ASCENT RESOURCES UTICA HOLDINGS, LLC

Condensed Consolidated Financial Statements (Unaudited)

As of March 31, 2023 and December 31, 2022 and for the Three Months Ended March 31, 2023 and 2022

ASCENT RESOURCES UTICA HOLDINGS, LLC
TABLE OF CONTENTS

GLOSSARY OF COMMONLY USED TERMS

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

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

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

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

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

"2029 Notes" means our 5.875% senior unsecured notes due June 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 due June 30, 2027, which will accelerate to August 2, 2026 if an amount greater than or equal to $150.0 million of the 2026 Notes is outstanding as of that date.

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

"GAAP" means U.S. generally accepted accounting principles.

"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.

"LIBOR" means London Interbank Offered Rate.

"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 our 2026 Notes, 2027 Notes, 2028 Notes and 2029 Notes.

"SOFR" means Secured Overnight Financing Rate.

"*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, 2023	December 31, 2022
Current Assets:		
Cash and cash equivalents	$ 7,180	$ 3,894
Accounts receivable – natural gas, oil and NGL sales[a]	254,399	530,385
Accounts receivable – joint interest and other	46,995	35,340
Short-term derivative assets	123,384	14,061
Other current assets	11,019	12,597
Total Current Assets	442,977	596,277
Property and Equipment:		
Natural gas and oil properties, based on successful efforts accounting	10,832,461	10,558,533
Other property and equipment	41,038	39,641
Less: accumulated depreciation, depletion and amortization	(4,083,459)	(3,900,730)
Property and Equipment, net	6,790,040	6,697,444
Other Assets:		
Long-term derivative assets	14,126	6,081
Other long-term assets	43,062	44,117
Total Assets	$ 7,290,205	$ 7,343,919
Current Liabilities:		
Accounts payable	$ 84,905	$ 77,753
Accrued interest	57,343	50,375
Short-term derivative liabilities	93,004	684,204
Other current liabilities[b]	522,391	771,062
Total Current Liabilities	757,643	1,583,394
Long-Term Liabilities:		
Long-term debt, net	2,444,189	2,475,222
Long-term derivative liabilities	216,399	495,464
Other long-term liabilities	109,252	113,061
Total Long-Term Liabilities	2,769,840	3,083,747
Commitments and contingencies (Note 10)		
Member's Equity	3,762,722	2,676,778
Total Liabilities and Member's Equity	$ 7,290,205	$ 7,343,919

(a) Including related party amounts of $3.5 million and $12.4 million as of March 31, 2023 and December 31, 2022, respectively.

(b) Including related party amounts of $94.4 million and $98.0 million as of March 31, 2023 and December 31, 2022, 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, 2023	Three Months Ended March 31, 2022
Revenues:		
Natural gas	$ 611,560	$ 812,878
Oil	63,993	54,366
NGL[a]	43,741	69,497
Commodity derivative gain (loss)	921,649	(1,995,560)
Total Revenues	1,640,943	(1,058,819)
Operating Expenses:		
Lease operating expenses	33,650	25,407
Gathering, processing and transportation expenses[b]	240,292	233,545
Taxes other than income	11,497	10,522
Exploration expenses	607	18,409
General and administrative expenses	16,493	19,843
Depreciation, depletion and amortization	183,039	152,279
Total Operating Expenses	485,578	460,005
Income (Loss) from Operations	1,155,365	(1,518,824)
Other Income (Expense):		
Interest expense, net	(55,335)	(44,965)
Change in fair value of contingent payment right	3,880	(7,980)
Other income	536	682
Total Other Expense	(50,919)	(52,263)
Net Income (Loss)	$ 1,104,446	$ (1,571,087)

(a) Including related party amounts of $12.0 million and $29.2 million for the three months ended March 31, 2023 and 2022, respectively.

(b) Including related party amounts of $159.7 million and $153.5 million for the three months ended March 31, 2023 and 2022, 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, 2023	Three Months Ended March 31, 2022
Balance, Beginning of Period	$ 2,676,778	$ 2,296,808
Contributions from Member	831	875
Distribution to Member	(19,333)	—
Net income (loss)	1,104,446	(1,571,087)
Balance, End of Period	$ 3,762,722	$ 726,596

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, 2023	Three Months Ended March 31, 2022
Cash Flows from Operating Activities:		
Net income (loss)	$ 1,104,446	$ (1,571,087)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	183,039	152,279
(Gain) loss on commodity derivatives	(921,649)	1,995,560
Settlements of commodity derivatives	(66,818)	(367,163)
Impairment of unproved natural gas and oil properties	—	17,858
Non-cash interest expense	5,977	3,121
Long-term incentive compensation	(646)	875
Change in fair value of contingent payment right	(3,880)	7,980
Other	54	—
Changes in operating assets and liabilities	70,395	42,607
Net Cash Provided by Operating Activities	370,918	282,030
Cash Flows from Investing Activities:		
Natural gas and oil capital expenditures	(259,916)	(245,845)
Additions to other property and equipment	(1,059)	(589)
Net Cash Used in Investing Activities	(260,975)	(246,434)
Cash Flows from Financing Activities:		
Proceeds from Credit Facility borrowings	510,000	845,000
Repayment of Credit Facility borrowings	(545,000)	(880,000)
Cash paid for settlements of commodity derivatives	(53,530)	—
Distribution to Member	(17,856)	—
Other	(271)	(216)
Net Cash Used in Financing Activities	(106,657)	(35,216)
Net Increase in Cash and Cash Equivalents	3,286	380
Cash and Cash Equivalents, Beginning of Period	3,894	5,674
Cash and Cash Equivalents, End of Period	$ 7,180	$ 6,054

Supplemental disclosures of cash flow information:		
Interest paid, net of capitalized interest	$ 42,243	$ 36,314
Supplemental disclosures of significant non-cash investing and financing activities:		
Increase (decrease) in accrued capital expenditures	$ 20,337	$ (10,440)

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, 2022.

