**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2021**

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
**FOR THE TRANSITION PERIOD FROM_____ TO_____**

COMMISSION FILE NUMBER 001-03551

# EQT CORPORATION

(Exact name of registrant as specified in its charter)

| **Pennsylvania** | **25-0464690** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |
| **625 Liberty Avenue, Suite 1700**<br>**Pittsburgh, Pennsylvania** | **15222** |
| (Address of principal executive offices) | (Zip Code) |

**(412) 553-5700**
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| **Title of each class** | **Trading symbol(s)** | **Name of each exchange on which registered** |
|---|---|---|
| Common Stock, no par value | EQT | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 23, 2021, 378,016,134 shares of common stock, no par value, of the registrant were outstanding.

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**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**EQT CORPORATION AND SUBSIDIARIES**
**STATEMENTS OF CONDENSED CONSOLIDATED OPERATIONS (UNAUDITED)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Thousands, except per share amounts) | | | |
| Operating revenues: | | | | |
| Sales of natural gas, natural gas liquids and oil | $ 1,077,904 | $ 498,772 | $ 2,208,855 | $ 1,213,973 |
| (Loss) gain on derivatives not designated as hedges | (1,345,532) | 26,426 | (1,534,345) | 415,862 |
| Net marketing services and other | 7,512 | 1,876 | 15,297 | 4,296 |
| Total operating revenues | (260,116) | 527,074 | 689,807 | 1,634,131 |
| Operating expenses: | | | | |
| Transportation and processing | 464,016 | 405,636 | 909,800 | 845,470 |
| Production | 47,546 | 38,329 | 94,776 | 78,709 |
| Exploration | 1,779 | 876 | 2,728 | 1,799 |
| Selling, general and administrative | 49,853 | 43,341 | 94,859 | 78,279 |
| Depreciation and depletion | 380,288 | 323,096 | 757,404 | 680,622 |
| Amortization of intangible assets | — | 7,477 | — | 14,955 |
| (Gain) loss on sale/exchange of long-lived assets | (16,816) | 49,207 | (18,023) | 98,059 |
| Impairment and expiration of leases | 25,634 | 41,279 | 42,391 | 95,047 |
| Other operating expenses | 5,225 | 4,745 | 14,668 | 4,745 |
| Total operating expenses | 957,525 | 913,986 | 1,898,603 | 1,897,685 |
| Operating loss | (1,217,641) | (386,912) | (1,208,796) | (263,554) |
| Gain on Equitrans Share Exchange (see Note 8) | — | — | — | (187,223) |
| (Income) loss from investments | (11,829) | (82,983) | (23,677) | 307,645 |
| Dividend and other income | (3,765) | (3,590) | (7,069) | (28,304) |
| Loss on debt extinguishment | 5,332 | 353 | 9,756 | 16,963 |
| Interest expense | 76,986 | 65,386 | 152,085 | 127,760 |
| Loss before income taxes | (1,284,365) | (366,078) | (1,339,891) | (500,395) |
| Income tax benefit | (347,846) | (103,003) | (362,340) | (70,181) |
| Net loss | (936,519) | (263,075) | (977,551) | (430,214) |
| Less: Net loss attributable to noncontrolling interest | (62) | — | (576) | — |
| Net loss attributable to EQT Corporation | $ (936,457) | $ (263,075) | $ (976,975) | $ (430,214) |
| | | | | |
| Loss per share of common stock attributable to EQT Corporation: | | | | |
| Basic: | | | | |
| Weighted average common stock outstanding | 279,156 | 255,524 | 278,996 | 255,477 |
| Net loss | $ (3.35) | $ (1.03) | $ (3.50) | $ (1.68) |
| Diluted: | | | | |
| Weighted average common stock outstanding | 279,156 | 255,524 | 278,996 | 255,477 |
| Net loss | $ (3.35) | $ (1.03) | $ (3.50) | $ (1.68) |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**EQT CORPORATION AND SUBSIDIARIES**
**STATEMENTS OF CONDENSED CONSOLIDATED COMPREHENSIVE LOSS (UNAUDITED)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Thousands) | | | |
| Net loss | $ (936,519) | $ (263,075) | $ (977,551) | $ (430,214) |
| Other comprehensive income, net of tax: | | | | |
| Other post-retirement benefits liability adjustment, net of tax expense: $27, $24, $54 and $48 | 81 | 72 | 161 | 84 |
| Comprehensive loss | (936,438) | (263,003) | (977,390) | (430,130) |
| Less: Comprehensive loss attributable to noncontrolling interests | (62) | — | (576) | — |
| Comprehensive loss attributable to EQT Corporation | $ (936,376) | $ (263,003) | $ (976,814) | $ (430,130) |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**EQT CORPORATION AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| | (Thousands) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 330,770 | $ 18,210 |
| Accounts receivable (less provision for doubtful accounts: $7,049 and $6,239) | 651,568 | 566,552 |
| Derivative instruments, at fair value | 648,855 | 527,073 |
| Prepaid expenses and other | 537,462 | 103,615 |
| Total current assets | 2,168,655 | 1,215,450 |
| | | |
| Property, plant and equipment | 22,497,579 | 21,995,249 |
| Less: Accumulated depreciation and depletion | 6,678,508 | 5,940,984 |
| Net property, plant and equipment | 15,819,071 | 16,054,265 |
| | | |
| Contract asset | 410,000 | 410,000 |
| Other assets | 587,531 | 433,754 |
| Total assets | $ 18,985,257 | $ 18,113,469 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Current portion of debt | $ 399,699 | $ 154,161 |
| Accounts payable | 820,134 | 705,461 |
| Derivative instruments, at fair value | 2,160,253 | 600,877 |
| Other current liabilities | 299,115 | 301,911 |
| Total current liabilities | 3,679,201 | 1,762,410 |
| | | |
| Credit facility borrowings | — | 300,000 |
| Senior notes | 4,999,502 | 4,371,467 |
| Note payable to EQM Midstream Partners, LP | 97,117 | 99,838 |
| Deferred income taxes | 1,009,721 | 1,371,967 |
| Other liabilities and credits | 897,294 | 945,057 |
| Total liabilities | 10,682,835 | 8,850,739 |
| | | |
| Equity: | | |
| Common stock, no par value, shares authorized: 640,000, shares issued: 280,003 | 8,245,752 | 8,241,684 |
| Treasury stock, shares at cost: 1,145 and 1,658 | (20,084) | (29,348) |
| Retained earnings | 71,284 | 1,048,259 |
| Accumulated other comprehensive loss | (5,194) | (5,355) |
| Total common shareholders' equity | 8,291,758 | 9,255,240 |
| Noncontrolling interests in consolidated subsidiaries | 10,664 | 7,490 |
| Total equity | 8,302,422 | 9,262,730 |
| Total liabilities and equity | $ 18,985,257 | $ 18,113,469 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**EQT CORPORATION AND SUBSIDIARIES**
**STATEMENTS OF CONDENSED CONSOLIDATED CASH FLOWS (UNAUDITED)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| | (Thousands) | |
| **Cash flows from operating activities:** | | |
| Net loss | $ (977,551) | $ (430,214) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Deferred income tax (benefit) expense | (362,299) | 24,987 |
| Depreciation and depletion | 757,404 | 680,622 |
| Amortization of intangible assets | — | 14,955 |
| Gain/loss on sale/exchange of long-lived assets and impairment and expiration of leases | 24,368 | 193,106 |
| Gain on Equitrans Share Exchange | — | (187,223) |
| (Income) loss from investments | (23,677) | 307,645 |
| Loss on debt extinguishment | 9,756 | 16,963 |
| Share-based compensation expense | 13,515 | 8,123 |
| Amortization, accretion and other | 22,097 | 12,614 |
| Loss (gain) on derivatives not designated as hedges | 1,534,345 | (415,862) |
| Cash settlements (paid) received on derivatives not designated as hedges | (109,581) | 561,129 |
| Net premiums received (paid) on derivative instruments | 3,654 | (53,473) |
| Changes in other assets and liabilities: | | |
| Accounts receivable | (99,564) | 206,322 |
| Accounts payable | 111,191 | (85,973) |
| Income tax receivable and payable | (23,909) | 96,920 |
| Other current assets | (422,618) | (2,597) |
| Other items, net | (13,737) | (923) |
| Net cash provided by operating activities | 443,394 | 947,121 |
| **Cash flows from investing activities:** | | |
| Capital expenditures | (470,259) | (512,095) |
| Cash paid for acquisitions | (209,764) | — |
| Proceeds from sale of assets | — | 110,937 |
| Cash received for Equitrans Share Exchange | — | 52,323 |
| Other investing activities | 5,125 | (135) |
| Net cash used in investing activities | (674,898) | (348,970) |
| **Cash flows from financing activities:** | | |
| Proceeds from credit facility borrowings | 2,686,000 | 781,000 |
| Repayment of credit facility borrowings | (2,986,000) | (1,037,000) |
| Proceeds from issuance of debt | 1,000,000 | 2,250,000 |
| Debt issuance costs and Capped Call Transactions (See Note 6) | (19,713) | (65,102) |
| Repayments and retirements of debt | (127,691) | (2,507,074) |
| Premiums paid on debt extinguishment | (9,599) | (13,635) |
| Contributions from noncontrolling interests | 3,750 | — |
| Dividends paid | — | (7,664) |
| Cash paid for taxes related to net settlement of share-based incentive awards | (2,683) | (304) |
| Net cash provided by (used in) financing activities | 544,064 | (599,779) |
| Net change in cash and cash equivalents | 312,560 | (1,628) |
| Cash and cash equivalents at beginning of period | 18,210 | 4,596 |
| Cash and cash equivalents at end of period | $ 330,770 | $ 2,968 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.
See Note 1 for supplemental cash flow information.

