

CASE FOR \$4.00 GAS - Av. 2024-2030
AR / EQT / SWN / CHK

(Compares to \$2.80 Av. 2019-2021, \$6.00 2022 and \$E2.80 in 2023)

(1) **US Gas Supply -- 2023:**

	<u>BCF/d</u>
Marcellus / Utica	35
Permian	17
Haynesville	16
Other	<u>33</u>
Total 2023	101

(2) **Gas Supply Increased 9 BCF/d from 2021 to 2023:**

	<u>BCF/d</u>
Permian	+5.0
Haynesville	+3.0
Marcellus / Utica	+1.0

(3) **Production / Demand 2019-E2025:**

<i>(BCF/d)</i>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>E2023</u>	<u>E2024</u>	<u>E2025</u>
Production	88.5	89.9	91.3	95.5	100.5	101.0	102.0
Cdn imports	4.3	4.3	5.0	5.5	5.0	5.5	5.5
LNG send out	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Supply	93.0	94.4	96.5	101.2	105.7	106.7	107.7
Power	30.6	31.9	31.1	33.0	35.0	35.5	36.0
Industrial	22.8	22.3	22.4	22.5	22.5	22.5	23.0
Res / Comm	25.4	24.2	24.3	24.7	24.0	25.0	25.0
Exports – Mexico	5.1	5.4	6.0	6.0	6.0	6.5	6.5
LNG Feed Gas	5.7	7.2	10.7	11.8	13.5	14.5	16.0
Pipe loss	2.3	2.2	2.2	2.2	2.3	2.3	2.3
Demand	91.9	93.2	96.7	100.2	103.3	106.3	108.8
Storage change	1.1	1.2	(0.2)	1.0	2.4	0.4	(0.1)
Av. Price – HH	2.70	2.20	3.70	6.00	E2.80	E3.50	E4.00

(4) **Futures – HH:**

	<u>Prompt</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
1/21/22 Gas HH	3.99	3.87	3.46	3.19	
Oil WTI	85	81	73	68	
5/23/22 Gas HH	8.74	8.88	5.81	4.48	
Oil WTI	110	103	88	80	
6/24/22 Gas HH	6.23	6.31	5.10	4.47	
Oil WTI	108	101	88	79	
10/14/22 Gas HH	6.45	6.68	5.61	4.76	
Oil WTI	86	84	77	71	
1/16/23 Gas HH	3.71	---	3.69	3.96	
Oil WTI	74	---	74	71	
6/22/23 Gas HH	2.65	---	2.90	3.50	4.10
Oil WTI	72	---	71	69	69

CASE FOR \$4.00 GAS - Av. 2024-2030

AR / EQT / SWN / CHK

(Compares to \$2.80 Av. 2019-2021, \$6.00 2022 and \$E2.80 in 2023)

(5) **Supply Forecast (BCF/d):**

	<u>2021</u>	<u>2022</u>	<u>E2023</u>	<u>E2024</u>	<u>E2025</u>
Marcellus	34.0	34.0	34.5	35.0	35.0
Permian	15.0	16.0	17.5	18.5	20.0
Haynesville	14.0	16.0	16.0	17.0	18.0
Other	<u>28.3</u>	<u>29.5</u>	<u>32.5</u>	<u>30.5</u>	<u>29.0</u>
Total	91.3	95.5	100.5	101.0	102.0

(6) **Marcellus 2023 Cash Flow:**

Per MCF	3.00	
Differential	(0.70)	12.4 TCF at \$1.00 cash flow
LOE / Prod taxes	(1.20)	is \$12 billion of cash flow
G&A	<u>(0.10)</u>	from Marcellus
Cash flow	1.00	

(7) **Marcellus Cap Ex:**

	<u>(\$Billions)</u>	
Cash flow	12.0	
Cap Ex		
Replace 12.4 TCF	(10.0)	(at 0.80)
Add 3.0 TCF to grow 5%	(2.4)	(at 0.80)
Income tax – 15% of cash flow	<u>(1.8)</u>	
FCF	(2.2)	

(8) Permian gas production results from oil production providing up to 70% of cash flow.

(9) Haynesville gas production has \$1.00 cost to add PDP – offset is \$0.20 differential.

(10) Other gas has high cost to add PDP (est. \$1.30) and will decline in 2024 and 2025.

(11) **Comment on Gas Demand:**

LNG	– 2022 at 13 BCF capacity at year end.	
	– Venture	All to be completed during 2024, 2025 and 2026 to add 6 BCF of capacity to reach 19 BCF in 2026.
	Sabine Pass	
	Corpus	
	Golden Pass	
	Freeport	
	Sempra	

Power – shows 2.0 BCF growth in 2023.

ResComm down 2 BCF in winter demand.