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.

Reclassifications

Certain immaterial reclassifications have been made to our March 31, 2022 condensed consolidated financial statements to conform to the presentation used for the March 31, 2023 condensed consolidated financial statements.

Adopted and Recently Issued Accounting Pronouncements

No accounting standards were issued or adopted during the three months ended March 31, 2023 that had a material impact on our condensed consolidated financial statements.

Subsequent Events

As of May 11, 2023, 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 4 for a discussion of our recent debt 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. Under our natural gas, oil and NGL sales contracts, we generally consider the delivery of each unit of mmbtu or bbl to be a separate performance obligation that is satisfied upon 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, 2023 and December 31, 2022, receivables from contracts with customers were $254.4 million and $530.4 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, 2023**	**December 31, 2022**
Proved natural gas and oil properties	$ 10,270,448	$ 9,884,342
Unproved natural gas and oil properties	562,013	674,191
Other property and equipment	41,038	39,641
Total Property and Equipment	10,873,499	10,598,174
Accumulated depreciation, depletion and amortization	(4,083,459)	(3,900,730)
Property and Equipment, net	$ 6,790,040	$ 6,697,444

4. Debt

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

($ in thousands)	March 31, 2023	December 31, 2022
Credit Facility[a]	$ 335,000	$ 370,000
Second lien term loans due November 2025[b]	549,822	549,822
7.00% senior notes due November 2026	597,000	597,000
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
Unamortized debt discounts and issuance costs	(85,927)	(89,894)
Total Long-Term Debt, net	$ 2,444,189	$ 2,475,222

(a) The interest rate was 7.01% and 6.47% as of March 31, 2023 and December 31, 2022, respectively.
(b) The interest rate was 13.82% and 12.94% as of March 31, 2023 and December 31, 2022, respectively.

Credit Facility

Our $3.0 billion Credit Facility matures on June 30, 2027, and as of March 31, 2023, it had an elected commitment of $2.0 billion, of which $250.0 million is authorized for letters of credit. The maturity date will accelerate to August 2, 2026 if an amount greater than or equal to $150.0 million of our 2026 Notes is outstanding as of that date. Our Credit Facility is secured by liens on substantially all of our assets, including our natural gas and oil properties. The borrowing base under our Credit Facility is subject to a semiannual redetermination on or about April 1 and October 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 our 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, 2023, we had $335.0 million of borrowings outstanding and $168.4 million of letters of credit issued under our Credit Facility. In April 2023, we reaffirmed the current borrowing base under our Credit Facility of $3.0 billion and the elected commitment amount of $2.0 billion.

Under our Credit Facility agreement, we may borrow either term benchmark loans or alternate base rate loans, and as of March 31, 2023, all of the borrowings under our Credit Facility were term benchmark loans. Term benchmark loans bear interest at a rate per annum equal to SOFR plus 0.10%, plus an applicable margin ranging from 2.00% to 3.00% per annum based on Credit Facility utilization. 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. We were subject to a weighted average rate of 7.01% per annum as of March 31, 2023.

Under our Credit Facility agreement, we are subject to commitment fees payable to the administrative agent for the unutilized portion of our available elected commitment, 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 our 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 $20.0 million and $21.2 million in unamortized debt issuance and amendment costs associated with our Credit Facility as of March 31, 2023 and December 31, 2022, respectively, which are presented as part of other long-term assets on the condensed consolidated balance sheets.

Second Lien Term Loans

Our 2025 Second Lien Term Loans had a maturity date of November 1, 2025, and interest was 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 4.82% for the applicable interest period, we were subject to a rate of 13.82% per annum as of March 31, 2023. On May 3, 2023, we prepaid the outstanding aggregate principal amount of our 2025 Second Lien Term Loans at a price of 105.00% for $577.3 million, plus accrued and unpaid interest, utilizing borrowings under our Credit Facility.

Senior Notes

2026 Notes. Our 2026 Notes mature on November 1, 2026, and interest is payable on May 1 and November 1 of each year. We may redeem at any point some or all of the 2026 Notes at redemption prices ranging from 102.33% to 100.00%, plus accrued and unpaid interest up to, but excluding, the redemption date. Upon the occurrence of a change of control (as defined in the indenture that governs the 2026 Notes), 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. Our 2027 Notes mature on November 1, 2027, and interest is payable on May 1 and November 1 of each year. 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 that governs the 2027 Notes) 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 up 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 up to, but excluding, the redemption date. Upon the occurrence of a change of control (as defined in the indenture that governs the 2027 Notes), 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 40% to 45% of the then-outstanding aggregate principal amount of 2027 Notes, if certain additional consideration 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 $84.6 million and $88.5 million as of March 31, 2023 and December 31, 2022, 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 any of the 2027 Notes are voluntarily sold to us prior to a Triggering Event through means of open market transactions or other negotiated transactions, the associated contingent payment right will expire.

2028 Notes. Our 2028 Notes mature on December 31, 2028, and interest is payable on February 1 and August 1 of each year. 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 up 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 that governs the 2028 Notes), 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 that governs the 2028 Notes), 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. On May 9, 2023, we closed on the issuance of an additional $212.6 million in aggregate principal amount of our existing 2028 Notes, bringing our total outstanding aggregate principal amount of

2028 Notes to $512.6 million. We used the proceeds from this transaction to pay down borrowings under our Credit Facility.

