(37,235)	(20,601)
Additions to other property and equipment	(589)	(93)
Net Cash Used in Investing Activities	(246,434)	(131,245)
Cash Flows from Financing Activities:		
Proceeds from credit facility borrowings	845,000	325,000
Repayment of credit facility borrowings	(880,000)	(390,000)
Repayment of long-term debt	—	(12,781)
Cash paid for debt issuance costs	—	(447)
Commodity derivative settlements	—	(3,456)
Other	(216)	(226)
Net Cash Used in Financing Activities	(35,216)	(81,910)
Net Increase (Decrease) in Cash and Cash Equivalents	380	(2,809)
Cash and Cash Equivalents, Beginning of Period	5,674	8,843
Cash and Cash Equivalents, End of Period	$ 6,054	$ 6,034
Supplemental disclosures of cash flow information:		
Interest paid, net of capitalized interest	$ 36,314	$ 11,665
Supplemental disclosures of significant non-cash investing activities:		
Increase (decrease) in accrued capital expenditures	$ (10,440)	$ 20,449

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

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

Ascent Resources Utica Holdings, LLC ("ARUH"), together with its wholly-owned subsidiaries (collectively, "we," "our" or "us"), is engaged in the acquisition, exploration, development, production and operation of natural gas and oil properties located in the Utica Shale in Ohio (the "Utica Shale"). ARUH is a wholly-owned subsidiary of Ascent Resources Operating, LLC (our "Member"), which is an indirect, wholly-owned subsidiary of Ascent Resources, LLC (our "Parent"). Together, The Energy & Minerals Group ("EMG") and First Reserve Corporation ("First Reserve") own a majority interest in our Parent.

Our accompanying unaudited condensed consolidated financial statements and notes were prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information, and intercompany accounts and balances have been eliminated. Accordingly, certain information and disclosures normally included in complete consolidated financial statements prepared in accordance with GAAP have been omitted. The unaudited condensed consolidated financial statements and notes should be read in conjunction with our audited consolidated financial statements and notes for the year ended December 31, 2021.

The unaudited condensed consolidated financial statements furnished in this report reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for interim periods. All such adjustments are of a normal recurring nature. The results for any interim period are not necessarily indicative of the expected results for the entire year.

Credit and Concentration Risk

We are subject to credit risk resulting from the concentration of our natural gas, oil and NGL receivables. If our largest customers stopped purchasing our natural gas, oil or NGL, our revenues could decline and our operating results and financial condition could be adversely affected. However, we do not believe the loss of any single customer would materially impact our operating results, as natural gas, oil and NGL are fungible products with well-established markets, and we transact with numerous customers in our operating region. We historically have not incurred any material losses on our natural gas, oil and NGL receivables.

We also have joint interest receivables, which arise from billings to entities that own working interests in the wells we operate. These entities participate in our wells primarily based on their ownership in leases. We have little ability to control whether these entities will participate in our wells but can require these entities to prepay drilling costs. We historically have not incurred any material losses on our joint interest receivables.

By using derivative instruments, we are also exposed to credit risk associated with our hedge counterparties. To minimize such risk, our derivative contracts are with multiple counterparties, reducing our exposure to any individual counterparty. In addition, we only enter into derivative contracts with counterparties that we determine are creditworthy, and such creditworthiness is subject to periodic review. Any non-performance risk is considered in the valuation of our derivative instruments, but to date it has not had a material impact on the values of our derivatives. See Note 5 for further discussion of our derivative instruments.

Reclassifications

Certain reclassifications have been made to our March 31, 2021 condensed consolidated financial statements to conform to the presentation used for the March 31, 2022 condensed consolidated financial statements.

Adopted and Recently Issued Accounting Pronouncements

No accounting standards were issued or adopted during the first quarter of 2022 that had a material impact on our condensed consolidated financial statements.

Subsequent Events

As of May 10, 2022, the date the condensed consolidated financial statements were issued, we completed our evaluation of material subsequent events for disclosure, and such items are discussed herein. See Note 5 for a discussion of our recent hedging transactions.

2. Revenue from Contracts with Customers

Our revenues are derived from the sale of natural gas, oil and NGL and are recognized when production is sold to a customer at a fixed or determinable price, delivery has occurred, control has transferred and collection of the revenue is probable. We typically receive payment for natural gas, oil and NGL sales within 30 days of the month of delivery. A significant number of our sales

contracts are short-term in nature, generally through evergreen contracts with terms of one year or less, and our sales contracts with a term greater than one year have no material long-term fixed consideration.

Under our natural gas sales contracts, we deliver natural gas to the customer at a delivery point specified under the sales contracts, utilizing third parties to gather, compress, process and transport our natural gas. Our sales contracts provide that we generally receive revenue for the sale of our natural gas based on a specific index price adjusted for pricing differentials. We transfer control of the natural gas at the delivery point and recognize revenue based on the contract price. The costs incurred to gather, compress, process and transport the natural gas prior to the point when control is transferred to the customer are recorded on the condensed consolidated statements of operations as gathering, processing and transportation expenses.

NGL, which are extracted from natural gas through processing, are either sold by us directly or to the processor under processing contracts. For NGL sold by us directly, the sales contracts provide that the product is delivered to the customer at an agreed upon delivery point and that we generally receive revenue for the sale of our NGL based on a specific index price adjusted for pricing differentials. We transfer control of the product to the customer at the delivery point and recognize revenue based on the contract price. The costs to process and transport NGL to the delivery points are recorded on the condensed consolidated statements of operations as gathering, processing and transportation expenses. For NGL sold to the processor, control is transferred by us to the processor at the tailgate of the processing plant, and revenue is recognized based on the price received from the processor.

Under our oil sales contracts, oil is sold to the customer from storage tanks near the wellhead, and we receive revenue for the sale of our oil based on a specific index price adjusted for pricing differentials. We transfer control of the product to the customer at the storage tanks and recognize revenue based on the contract price.

Our revenues from the sale of natural gas, oil and NGL are each presented separately on our condensed consolidated statements of operations. We believe that the disaggregation of revenue into these three major product types appropriately depicts the accounting guidance for revenue recognition.

Under our sales contracts, customers are invoiced after our performance obligations have been satisfied, generally when control of the product has been transferred to the customer, at which point payment is unconditional. Accordingly, we have no contract assets or contract liabilities associated with our revenues from contracts with customers. As of March 31, 2022 and December 31, 2021, receivables from contracts with customers were $399.3 million and $453.5 million, respectively, and were reported in accounts receivable – natural gas, oil and NGL sales on the condensed consolidated balance sheets.

3. Property and Equipment

Net property and equipment included the following as of the dates indicated:

($ in thousands)	March 31, 2022	December 31, 2021
Proved natural gas and oil properties	$ 8,893,128	$ 8,560,861
Unproved natural gas and oil properties	712,506	823,018
Other property and equipment	37,061	36,318
Total Property and Equipment	9,642,695	9,420,197
Accumulated depreciation, depletion and amortization	(3,377,960)	(3,225,844)
Property and Equipment, net	$ 6,264,735	$ 6,194,353

4. Debt

Our long-term debt consisted of the following as of the dates indicated:

($ in thousands)	March 31, 2022	December 31, 2021
Credit Facility[a]	$ 460,000	$ 495,000
Second lien term loans due November 2025[b]	549,822	549,822
7.00% senior notes due November 2026	600,000	600,000
9.00% senior notes due November 2027	348,294	348,294
8.25% senior notes due December 2028	300,000	300,000
5.875% senior notes due June 2029	400,000	400,000
Net debt issuance costs	(13,270)	(13,675)
Net debt discounts and premiums	(88,021)	(91,193)
Total Long-Term Debt, net	$ 2,556,825	$ 2,588,248

(a) The interest rate was 2.49% and 2.35% as of March 31, 2022 and December 31, 2021, respectively.
(b) The interest rate was 10.00% as of March 31, 2022 and December 31, 2021.

Credit Facility

Our $2.5 billion Credit Facility matures on April 1, 2024, and as of March 31, 2022, it had a fully committed borrowing base of $1.85 billion, of which $250.0 million was authorized for letters of credit. The Credit Facility is secured by liens on substantially all of our assets, including our natural gas and oil properties. The amount available to be borrowed under our Credit Facility is subject to a borrowing base that is required to be redetermined semiannually on or about May 1 and November 1 of each year primarily based on the estimated value and future net cash flows of our proved natural gas, oil and NGL reserves and the value of our commodity hedge positions as determined by lenders under the Credit Facility at their discretion. Additionally, we may request an interim redetermination of the borrowing base in certain circumstances, including acquisitions of proved reserves in excess of certain thresholds. As of March 31, 2022, we had $460.0 million of borrowings outstanding and $169.2 million of letters of credit issued under the Credit Facility. In April 2022, the borrowing base under the Credit Facility was reaffirmed at $1.85 billion.

Under the Credit Facility agreement, we may borrow either base rate loans or Eurodollar loans, and as of March 31, 2022, all of the borrowings under the Credit Facility were Eurodollar loans. Principal amounts borrowed are payable on the maturity date and may be repaid prior to the maturity date without any premium or penalty. Interest is payable at the end of the applicable interest period. Eurodollar loans bear interest at a rate per annum equal to the London Interbank Offered Rate (“LIBOR”) plus an applicable margin ranging from 2.00% to 3.00% per annum based on Credit Facility utilization. Due to the weighted average 1-month LIBOR being 0.24% for the applicable interest periods on the most recent election dates, we were subject to a weighted average rate of 2.49% per annum as of March 31, 2022.