**EQT CORPORATION AND SUBSIDIARIES**
**STATEMENTS OF CONDENSED CONSOLIDATED EQUITY (UNAUDITED)**

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | No Par Value | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Loss (a) | Noncontrolling Interests in Consolidated Subsidiaries | Total Equity |
| | (Thousands, except per share amounts) | | | | | | |
| **Balance at April 1, 2020** | 255,262 | $ 7,821,631 | $ (30,852) | $ 1,848,286 | $ (5,187) | $ — | $ 9,633,878 |
| Comprehensive loss, net of tax: | | | | | | | |
| Net loss | | | | (263,075) | | | (263,075) |
| Other postretirement benefits liability adjustment, net of tax expense: $24 | | | | | 72 | | 72 |
| Share-based compensation plans | 28 | 3,796 | 511 | | | | 4,307 |
| Equity component of convertible senior notes (See Note 6) | | 63,645 | | | | | 63,645 |
| **Balance at June 30, 2020** | 255,290 | $ 7,889,072 | $ (30,341) | $ 1,585,211 | $ (5,115) | $ — | $ 9,438,827 |
| | | | | | | | |
| **Balance at April 1, 2021** | 278,781 | $ 8,238,643 | $ (21,469) | $ 1,007,741 | $ (5,275) | $ 10,726 | $ 9,230,366 |
| Comprehensive loss, net of tax: | | | | | | | |
| Net loss | | | | (936,457) | | (62) | (936,519) |
| Other postretirement benefits liability adjustment, net of tax expense: $27 | | | | | 81 | | 81 |
| Share-based compensation plans | 77 | 7,109 | 1,385 | | | | 8,494 |
| **Balance at June 30, 2021** | 278,858 | $ 8,245,752 | $ (20,084) | $ 71,284 | $ (5,194) | $ 10,664 | $ 8,302,422 |

Common shares authorized: 320,000 and 640,000 at June 30, 2020 and 2021, respectively.
Preferred shares authorized: 3,000. There were no preferred shares issued or outstanding.