2029 Notes. Our 2029 Notes mature on June 30, 2029, and interest is payable on March 1 and September 1 of each year. 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 up 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 that governs the 2029 Notes), 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 that governs the 2029 Notes), 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.

The outstanding 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.

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. Our 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 3.50 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, 2023.

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, Tetco M-2 and Trunkline Zone 1A. 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 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, 2023, 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:						$ 24,231
Remaining in 2023	1,257,000	$ 3.19				
2024	800,000	$ 3.41				
2025	420,000	$ 3.85				
2026	200,000	$ 4.08				
Collars:						85,527
Remaining in 2023	190,000		$ 5.33	$ 3.17		
2024	340,000		$ 6.22	$ 3.58		
2025	380,000		$ 5.96	$ 3.49		
2026	160,000		$ 5.36	$ 3.83		
Three-way collars:						593
2024	30,000		$ 6.39	$ 4.25	$ 3.00	
2025	70,000		$ 5.42	$ 4.04	$ 2.79	
2026	70,000		$ 5.65	$ 4.04	$ 2.79	
Call options:						(211,273)
Remaining in 2023	370,000		$ 2.89			
2024	375,000		$ 2.84			
2025	40,000		$ 4.08			
Basis swaps:						(75,394)
Remaining in 2023	1,056,000	$ (0.47)				
2024	755,000	$ (0.47)				
2025	326,000	$ (0.42)				
Total Estimated Fair Value						$ (176,316)

The following table sets forth the average volumes per day associated with our outstanding oil derivative instruments as of March 31, 2023, 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:			$ (2,885)
Remaining in 2023	6,000	$ 72.30	
2024	4,000	$ 71.33	
Total Estimated Fair Value			$ (2,885)

The following table sets forth the average volumes per day associated with our outstanding NGL derivative instruments as of March 31, 2023, 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:			$ 3,284
Remaining in 2023	4,000	$ 37.07	
2024	3,000	$ 33.60	
Total Estimated Fair Value			$ 3,284

The following table sets forth the notional amounts associated with our outstanding interest rate derivative instruments as of March 31, 2023, 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:				$ 4,024
Remaining in 2023	$ 300,000	3.1685 %	1-month SOFR	
2024	$ 150,000	3.8550 %	1-month SOFR	
Total Estimated Fair Value				$ 4,024

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, 2023 and December 31, 2022:

($ in thousands) Condensed Consolidated Balance Sheet Presentation	March 31, 2023 Fair Value, Gross	Amounts Netted on Balance Sheet	Fair Value, Net
Short-term derivative assets:			
Commodity derivatives	$ 310,786	$ (191,716)	$ 119,070
Interest rate derivatives	4,314	—	4,314
Total short-term derivative assets	$ 315,100	$ (191,716)	$ 123,384
Long-term derivative assets:			
Commodity derivatives	$ 322,167	$ (308,041)	$ 14,126
Interest rate derivatives	3	(3)	—
Total long-term derivative assets	$ 322,170	$ (308,044)	$ 14,126
Short-term derivative liabilities:			
Commodity derivatives	$ 284,720	$ (191,716)	$ 93,004
Total short-term derivative liabilities	$ 284,720	$ (191,716)	$ 93,004
Long-term derivative liabilities:			
Commodity derivatives	$ 524,150	$ (308,041)	$ 216,109
Interest rate derivatives	293	(3)	290
Total long-term derivative liabilities	$ 524,443	$ (308,044)	$ 216,399

($ in thousands) Condensed Consolidated Balance Sheet Presentation	December 31, 2022 Fair Value, Gross	Amounts Netted on Balance Sheet	Fair Value, Net
Short-term derivative assets:			
Commodity derivatives	$ 112,161	$ (102,959)	$ 9,202
Interest rate derivatives	4,859	—	4,859
Total short-term derivative assets	$ 117,020	$ (102,959)	$ 14,061
Long-term derivative assets:			
Commodity derivatives	$ 234,322	$ (228,241)	$ 6,081
Total long-term derivative assets	$ 234,322	$ (228,241)	$ 6,081
Short-term derivative liabilities:			
Commodity derivatives	$ 787,163	$ (102,959)	$ 684,204
Total short-term derivative liabilities	$ 787,163	$ (102,959)	$ 684,204
Long-term derivative liabilities:			
Commodity derivatives	$ 723,705	$ (228,241)	$ 495,464
Total long-term derivative liabilities	$ 723,705	$ (228,241)	$ 495,464

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, 2023	2022
Commodity derivatives	Commodity derivative gain (loss)	$ 921,649	$ (1,995,560)
Interest rate derivatives	Interest expense, net	$ 272	$ 1,738

Credit Risk

By using derivative instruments, we are also exposed to credit risk associated with our hedge counterparties. To minimize such risk, we enter into derivative contracts 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.

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, 2023 and December 31, 2022. There were no transfers in or out of our Level 3 fair value measurements.

	Fair value measurements at March 31, 2023:			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Commodity derivatives	$ —	$ 133,196	$ —	$ 133,196
Interest rate derivatives	—	4,314	—	4,314
Total	$ —	$ 137,510	$ —	$ 137,510
Liabilities:				
Commodity derivatives	$ —	$ 309,113	$ —	$ 309,113
Interest rate derivatives	—	290	—	290
Contingent payment right	—	—	84,645	84,645
Total	$ —	$ 309,403	$ 84,645	$ 394,048

	Fair value measurements at December 31, 2022:			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Commodity derivatives	$ —	$ 15,283	$ —	$ 15,283
Interest rate derivatives	—	4,859	—	4,859
Total	$ —	$ 20,142	$ —	$ 20,142
Liabilities:				
Commodity derivatives	$ —	$ 1,179,668	$ —	$ 1,179,668
Contingent payment right	—	—	88,525	88,525
Total	$ —	$ 1,179,668	$ 88,525	$ 1,268,193

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 SOFR 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 40% 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, 2023	December 31, 2022
Probability of a Triggering Event prior to maturity	70%	75%
Discount rate	9.9%	11.1%

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, 2023	December 31, 2022
Balance, beginning of period	$ 88,525	$ 85,223
Change in fair value	(3,880)	3,302
Balance, end of period	$ 84,645	$ 88,525

Fair Value of Debt

The carrying amounts and estimated fair values of our debt instruments as of March 31, 2023 and December 31, 2022 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.