Under the Credit Facility agreement, we are subject to commitment fees payable to the administrative agent for the unutilized portion of our available borrowing base, the rate of which ranges from 0.375% to 0.50% based on Credit Facility utilization. Additionally, we are subject to letter of credit participation fees payable to the administrative agent which escalate based on applicable margins, ranging from 2.00% to 3.00% per annum, in accordance with the Credit Facility utilization. We are also subject to a letter of credit fronting fee that is payable to the issuing bank at a rate of 0.125% per annum of the balance of outstanding letters of credit issued.

We had $9.8 million and $11.0 million in unamortized debt issuance costs associated with the Credit Facility as of March 31, 2022 and December 31, 2021, respectively, which are presented as part of other long-term assets on the condensed consolidated balance sheets.

Second Lien Term Loans

In October 2020, we issued $537.8 million in aggregate principal amount of 2025 Second Lien Term Loans and $339.7 million in aggregate principal amount of 2027 Notes in a private placement to eligible purchasers in exchange for $856.7 million of aggregate principal amount of 2022 Notes (the “Exchange”). We accounted for the Exchange as a modification to existing debt, and no gain or loss was recognized related to the principal exchanged. In connection with the Exchange, an additional $12.0 million in aggregate principal amount of 2025 Second Lien Term Loans, $8.6 million in aggregate principal amount of 2027 Notes and equity of our Parent

was issued to certain existing equity holders and their designated affiliates in exchange for an aggregate contribution of $20.0 million in cash. The proceeds were used to pay fees for the Exchange and to repay a portion of the borrowings outstanding under the Credit Facility. See Note 8 for further discussion of our debt held by certain related parties.

The 2025 Second Lien Term Loans mature on November 1, 2025, and interest is payable quarterly at an annual rate of 9.00% plus 3-month LIBOR, with a 1.00% LIBOR floor. Due to the 3-month LIBOR being 0.24% for the applicable interest period, we were subject to a rate of 10.00% per annum as of March 31, 2022. The 2025 Second Lien Term Loans are secured by second liens on substantially all of our assets, including our natural gas and oil properties. Our obligations under the 2025 Second Lien Term Loans are fully and unconditionally guaranteed, jointly and severally, by our current material subsidiaries and will be so guaranteed by any of our future material subsidiaries. We may redeem some or all of the 2025 Second Lien Term Loans at redemption prices ranging from 105.00% to 100.00% at any time on or after April 13, 2023. At any time prior to April 13, 2023, we may redeem some or all of the 2025 Second Lien Term Loans at a price of 100.00% plus a make-whole premium (as defined in the term loan credit agreement), and we may redeem up to 40% of the aggregate principal amount of 2025 Second Lien Term Loans at a price of 105.00% with an amount of cash not greater than the net cash proceeds of one or more equity offerings, subject to certain conditions. Upon the occurrence of a change of control (as defined in the term loan credit agreement), we are required to offer to repurchase all or any part of the 2025 Second Lien Term Loans at a price of 101.00%, plus accrued and unpaid interest.

Senior Notes

2026 Notes. In October 2018, we issued $600.0 million in aggregate principal amount of 2026 Notes in a private placement to eligible purchasers. The 2026 Notes mature on November 1, 2026, and interest is payable on May 1 and November 1 of each year. We used the proceeds primarily to redeem $525.0 million of outstanding principal of the 2022 Notes and pay accrued and unpaid interest up to, but excluding, the date of the redemption. The remaining net proceeds were used to repay borrowings under the Credit Facility. We may redeem some or all of the 2026 Notes at redemption prices ranging from 103.50% to 100.00%, plus accrued and unpaid interest to, but excluding, the redemption date. Upon the occurrence of a change of control (as defined in the indenture), we are required to offer to repurchase all or any part of the 2026 Notes at a price of 101.00%, plus accrued and unpaid interest.

2027 Notes. In October 2020, we issued $339.7 million in aggregate principal amount of 2027 Notes as part of the Exchange. The 2027 Notes mature on November 1, 2027, and interest is payable at an annual rate of 9.00% on May 1 and November 1 of each year. Additionally, $8.6 million of 2027 Notes were issued to certain existing equity holders of our Parent and their designated affiliates, the proceeds of which were used primarily to pay fees related to the Exchange. See Note 8 for further discussion of our debt held by certain related parties.

Unless and until a Triggering Event (as defined below) has occurred and we have paid all consideration payable in respect thereof, we may redeem some or all of the 2027 Notes (i) at any time prior to November 1, 2026, subject to a make-whole premium (as defined in the indenture) and (ii) on or after November 1, 2026, at a redemption price equal to 100.00% of the principal amount of 2027 Notes to be redeemed, in each case plus accrued and unpaid interest to, but excluding, the redemption date. If a Triggering Event has occurred and we have paid all consideration payable in respect thereof, we may redeem some or all of the 2027 Notes (i) at any time prior to November 1, 2023, subject to a make-whole premium and (ii) on or after November 1, 2023, at redemption prices ranging from 104.50% to 100.00%, in each case plus accrued and unpaid interest to, but excluding, the redemption date. Upon the occurrence of a change of control (as defined in the indenture), we are required to offer to repurchase all or any part of the 2027 Notes at a price of 101.00%, plus accrued and unpaid interest.

The 2027 Notes also contain a contingent payment right which entitles the holders to receive a fixed amount of cash or equity ranging from 35% to 45% of the then-outstanding aggregate principal amount of 2027 Notes, if certain triggering events (each a "Triggering Event") occur. Triggering Event is defined to include a qualified public offering, a qualified merger or consolidation that results in our Parent's equity holders receiving an equity interest that is listed or quoted on any national securities exchange, or a change of control. The amount paid to holders of the 2027 Notes in connection with the contingent payment right is dependent upon the timing of the first occurrence of such a Triggering Event. The contingent payment right is required to be bifurcated and accounted for at fair value, and the estimated fair value was $93.2 million and $85.2 million as of March 31, 2022 and December 31, 2021, respectively, and is presented as part of other long-term liabilities on the condensed consolidated balance sheets. See Note 6, *Contingent Payment Right*, for further discussion of the contingent payment right valuation. In certain instances, the contingent payment right may be replaced by a Contingent Value Right ("CVR"), which entitles the holder of the CVR to the same fixed amount of consideration upon a Triggering Event despite no longer holding the associated 2027 Notes. However, if the 2027 Notes are voluntarily sold to us prior to a Triggering Event through means of open market transactions or other negotiated transactions, the contingent payment right will expire.

2028 Notes. In December 2020, we issued $300.0 million in aggregate principal amount of 2028 Notes in a private placement to eligible purchasers. The 2028 Notes mature on December 31, 2028, and interest is payable on February 1 and August 1 of each year.

The net proceeds were used to repay a portion of the borrowings outstanding under the Credit Facility. We may redeem some or all of the 2028 Notes at redemption prices ranging from 104.125% to 100.00% at any time on or after February 1, 2024, plus accrued and unpaid interest to, but excluding, the redemption date. At any time prior to February 1, 2024, we may redeem some or all of the 2028 Notes at a price of 100.00% plus a make-whole premium (as defined in the indenture), and we may redeem up to 40% of the aggregate principal amount of 2028 Notes at a price of 108.25% with an amount of cash not greater than the net cash proceeds of one or more equity offerings, subject to certain conditions. Upon the occurrence of a change of control (as defined in the indenture), we are required to offer to repurchase all or any part of the 2028 Notes at a price of 101.00%, plus accrued and unpaid interest.

2029 Notes. In June 2021, we issued $400.0 million in aggregate principal amount of 2029 Notes in a private placement to eligible purchasers. The 2029 Notes mature on June 30, 2029, and interest is payable on March 1 and September 1 of each year. The net proceeds were used to repay a portion of the borrowings outstanding under the Credit Facility. We may redeem some or all of the 2029 Notes at redemption prices ranging from 102.938% to 100.00% at any time on or after September 1, 2024, plus accrued and unpaid interest to, but excluding, the redemption date. At any time prior to September 1, 2024, we may redeem some or all of the 2029 Notes at a price of 100.00% plus a make-whole premium (as defined in the indenture), and we may redeem up to 40% of the aggregate principal amount of 2029 Notes at a price of 105.875% with an amount of cash not greater than the net cash proceeds of one or more equity offerings, subject to certain conditions. Upon the occurrence of a change of control (as defined in the indenture), we are required to offer to repurchase all or any part of the 2029 Notes at a price of 101.00%, plus accrued and unpaid interest.

2022 Notes. In April 2017, we issued $1.5 billion in aggregate principal amount of 2022 Notes in a private placement to eligible purchasers. The 2022 Notes had a maturity date of April 1, 2022, and interest was payable on April 1 and October 1 of each year. Our obligations under the 2022 Notes were fully and unconditionally guaranteed, jointly and severally, by our material subsidiaries. Through multiple transactions from 2018 to 2020, we repurchased or otherwise retired a significant portion of the 2022 Notes. On April 1, 2021, we redeemed the remaining $68.0 million of outstanding principal amount of the 2022 Notes at a price of 105.00% for $71.4 million, plus accrued and unpaid interest.