(a) Amounts included in accumulated other comprehensive loss are related to other postretirement benefits liability adjustments, net of tax, which are attributable to net actuarial losses and net prior service costs.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**EQT CORPORATION AND SUBSIDIARIES**
**STATEMENTS OF CONDENSED CONSOLIDATED EQUITY (UNAUDITED)**

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | No Par Value | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Loss (a) | Noncontrolling Interests in Consolidated Subsidiaries | Total Equity |
| | (Thousands, except per share amounts) | | | | | | |
| **Balance at January 1, 2020** | 255,171 | $ 7,818,205 | $ (32,507) | $ 2,023,089 | $ (5,199) | $ — | $ 9,803,588 |
| Comprehensive loss, net of tax: | | | | | | | |
| Net loss | | | | (430,214) | | | (430,214) |
| Other postretirement benefit liability adjustment, net of tax expense: $48 | | | | | 84 | | 84 |
| Dividends ($0.03 per share) | | | | (7,664) | | | (7,664) |
| Share-based compensation plans | 119 | 7,222 | 2,166 | | | | 9,388 |
| Equity component of convertible senior notes (See Note 6) | | 63,645 | | | | | 63,645 |
| **Balance at June 30, 2020** | 255,290 | $ 7,889,072 | $ (30,341) | $ 1,585,211 | $ (5,115) | $ — | $ 9,438,827 |
| | | | | | | | |
| **Balance at January 1, 2021** | 278,345 | $ 8,241,684 | $ (29,348) | $ 1,048,259 | $ (5,355) | $ 7,490 | $ 9,262,730 |
| Comprehensive loss, net of tax: | | | | | | | |
| Net loss | | | | (976,975) | | (576) | (977,551) |
| Other postretirement benefit liability adjustment, net of tax expense: $54 | | | | | 161 | | 161 |
| Share-based compensation plans | 513 | 4,068 | 9,264 | | | | 13,332 |
| Contributions from noncontrolling interests | | | | | | 3,750 | 3,750 |
| **Balance at June 30, 2021** | 278,858 | $ 8,245,752 | $ (20,084) | $ 71,284 | $ (5,194) | $ 10,664 | $ 8,302,422 |

Common shares authorized: 320,000 and 640,000 at June 30, 2020 and 2021, respectively.
Preferred shares authorized: 3,000. There were no preferred shares issued or outstanding.

(a) Amounts included in accumulated other comprehensive loss are related to other postretirement benefits liability adjustments, net of tax, which are attributable to net actuarial losses and net prior service costs.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**EQT CORPORATION AND SUBSIDIARIES**
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

## 1. Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial information and with the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and notes required by GAAP for complete financial statements. In the opinion of management, these statements include all adjustments (consisting of only normal recurring accruals, unless otherwise disclosed in this Quarterly Report on Form 10-Q) necessary for a fair presentation of the financial position of EQT Corporation and subsidiaries as of June 30, 2021 and December 31, 2020, the results of its operations and equity for the three and six month periods ended June 30, 2021 and 2020 and its cash flows for the six month periods ended June 30, 2021 and 2020. Certain previously reported amounts have been reclassified to conform to the current year presentation. In this Quarterly Report on Form 10-Q, references to "EQT," "EQT Corporation" and "the Company" refer collectively to EQT Corporation and its consolidated subsidiaries.

The Condensed Consolidated Balance Sheet at December 31, 2020 has been derived from the audited financial statements at that date. For further information, refer to the Consolidated Financial Statements and accompanying notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

*Recently Issued Accounting Standards*

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12, *Income Taxes: Simplifying the Accounting for Income Taxes*. This ASU simplifies accounting for income taxes by eliminating certain exceptions to Accounting Standards Codification (ASC) 740, *Income Taxes,* related to the general approach for intraperiod tax allocation, methodology for calculating income taxes in an interim period and recognition of deferred taxes when there are investment ownership changes. In addition, this ASU simplifies aspects of accounting for franchise taxes and interim period effects of enacted changes in tax laws or rates and provides clarification on accounting for transactions that result in a step up in the tax basis of goodwill and allocation of consolidated income tax expense to separate financial statements of entities not subject to income tax. This ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, and early adoption is permitted. The Company adopted this ASU in the first quarter of 2021 with no material changes to its financial statements or disclosures.

In August 2020, the FASB issued ASU 2020-06, *Debt with Conversion and Other Options and Derivatives and Hedging: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This ASU simplifies accounting for convertible instruments by removing certain separation models for convertible instruments. For convertible instruments with conversion features that are not accounted for as derivatives under ASC 815 or do not result in substantial premiums accounted for as paid-in capital, the convertible instrument's embedded conversion features are no longer separated from the host contract. Consequently, and as long as no other feature requires bifurcation and recognition as a derivative, the convertible instrument is accounted for as a single liability measured at its amortized cost. This ASU also amends the impact of convertible instruments on the calculation of diluted earnings per share (EPS) and adds several new disclosure requirements. This ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company plans to adopt this ASU on January 1, 2022 using the full retrospective method of adoption. The Company is evaluating the impact this standard will have on its financial statements and disclosures.