($ in thousands)	March 31, 2023 Carrying Value[(a)]	March 31, 2023 Fair Value	December 31, 2022 Carrying Value[(a)]	December 31, 2022 Fair Value
Credit Facility[(b)]	$ 335,000	$ 335,000	$ 370,000	$ 370,000
2025 Second Lien Term Loans	536,003	567,004	534,945	586,248
2026 Notes	589,023	572,157	588,542	584,010
2027 Notes	293,683	424,823	291,569	424,296
2028 Notes	296,012	288,953	295,879	297,160
2029 Notes	394,468	351,902	394,287	357,958
Total	$ 2,444,189	$ 2,539,839	$ 2,475,222	$ 2,619,672

(a) Carrying values for our 2025 Second Lien Term Loans and Senior Notes are presented net of unamortized debt issuance costs and debt discounts or premiums.

(b) The carrying value of borrowings under our Credit Facility approximates fair value as the interest rate is based on prevailing market rates.

7. Long-Term Incentive 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 grant restricted stock units ("RSUs") and rights to receive cash award payments ("Cash Awards") to certain of our employees and certain managers of the board of our Parent. Our long-term incentive compensation was $0.8 million and $0.9 million for the three months ended March 31, 2023 and 2022, respectively, and is presented as part of our general and administrative expenses on the condensed consolidated statements of operations.

Under the Plan, 360.2 million common units of our 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 from our Parent. As of March 31, 2023, approximately 68.3 million common units were available for future grants under the Plan. We account for forfeitures during the period in which they occur by reversing the expense previously recognized for such awards.

Time-Vested 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. Long-term incentive 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, 2023 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, 2022	98,475	$ 0.11
Granted	—	$ —
Forfeited	(955)	$ 0.16
Vested	—	$ —
Unvested Time-Vested RSUs as of March 31, 2023	97,520	$ 0.11

During the three months ended March 31, 2023 and 2022, respectively, we recognized $0.8 million and $0.9 million of long-term incentive compensation associated with our Time-Vested RSUs. As of March 31, 2023, there was $7.5 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 2.3 years.

Performance-Vested Awards

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 from our Parent, or upon a QLE by which our Parent becomes a publicly held corporation, common stock in such public entity. We recognize long-term incentive compensation related to the Performance-Vested RSUs at fair value using appropriate valuation techniques on such date it becomes probable that the performance condition will be achieved and remeasure each period at fair value through the date of settlement. Performance-Vested RSUs are subject to an accelerated vesting schedule dependent upon certain events which are generally outside the control of the participant and are also subject to expiration. The ultimate settlement of Performance-Vested RSUs will be partially or fully offset to the extent Cash Awards were previously paid by our Parent as part of the Plan (the "Cash Award Offset Payments") and any corresponding Performance-Vested RSUs will be forfeited to the extent of any such previous Cash Award Offset Payments.

A summary of Performance-Vested RSU activity for the three months ended March 31, 2023 is as follows:

(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, 2022	159,423	$ 0.11
Granted	—	$ —
Forfeited	(1,275)	$ 0.14
Vested	—	$ —
Unvested Performance-Vested RSUs as of March 31, 2023	158,148	$ 0.11

During the three months ended March 31, 2023 and 2022, we did not recognize any long-term incentive compensation associated with the Performance-Vested RSUs.

Cash Awards. Under the Plan, Cash Awards are triggered and paid by our Parent upon us achieving certain leverage ratios, as defined in the Plan, and are determined based on our annual free cash flows, also defined in the Plan. If our leverage ratio for a calendar year is between 2.0 times to 1.75 times, or below 1.75 times, the result would be a cash payment from our Parent to participants based on 2.5% or 5.0%, respectively, of our annual free cash flow. The Cash Awards will be funded by our Parent following distributions from us in future periods. Cash Awards are limited to a total of five annual payments, after which the opportunity for future Cash Awards is terminated. We account for Cash Awards in accordance with ASC 710, *Compensation*, and long-term incentive compensation is accrued once determined probable and reasonably estimable. During the three months ended March 31, 2023 and 2022, we did not recognize any long-term incentive compensation associated with the Cash Awards.

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. These amounts are disclosed as footnotes on the face of our condensed consolidated balance sheets and statements of operations.