The Senior Notes are senior unsecured obligations and rank equally in right of payment with all of our existing and future senior unsecured debt, and the outstanding Senior Notes will rank senior in right of payment to all of our future subordinated debt. The outstanding Senior Notes are effectively subordinated to all of our existing and future secured debt to the extent of the value of the collateral securing such indebtedness. Our obligations under the outstanding Senior Notes are fully and unconditionally guaranteed, jointly and severally, by our current material subsidiaries and will be so guaranteed by any of our future material subsidiaries.

Convertible Notes

In 2014, we issued $1.0 billion of Convertible Notes. Through multiple transactions from 2015 through 2020, we repurchased or otherwise retired a significant portion of the Convertible Notes. On March 1, 2021, the remaining outstanding aggregate principal of $8.3 million matured and was redeemed at a 53.8% premium for $12.8 million, plus accrued and unpaid interest.

Debt Covenants

The agreements governing our debt contain restrictive covenants including, but not limited to, restrictions on our ability to incur additional indebtedness, create certain liens on assets, make certain investments or restricted payments, make loans to others, make certain payments, consolidate or merge, hedge hydrocarbons, enter into transactions with affiliates, dispose of assets or engage in certain other transactions without the prior consent of the lenders. The Credit Facility also requires us to maintain the following two financial ratios: (i) a consolidated leverage ratio, which requires us to maintain a consolidated funded indebtedness to consolidated EBITDAX ratio for the aggregate of the last four consecutive quarters (as defined in the Credit Facility agreement) of not more than 4.00 to 1.00 for each fiscal quarter and (ii) a modified current ratio (as defined in the Credit Facility agreement), which requires us to maintain consolidated current assets to consolidated current liabilities of not less than 1.00 to 1.00 as of the end of each fiscal quarter. We were in compliance with all applicable debt covenants as of March 31, 2022.

5. Derivative Instruments

We use derivative instruments to mitigate our exposure to fluctuations in future commodity prices and floating interest rates in order to protect our anticipated operating cash flow against significant market movements or volatility. We do not use derivative instruments for speculative or trading purposes. We utilize the following types of derivative instruments:

- *Swaps*. We receive a fixed price and pay a floating market price to the counterparty for the hedged commodity.

- *Call Options*. We sell call options in exchange for a premium, which establish the maximum price we will receive for contracted commodity volumes. At the time of settlement, if the market price exceeds the fixed price of the call option, we pay the difference to the counterparty. From time to time, we may sell future call options to obtain more favorable strike prices on swap or collar contracts.

- *Collars*. These instruments contain a fixed floor price ("put") and ceiling price ("call"). If the market price exceeds the call strike price, we pay the difference between the market price and the strike price of the sold call to the counterparty. If the market price falls below the put strike price, we receive the difference between the market price and the strike price of the purchased put from the counterparty. If the market price is between the put and the call strike prices, no payments are due to or from either party.

- *Three-Way Collars*. Three-way collars consist of a traditional collar and our sale of an additional put option in exchange for more favorable strike prices on purchased put or sold call options.

- *Basis Swaps*. Our natural gas production is sold at various delivery points that at times may have material spreads or volatility relative to NYMEX. Therefore, we periodically use basis swaps to fix the differential between product prices at the following market locations relative to NYMEX: Chicago (Citygate), Dawn (Ontario), MichCon, Rex Zone 3, Eastern Gas South, TCO and Tetco M-2. Under these instruments, we receive the fixed price differential and pay the floating market price differential to the counterparty for the contracted volumes.

- *Interest Rate Swaps*. Interest rate swaps are used to fix interest rates on existing or anticipated floating rate indebtedness. The purpose of these instruments is to manage our existing or anticipated exposure to unfavorable interest rate changes. We pay a fixed interest rate and receive a floating interest rate from the counterparty.

All derivative instruments are recognized at their current fair value as either assets or liabilities on the condensed consolidated balance sheets. Changes in the fair value of these derivative instruments are recorded in earnings as we have not elected hedge accounting for any of our derivative instruments.

The following table sets forth the average volumes per day associated with our outstanding natural gas derivative instruments as of March 31, 2022, the contracted weighted average natural gas prices, the contracted weighted average basis swap spreads and the estimated fair values:

		Weighted Average Prices ($/mmbtu)				
	Average Volume (mmbtu/d)	Swap Strike Price	Sold Call Strike Price	Purchased Put Strike Price	Sold Put Strike Price	Fair Value ($ in thousands)
Natural gas:						
Swaps:						$ (1,820,442)
Remaining in 2022	1,343,000	$ 2.75				
2023	1,060,000	$ 2.92				
2024	485,000	$ 2.98				
2025	140,000	$ 3.39				
Collars:						(46,930)
Remaining in 2022	27,000		$ 5.70	$ 3.67		
2023	190,000		$ 5.33	$ 3.17		
2024	90,000		$ 4.58	$ 3.00		
2025	80,000		$ 4.43	$ 3.00		
Three-way collars:						(112,228)
Remaining in 2022	150,000		$ 3.00	$ 2.50	$ 2.01	
Call options:						(660,363)
Remaining in 2022	360,000		$ 2.99			
2023	370,000		$ 2.89			
2024	400,000		$ 2.84			
Basis swaps:						51,837
Remaining in 2022	848,000	$ (0.40)				
2023	380,000	$ (0.42)				
2024	90,000	$ (0.73)				
Total Estimated Fair Value						$ (2,588,126)

In April 2022, we used $300.0 million of cash from our Credit Facility to restructure a portion of our May through December 2022 natural gas swaps, resulting in an uplift of our weighted average strike price for the remainder of 2022 from $2.75 per mmbtu to $3.57 per mmbtu.

The following table sets forth the average volumes per day associated with our outstanding oil derivative instruments as of March 31, 2022, the contracted weighted average oil prices and the estimated fair values:

		Weighted Average Prices ($/bbl)	
	Average Volume (bbls/d)	Swap Strike Price	Fair Value ($ in thousands)
Oil:			
Swaps:			$ (83,599)
Remaining in 2022	5,000	$ 57.50	
2023	5,000	$ 69.42	
2024	3,000	$ 68.43	
Total Estimated Fair Value			$ (83,599)

The following table sets forth the average volumes per day associated with our outstanding NGL derivative instruments as of March 31, 2022, the contracted weighted average NGL prices and the estimated fair values:

		Weighted Average Prices ($/bbl)	
	Average Volume (bbls/d)	Swap Strike Price	Fair Value ($ in thousands)
NGL:			
Swaps - Propane:			$ (33,179)
Remaining in 2022	4,000	$ 30.58	
2023	3,000	$ 38.08	
Total Estimated Fair Value			$ (33,179)

The following table sets forth the notional amounts associated with our outstanding interest rate derivative instruments as of March 31, 2022, the contracted fixed rate to be paid, the contracted floating rate to be received and the estimated fair value:

($ in thousands)	Notional Amount	Fixed Rate	Floating Rate	Fair Value
Interest Rate Swaps:				$ 1,738
Remaining in 2022	$ 150,000	1.6945 %	1-month LIBOR	
2023	$ 150,000	1.6945 %	1-month LIBOR	
Total Estimated Fair Value				$ 1,738

The following tables summarize the fair value of our derivative instruments on a gross basis, the effects of netting assets and liabilities for which the right of offset exists based on master netting agreements and the net amount presented on our condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021:

($ in thousands)	March 31, 2022		
Condensed Consolidated Balance Sheet Presentation	Fair Value, Gross	Amounts Netted on Balance Sheet	Fair Value, Net
Short-term derivative assets:			
Commodity derivatives	$ 45,679	$ (45,679)	$ —
Interest rate derivatives	588	(367)	221
Total short-term derivative assets	$ 46,267	$ (46,046)	$ 221
Long-term derivative assets:			
Commodity derivatives	$ 52,236	$ (52,236)	$ —
Interest rate derivatives	1,517	—	1,517
Total long-term derivative assets	$ 53,753	$ (52,236)	$ 1,517
Short-term derivative liabilities:			
Commodity derivatives	$ 1,959,549	$ (45,679)	$ 1,913,870
Interest rate derivatives	367	(367)	—
Total short-term derivative liabilities	$ 1,959,916	$ (46,046)	$ 1,913,870
Long-term derivative liabilities:			
Commodity derivatives	$ 843,270	$ (52,236)	$ 791,034
Total long-term derivative liabilities	$ 843,270	$ (52,236)	$ 791,034

($ in thousands)	December 31, 2021		
Condensed Consolidated Balance Sheet Presentation	Fair Value, Gross	Amounts Netted on Balance Sheet	Fair Value, Net
Short-term derivative assets:			
Commodity derivatives	$ 47,869	$ (41,003)	$ 6,866
Total short-term derivative assets	$ 47,869	$ (41,003)	$ 6,866
Long-term derivative assets:			
Commodity derivatives	$ 23,896	$ (23,374)	$ 522
Total long-term derivative assets	$ 23,896	$ (23,374)	$ 522
Short-term derivative liabilities:			
Commodity derivatives	$ 689,876	$ (41,003)	$ 648,873
Total short-term derivative liabilities	$ 689,876	$ (41,003)	$ 648,873
Long-term derivative liabilities:			
Commodity derivatives	$ 458,396	$ (23,374)	$ 435,022
Total long-term derivative liabilities	$ 458,396	$ (23,374)	$ 435,022

The following table summarizes the effects of derivative instruments on the condensed consolidated statements of operations for the periods indicated:

($ in thousands)	Condensed Consolidated Statements of Operations Presentation	Three Months Ended March 31, 2022	2021
Commodity derivatives	Commodity derivative loss	$ (1,995,560)	$ (98,670)
Interest rate derivatives	Interest expense, net	$ 1,738	$ (26)

6. Fair Value Measurements

We use a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs or significant value drivers are observable.