CASE FOR \$4.00 GAS - Av. 2024-2030

AR / EQT / SWN / CHK

(Compares to \$2.80 Av. 2019-2021, \$6.00 2022 and \$E2.80 in 2023)

(12) **AR / EQT / SWN 2021 Cash Flow:**

(\$Billions)	<u>AR</u>	<u>EQT</u>	<u>SWN</u>	<u>Indigo</u>	<u>Geo Southern</u>	<u>Pro Forma</u>
Shares (MM)	314	378	677			1,150
Price 12/21	18	22	5½			5½
Equity	5.7	8.3	3.7	2.0	0.5	6.3
Debt	<u>3.0</u>	<u>5.4</u>	<u>3.2</u>	<u>0.7</u>	<u>1.4</u>	<u>5.4</u>
Capital	8.7	13.7	6.9	2.7	1.9	11.7
EBIT-D	1.7	2.5	1.4	0.6	0.5	2.5
Cap Ex	<u>(0.7)</u>	<u>(1.1)</u>	<u>(0.9)</u>	<u>(0.4)</u>	<u>(0.3)</u>	<u>(1.6)</u>
FCF	1.0	1.4	0.5	0.2	0.2	0.9
BCFE/d	3.3	5.1	3.0	1.0	0.7	4.7
TCFE/yr	1.20	1.86	1.10	0.37	0.26	1.72
Per MCFE						
Revenue	4.80	3.67	3.80	4.00	---	3.90
Hedging	(0.48)	(1.12)	(1.30)	(1.70)	---	(1.33)
Operating	(2.30)	(1.20)	(1.06)	(0.40)	---	(0.98)
G&A	<u>(0.12)</u>	<u>(0.11)</u>	<u>(0.14)</u>	<u>(0.30)</u>	<u>---</u>	<u>(0.14)</u>
EBIT-D	1.40	1.24	1.30	1.60	0.90	1.45
FCF yield – 2021	12%	10%	7%	7%	10%	8%

Memo:

-AR owns \$1.6 billion of AM.

(13) **CHK / VINE / CHIEF 2021 Pro Forma:**

(\$billions)	<u>CHK</u>	<u>VINE</u>	<u>CHIEF</u>	<u>Total</u>
Shs (MM)	98	19	10	127
Sh price 12/21	60	60	70	70
Debt	0.6	1.1	2.0	3.7
Equity	<u>5.9</u>	<u>1.1</u>	<u>0.7</u>	<u>9.0</u>
EV	6.5	2.2	2.7	12.7
BCFE/d	2.5	1.0	0.8	4.3
EBIT-D	1.8	0.8	0.7	3.3
Cap Ex	<u>(0.7)</u>	<u>(0.5)</u>	<u>(0.2)</u>	<u>(1.4)</u>
FCF	1.1	0.3	0.5	1.9
FCF yield – 2021	17%	15%	17%	15%

CASE FOR \$4.00 GAS - Av. 2024-2030

AR / EQT / SWN / CHK

(Compares to \$2.80 Av. 2019-2021, \$6.00 2022 and \$E2.80 in 2023)

(14) **2023 Free Cash Flow at 3.00 gas net of hedges:**

<i>(\$billion)</i>	<u>AR</u>	<u>EQT</u>	<u>SWN</u>	<u>CHK</u>
BCF/d	3.3	5.5	4.6	4.1
TCF/yr	1.20	2.00	1.68	1.50
EBIT-D	1.7	3.7	3.2	3.2
Cap Ex	<u>(0.8)</u>	<u>(1.7)</u>	<u>(2.0)</u>	<u>(1.8)</u>
Free cash flow	0.9	2.0	1.2	1.4
Per MCF				
EBIT-D	1.40	1.85	1.90	2.10
Free cash flow	0.75	1.00	0.71	0.93
Free cash yield				
Debt + equity	12%	10%	12%	11%
<i>Debt & equity:</i>				
<i>(\$Billion)</i>				
Stock price	22	40	5.50	81
Equity	6.5	14.5	6.1	10.9
Debt	<u>1.2</u>	<u>4.9</u>	<u>4.0</u>	<u>2.0</u>
Total	7.7	19.4	10.1	12.9
Shs (MM)	297	362	1,101	134

(15) Stock prices may trade higher during 2023 if AR / EQT / SWN / CHK can show production growth with Cap Ex forecasts continuing in range of 50% of EBITD and gas prices recover to \$3.50 range in 2024.

	<u>2021</u>	<u>2022</u>	<u>5/20/22</u>	<u>11/4/22</u>	<u>1/6/23</u>	<u>5/12/23</u>	<u>6/22/23</u>
	YE	High					
AR	17½	49	35	37	28	22	22
EQT	22	52	41	41	33	33	40
CHK	64	107	91	100	88	80	81
SWN	5½	9.87	7.10	6.80	5.60	5.00	5.50

(16) SWN has not started a dividend like EQT and CHK but did announce a buyback plan like AR.

(17) Mountain Valley approval in debt ceiling legislation helps EquiTrans (and EQT).

The preceding outlines the terms of a proposed investment by Yorktown Energy Partners XII, L.P. Until definitive documentation is executed by all parties, there shall not exist any binding obligation on the part of any party to consummate the transaction described herein. This memorandum does not constitute a contractual commitment of Yorktown Energy Partners XII, L.P. but merely represents proposed terms for the proposed transaction. Any such transaction would be subject to due diligence and other customary conditions.