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

Long-Term Debt

As of both March 31, 2023 and December 31, 2022, $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, 2023 and December 31, 2022:

($ in thousands)	Condensed Consolidated Balance Sheet Presentation	March 31, 2023	December 31, 2022
Operating leases:			
ROU assets, net	Other long-term assets	$ 22,734	$ 22,598
Short-term lease liabilities	Other current liabilities	$ 13,103	$ 14,230
Long-term lease liabilities	Other long-term liabilities	9,543	8,316
Total operating lease liabilities		$ 22,646	$ 22,546
Financing leases:			
ROU assets, net	Property and equipment, net	$ 2,094	$ 1,958
Short-term lease liabilities	Other current liabilities	$ 818	$ 720
Long-term lease liabilities	Other long-term liabilities	781	725
Total financing lease liabilities		$ 1,599	$ 1,445

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

($ in thousands)	Condensed Consolidated Financial Statement Presentation	Three Months Ended March 31, 2023	2022
Operating lease cost:			
Operating lease cost	General and administrative expense	$ 448	$ 448
Operating lease cost	Gathering, processing and transportation[(a)]	4,857	2,607
Operating lease cost	Lease operating expense	24	24
Operating lease cost	Natural gas and oil properties[(b)]	10,692	7,468
Total operating lease cost		$ 16,021	$ 10,547
Financing lease cost:			
Amortization of ROU assets	DD&A	$ 289	$ 281
Interest on lease liabilities	Interest expense	15	9
Total financing lease cost		$ 304	$ 290

(a) Includes short-term lease costs of $1.5 million and $1.1 million for the three months ended March 31, 2023 and 2022, respectively.

(b) Includes short-term and variable lease costs of $8.2 million and $2.1 million for the three months ended March 31, 2023 and 2022, respectively.

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

($ in thousands)	Three Months Ended March 31, 2023 Operating	2023 Financing	2022 Operating	2022 Financing
Cash outflows for lease liabilities:				
Operating cash flows	$ 3,399	$ 15	$ 2,063	$ 8
Investing cash flows	$ 2,555	$ —	$ 5,356	$ —
Financing cash flows	$ —	$ 271	$ —	$ 216
Non-cash activities:				
ROU assets obtained in exchange for lease liabilities	$ 5,854	$ 425	$ 532	$ 153

	March 31, 2023 Operating	March 31, 2023 Financing	December 31, 2022 Operating	December 31, 2022 Financing
Weighted average remaining lease term (in years)	1.9	2.1	1.7	2.2
Weighted average discount rate	4.0 %	4.4 %	3.6 %	3.9 %

The following table presents our maturity analysis as of March 31, 2023 for future lease expirations. We do not have any lease maturities after 2026.

	March 31, 2023	
($ in thousands)	Operating	Financing
Remaining in 2023	$ 11,264	$ 694
2024	8,681	612
2025	3,675	357
2026	85	26
Total lease payments	23,705	1,689
Less: imputed interest	(1,059)	(90)
Present value of lease liabilities	$ 22,646	$ 1,599

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 have accrued $2.3 million as of March 31, 2023 and December 31, 2022, 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, 2023 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 2023	$	512,776
2024		689,099
2025		669,208
2026		665,382
2027		652,837
2028 and Thereafter		4,440,806
Total	$	7,630,108

To satisfy credit support requirements for these commitments, $168.4 million in letters of credit and $257.2 million in surety bonds were issued by us or on our behalf to certain transportation providers as of March 31, 2023. Our credit support includes support provided to certain related parties, which, as of March 31, 2023, included $120.5 million in letters of credit and $196.8 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, 2023		December 31, 2022
Revenues and royalties due others	$	203,193	$	272,000
Gathering, processing and transportation expense accrual		130,246		135,421
Drilling and completion cost accrual		117,572		102,871
Taxes other than income accrual		25,443		31,556
Operating and financing leases		13,921		14,950
Lease operating expense accrual		13,213		11,826
Derivative liability		948		170,178
Other		17,855		32,260
Total Other Current Liabilities	$	522,391	$	771,062

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, 2022, 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.

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.

Business Overview

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 primarily the Point Pleasant interval of the Utica Shale, one of the premier North American shale plays. Our largely contiguous development footprint of approximately 353,000 net leasehold acres, including approximately 74,700 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 5,400 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.

Recent Developments

In April 2023, we reaffirmed our Credit Facility borrowing base and elected commitment amount of $3.0 billion and $2.0 billion, respectively, pursuant to our semi-annual borrowing base redetermination. On May 3, 2023, we prepaid the outstanding aggregate principal amount of our 2025 Second Lien Term Loans at a price of 105.00% for $577.3 million, utilizing borrowings under our Credit Facility. On May 9, 2023, we closed on the issuance of an additional $212.6 million in aggregate principal amount of our existing 2028 Notes and we used the proceeds from this transaction to pay down borrowings under our Credit Facility.

These transactions provide considerable benefits which include reducing our associated interest expense, simplifying our capital structure and extending our debt maturity profile, all of which help to reinforce our balance sheet, enhance our future cash flows and improve our long-term financial profile.

First Quarter 2023 Highlights

- Our net daily production for the three months ended March 31, 2023 averaged 2.2 bcfe/d, which was a 12% increase compared to the three months ended March 31, 2022, and was comprised of approximately 93% natural gas, 3% oil and 4% NGL.
- We spud 19 wells, hydraulically fractured 19 wells and turned-in-line 12 new wells.
- Our average realized price for the three months ended March 31, 2023, including the effects of settled derivatives, increased 2% to $3.30 per mcfe from $3.23 per mcfe for the three months ended March 31, 2022.

Market Conditions, Trends and Uncertainties

Management's estimates are based on numerous assumptions about future operations and market conditions, which we believe to be reasonable but are inherently uncertain. The uncertainties underlying our assumptions include, but are not limited to, volatility in commodity markets, rising inflation and interest rates and governmental policies aimed at transitioning towards lower carbon energy. While we cannot be certain as to the full magnitude these and other factors may have on our future financial condition, liquidity, results of operations or cash flows, we actively monitor them as they may cause actual results to differ from our historical results or current expectations.