Level 3 – Unobservable inputs that reflect our own assumptions.

Fair Value on a Recurring Basis

The following tables summarize the valuation of financial instruments by pricing levels that were accounted for at fair value on a recurring basis as of March 31, 2022 and December 31, 2021. There were no transfers in or out of our Level 3 fair value measurements.

($ in thousands)	Fair value measurements at March 31, 2022:			
	Level 1	Level 2	Level 3	Total
Assets:				
Interest rate derivatives	$ —	$ 1,738	$ —	$ 1,738
Total	$ —	$ 1,738	$ —	$ 1,738
Liabilities:				
Commodity derivatives	$ —	$ 2,704,904	$ —	$ 2,704,904
Contingent payment right	—	—	93,203	93,203
Total	$ —	$ 2,704,904	$ 93,203	$ 2,798,107

	Fair value measurements at December 31, 2021:			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Commodity derivatives	$ —	$ 7,388	$ —	$ 7,388
Total	$ —	$ 7,388	$ —	$ 7,388
Liabilities:				
Commodity derivatives	$ —	$ 1,083,895	$ —	$ 1,083,895
Contingent payment right	—	—	85,223	85,223
Total	$ —	$ 1,083,895	$ 85,223	$ 1,169,118

Derivatives. We estimate the fair value of our commodity and interest rate derivatives using models that utilize market-based parameters and are therefore classified as Level 2 fair value measurements. The fair value of our commodity swaps, collars and options are based on standard industry income approach models that use significant observable inputs including, but not limited to, forward curves, discount rates, nonperformance risk and volatilities. We estimate the fair value of our interest rate swaps using a discounted cash flow model utilizing the contracted notional amounts, active market-quoted LIBOR yield curves and the applicable credit-adjusted risk-free rate yield curve. See Note 5 for further information regarding our derivative instruments.

Contingent Payment Right. The 2027 Notes contain a contingent payment right which entitles the holders to receive a fixed amount of cash or equity that ranges from 35% to 45% of the then-outstanding aggregate principal amount of 2027 Notes, if a Triggering Event occurs. See Note 4, *2027 Notes*, for further information regarding the contingent payment right. The contingent payment right is required to be bifurcated and accounted for as a liability at fair value. The fair value of the contingent payment right is based on unobservable inputs and is therefore classified as Level 3.

The fair value of the contingent payment right was determined using a “with” and “without” analysis, which compares the value of the 2027 Notes including the contingent payment right to the value of an otherwise identical bond that omits the contingent payment right feature by comparing the discounted cash flows. The significant unobservable inputs used to estimate the fair value of the contingent payment right include the probability of a Triggering Event occurring prior to maturity and the discount rate used in the discounted cash flow analysis. Changes in these inputs impact the fair value measurement of the contingent payment right. For example, an increase or decrease in the probability of a Triggering Event occurring would increase or decrease, respectively, the fair value of the contingent payment right. Additionally, an increase or decrease in the discount rate would decrease or increase, respectively, the fair value of the contingent payment right.

The following table presents quantitative information about Level 3 inputs used in the fair value measurement of the contingent payment right:

	March 31, 2022	December 31, 2021
Probability of a Triggering Event prior to maturity	75%	70%
Discount rate	6.3%	6.5%

The contingent payment right is presented as part of other long-term liabilities on the condensed consolidated balance sheets. Changes in its fair value are presented as a change in fair value of the contingent payment right on the condensed consolidated statements of operations. The following table presents a reconciliation of changes in the fair value of the contingent payment right:

($ in thousands)	March 31, 2022	December 31, 2021
Balance, beginning of period	$ 85,223	$ 65,302
Change in fair value	7,980	19,921
Balance, end of period	$ 93,203	$ 85,223

Fair Value of Debt

The carrying amounts and estimated fair values of our debt instruments as of March 31, 2022 and December 31, 2021 are shown in the table below. The fair values were estimated using Level 2 market data inputs. See Note 4 for further information regarding our debt.

	March 31, 2022		December 31, 2021	
($ in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Credit Facility	$ 460,000	$ 460,000	$ 495,000	$ 495,000
2025 Second Lien Term Loans	531,832	593,120	530,841	599,306
2026 Notes	590,092	613,781	589,644	612,663
2027 Notes	285,641	474,458	283,795	465,639
2028 Notes	295,497	315,320	295,375	312,803
2029 Notes	393,763	389,070	393,593	384,190
Total	$ 2,556,825	$ 2,845,749	$ 2,588,248	$ 2,869,601

7. Stock-Based Compensation

In July 2020, our Parent established a long-term incentive plan (the "Plan") in order to further our growth and success. Under the Plan, the board of managers of our Parent may, among other things, grant time-vested restricted stock units ("Time-Vested RSUs") and performance-vested restricted stock units ("Performance-Vested RSUs," and together with the Time-Vested RSUs, the "RSUs") to certain of our employees and certain managers of the board of our Parent. Under the Plan, 360.2 million common units of the Parent were reserved for issuance. The RSUs contain distribution equivalent rights, which entitle participants to cash distributions on unvested RSUs if and to the extent holders of common units receive cash distributions. As of March 31, 2022, approximately 52.7 million common units were available for future grants under the Plan.

Stock-based compensation was $0.9 million and $1.1 million for the three months ended March 31, 2022 and 2021, respectively, and is presented as part of general and administrative expenses on the condensed consolidated statements of operations. We account for forfeitures during the period in which they occur by reversing the expense previously recognized for such awards.

Time-Vested Restricted Stock Units

Time-Vested RSUs are accounted for as equity awards, and vesting is subject to a service condition which is generally satisfied over five years in one-year tranches. Stock-based compensation related to the Time-Vested RSUs is measured based on the fair value on the date of grant using appropriate valuation techniques and is recognized on a straight-line basis over the requisite service period. Time-Vested RSUs are subject to an accelerated vesting schedule upon certain events which are generally outside of the control of the participant.

A summary of Time-Vested RSU activity for the three months ended March 31, 2022 is as follows:

(in thousands, except weighted average fair value)	Number of Unvested Time-Vested RSUs	Weighted Average Grant Date Fair Value
Unvested Time-Vested RSUs as of December 31, 2021	130,606	$ 0.11
2022 Grants	—	$ —
2022 Forfeitures	(1,012)	$ 0.10
2022 Vestings	—	$ —
Unvested Time-Vested RSUs as of March 31, 2022	129,594	$ 0.11

As of March 31, 2022, there was $10.6 million of unrecognized compensation costs related to unvested Time-Vested RSUs. The unamortized compensation costs are expected to be recognized over a weighted average period of approximately 3.2 years.

Performance-Vested Restricted Stock Units

Performance-Vested RSUs are accounted for as liability awards, and vesting is subject to a performance condition which is generally satisfied upon the occurrence of a qualifying liquidity event ("QLE") as defined in the Plan. Upon each QLE, participants are generally entitled to cash payments, or upon a QLE by which our Parent becomes a publicly held corporation, common stock in

such public entity. The ultimate settlement of Performance-Vested RSUs would be partially or fully offset to the extent cash awards were previously received as part of the Plan (the "Cash Award Offset"), and any such Performance-Vested RSUs for which the Cash Award Offset has been applied are forfeited. Cash Award Offset payments are triggered upon us achieving certain leverage ratios. If the leverage ratio, as defined in the Plan, is less than 2.0 times but greater than or equal to 1.75 times, this would result in a cash payment equal to 2.5% of annual free cash flow, as defined in the Plan. If the leverage ratio, as defined in the Plan, falls below 1.75 times, this would result in a cash payment equal to 5.0% of annual free cash flow, as defined in the Plan. These payments will be accrued when determined probable. Stock-based compensation related to the Performance-Vested RSUs is recognized at fair value using appropriate valuation techniques on such date it becomes probable that the performance condition will be achieved, and is remeasured each period at fair value through settlement. Performance-Vested RSUs are subject to an accelerated vesting schedule upon certain events which are generally outside of the control of the participant, and are subject to expiration.

(in thousands, except weighted average fair value)	Number of Unvested Performance-Vested RSUs	Weighted Average Grant Date Fair Value
Unvested Performance-Vested RSUs as of December 31, 2021	161,089	$ 0.10
2022 Grants	—	$ —
2022 Forfeitures	(1,265)	$ 0.10
2022 Vestings	—	$ —
Unvested Performance-Vested RSUs as of March 31, 2022	159,824	$ 0.10

8. Related Party Transactions

Natural Gas Gathering, Firm Transportation, Processing and Commodity Sales Agreements

In the normal course of our business, we have entered into certain business relationships with entities in which EMG or First Reserve have control or significant influence through their equity investments. These relationships include agreements for the sale of our NGL production and the gathering, processing and transportation of our natural gas and NGL production.