*Supplemental Cash Flow Information*. The following table summarizes net cash paid (received) for interest and income taxes and non-cash activity included in the Statements of Condensed Consolidated Cash Flows.

| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| | (Thousands) | |
| **Cash paid (received) during the period for:** | | |
| Interest, net of amount capitalized | $ 127,082 | $ 74,596 |
| Income taxes, net | 21,768 | (191,598) |
| **Non-cash activity during the period for:** | | |
| Increase in right-of-use lease assets and liabilities | $ 1,091 | $ 1,697 |
| Increase in asset retirement costs and obligations | 1,943 | 6,596 |
| Capitalization of non-cash equity share-based compensation | 2,499 | 1,611 |

**EQT CORPORATION AND SUBSIDIARIES**
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

## 2. Revenue from Contracts with Customers

Under the Company's natural gas, natural gas liquids (NGLs) and oil sales contracts, the Company generally considers the delivery of each unit (MMBtu or Bbl) to be a separate performance obligation that is satisfied upon delivery. These contracts typically require payment within 25 days of the end of the calendar month in which the commodity is delivered. A significant number of these contracts contain variable consideration because the payment terms refer to market prices at future delivery dates. In these situations, the Company has not identified a standalone selling price because the terms of the variable payments relate specifically to the Company's efforts to satisfy the performance obligations. Other contracts, such as fixed price contracts or contracts with a fixed differential to New York Mercantile Exchange (NYMEX) or index prices, contain fixed consideration. The fixed consideration is allocated to each performance obligation on a relative standalone selling price basis, which requires judgment from management. For these contracts, the Company generally concludes that the fixed price or fixed differentials in the contracts are representative of the standalone selling price.

Based on management's judgment, the performance obligations for the sale of natural gas, NGLs and oil are satisfied at a point in time because the customer obtains control and legal title of the asset when the natural gas, NGLs or oil is delivered to the designated sales point.

The sales of natural gas, NGLs and oil presented in the Statements of Condensed Consolidated Operations represent the Company's share of revenues net of royalties and exclude revenue interests owned by others. When selling natural gas, NGLs and oil on behalf of royalty or working interest owners, the Company acts as an agent and, thus, reports the revenue on a net basis.

For contracts with customers where the Company's performance obligations had been satisfied and an unconditional right to consideration existed as of the balance sheet date, the Company recorded amounts due from contracts with customers of $471.5 million and $394.1 million in accounts receivable in the Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, respectively.

The table below provides disaggregated information on the Company's revenues. Certain contracts that provide for the release of capacity that is not used to transport the Company's produced volume are outside the scope of ASU 2014-09, *Revenue from Contracts with Customers*. The costs of, and recoveries on, such capacity are reported in net marketing services and other in the Statements of Condensed Consolidated Operations. Derivative contracts are also outside the scope of ASU 2014-09.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Thousands) | | | |
| **Revenues from contracts with customers:** | | | | |
| Natural gas sales | $ 953,385 | $ 468,216 | $ 1,966,465 | $ 1,141,446 |
| NGLs sales | 102,361 | 28,761 | 202,618 | 64,517 |
| Oil sales | 22,158 | 1,795 | 39,772 | 8,010 |
| **Total revenues from contracts with customers** | $ 1,077,904 | $ 498,772 | $ 2,208,855 | $ 1,213,973 |
| | | | | |
| **Other sources of revenue:** | | | | |
| (Loss) gain on derivatives not designated as hedges | (1,345,532) | 26,426 | (1,534,345) | 415,862 |
| Net marketing services and other | 7,512 | 1,876 | 15,297 | 4,296 |
| **Total operating revenues** | $ (260,116) | $ 527,074 | $ 689,807 | $ 1,634,131 |

The following table summarizes the transaction price allocated to the Company's remaining performance obligations on all contracts with fixed consideration as of June 30, 2021. Amounts shown exclude contracts that qualified for the exception to the relative standalone selling price method as of June 30, 2021.

| | 2021 (a) | 2022 | 2023 | Total |
|---|---|---|---|---|
| | (Thousands) | | | |
| Natural gas sales | $ 87,901 | $ 8,158 | $ 6,794 | $ 102,853 |

(a) July 1 through December 31.

## 3. Derivative Instruments

The Company's primary market risk exposure is the volatility of future prices for natural gas and NGLs, which can affect the Company's operating results. The Company uses derivative commodity instruments to hedge its cash flows from sales of produced natural gas and NGLs. The overall objective of the Company's hedging program is to protect cash flows from undue exposure to the risk of changing commodity prices.

The derivative commodity instruments used by the Company are primarily swap, collar and option agreements. These agreements may require payments to, or receipt of payments from, counterparties based on the differential between two prices for the commodity. The Company uses these agreements to hedge its NYMEX and basis exposure. The Company may also use other contractual agreements when executing its commodity hedging strategy. The Company typically enters into over the counter (OTC) derivative commodity instruments with financial institutions, and the creditworthiness of all counterparties is regularly monitored.

The Company does not designate any of its derivative instruments as cash flow hedges; therefore, all changes in fair value of the Company's derivative instruments are recognized in operating revenues in the Statements of Condensed Consolidated Operations. The Company recognizes all derivative instruments as either assets or liabilities at fair value on a gross basis. These derivative instruments are reported as either current assets or current liabilities due to their highly liquid nature. The Company can net settle its derivative instruments at any time.

Contracts that result in physical delivery of a commodity expected to be sold by the Company in the normal course of business are generally designated as normal sales and are exempt from derivative accounting. Contracts that result in the physical receipt or delivery of a commodity but are not designated or do not meet all of the criteria to qualify for the normal purchase and normal sale scope exception are subject to derivative accounting.

The Company's OTC derivative instruments generally require settlement in cash. The Company also enters into exchange traded derivative commodity instruments that are generally settled with offsetting positions. Settlements of derivative commodity instruments are reported as a component of cash flows from operating activities in the Statements of Condensed Consolidated Cash Flows.

With respect to the derivative commodity instruments held by the Company, the Company hedged portions of expected sales of production and portions of its basis exposure covering approximately 2,773 Bcf of natural gas and 7,687 Mbbl of NGLs as of June 30, 2021 and 1,955 Bcf of natural gas and 3,462 Mbbl of NGLs as of December 31, 2020. The open positions at June 30, 2021 and December 31, 2020 had maturities extending through December 2027 and December 2024, respectively.