Commodity Prices

Prices for natural gas, oil and NGL that we produce significantly impact our revenue and cash flows. In the current economic environment, we expect that commodity prices for some or all the commodities we produce will remain volatile due to rising macroeconomic uncertainties and geopolitical tensions, including Russia's invasion of Ukraine. These factors and the resulting volatility are outside of our control and could adversely impact our business, financial condition, results of operations and future cash flows. We actively monitor commodity markets and use derivative instruments to reduce our exposure to fluctuations in future commodity prices and protect our anticipated operating cash flows against significant market movements or volatility.

Inflation

The annual inflation rate in the U.S. as of March 2023 was approximately 5% according to the United States Bureau of Labor Statistics consumer price index. While the inflation rate began to fall in the first quarter of 2023, it is largely anticipated to remain elevated through the year. This inflationary pressure has resulted in increases to the portion of our capital and operating expenses that are not fixed and could continue to impact the renegotiation of certain contracts, among other things. Additionally, governmental policies aimed at addressing inflation have resulted in rising interest rates which have increased the borrowing costs on our Credit Facility and 2025 Second Lien Term Loans and could increase borrowing costs on new debt. We continue to monitor these inflationary factors and remain focused in our efforts to increase the efficiencies of our operations, which may, in part, offset the increased costs that continue to arise from inflation.

Results of Operations

Comparison of Three Months Ended March 31, 2023 and 2022

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	
	2023	2022	Amount	Percent
Revenues ($ in thousands):				
Natural gas	$ 611,560	$ 812,878	$ (201,318)	(25)%
Oil	63,993	54,366	9,627	18 %
NGL	43,741	69,497	(25,756)	(37)%
Total Revenues, before effects of commodity derivatives	$ 719,294	$ 936,741	$ (217,447)	(23)%
Average Sales Prices:				
Natural gas ($/mcf)	$ 3.33	$ 4.96	$ (1.63)	(33)%
Oil ($/bbl)	$ 68.71	$ 87.13	$ (18.42)	(21)%
NGL ($/bbl)	$ 29.90	$ 49.96	$ (20.06)	(40)%
Natural Gas Equivalent ($/mcfe)	$ 3.64	$ 5.32	$ (1.68)	(32)%
Settlements of commodity derivatives ($/mcfe)	(0.34)	(2.09)	1.75	84 %
Average sales price, after effects of settled derivatives ($/mcfe)	$ 3.30	$ 3.23	$ 0.07	2 %
Net Production Volumes:				
Natural gas (mmcf)	183,444	163,886	19,558	12 %
Oil (mbbls)	932	624	308	49 %
NGL (mbbls)	1,463	1,391	72	5 %
Natural Gas Equivalent (mmcfe)	197,811	175,980	21,831	12 %
Average Daily Net Production Volumes:				
Natural gas (mmcf/d)	2,038	1,821	217	12 %
Oil (mbbls/d)	10	7	3	43 %
NGL (mbbls/d)	16	15	1	7 %
Natural Gas Equivalent (mmcfe/d)	2,198	1,955	243	12 %

Natural gas, oil and NGL revenues (excluding the effects of derivatives) decreased $217.4 million during the three months ended March 31, 2023 compared to the same period in 2022, of which $306.5 million was attributable to a 32% decrease in commodity prices that was partially offset by $89.1 million attributable to a 12% 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, 2023 remained constant:

($ in thousands)	Volumes	Price Fluctuation per Unit	Effect on Sales and Cash Flows
Commodity:			
Natural Gas (mmcf)	183,444	$ 0.10	$ 18,344
Oil (mbbls)	932	$ 1.00	$ 932
NGL (mbbls)	1,463	$ 1.00	$ 1,463

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 cash flows against significant market movements or volatility. For the three months ended March 31, 2023 and 2022, we recorded gains related to our commodity derivatives of $921.6 million and losses of $2.0 billion, respectively, including settlement losses on our derivative instruments of $66.8 million and $367.2 million for the same periods. The following table sets forth the settlements of our derivative instruments by commodity for the periods indicated:

	Three Months Ended March 31,	
($ in thousands)	**2023**	**2022**
Net Settlements of Commodity Derivatives:		
Natural Gas	$ (65,712)	$ (341,970)
Oil	(2,056)	(16,597)
NGL	950	(8,596)
Total Net Settlements of Commodity Derivatives	$ (66,818)	$ (367,163)

Changes in the fair value of commodity derivatives vary based on future commodity prices and have no impact on our cash flows until derivative contracts are either settled or monetized prior to settlement. 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 Disclosures 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	
	2023	**2022**	**Amount**	**Percent**
Operating Expenses ($ in thousands):				
Lease operating expenses	$ 33,650	$ 25,407	$ 8,243	32 %
Gathering, processing and transportation expenses	$ 240,292	$ 233,545	$ 6,747	3 %
Taxes other than income	$ 11,497	$ 10,522	$ 975	9 %
Exploration expenses	$ 607	$ 18,409	$ (17,802)	(97)%
General and administrative expenses	$ 16,493	$ 19,843	$ (3,350)	(17)%
Depreciation, depletion and amortization	$ 183,039	$ 152,279	$ 30,760	20 %
Operating Expenses ($/mcfe):				
Lease operating expenses	$ 0.17	$ 0.14	$ 0.03	21 %
Gathering, processing and transportation expenses	$ 1.21	$ 1.33	$ (0.12)	(9)%
Taxes other than income	$ 0.06	$ 0.06	$ —	— %
Exploration expenses	$ —	$ 0.10	$ (0.10)	(100)%
General and administrative expenses	$ 0.08	$ 0.11	$ (0.03)	(27)%
Depreciation, depletion and amortization	$ 0.93	$ 0.87	$ 0.06	7 %

- Lease operating expenses increased as a result of an increase in producing wells. Inflationary pressure on labor and materials and increased fuel costs also contributed to our increased lease operating expenses during the three months ended March 31, 2023 compared to the same period in 2022.