The following table summarizes the accounts receivable due from these purchasers and the amounts due to companies associated with these agreements for the periods indicated:

($ in thousands) Condensed Consolidated Balance Sheets Presentation	March 31, 2022	December 31, 2021
Accounts receivable - natural gas, oil and NGL sales	$ 23,824	$ 20,474
Other current liabilities	$ 92,562	$ 96,469

The following table summarizes the expenses incurred and the revenues realized with our related parties for the periods indicated:

($ in thousands)	Three Months Ended March 31,	
Condensed Consolidated Statements of Operations Presentation	2022	2021
NGL revenues	$ 29,161	$ 26,687
Gathering, processing and transportation expenses	$ 153,481	$ 149,678

For information regarding the credit support requirements due to certain related parties, see Note 10, *Pipeline Commitments*.

Long-Term Debt

In connection with the Exchange, we issued $12.0 million in aggregate principal amount of 2025 Second Lien Term Loans and $8.6 million in aggregate principal amount of 2027 Notes to certain of our Parent's existing equity holders and their designated affiliates. As of both March 31, 2022 and December 31, 2021, $8.6 million in aggregate principal amount of 2025 Second Lien Term Loans and $0.3 million in aggregate principal amount of 2027 Notes were held by certain related parties.

9. Leases

We enter into certain agreements for tangible assets, real estate and easements to support our operations. To the extent that we determine an arrangement represents a lease in accordance with ASC 842, we classify that lease as an operating or financing lease. The following table summarizes our ROU assets and lease liabilities on the condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021:

($ in thousands)	Condensed Consolidated Balance Sheet Presentation	March 31, 2022	December 31, 2021
Operating leases:			
ROU assets, net	Other long-term assets	$ 28,478	$ 35,132
Short-term lease liabilities	Other current liabilities	$ 20,174	$ 25,127
Long-term lease liabilities	Other long-term liabilities	8,043	9,769
Total operating lease liabilities		$ 28,217	$ 34,896
Financing leases:			
ROU assets, net	Property and equipment, net	$ 1,428	$ 1,557
Short-term lease liabilities	Other current liabilities	$ 668	$ 686
Long-term lease liabilities	Other long-term liabilities	424	469
Total financing lease liabilities		$ 1,092	$ 1,155

The following table summarizes our total lease costs before amounts are recovered from our joint interest partners, where appropriate, for the periods presented:

($ in thousands)	Condensed Consolidated Financial Statement Presentation	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Operating lease cost:			
Operating lease cost	General and administrative expense	$ 448	$ 483
Operating lease cost	Lease operating expense	1,563	1,309
Operating lease cost	Natural gas and oil properties	5,384	1,566
Total operating lease cost		$ 7,395	$ 3,358
Financing lease cost:			
Amortization of ROU assets	DD&A	$ 281	$ 222
Interest on lease liabilities	Interest expense	9	11
Total financing lease cost		$ 290	$ 233
Short-term lease cost:			
Short-term lease cost	Lease operating expense	$ 1,068	$ 953
Short-term lease cost	Natural gas and oil properties	1,558	4,508
Total short-term lease cost		$ 2,626	$ 5,461
Variable lease cost:			
Variable lease cost	Natural gas and oil properties	$ 526	$ 583

Additional information for our operating and financing leases is summarized below:

	Three Months Ended March 31,			
	2022		2021	
($ in thousands)	Operating	Financing	Operating	Financing
Cash outflows for lease liabilities:				
Operating cash flows	$ 2,063	$ 8	$ 1,781	$ 11
Investing cash flows	$ 5,356	$ —	$ 1,522	$ —
Financing cash flows	$ —	$ 216	$ —	$ 226
Non-cash activities:				
ROU assets obtained in exchange for lease liabilities	$ 532	$ 153	$ 1,614	$ 279

	March 31, 2022		December 31, 2021	
	Operating	Financing	Operating	Financing
Weighted average remaining lease term (in years)	1.6	1.9	1.7	1.9
Weighted average discount rate	2.6 %	2.9 %	2.6 %	3.1 %

The following table presents our maturity analysis as of March 31, 2022 for future lease expirations. We do not have any lease maturities after 2025.

	March 31, 2022	
($ in thousands)	Operating	Financing
Remaining in 2022	$ 18,440	$ 558
2023	6,803	399
2024	3,086	154
2025	471	10
Total lease payments	28,800	1,121
Less: imputed interest	(583)	(29)
Present value of lease liabilities	$ 28,217	$ 1,092

10. Commitments and Contingencies

Litigation Matters

We are periodically involved in litigation and regulatory proceedings, investigations and disputes, including matters relating to commercial transactions, operations, landowner disputes, royalty claims, property damage claims, contract actions and environmental, health and safety matters. We may also periodically be involved in disputes with our midstream counterparties, some of which are related parties as discussed in Note 8, including disputes arising due to the overlapping nature of dedication provisions, ownership and contractual interests in the Utica Shale. A liability is recognized for any contingency that is probable and reasonably estimable. We continually assess the likelihood of adverse judgments or outcomes in these matters, as well as potential ranges of possible losses, based on a careful analysis of each matter and, if necessary, with the assistance of outside legal counsel and other experts. We will continue to monitor the impact that litigation could have on us and will assess the impact of future events. Legal defense costs are accounted for in the period the costs are incurred.

We are defending against certain pending claims, have resolved a number of claims through negotiated settlements and have prevailed in various other lawsuits. Based on management's current assessment, we believe no pending or threatened lawsuit or dispute relating to our business operations is likely to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

For all such claims, disputes and threatened or pending litigation, we had accrued $14.4 million and $15.0 million as of March 31, 2022 and December 31, 2021, respectively, which is presented as part of other current liabilities on the condensed consolidated balance sheets. The final resolution of such matters could differ materially from management's estimates.

Environmental Matters

We are subject to existing federal, state and local laws and regulations governing environmental matters, such as the Comprehensive Environmental Response, Compensation and Liability Act and similar statutes. From time to time, we are party to various environmental and regulatory proceedings in the ordinary course of business. Management does not believe the results of these environmental proceedings, individually or in the aggregate, will have a material adverse effect on us.

Pipeline Commitments

We have entered into certain pipeline capacity commitments with various counterparties in order to facilitate the delivery of our production to market and reduce the likelihood of possible production curtailments that may arise due to limited capacity. Through these contracts, we are committed to transport minimum daily natural gas volumes at negotiated rates or pay for any deficiencies. The table below presents our undiscounted pipeline commitments that have initial or remaining non-cancelable terms in excess of one year as of March 31, 2022 and represents the gross amounts we are committed to pay; however, working interest owners and royalty interest owners, where appropriate, will be responsible for their proportionate share of these costs.

($ in thousands)	Pipeline Commitments
Remaining in 2022	$ 541,166
2023	761,208
2024	747,732
2025	735,884
2026	732,100
2027 and Thereafter	6,434,198
Total	$ 9,952,288

To satisfy credit support requirements for these commitments, $169.2 million in letters of credit and $261.1 million in surety bonds were issued by us or on our behalf to certain transportation providers as of March 31, 2022. Our credit support includes support provided to certain related parties, which, as of March 31, 2022, included $121.3 million in letters of credit and $195.0 million in surety bonds. For information regarding certain other transactions with related parties, see Note 8.

11. Other Current Liabilities

Our other current liabilities consisted of the following as of the dates indicated:

($ in thousands)	March 31, 2022	December 31, 2021
Gathering, processing and transportation expense accrual	$ 126,890	$ 130,677
Revenues and royalties due others	194,933	196,966
Drilling and completion cost accrual	87,175	73,851
Taxes other than income accrual	22,409	27,364
Operating and financing leases	20,842	25,813
Other	63,394	63,282
Total Other Current Liabilities	$ 515,643	$ 517,953

Business Overview

Unless otherwise indicated or the context otherwise requires, references to "we," "our" and "us" refer to Ascent Resources Utica Holdings, LLC together with its wholly-owned subsidiaries.

We are one of the largest private producers of natural gas in the United States and are focused on acquiring, developing, and operating natural gas and oil properties located in the Utica Shale. We are a wholly-owned subsidiary of Ascent Resources Operating, LLC (our "Member") and an indirect wholly-owned subsidiary of Ascent Resources, LLC (our "Parent"). We were formed in 2013 by our private equity sponsors, primarily The Energy & Minerals Group and First Reserve Corporation, to utilize our technical expertise to acquire and exploit assets in the Utica Shale. Our asset base is concentrated in southern Ohio, where we target the Point Pleasant interval of the Utica Shale, one of the premier North American shale plays. Our largely contiguous development footprint of approximately 338,000 net leasehold acres, including approximately 73,000 mineral acres, lies within the core of the southern Utica Shale and, as supported by our drilling results and those of offset operators, offers development opportunities with predictable and repeatable production profiles, low breakeven costs and industry-leading rates of return. We also own royalty interests in approximately 5,700 mineral acres that are being developed by third-party operators and provide enhanced value without additional capital costs or operating expenses.

We are continuously focused on enhancing our drilling and completion techniques, minimizing operational costs and maximizing the recovery of natural gas, oil and NGL from our assets, with the goal of generating strong corporate-level returns and sustainable free cash flow in a capital efficient and financially disciplined manner.

2022 Highlights

- Our liquidity as of March 31, 2022 was $1.23 billion, comprised of $1.22 billion of available borrowing capacity under our Credit Facility and a cash balance of $6.1 million.
- Our net daily production for the three months ended March 31, 2022 averaged 1.96 bcfe/d and was comprised of approximately 93% natural gas, 2% oil and 5% NGL.
- We spud 17 wells, hydraulically fractured 19 wells and turned-in-line 10 new wells.
- Our average realized price for the three months ended March 31, 2022, including the effects of settled derivatives, increased 3% to $3.23 per mcfe from $3.14 per mcfe for the three months ended March 31, 2021.