Certain of the Company's OTC derivative instrument contracts provide that, if the Company's credit rating assigned by Moody's Investors Service, Inc. (Moody's) or S&P Global Ratings (S&P) is below the agreed-upon credit rating threshold (typically, below investment grade), and if the associated derivative liability exceeds the agreed-upon dollar threshold for such credit rating, the counterparty to such contract can require the Company to deposit collateral. Similarly, if such counterparty's credit rating assigned by Moody's or S&P is below the agreed-upon credit rating threshold, and if the associated derivative liability exceeds the agreed-upon dollar threshold for such credit rating, the Company can require the counterparty to deposit collateral with the Company. Such collateral can be up to 100% of the derivative liability. Investment grade refers to the quality of a company's credit as assessed by one or more credit rating agencies. To be considered investment grade, a company must be rated "Baa3" or higher by Moody's, "BBB–" or higher by S&P and "BBB–" or higher by Fitch Ratings Service (Fitch). Anything below these ratings is considered non-investment grade. As of June 30, 2021, the Company's senior notes were rated "Ba2" by Moody's and "BB" by S&P.

When the net fair value of any of the Company's OTC derivative instrument contracts represents a liability to the Company that is in excess of the agreed-upon dollar threshold for the Company's then-applicable credit rating, the counterparty has the right to require the Company to remit funds as a margin deposit in an amount equal to the portion of the derivative liability that is in excess of the dollar threshold amount. The Company records these deposits as a current asset in the Condensed Consolidated Balance Sheets. As of June 30, 2021 and December 31, 2020, the aggregate fair value of all OTC derivative instruments with credit rating risk-related contingent features that were in a net liability position was $1,166.3 million and $137.7 million, respectively, for which the Company deposited and recorded current assets of $284.4 million and $21.1 million, respectively.

When the net fair value of any of the Company's OTC derivative instrument contracts represents an asset to the Company that is in excess of the agreed-upon dollar threshold for the counterparty's then-applicable credit rating, the Company has the right to require the counterparty to remit funds as a margin deposit in an amount equal to the portion of the derivative asset that is in excess of the dollar threshold amount. The Company records these deposits as a current liability in the Condensed Consolidated Balance Sheets. As of both June 30, 2021 and December 31, 2020, there were no such deposits recorded in the Condensed Consolidated Balance Sheets.

When the Company enters into exchange traded natural gas contracts, exchanges may require the Company to remit funds to the corresponding broker as good-faith deposits to guard against the risks associated with changing market conditions. The Company is required to make such deposits based on an established initial margin requirement and the net liability position, if any, of the fair value of the associated contracts. The Company records these deposits as a current asset in the Condensed Consolidated Balance Sheets. When the fair value of such contracts is in a net asset position, the broker may remit funds to the Company. The Company records these deposits as a current liability in the Condensed Consolidated Balance Sheets. The initial margin requirements are established by the exchanges based on the price, volatility and the time to expiration of the contract. The margin requirements are subject to change at the exchanges' discretion. As of June 30, 2021 and December 31, 2020, the Company recorded $205.7 million and $61.5 million, respectively, of such deposits as current assets in the Condensed Consolidated Balance Sheets.

Refer to Note 8 for a discussion of the derivative liability recorded in connection with the Equitrans Share Exchange (defined in Note 8).

The Company has netting agreements with financial institutions and its brokers that permit net settlement of gross commodity derivative assets against gross commodity derivative liabilities. The table below summarizes the impact of netting agreements and margin deposits on gross derivative assets and liabilities.

| | Gross derivative instruments recorded in the Condensed Consolidated Balance Sheets | Derivative instruments subject to master netting agreements | Margin requirements with counterparties | Net derivative instruments |
|---|---|---|---|---|
| | (Thousands) | | | |
| June 30, 2021 | | | | |
| Asset derivative instruments, at fair value | $ 648,855 | $ (576,429) | $ — | $ 72,426 |
| Liability derivative instruments, at fair value | 2,160,253 | (576,429) | (490,109) | 1,093,715 |
| | | | | |
| December 31, 2020 | | | | |
| Asset derivative instruments, at fair value | $ 527,073 | $ (328,809) | $ — | $ 198,264 |
| Liability derivative instruments, at fair value | 600,877 | (328,809) | (82,552) | 189,516 |

## 4. Fair Value Measurements

The Company records its financial instruments, which are principally derivative instruments, at fair value in the Condensed Consolidated Balance Sheets. The Company estimates the fair value of its financial instruments using quoted market prices when available. If quoted market prices are not available, the fair value is based on models that use market-based parameters, including forward curves, discount rates, volatilities and nonperformance risk, as inputs. Nonperformance risk considers the effect of the Company's credit standing on the fair value of liabilities and the effect of the counterparty's credit standing on the fair value of assets. The Company estimates nonperformance risk by analyzing publicly available market information, including a comparison of the yield on debt instruments with credit ratings similar to the Company's or counterparty's credit rating and the yield on a risk-free instrument.

The Company has categorized its assets and liabilities recorded at fair value into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Assets and liabilities that use Level 2 inputs primarily include the Company's swap, collar and option agreements.

Exchange traded commodity swaps have Level 1 inputs. The fair value of the commodity swaps with Level 2 inputs is based on standard industry income approach models that use significant observable inputs, including, but not limited to, NYMEX natural gas forward curves, LIBOR-based discount rates, basis forward curves and natural gas liquids forward curves. The Company's collars and options are valued using standard industry income approach option models. The significant observable inputs used by the option pricing models include NYMEX forward curves, natural gas volatilities and LIBOR-based discount rates.