- The increase in gathering, processing and transportation expenses for the three months ended March 31, 2023 compared to the same period in 2022 was primarily due to increased natural gas production. The decrease in the per mcfe cost was the result of an increase in our natural gas production and a portion of our gathering, processing and transportation expenses being fixed.

- Taxes other than income primarily consists of production taxes and ad valorem taxes. The increase was primarily due to increased production.

- The decrease in exploration expense for the three months ended March 31, 2023 compared to the same period in 2022 was primarily due to no impairments being recognized for the three months ended March 31, 2023 on our unproved natural gas and oil properties for which the leases are expected to expire. However, as we continue to review our acreage position and high grade our drilling inventory, focusing on our core type curve areas, leasehold impairments and abandonments may be recorded in future periods.

- The decrease in general and administrative expenses was primarily due to a decrease in general corporate expenses.

- DD&A increased due to an increase in our total production as well as a $0.06 increase in our per mcfe rate during the three months ended March 31, 2023, compared to the same period in 2022. The increase in our per mcfe rate was primarily the result of increased development costs.

Interest Expense. Interest expense was $55.3 million and $45.0 million for the three months ended March 31, 2023 and 2022, respectively, detailed as follows along with our weighted average debt outstanding:

	Three Months Ended March 31,		Variance	
($ in thousands)	2023	2022	Amount	Percent
Credit Facility	$ 10,488	$ 6,550	$ 3,938	60 %
2025 Second Lien Term Loans	18,855	13,767	5,088	37 %
Senior Notes	30,354	30,429	(75)	— %
Gain on interest rate derivatives	(272)	(1,738)	1,466	(84)%
Amortization of debt discounts, premium and issuance costs	5,142	4,801	341	7 %
Other	1,038	1,155	(117)	(10)%
Capitalized interest	(10,270)	(9,999)	(271)	3 %
Total Interest Expense, net	$ 55,335	$ 44,965	$ 10,370	23 %
Weighted Average Debt Outstanding:				
Credit Facility	$ 471,333	$ 712,056	$ (240,723)	(34)%
2025 Second Lien Term Loans	549,822	549,822	—	— %
Senior Notes	1,645,294	1,648,294	(3,000)	— %
Weighted Average Debt Outstanding	$ 2,666,449	$ 2,910,172	$ (243,723)	(8)%

The increase in interest expense for the three months ended March 31, 2023 compared to the same period in 2022 was primarily due to an increase in floating interest rates associated with funds drawn on our Credit Facility and on our 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 our floating interest rates on debt.

Liquidity and Capital Resources

Overview

Our primary sources of funds are internally generated cash flows from operations, borrowings under our Credit Facility and historically have included proceeds from the issuance of debt and 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, and there can be no assurance that such resources will be available to us on favorable terms, or at all. 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 availability under our Credit Facility, 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.

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.

We establish a capital budget at the beginning of each calendar year and periodically review and may 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.

As of March 31, 2023, we had a cash balance of $7.2 million and availability under our Credit Facility of $1.50 billion. In April 2023, we reaffirmed the current borrowing base under our Credit Facility of $3.0 billion and the elected commitment amount of $2.0 billion. We currently plan to fund our capital program through cash on hand, expected cash flows from our operations and borrowings under our Credit Facility. Based on current expectations, 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 2027, commodity derivatives we have in place which cover a portion of our expected annual production through 2026 and having no significant maturities of senior notes until 2026 and beyond, we believe we will have adequate capital resources and liquidity for the foreseeable future.

Sources of Cash and Cash Equivalents

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

	Three Months Ended March 31,	
($ in thousands)	**2023**	**2022**
Cash provided by operating activities	$ 370,918	$ 282,030
Financing commodity derivative settlements	(53,530)	—
Total Sources of Cash and Cash Equivalents	$ 317,388	$ 282,030

Our primary source of funds is net cash flow provided by operating activities, which 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 the notes to our condensed consolidated financial statements included in this report for further details.

Cash provided by operating activities. We generated $370.9 million and $282.0 million in cash flows from our operations for the three months ended March 31, 2023 and 2022, respectively. The increase in our operating cash flows was positively impacted by an increase in our produced volumes and a year over year increase in the prices received for our commodity sales after the effects of settled derivatives.

Financing commodity derivative settlements. Certain of our commodity derivative contracts contain an other than insignificant financing element, whereby the associated settlement payments are classified as financing activities rather than cash flows from our operations. As commodity prices increase or decrease, such changes will have an opposite effect on the ultimate settlement of our derivatives.

Uses of Cash and Cash Equivalents

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

($ in thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Natural Gas and Oil Capital Expenditures:		
Drilling and completion costs	$ 221,907	$ 205,258
Land and leasehold costs	27,739	30,588
Interest capitalized[(a)]	10,270	9,999
Total Natural Gas and Oil Capital Expenditures	259,916	245,845
Other Uses of Cash and Cash Equivalents:		
Repayment of Credit Facility, net of borrowings	35,000	35,000
Distribution to Member	17,856	—
Additions to other property and equipment	1,059	589
Other	271	216
Total Other	54,186	35,805
Total Uses of Cash and Cash Equivalents	$ 314,102	$ 281,650

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

Drilling and completion costs. Our cash drilling and completion costs were $221.9 million and $205.3 million during the three months ended March 31, 2023 and 2022, respectively. The increase in drilling and completion costs in 2023 was the result of increased activity as well as inflationary pressure on labor and material costs.

Land and leasehold costs. We spent cash of $27.7 million and $30.6 million during the three months ended March 31, 2023 and 2022, respectively, primarily related to the acquisition of leases arising in the ordinary course of business.

