

1 PURPOSE

The purpose of this Standard is to establish a process to investigate, manage, and disclose HSER (Health, Safety, Environmental, and Regulatory) risks associated with the company's and third party's potential assets in order to afford the company an adequate level of HSER, as well as advise the company of potential financial implications associated with HSER.

Chesapeake will evaluate potential HSER liabilities, constraints and defects associated with the acquisition of assets from third parties. Likewise, Chesapeake will review applicable records and site conditions and divulge known applicable HSEs during divestitures of assets, volumetric production payments, royalty interest sales and joint ventures as well as various other financial transactions.

2 SCOPE

This Standard applies to all initiating entities, (HSER) and Operations involved in acquisition or divestiture of assets and other transactions. Contractors **shall** have their own Standard that meets or exceeds regulatory requirements.

3 DEFINITIONS

Asset: Real property, producing leases, right-of-way, or future production. The term also includes actual physical equipment that are subject to transactions including, but not limited to, wellhead, tubing, pipe, pipeline, casing, tanks, etc.

Due Diligence: Investigation into HSER risks associated with an asset prior to acquiring or divesting said asset in order to afford the company a level of HSER protection as well as advise the company of potential financial implications associated with the risks.

Environmental Constraint: Physical or legal limitations that may impact the environmental use or development of the asset(s) under consideration as defined in the contractual language related to the asset transaction.

Environmental Defect: Current conditions that will require environmental mitigation for the asset(s) under consideration as defined in the contractual language related to the asset transaction.

HSER Lead: Person in the HSER department responsible for coordinating environmental due diligence activities.

Initiating Entity: Any Chesapeake department or subsidiary department initiating the purchase or sale of assets on behalf of the company.

Operational Defect: Operational or mechanical problem or concern that will require action to remedy the problem as part of the due diligence process for the asset(s) under consideration as defined in the contractual language related to the asset transaction.

Phase I Environmental Site Assessment (Phase I): A survey of the environmental condition and history of a property that is conducted in general accordance A Phase I is non-intrusive and primarily involves visual observations, interviews, and records review.

Phase II Environmental Site Assessment (Phase II): A follow up study to a Phase I in general accordance with that involves physical inspections and testing of the property. Soil, water, building material, and waste samples focused on the specific issues of concern identified in Phase I may be collected and analyzed. Depending on the extent and magnitude of potential contamination, further reporting, monitoring, investigation and/or remediation may be recommended in Phase II.

Regulatory Constraint: Physical, regulatory, or legal limitations that may impact the use or development of an asset.

Regulatory Defect: Current conditions that will require regulatory mitigation for the asset(s) under consideration as defined in the contractual language related to the asset transaction.

Qualified Consultant(s): HSER due diligence consultants approved by HSER departments and maintained for use by Chesapeake, its subsidiary companies, and/or affiliated companies. The consultant must be approved by the HSER Leads before being used for due diligence activities.

Transactions: The process of purchasing or selling an ownership interest in assets as described in this document. There are various types of transactions that require some form of environmental due diligence. These include but are not limited to the following transactions:

1. Volumetric Production Payment (VPP)
2. Acquisitions and divestitures of production, leasehold, or pipeline
3. Joint ventures
4. Acquisition, divestiture, or lease of real property
5. Acquisition or divestiture of right-of-way, including midstream easements

4 Responsibilities

4.1 Initiating Entity

- Notify the HSER Lead of a pending transaction
- Provide an IT data room for pending acquisitions and/or? divestitures if applicable

4.2 HSER

- Develop a list of Qualified Consultants to conduct Due Diligence and maintain that list on the HSER website
- Conduct field inspections when requested by the Environmental Lead (not included in definitions listed above)
- Facilitate communication and coordinate all site Due Diligence requests with Buyer/Seller, local Operations and appropriate HSER staff including, but not limited to proper documentation of site visit
- Review and organize appropriate Due Diligence data requests for IT data room
 - Responsible for reviewing all associated regulatory requirements and compliance with the associated asset list
- Review field inspection documentation, regulatory records, permits, maps, sundries, and other information to prepare recommendations for initiating entity that include cost estimates for regulatory liabilities and/or defects

4.4 OPERATIONS

- Provide assistance in coordinating site access to asset for due diligence which may include HSER, and prospective buyer/sellers and/or their consultants
- Conduct field inspections when requested by the HSER Lead using the training provided in the HSER Due Diligence Procedure

5 IMPLEMENTATION

5.1 INITIATION AND NOTIFICATION

The initiating entity is responsible for notifying the HSER Lead of the pending transaction. Notification should occur as soon as is practicable to allow adequate time for field visits, regulatory records review, cost estimation, etc. The following information should be included:

- scope of the transaction;
- confidentiality requirements;

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- copy of the transaction agreement or contract, including any environmental representations;
- anticipated closing date;
- name, location, API number, well/pad number, legal description, and latitude/longitude of each asset; and
- buyer/seller's name and contact information

5.2 LEVEL OF ASSESSMENT

The HSER Leads will review each acquisition and/or divestiture for any HSER constraints. The minimum required levels of due diligence investigation are described below:

Acquisition

Transaction Type	Internal Desktop Review	Field Visit	Compliance Check for Air, Aquatic Resources, and Spill Prevention, Control, and Countermeasure (SPCC)	Oil & Gas Operating Regulations	ASTM Phase I Investigation*	NORM Survey
Production Sites	X	X	X	X		X
Easements	X	X				
Real Estate Lease					X**	
Real Estate Purchase					X	X***

*Phase I requires third party

** A Phase I will be required by the discretion of the Environmental Lead

*** As needed

Divestiture

Transaction Type	Defect Disclosure Process
Sale of Asset	X
Financial Transactions (including Royalty Interest Sales, Joint Ventures, etc)	X

Information and documentation review and, where necessary, production or sharing, are the central tenants of due diligence. The HSER Leads will coordinate among the HSER Department and Operations to obtain and/or review information necessary for the due diligence process as outlined herein. Depending on the nature of the transaction or involved asset, field personnel from multiple departments may be called upon to assist in information gathering and production efforts.

The collection or development of information and documentation may be done by company personnel or by qualified consultants. All such information that is to be shared with the buyer/seller shall only be in or on the file/system developed for that transaction by the initiating entity. No information is to be shared with a prospective buyer/seller without authorization from, and copy to, the initiating entity.

5.3 DUE DILIGENCE PERIOD

The timeframe for due diligence activities will be determined by the terms of the transaction agreement. In the event a timeframe is not outlined in the transaction agreement, the initiating entity will work with the HSER Lead(s) to assess a reasonable timeframe. A reasonable timeframe must be granted to allow HSER to conduct a thorough due diligence review. The HSER Lead(s) will verify that activities can be completed in the timeframe allotted.

5.4 CLOSE

At the completion of due diligence activities, the HSER Lead(s) will provide a summary of results to the initiating entity including cost estimates for environmental/regulatory liabilities and defects. These liabilities and defects will be taken into account for the transaction and the HSER Lead will be updated on the status of the transaction so that preparations can be made for any related obligations that may occur after closing.

6 NEW LEASES AND JOINT VENTURES

At the onset of new play or asset evaluation, the initiating entity shall engage the HSER Lead(s) and Government and Regulatory Affairs, prior to finalizing lease negotiations or other contractual arrangements, to assess current regulatory conditions. Such review shall be done in a timely manner and the results reported to management for consideration in the evaluation process on whether to enter the play/asset.

7 AUDIT REQUIREMENTS

Transactions will be audited for compliance with this Standard.



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8 TRAINING

Due Diligence Standard requirements will be incorporated into, HSER training as appropriate. Employees with roles and responsibilities related to the due diligence process will be provided with specific training for this Standard.

9 DOCUMENT STORAGE AND RETENTION

Due Diligence related documents shall be retained in accordance with the Chesapeake Records Management Policy, the Document Control Standard and applicable laws.

10 APPENDIX

- None

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11 DOCUMENT CONTROL TABLE

Title: HSER Due Diligence Program			Document Number: HSER-CHK-STD-006	
Next Review Date: 03/13/27				
Originating Dept.: HSER				
Version History				
Ver. #	Issue Date	Description	Author:	Approved By:
1.0	02/19/16	New Program Development	Lyndee Songer	Brittany Benko
2.0	11/01/17	Updated from Program Controlled Document (CHK-ESR-EHS-PRG-030) to company Standard, Responsibilities Section for New Procedure Development, and removed Figure 1 & 2 since they are now covered in new EHS & Regulatory Due Diligence Procedure.	Mark Hollingsworth	Steve Melton
2.1	07/17/19	Revised document number to DSG numbering convention (previously CHK-EHS-COM-PRC-002); updated EHS & Regulatory to HSER throughout document; updated Document Control Table to DSG format; corrected Due Diligence email address.	Kelly Trice	NA
3.0	02/26/20	Minor revisions: Combined Regulatory and Environmental Lead into one HSER Lead; deleted the Due Diligence Mailbox references; deleted redundancies; corrected spelling and grammatical errors.	Sharon Crain	Mark Hollingsworth
3.1	03/13/24	Reviewed with minor grammatical changes only.	Eric Dean	Matt Garner