The table below summarizes assets and liabilities measured at fair value on a recurring basis.

| | Gross derivative instruments recorded in the Condensed Consolidated Balance Sheets | Fair value measurements at reporting date using: | | |
|---|---|---|---|---|
| | | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | (Thousands) | | | |
| June 30, 2021 | | | | |
| Asset derivative instruments, at fair value | $ 648,855 | $ 134,691 | $ 514,164 | $ — |
| Liability derivative instruments, at fair value | 2,160,253 | 315,372 | 1,844,881 | — |
| | | | | |
| December 31, 2020 | | | | |
| Asset derivative instruments, at fair value | $ 527,073 | $ 70,603 | $ 456,470 | $ — |
| Liability derivative instruments, at fair value | 600,877 | 93,361 | 507,516 | — |

The carrying values of cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term maturities. The carrying value of the Company's investment in Equitrans Midstream Corporation (Equitrans Midstream) approximates fair value as Equitrans Midstream is a publicly traded company. The carrying value of borrowings under the Company's credit facility approximates fair value as the interest rate is based on prevailing market rates. The Company considered all of these fair values to be Level 1 fair value measurements.

The Company estimates the fair value of its senior notes using established fair value methodology. Because not all of the Company's senior notes are actively traded, their fair value is a Level 2 fair value measurement. As of June 30, 2021 and December 31, 2020, the Company's senior notes had a fair value of approximately $6.5 billion and $5.2 billion, respectively, and a carrying value of approximately $5.4 billion and $4.5 billion, respectively, inclusive of any current portion. The fair value of the Company's note payable to EQM Midstream Partners, LP (EQM) is estimated using an income approach model with a market-based discount rate and is a Level 3 fair value measurement. As of June 30, 2021 and December 31, 2020, the Company's note payable to EQM had a fair value of approximately $123 million and $130 million, respectively, and a carrying value of approximately $102 million and $105 million, respectively, inclusive of any current portion. See Note 6 for further discussion of the Company's debt.

The Company recognizes transfers between Levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the periods presented.

See Note 8 for a discussion of the fair value measurement of the Equitrans Share Exchange and Note 9 for a discussion of the fair value measurement of the 2020 Asset Exchange Transactions and 2020 Divestiture (each defined in Note 9). See Note 1 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for a discussion of the fair value of assets related to the impairment and expiration of leases.

## 5. Income Taxes

For the six months ended June 30, 2021 and 2020, the Company calculated the provision for income taxes for interim periods by applying an estimate of the annual effective tax rate for the full fiscal year to "ordinary" income or loss (pre-tax income or loss excluding unusual or infrequently occurring items) for the period. There were no material changes to the Company's methodology for determining unrecognized tax benefits during the six months ended June 30, 2021.

The Company recorded income tax benefit at an effective tax rate of 27.0% and 14.0% for the six months ended June 30, 2021 and 2020, respectively. The Company's effective tax rate for the six months ended June 30, 2021 was higher compared to the U.S. federal statutory rate due primarily to state taxes, including valuation allowances limiting certain state tax benefits and West Virginia tax legislation enacted on April 13, 2021 that changed the way taxable income is apportioned to West Virginia for tax years beginning on or after January 1, 2022. The Company's effective tax rate for the six months ended June 30, 2020 was lower compared to the U.S. federal statutory rate due primarily to valuation allowances provided against federal and state deferred tax assets for the additional unrealized losses on the Company's investment in Equitrans Midstream incurred in the first half of 2020 that, if such investment is sold, would become capital losses. The Company believes that it is more likely than not that such additional unrealized losses will not be realized for tax purposes.

## 6. Debt

*Credit facility*. The Company has a $2.5 billion credit facility. On April 23, 2021, the Company entered into an Extension Agreement and First Amendment to Second Amended and Restated Credit Agreement (the Extension Agreement and First Amendment), amending the Second Amended and Restated Credit Agreement, dated as of July 31, 2017, among the Company, PNC Bank, National Association, as administrative agent, swing line lender and an L/C issuer, and the other lenders party thereto (the Credit Agreement). The Extension Agreement and First Amendment, among other things, (i) extends the maturity date of the commitments and loans under the Credit Agreement from July 31, 2022 to July 31, 2023, (ii) adds customary provisions to provide for the eventual replacement of LIBOR as a benchmark interest rate and (iii) adds an additional pricing level for the Applicable Rate (as defined in the Credit Agreement).

The Company had approximately $670 million and $791 million of letters of credit outstanding under its credit facility as of June 30, 2021 and December 31, 2020, respectively.

Under the Company's credit facility, for the three months ended June 30, 2021 and 2020, the maximum amounts of outstanding borrowings were $578 million and $173 million, respectively, the average daily balances were approximately $236 million and $35 million, respectively, and interest was incurred at weighted average annual interest rates of 2.1% and 2.4%, respectively. Under the Company's credit facility, for the six months ended June 30, 2021 and 2020, the maximum amounts of outstanding borrowings were $890 million and $356 million, respectively, the average daily balances were approximately $188 million and $60 million, respectively, and interest was incurred at weighted average annual interest rates of 2.1% and 2.9%, respectively.

*Term loan facility.* The Company had a $1.0 billion term loan facility that was scheduled to mature in May 2021. On June 30, 2020, the Company used proceeds from the offering of its Convertible Notes (see below), cash from its income tax refunds and proceeds from the 2020 Divestiture (see Note 9) to fully repay its term loan facility. Under the Company's term loan facility, for the three and six months ended June 30, 2020, the average daily balances were approximately $431 million and $692 million, respectively, and interest was incurred at weighted average annual interest rates of 2.2% and 2.6%, respectively.

*3.125% senior notes and 3.625% senior notes*. On May 17, 2021, the Company issued $500 million aggregate principal amount of 3.125% senior notes due May 15, 2026 and $500 million aggregate principal amount of 3.625% senior notes due May 15, 2031. After deducting offering costs of $15.6 million, net proceeds from the sale of the notes of $984.4 million were used to partly fund the Alta Acquisition (defined and described in Note 10). The covenants of the 3.125% senior notes and 3.625% senior notes are consistent with the Company's existing senior unsecured notes. Similar to the 5.00% senior notes due January 2029 issued in November 2020, the 3.125% senior notes and 3.625% senior notes include an offer to repurchase provision applicable upon the occurrence of certain change of control events specified in the applicable indentures.