Distribution to Member. We paid $17.9 million of cash to our Member during the three months ended March 31, 2023. The cash was used by our Parent to fund the 2022 calendar year cash payments made under our long-term incentive plan. See Note 7 of the notes to our condensed consolidated financial statements included in this report for further discussion of our long-term incentive plan.

Certain Indebtedness

Credit Facility. Our Credit Facility matures on June 30, 2027, and as of March 31, 2023, it had an elected commitment of $2.0 billion, of which $250.0 million was authorized for letters of credit. The maturity date will accelerate to August 2, 2026 if an amount greater than or equal to $150.0 million of our 2026 Notes is outstanding as of that date. 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 April 1 and October 1 of each year, primarily based on the estimated value and future net cash flows of our proved reserves and the value of our commodity derivative positions, as determined by lenders under our 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, 2023, we had $335.0 million of borrowings outstanding and $168.4 million of letters of credit issued under our Credit Facility. In April 2023, we reaffirmed the current borrowing base of $3.0 billion and the elected commitment amount of $2.0 billion under our Credit Facility.

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 3.50 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, 2023, we were in compliance with all applicable financial covenants under our 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 our Credit Facility.

Second Lien Term Loans. Our 2025 Second Lien Term Loans had a maturity date of November 1, 2025, and interest was payable quarterly at an annual rate of 9.00% plus 3-month LIBOR, with a 1.00% LIBOR floor. As of March 31, 2023, we had $549.8 million in aggregate principal amount of 2025 Second Lien Term Loans outstanding. On May 3, 2023, we prepaid the outstanding aggregate principal balance of our 2025 Second Lien Term Loans utilizing borrowings under our Credit Facility. See Note 4, *Second Lien Term Loans*, of the notes to our condensed consolidated financial statements included in this report for further discussion of this transaction.

Senior Notes. The following table summarizes certain material terms of our outstanding Senior Notes as of March 31, 2023:

($ in thousands)	**2026 Notes**	**2027 Notes[(a)]**	**2028 Notes[(b)]**	**2029 Notes**
Outstanding principal	$597,000	$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[(c)]	November 1, 2026	February 1, 2024	September 1, 2024

(a) The 2027 Notes also contain a contingent payment right. 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.

(b) On May 9, 2023, we closed on the issuance of an additional $212.6 million in aggregate principal amount of our existing 2028 Notes, bringing our total outstanding aggregate principal amount of 2028 Notes to $512.6 million. We used the proceeds from this transaction to pay down borrowings under our Credit Facility.

(c) The 2026 Notes are currently callable at 102.33% until November 1, 2023.

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 outstanding 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 outstanding Senior Notes.

As of March 31, 2023, 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, 2023, our material contractual obligations included repayments of our outstanding borrowings and associated interest payment obligations, 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 $7.63 billion as of March 31, 2023; however, third parties that own a working interest in the wells we operate, and royalty and overriding royalty interest owners, where applicable, 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 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 Disclosures 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, counterparty credit, 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, 2023 and 2022, the average daily Henry Hub spot market price of natural gas was $2.68 per mmbtu and $4.60 per mmbtu, respectively, and the average daily WTI oil price was $75.99 per bbl and $95.01 per bbl, respectively. Approximately 86% of our March 31, 2023 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 agreement that governs our Credit Facility, 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, 2023, approximately 1,447,000 mmbtu/d of our projected natural gas production for the remainder of 2023 was hedged at a weighted average floor price of $3.19 per mmbtu, and approximately 1,170,000 mmbtu/d of our projected natural gas production for 2024 was hedged at a weighted average floor price of $3.48 per mmbtu, excluding the sold puts on our three-way collars and sold calls. Additionally, as of March 31, 2023, approximately 6,000 bbls/d of our projected oil production for the remainder of 2023 was hedged at a weighted average floor price of $72.30 per bbl, and approximately 4,000 bbls/d of our projected oil production for 2024 was hedged at a weighted average floor price of $71.33 per bbl. Our open hedge positions as of March 31, 2023 had maturities extending through December 2026. 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, 2022 to March 31, 2023. 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, 2023.

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, 2023. 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	$ (414,102)	$ 408,721
Oil	$ (21,806)	$ 21,806
NGL	$ (6,543)	$ 6,255

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).

We expect continued volatility in the fair value of our derivative instruments, and 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. As of March 31, 2023, the estimated fair value of our commodity derivative positions was a net liability of $175.9 million 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. See Note 5, *Credit Risk*, of the notes to our condensed consolidated financial statements included in this report for further discussion of our credit risk.

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.

Interest Rate Risk

Certain of our debt instruments bear interest at floating rates based on LIBOR and SOFR, which exposes us to interest rate risk. As of March 31, 2023, borrowings under our Credit Facility bore interest at the 1-month SOFR plus 0.10%, plus an applicable margin ranging from 2.00% to 3.00% per annum based on Credit Facility utilization. For the three months ended March 31, 2023, our Credit Facility had a weighted average interest rate of 6.86%. A 1.00% increase in the interest rate on our Credit Facility during the three months ended March 31, 2023 would have resulted in an estimated total increase of $1.2 million in interest expense on associated borrowings. We have entered into interest rate swaps through the end of 2024 to mitigate a portion of our exposure to interest rate volatility. See Note 5 of the notes to our condensed consolidated financial statements included in this report for further discussion of our interest rate derivatives. Additionally, our 2025 Second Lien Term Loans bore 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 13.70% for the three months ended March 31, 2023. On May 3, 2023, we prepaid the outstanding aggregate principal amount of 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 our recent debt transactions.