COVID-19 and Market Update

We continue to monitor the current and potential impacts of the novel coronavirus ("COVID-19") pandemic on all aspects of our business, including how it has impacted, and may in the future impact, our operations, financial results, liquidity, employees and communities in which we operate. We also continue to monitor a number of factors that may cause actual results of operations to differ from our historical results or current expectations.

Throughout the second half of 2021 and into 2022, the effects of COVID-19 mitigation efforts, including the wide availability of vaccines, the relaxation of COVID-19 related restrictions and optimism regarding economic recovery have contributed to increased demand and prices for oil, natural gas and NGL. However, there remains uncertainty around the ultimate severity, scope and duration of the pandemic, vaccine administration rates and efficacy, potential resurgences of COVID-19 cases and the emergence of new, more contagious or vaccine-resistant virus variants and the direction or extent of current or future restrictive actions that may be imposed by governments or public health authorities. In addition, the economy is experiencing elevated inflation levels as a result of global supply and demand imbalances resulting from COVID-19. The United States Bureau of Labor Statistics consumer price index for all urban consumers increased approximately 9% from March 31, 2021 to March 31, 2022 as compared to the average historical 10-year rate of approximately 2%. Additionally, unemployment rates continue to improve as demonstrated by declines from a high of approximately 15% in April 2020 to approximately 4% in March 2022 which could lead to potential labor shortages. Inflationary pressures and labor shortages could result in increases to our capital and operating expenses that are not fixed and could impact the renegotiation of certain contracts, among other things.

Commodity markets are currently also subject to heightened levels of uncertainty related to the Russian military incursion into Ukraine, which have given rise to regional instability and resulted in heightened economic sanctions by the U.S. and the international community that, in turn, have increased uncertainty with respect to global financial markets and production output from the Organization of Petroleum Exporting Countries and other oil producing nations.

As the full impact of COVID-19 and the volatility in commodity markets continues to evolve, we cannot be certain as to the full magnitude they will have on our future financial condition, liquidity, results of operations or cash flows.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Our Management's Discussion and Analysis of our Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our audited consolidated financial statements, the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the year ended December 31, 2021, in addition to the unaudited condensed consolidated financial statements and related notes included within this quarterly report. The following discussion and analysis contains forward-looking statements that involve known and unknown risks, uncertainties and assumptions. The forward-looking statements are not historical facts, but rather reflect our future plans, estimates, beliefs and expected performance. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law.

Results of Operations

Comparison of Three Months Ended March 31, 2022 and 2021

Revenues. The following table sets forth certain information for the periods indicated regarding our revenues, average sales prices received and net production volumes:

	Three Months Ended March 31,		Variance	
	2022	2021	Amount	Percent
Revenues ($ in thousands):				
Natural gas	$ 812,878	$ 430,198	$ 382,680	89 %
Oil	54,366	41,958	12,408	30 %
NGL	69,497	55,532	13,965	25 %
Total Revenues, before effects of commodity derivatives	$ 936,741	$ 527,688	$ 409,053	78 %
Average Sales Prices:				
Natural gas ($/mcf)	$ 4.96	$ 2.99	$ 1.97	66 %
Oil ($/bbl)	$ 87.13	$ 49.95	$ 37.18	74 %
NGL ($/bbl)	$ 49.96	$ 27.38	$ 22.58	82 %
Natural Gas Equivalent ($/mcfe)	$ 5.32	$ 3.27	$ 2.05	63 %
Settlements of commodity derivatives ($/mcfe)	(2.09)	(0.13)	(1.96)	1,508 %
Average sales price, after effects of settled derivatives ($/mcfe)	$ 3.23	$ 3.14	$ 0.09	3 %
Net Production Volumes:				
Natural gas (mmcf)	163,886	143,967	19,919	14 %
Oil (mbbls)	624	840	(216)	(26)%
NGL (mbbls)	1,391	2,028	(637)	(31)%
Natural Gas Equivalent (mmcfe)	175,980	161,171	14,809	9 %
Average Daily Net Production Volumes:				
Natural gas (mmcf/d)	1,821	1,600	221	14 %
Oil (mbbls/d)	7	9	(2)	(22)%
NGL (mbbls/d)	15	23	(8)	(35)%
Natural Gas Equivalent (mmcfe/d)	1,955	1,791	164	9 %

Natural gas, oil and NGL revenues (excluding the effects of derivatives) increased $409.1 million during the three months ended March 31, 2022 compared to the same period in 2021, of which $360.7 million was attributable to an increase in commodity prices and $48.4 million was attributable to an increase in our net production volumes.

Commodity prices fluctuate in response to changes in supply and demand, market uncertainty and a variety of other factors beyond our control. A change in commodity prices has a direct impact on our sales and cash flows. The following table illustrates the

effects of an increase or decrease in commodity prices on our sales and cash flows, before the effects of derivatives, assuming our production levels for the three months ended March 31, 2022 remained constant:

($ in thousands)	Volumes	Price Fluctuation per Unit	Effect on Sales and Cash Flows
Commodity:			
Natural Gas (mmcf)	163,886	$ 0.10	$ 16,389
Oil (mbbls)	624	$ 1.00	$ 624
NGL (mbbls)	1,391	$ 1.00	$ 1,391

Impact of Commodity Derivative Instruments. We use commodity derivative instruments to mitigate our exposure to fluctuations in future commodity prices in order to protect our anticipated operating cash flow against significant market movements or volatility. The following table sets forth the settlements of our derivative instruments and the change in fair value for the periods indicated:

	Three Months Ended March 31,	
($ in thousands)	2022	2021
Net Settlements of Commodity Derivatives:		
Natural Gas	$ (341,970)	$ (13,477)
Oil	(16,597)	(3,768)
NGL	(8,596)	(3,766)
Total Net Settlements of Commodity Derivatives	(367,163)	(21,011)
Change in Fair Value of Commodity Derivatives:		
Natural Gas	(1,560,782)	(61,156)
Oil	(54,091)	(10,213)
NGL	(13,524)	(6,290)
Total Change in Fair Value of Commodity Derivatives	(1,628,397)	(77,659)
Total Loss on Commodity Derivatives	$ (1,995,560)	$ (98,670)

As commodity prices increase or decrease, such changes will have an opposite effect on the fair value and ultimate settlement of our derivatives. See Quantitative and Qualitative Disclosure About Market Risk, *Commodity Demand and Price Risk,* and Note 5 of our condensed consolidated financial statements included in this report for further information regarding our derivative instruments.

Operating Expenses. The following table sets forth our operating expenses and costs per mcfe:

	Three Months Ended March 31,		Variance	
	2022	2021	Amount	Percent
Operating Expenses ($ in thousands):				
Lease operating expenses	$ 27,827	$ 21,154	$ 6,673	32 %
Gathering, processing and transportation expenses	$ 231,125	$ 220,671	$ 10,454	5 %
Taxes other than income	$ 10,522	$ 9,040	$ 1,482	16 %
Exploration expenses	$ 18,409	$ 18,493	$ (84)	— %
General and administrative expenses	$ 19,843	$ 16,569	$ 3,274	20 %
Natural gas and oil depreciation, depletion and amortization	$ 151,506	$ 138,721	$ 12,785	9 %
Depreciation and amortization of other assets	$ 773	$ 735	$ 38	5 %
Operating Expenses ($/mcfe):				
Lease operating expenses	$ 0.16	$ 0.13	$ 0.03	23 %
Gathering, processing and transportation expenses	$ 1.31	$ 1.37	$ (0.06)	(4)%
Taxes other than income	$ 0.06	$ 0.06	$ —	— %
Exploration expenses	$ 0.10	$ 0.11	$ (0.01)	(9)%
General and administrative expenses	$ 0.11	$ 0.10	$ 0.01	10 %
Natural gas and oil depreciation, depletion and amortization	$ 0.86	$ 0.86	$ —	— %
Depreciation and amortization of other assets	$ —	$ —	$ —	— %

- Lease operating expenses per mcfe increased as a result of inflationary pressure on labor and materials and increased fuel costs during the three months ended March 31, 2022 compared to the same period in 2021.
- Gathering, processing and transportation expenses per mcfe decreased primarily as a result of an increase in natural gas production that led to a decrease in excess capacity during the three months ended March 31, 2022 compared to the same period in 2021.
- Exploration expenses were primarily driven by impairments of $17.9 million and $17.4 million for the three months ended March 31, 2022 and 2021, respectively, for unproved natural gas and oil properties for which the leases are expected to expire. As we continue to review our acreage position and high grade our drilling inventory, focusing on our core type curve areas, additional leasehold impairments and abandonments may be recorded.
- Natural gas and oil DD&A increased due to an increase in our total production during the three months ended March 31, 2022 compared to the same period in 2021.