*4.875% senior notes*. On February 1, 2021, the Company redeemed the remaining $125.1 million aggregate principal amount of its 4.875% senior notes at a total cost of $130.7 million, inclusive of redemption premiums of $4.3 million and accrued but unpaid interest of $1.3 million.

*Convertible Notes*. On April 28, 2020, the Company issued $500 million aggregate principal amount of 1.75% convertible senior notes (the Convertible Notes) due May 1, 2026 unless earlier redeemed, repurchased or converted. The Convertible Notes were issued in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. After deducting offering costs of $16.9 million and Capped Call Transactions (defined and described below) costs of $32.5 million, the net proceeds from the offering of $450.6 million were used to repay $450 million of the Company's term loan facility borrowings as well as for general corporate purposes.

Holders of the Convertible Notes may convert their Convertible Notes, at their option, at any time prior to the close of business on January 30, 2026 under the following circumstances:

- during any quarter as long as the last reported price of EQT common stock for at least 20 trading days (consecutive or otherwise) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding quarter is greater than or equal to 130% of the conversion price on each such trading day (the Sale Price Condition);
- during the five-business-day period after any five-consecutive-trading-day period (the measurement period) in which the trading price per $1,000 principal amount of the Convertible Notes for each trading day of the measurement period is less than 98% of the product of the last reported price of EQT common stock and the conversion rate for the Convertible Notes on each such trading day;
- if the Company calls any or all of the Convertible Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding such redemption date; and
- upon the occurrence of certain corporate events set forth in the Convertible Notes indenture.

On or after February 1, 2026, holders of the Convertible Notes may convert their Convertible Notes, at their option, at any time until the close of business on the second scheduled trading date immediately preceding May 1, 2026.

Pursuant to the terms of the Convertible Notes indenture, the Sale Price Condition for conversion of the Convertible Notes was satisfied as of June 30, 2021, and, accordingly, holders of Convertible Notes may convert any of their Convertible Notes, at their option, at any time during the quarter beginning on July 1, 2021 and ending on September 30, 2021, subject to all terms and conditions set forth in the Convertible Notes indenture. Therefore, as of June 30, 2021, the net carrying value of the liability portion of the Convertible Notes was included in current portion of debt on the Condensed Consolidated Balance Sheet.

Upon conversion of the Convertible Notes, the Company intends to use a combined settlement approach to satisfy its obligation by paying or delivering to holders of the Convertible Notes cash equal to the principal amount of the obligation and EQT common stock for amounts that exceed the principal amount of the obligation.

The Company may not redeem the Convertible Notes prior to May 5, 2023. On or after May 5, 2023 and prior to February 1, 2026, the Company may redeem for cash all or any portion of the Convertible Notes, at its option, at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed plus accrued and unpaid interest up to the redemption date as long as the last reported price per share of EQT common stock has been at least 130% of the conversion price in effect for at least 20 trading days (consecutive or otherwise) during any 30-consecutive-trading-day period ending on the trading day immediately preceding the date on which the Company delivers notice of redemption. A sinking fund is not provided for the Convertible Notes.

The initial conversion rate for the Convertible Notes is 66.6667 shares of EQT common stock per $1,000 principal amount of the Convertible Notes, which is equivalent to an initial conversion price of $15.00 per share of EQT common stock. The initial conversion price represents a premium of 20% to the $12.50 per share closing price of EQT common stock on April 23, 2020. The conversion rate is subject to adjustment under certain circumstances. In addition, following certain corporate events that occur prior to May 1, 2026 or if the Company delivers notice of redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Convertible Notes in connection with such corporate event or notice of redemption.

In connection with the Convertible Notes offering, the Company entered into privately negotiated capped call transactions (the Capped Call Transactions), the purpose of which is to reduce the potential dilution to EQT common stock upon conversion of the Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of such obligation, with such reduction and offset subject to a cap. The Capped Call Transactions have an initial strike price of $15.00 per share of EQT common stock and an initial capped price of $18.75 per share of EQT common stock, each of which are subject to certain customary adjustments.

For accounting purposes, the Company separated the Convertible Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of similar debt instruments that do not have associated convertible features. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the principal value of the Convertible Notes. The equity component is not remeasured as long as it continues to meet the condition for equity classification. The excess of the principal amount of the liability component over its carrying amount (the debt discount) will be amortized to interest expense over the term of the Convertible Notes, which is approximately 6 years, at an effective interest rate of 8.4%. At inception, the Company

recorded the Convertible Notes at fair value of approximately $358.1 million, a net deferred tax liability of $41.0 million and an equity component of $100.9 million.

Issuance costs were allocated to the liability and equity components of the Convertible Notes based on their relative fair values. Issuance costs attributable to the liability component of $12.1 million were recorded as a reduction to the liability component of the Convertible Notes and will be amortized to interest expense over the term of the Convertible Notes at an effective interest rate of 8.4%. Issuance costs attributable to the equity component of $4.8 million, representing the conversion option, were netted with the equity component.

The Capped Call Transactions are separate from the Convertible Notes. The Capped Call Transactions were recorded in shareholders' equity and were not accounted for as derivatives. The cost to purchase the Capped Call Transactions were recorded as a reduction to equity and will not be remeasured.

For the second quarter of 2020, the Convertible Notes had a net shareholders' equity impact of $63.6 million, which consisted of the conversion option equity component of $100.9 million less the Capped Call Transactions costs of $32.5 million and issuance costs attributable to the equity component of $4.8 million.

The table below summarizes the net carrying amount of the Convertible Notes, including the unamortized debt discount and debt issuance costs.