Interest Expense. Interest expense was $45.0 million and $41.5 million for the three months ended March 31, 2022 and 2021, respectively, detailed as follows along with our weighted average debt outstanding:

($ in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Credit Facility	$ 6,550	$ 8,591
2025 Second Lien Term Loans	13,767	13,746
Senior Notes	30,429	26,265
Convertible Notes	—	93
Gain (loss) on interest rate derivatives	(1,738)	26
Amortization of debt discounts, premium and issuance costs	4,801	4,641
Other	1,155	1,398
Capitalized interest	(9,999)	(13,303)
Total Interest Expense, net	$ 44,965	$ 41,457
Weighted Average Debt Outstanding:		
Credit Facility	$ 712,056	$ 1,022,611
2025 Second Lien Term Loans	549,822	549,822
Senior Notes	1,648,294	1,316,286
Convertible Notes	—	5,448
Weighted Average Debt Outstanding	$ 2,910,172	$ 2,894,167

The increase in interest expense for the three months ended March 31, 2022 compared to the same period in 2021 was primarily due to reduced capitalized interest resulting from a decline in our active unproved properties year over year.

Liquidity and Capital Resources

Overview

The drilling, completion and production of our natural gas and oil properties are capital intensive activities that require access to significant capital. We continually evaluate our capital needs and compare them to our capital resources. Our primary sources of funds are internally generated cash flows from operations, draws on our Credit Facility and proceeds from the issuance of debt, and historically have included equity contributions from our Parent. Our future success in growing our proved reserves and production will be highly dependent upon net cash provided by our operating activities and the capital resources available to us. Based on existing market conditions and our expected liquidity needs, among other factors, we intend to use a portion of our cash flows from operations to repay or redeem portions of our indebtedness. Additionally, we may use securities offerings or other debt issuances to repay debt prior to scheduled maturities, and we may seek opportunities to refinance all or a portion of our indebtedness, including through cash purchases, exchanges, open market purchases or privately negotiated transactions. See Note 4 of the notes to our condensed consolidated financial statements included in this report for further discussion of our debt.

Our cash flow from operating activities is highly dependent upon our ability to produce and sell our natural gas, oil and NGL production and the sales prices that we receive. Commodity prices are subject to wide fluctuations and are driven by market supply and demand, which is impacted by many factors. The sales price we realize for our production is also impacted by our commodity hedging activities. Our derivative contracts allow us to ensure a certain level of cash flow to fund our operations. Although we are continually securing additional derivative positions for portions of our expected future production, there can be no assurance that we will be able to add derivative positions to cover the remainder of our expected production at favorable prices. See Quantitative and Qualitative Disclosures about Market Risk and Note 5 of our condensed consolidated financial statements included in this report for further details.

As of March 31, 2022, we had a cash balance of $6.1 million and availability under our Credit Facility of $1.22 billion. In April 2022, the borrowing base under the Credit Facility was reaffirmed at $1.85 billion. Based on our expected operating cash flows, Credit Facility availability and cash on hand, we anticipate being able to satisfy all of our financial obligations and liquidity needs for the next twelve months.

Long-term cash flows are subject to a number of variables including our level of production and prices as well as various economic conditions that have historically affected the natural gas and oil industry. Based on our significant borrowing capacity under our Credit Facility with a maturity date in 2024, commodity derivatives we have in place which cover a portion of our expected annual production through 2025 and having no significant maturities of senior notes or term loans until 2025 and beyond, we believe we will have adequate capital resources and liquidity for the foreseeable future.

We establish a capital budget at the beginning of each calendar year and periodically review or adjust our allocation for capital expenditures as business conditions warrant. Actual capital expenditures may vary due to many factors, including drilling results, commodity prices, industry conditions, the prices and availability of goods and services, inflationary pressure and the extent to which properties are acquired or assets are sold. We currently plan to fund our capital program through cash on hand, expected cash flow from our operations and borrowings under our Credit Facility.

Sources and Uses of Funds

The following table presents the sources of cash and cash equivalents:

($ in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash provided by operating activities	$ 282,030	$ 210,346
Total Sources of Cash and Cash Equivalents	$ 282,030	$ 210,346

Our primary source of funds is net cash flow provided by operating activities, which was approximately $282.0 million and $210.3 million for the three months ended March 31, 2022 and 2021, respectively. Operating cash flows in 2022 compared to 2021 were positively impacted by a year over year increase in prices received for commodity sales, partially offset by hedge settlements, and an increase in produced volumes.

The following table presents the uses of cash and cash equivalents:

($ in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Natural Gas and Oil Capital Expenditures:		
Drilling and completion costs	$ 205,258	$ 107,795
Acquisitions of natural gas and oil properties	30,588	10,054
Interest capitalized[(a)]	9,999	13,303
Total Natural Gas and Oil Capital Expenditures	245,845	131,152
Other Uses of Cash and Cash Equivalents:		
Repayment of Credit Facility, net of borrowings	35,000	65,000
Repayment of long-term debt	—	12,781
Additions to other property and equipment	589	93
Cash paid for debt issuance costs	—	447
Financing commodity derivative settlements	—	3,456
Other	216	226
Total Other	35,805	82,003
Total Uses of Cash and Cash Equivalents	$ 281,650	$ 213,155

(a) Interest is capitalized on significant investments in active unproved properties and wells in process.

Our cash drilling and completion costs were $205.3 million and $107.8 million for the three months ended March 31, 2022 and 2021, respectively. The increase in drilling and completion costs in 2022 was the result of us drilling and completing more wells as well as inflationary pressure on labor and material costs. Additionally, we spent cash of $30.6 million and $10.1 million during the three months ended March 31, 2022 and 2021, respectively, primarily related to the acquisition of leases arising in the ordinary course of business.

We spent cash of $12.8 million during the three months ended March 31, 2021 to redeem $8.3 million in aggregate principal amount of our Convertible Notes at 153.8% of the outstanding principal value, plus accrued and unpaid interest.

Certain Indebtedness

Credit Facility

Our Credit Facility matures on April 1, 2024, and as of March 31, 2022, it had a fully committed borrowing base of $1.85 billion, of which $250.0 million was authorized for letters of credit. The amount available to be borrowed under the Credit Facility is subject to a borrowing base that is required to be redetermined semiannually on or about May 1 and November 1 of each year, primarily based on the estimated value and future net cash flows of our proved natural gas, oil and NGL reserves and our commodity derivative positions, as determined by lenders under the Credit Facility at their discretion. If the commodity price environment declines over an extended period, it may in the future lead to a reduction in the borrowing base of our Credit Facility. We do not believe that any such reductions would have a significant impact on our ability to service our debt and fund our drilling program and related operations. As of March 31, 2022, we had $460.0 million of borrowings outstanding and $169.2 million of letters of credit issued under the Credit Facility. In April 2022, the borrowing base under the Credit Facility was reaffirmed at $1.85 billion.

Our Credit Facility contains restrictive covenants that may limit our ability to, among other things, incur additional indebtedness, incur liens on assets, make certain investments, make loans to others, make certain payments, consolidate or enter into mergers, or dispose of assets. Our Credit Facility also requires us to maintain, as of the end of each fiscal quarter, a modified current ratio of not less than 1.00 to 1.00 and a consolidated leverage ratio for the trailing four quarter period of not more than 4.00 to 1.00. These covenants are subject to several exceptions and qualifications as set forth in the credit agreement that governs our Credit Facility. As of March 31, 2022, we were in compliance with all applicable financial covenants under the Credit Facility. Our ability to comply with financial covenants in future periods depends, among other things, on the success of our development program and other factors beyond our control, such as market demand and prices for natural gas, oil and NGL. See Note 4, *Credit Facility*, of the notes to our condensed consolidated financial statements included in this report for further discussion of the terms of the Credit Facility.

Second Lien Term Loans

Our 2025 Second Lien Term Loans mature on November 1, 2025, and interest is payable quarterly at an annual rate of 9.00% plus 3-month LIBOR, with a 1.00% LIBOR floor. Our 2025 Second Lien Term Loans are secured by second liens on substantially all of our assets, including our natural gas and oil properties. As of March 31, 2022, we had $549.8 million in aggregate principal amount of 2025 Second Lien Term Loans outstanding.

The 2025 Second Lien Term Loans credit agreement contains customary covenants restricting our ability and the ability of certain of our subsidiaries to, among other things, declare or pay any dividends or make any other payment or distribution on account of our equity interests or our capital stock, incur or guarantee additional debt or issue certain types of preferred stock, make certain investments, make restricted payments, incur liens, merge or consolidate with another company, or transfer and sell assets. These covenants are subject to several exceptions and qualifications as set forth in the agreement. As of March 31, 2022, we were in compliance with all applicable covenants under the 2025 Second Lien Term Loans. See Note 4 of the notes to our condensed consolidated financial statements included in this report for further discussion of the terms of the 2025 Second Lien Term Loans.

Senior Notes

The following table summarizes certain material terms of our outstanding Senior Notes as of March 31, 2022:

($ in thousands)	2026 Notes	2027 Notes[(a)]	2028 Notes	2029 Notes
Outstanding principal	$600,000	$348,294	$300,000	$400,000
Interest rate	7.00%	9.00%	8.25%	5.875%
Maturity date	November 1, 2026	November 1, 2027	December 31, 2028	June 30, 2029
Interest payment dates	May 1, Nov. 1	May 1, Nov. 1	Feb. 1, Aug. 1	Mar. 1, Sept. 1
Make-whole redemption date	Expired	November 1, 2026	February 1, 2024	September 1, 2024

(a) The 2027 Notes also contain a contingent payment right which entitles the holders to receive a fixed amount of cash or equity that ranges from 35% to 45% of the then-outstanding aggregate principal amount of 2027 Notes, if certain additional consideration triggering events (as defined in the indenture) occur. The contingent payment right is required to be bifurcated, and as of March 31, 2022, the estimated fair value was $93.2 million. See Note 4, *Senior Notes*, and Note 6, *Contingent Payment Right*, of the notes to our condensed consolidated financial statements included in this report for further discussion of the contingent payment right.

Upon the occurrence of a change of control (as defined in the respective indenture), we are required to offer to repurchase all or any part of our outstanding Senior Notes at a price of 101.00%, plus accrued and unpaid interest. We are also required to offer to repurchase the Senior Notes at a price of 100.00%, plus accrued and unpaid interest, in the event of certain asset sales if we do not

otherwise apply the net proceeds of such asset sales as permitted under the applicable indenture. The Senior Notes may be redeemed, at our option, prior to their maturity. Prior to the make-whole redemption date specified in the table above, each applicable series of Senior Notes may be redeemed at a make-whole premium based on the present value of the remaining principal and interest payments to the make-whole redemption date. After the applicable make-whole redemption date, the Senior Notes may be redeemed at a declining premium set forth in the applicable indenture. See Note 4, *Senior Notes*, of the notes to our condensed consolidated financial statements included in this report for further discussion of the terms and early redemption dates and prices for the Senior Notes.

The Senior Notes are senior unsecured obligations and rank equally in right of payment with all of our existing and future senior unsecured debt and will rank senior in right of payment to all our future subordinated debt. The outstanding Senior Notes are effectively subordinated to all of our existing and future secured debt to the extent of the value of the collateral securing such indebtedness. Our obligations under the outstanding Senior Notes are fully and unconditionally guaranteed, jointly and severally, by our current material subsidiaries and will be so guaranteed by any of our future material subsidiaries. As of March 31, 2022, we were in compliance with all applicable covenants of the indentures governing the Senior Notes.

Contractual Obligations and Off-Balance Sheet Arrangements

As of March 31, 2022, our material contractual obligations included repayments, outstanding borrowings and interest payment obligations under our Credit Facility and Senior Notes, derivative obligations, asset retirement obligations, lease obligations, letters of credit, surety bonds and various other commitments we enter into in the ordinary course of business that could result in future cash obligations. In addition, we have entered into certain pipeline capacity commitments with various counterparties, some of which extend beyond 20 years, in order to facilitate the delivery of our production to market and reduce the likelihood of possible production curtailments that may arise due to limited capacity. The estimated gross undiscounted future commitments under these pipeline agreements were approximately $9.95 billion as of March 31, 2022; however, third parties that own a working interest in the wells we operate, and royalty and overriding royalty interest owners, where appropriate, will be responsible for their proportionate share of these costs. As discussed above, we believe our existing sources of liquidity will be sufficient to fund our near and long-term contractual obligations. See Notes 1, 4, 5, 9 and 10 of the notes to our condensed consolidated financial statements included in this report for further discussion. We do not maintain off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities.

Quantitative and Qualitative Disclosure About Market Risk

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

Commodity Demand and Price Risk

Our primary market risk exposure is in the prices we receive for our natural gas, oil and NGL production. Realized pricing is primarily driven by spot regional market prices applicable to our natural gas, oil and NGL production. Pricing for natural gas, oil and NGL production is volatile and unpredictable, and we expect this volatility to continue in the future. The prices we expect to receive for our natural gas, oil and NGL production will depend on many factors outside of our control, including the supply of, and demand for, natural gas, oil and NGL, the level of economic activity in the United States and globally, the performance of specific industries and the volatility of natural gas, oil and NGL prices at various delivery points. During the three months ended March 31, 2022 and 2021, the average daily Henry Hub spot market price of natural gas was $4.60 per mmbtu and $3.38 per mmbtu, respectively, and the average daily WTI oil price was $95.01 per bbl and $58.14 per bbl, respectively. Approximately 90% of our March 31, 2022 proved reserves were natural gas; therefore, changes in realized natural gas pricing will affect us more than changes in realized oil or NGL pricing.

We use derivative instruments to reduce our exposure to fluctuations in future commodity prices and to protect our anticipated operating cash flow against significant market movements or volatility. These contracts are financial instruments and do not require or allow for physical delivery of the hedged commodity. We do not use derivative instruments for speculative or trading purposes. Under the Credit Facility agreement, we are permitted to hedge up to 90% of our forecasted production for any month during the next 36 months. Additionally, we may enter into commodity derivative contracts with terms greater than 36 months, and for no longer than 66 months, for up to 80% of the forecasted production from our proved reserves for any month. As of March 31, 2022, approximately 1,520,000 mmbtu/d of our projected natural gas production for the remainder of 2022 were hedged at a weighted average floor price of $2.74 per mmbtu, and approximately 1,250,000 mmbtu/d of our projected natural gas production for 2023 were hedged at a weighted average floor price of $2.96 per mmbtu, excluding the sold puts on our three-way collars. Additionally, as of March 31, 2022, approximately 5,000 bbls/d of our projected oil production for the remainder of 2022 were hedged at a weighted average floor price of $57.50 per bbl, and approximately 5,000 bbls/d of our projected oil production for 2023 were hedged at a weighted average floor price of $69.42 per bbl. Our open hedge positions as of March 31, 2022 had maturities extending through December 2025. We also have basis swaps to mitigate portions of our basis exposure. Our market risk associated with commodity prices did not materially change from March 31, 2021 to March 31, 2022. In April 2022, we used $300.0 million of cash from our Credit Facility to restructure a portion of our May through December 2022 natural gas swaps, resulting in an uplift of our weighted average floor price for the remainder of 2022 from $2.74 per mmbtu to $3.46 per mmbtu, excluding the sold puts on our three-way collars. See Note 5 of the notes to our condensed consolidated financial statements included in this report for a summary of our commodity hedge position as of March 31, 2022.

The fair value of our commodity derivative instruments is largely influenced by the future prices of natural gas, oil and NGL. The following table sets forth the changes in the fair value of our commodity derivative instruments due to a hypothetical 10% change in future prices as of March 31, 2022. However, any realized derivative gain or loss would be substantially offset by a decrease or increase, respectively, in the actual revenue received from the sale of our production associated with the derivative instrument.

($ in thousands)	Hypothetical 10% Increase in Future Prices	Hypothetical 10% Decrease in Future Prices
Natural gas	$ (624,997)	$ 617,040
Oil	$ (35,724)	$ 35,724
NGL	$ (10,737)	$ 10,737

All derivative instruments, other than those that meet the normal purchase and normal sale scope exception, are recorded at fair market value in accordance with GAAP and are included in our condensed consolidated balance sheets as assets or liabilities. Because we do not designate these derivatives as accounting hedges, they do not receive hedge accounting treatment; therefore, all mark-to-market gains or losses, as well as cash receipts or payments on settled derivative instruments, are recognized in our statements of operations within operating revenues as commodity derivative gain (loss).

Although mark-to-market adjustments of derivative instruments cause earnings volatility, our cash flows are only impacted when the associated derivative contracts are settled or are monetized prior to settlement by making or receiving payments to or from the counterparty. We expect continued volatility in the fair value of our derivative instruments. As of March 31, 2022, the estimated fair value of our commodity derivative positions was a net liability of $2.70 billion comprised of current and long-term assets and liabilities.

By removing price volatility from a portion of our future expected production, we have mitigated, but not eliminated, the potential negative effects of changing prices on our operating cash flows for those periods. While mitigating the negative effects of falling commodity prices, these derivative contracts also limit the benefits we receive from the increases in commodity prices above the fixed hedge ceiling prices.

Counterparty Credit Risk

Our derivative instruments expose us to counterparty credit risk, which arises due to the risk of loss from counterparties not performing under the terms of a derivative contract. Adverse moves within the financial or commodities markets could negatively impact our counterparties' ability to fulfill obligations to us. To minimize such risk, we only enter into derivative contracts with counterparties that we determine are creditworthy, which includes performing both quantitative and qualitative assessments of these counterparties, based on their credit ratings and credit default swap rates where applicable. Additionally, our derivative contracts are with multiple counterparties, reducing our exposure to any individual counterparty.

Customer Credit Risk

We are subject to credit risk resulting from the concentration of our natural gas, oil and NGL receivables; however, we do not believe the loss of any single customer would materially impact our operating results. We also have joint interest receivables, which arise from billings to entities that own working interests in the wells we operate, but historically we have not incurred any material losses. See Note 1 of the notes to our condensed consolidated financial statements included in this report for a discussion of our credit and concentration risk.

Interest Rate Risk

Certain of our debt instruments bear interest at floating rates based on LIBOR, and the LIBOR component of our interest on these instruments exposes us to interest rate risk. Borrowings under the Credit Facility bear interest at a floating tiered rate based on facility usage plus the 1-month LIBOR, resulting in a weighted average interest rate of 2.49% as of March 31, 2022. Additionally, our 2025 Second Lien Term Loans bear interest at an annual rate of 9.00% plus 3-month LIBOR, with a 1.00% LIBOR floor, resulting in a weighted average interest rate of 10.00% as of March 31, 2022. A 1.00% increase in both the 1-month and 3-month LIBOR during the three months ended March 31, 2022 would have resulted in an estimated total increase of $2.1 million in interest expense on borrowings under the Credit Facility and 2025 Second Lien Term Loans. We have entered into interest rate swaps through the end of 2023 to mitigate a portion of our exposure to volatility in the 1-month LIBOR. See Note 5 of the notes to our condensed consolidated financial statements included in this report for further discussion of our interest rate derivatives.