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| | (Thousands) | |
| Principal | $ 500,000 | $ 500,000 |
| Less: Unamortized debt discount | 119,105 | 129,103 |
| Less: Unamortized debt issuance costs | 10,562 | 11,263 |
| Net carrying value of Convertible Notes | $ 370,333 | $ 359,634 |

The table below summarizes the components of interest expense related to the Convertible Notes.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Thousands) | | | |
| Contractual interest expense | $ 2,187 | $ 1,507 | $ 4,375 | $ 1,507 |
| Amortization of debt discount | 5,046 | 3,231 | 9,998 | 3,231 |
| Amortization of issuance costs | 358 | 209 | 701 | 209 |
| Total Convertible Notes interest expense | $ 7,591 | $ 4,947 | $ 15,074 | $ 4,947 |

Based on the closing stock price of EQT common stock of $22.26 on June 30, 2021 and excluding the impact of the Capped Call Transactions, the if-converted value of the Convertible Notes exceeded the principal amount by $242 million.

## 7. Earnings Per Share

In periods when the Company reports a net loss, all options, restricted stock, performance awards and stock appreciation rights are excluded from the calculation of diluted weighted average shares outstanding because of their anti-dilutive effect on loss per share. As a result, for the three and six months ended June 30, 2021 and 2020, all such securities were excluded from potentially dilutive securities because of their anti-dilutive effect on EPS. Such securities for the three and six months ended June 30, 2021 were 7,679,584 and 7,712,354, respectively, and such securities for the three and six months ended June 30, 2020 were 6,769,822 and 6,739,305, respectively.

As discussed in Note 6, the Company issued the Convertible Notes during the second quarter of 2020 and, upon conversion of the Convertible Notes, intends to use a combined settlement approach to satisfy its obligation under the Convertible Notes. As such, there is no adjustment to the diluted EPS numerator for the cash-settled portion of the instrument. In addition, for the three and six

months ended June 30, 2021 and for the period of April 28, 2020 through June 30, 2020, the conversion premium of 6,666,670 shares was excluded from potentially dilutive securities because of its anti-dilutive effect on EPS.

## 8. Equitrans Share Exchange

During the first quarter of 2020, the Company sold to Equitrans Midstream a total of 25,299,752 shares of Equitrans Midstream's common stock in exchange for approximately $52 million in cash and rate relief under certain of the Company's gathering contracts with EQM, an affiliate of Equitrans Midstream (the Equitrans Share Exchange). The rate relief was effected through the execution of a consolidated gas gathering and compression agreement entered into between the Company and an affiliate of EQM (the Consolidated GGA). The Company recorded in the Condensed Consolidated Balance Sheet a contract asset representing the estimated fair value of the rate relief and, beginning on the Mountain Valley Pipeline (MVP) in-service date, expects to recognize amortization of the contract asset over a period of approximately four years in a manner consistent with the expected timing of the Company's realization of the economic benefits of the rate relief.

The Consolidated GGA provides for additional cash bonus payments (the Henry Hub Cash Bonus) payable by the Company to EQM during the period beginning on the first day of the quarter in which the MVP is placed in service and ending on the earlier of 36 months thereafter or December 31, 2024. Such payments are conditioned upon the quarterly average of the NYMEX Henry Hub natural gas settlement price exceeding certain price thresholds. As of June 30, 2021 and December 31, 2020, the derivative liability related to the Henry Hub Cash Bonus was approximately $97 million and $107 million, respectively. In addition, the Consolidated GGA provides a cash payment option that grants the Company the right to receive payments from EQM in the event that the MVP in-service date has not occurred prior to January 1, 2022.

The fair value of the contract asset was based on significant inputs that are not observable in the market and, as such, is a Level 3 fair value measurement. Key assumptions used in the fair value calculation included an estimated production volume forecast, a market-based discount rate and a probability-weighted estimate of the in-service date of the MVP. The fair value of the derivative liability related to the Henry Hub Cash Bonus was based on significant inputs that were interpolated from observable market data and, as such, is a Level 2 fair value measurement. See Note 4 for a description of the fair value hierarchy.

## 9. Asset Exchange Transactions and Divestiture

*2020 Asset Exchange Transactions.* During the first and second quarters of 2020, the Company closed on various acreage trade agreements (collectively, the 2020 Asset Exchange Transactions), pursuant to which the Company exchanged approximately 11,700 aggregate net revenue interest acres across Greene, Allegheny and Westmoreland Counties, Pennsylvania and Wetzel and Marshall Counties, West Virginia for approximately 11,700 aggregate net revenue interest acres across Greene and Washington Counties, Pennsylvania and Wetzel County, West Virginia. As a result of the 2020 Asset Exchange Transactions, the Company recognized a loss of $6.7 million and $55.6 million in (gain) loss on sale/exchange of long-lived assets in the Statements of Condensed Consolidated Operations for the three and six months ended June 30, 2020, respectively. The fair value of leases acquired were based on inputs that are not observable in the market and, as such, is a Level 3 fair value measurement. See Note 4 for a description of the fair value hierarchy. Key assumptions used in the fair value calculation included market-based prices for comparable acreage.

*2020 Divestiture.* On May 11, 2020, the Company closed a transaction to sell certain non-strategic assets located in Pennsylvania and West Virginia (the 2020 Divestiture) for an aggregate purchase price of approximately $125 million in cash, subject to customary purchase price adjustments and the Contingent Consideration defined and discussed below. The Pennsylvania assets sold included 80 Marcellus wells and approximately 33 miles of gathering lines; the West Virginia assets sold included 809 conventional wells and approximately 154 miles of gathering lines. In addition, the 2020 Divestiture relieved the Company of approximately $49 million in asset retirement obligations and other liabilities associated with the sold assets. Proceeds from the sale were used to pay down the Company's term loan facility.

The purchase and sale agreement for the 2020 Divestiture provides for additional cash bonus payments (the Contingent Consideration) payable to the Company of up to $20 million. Such Contingent Consideration is conditioned upon the three-month average of the NYMEX Henry Hub natural gas settlement price relative to stated floor and target price thresholds beginning on August 31, 2020 and ending on November 30, 2022. The Contingent Consideration represents an embedded derivative that is recorded at fair value in the Condensed Consolidated Balance Sheets. The Contingent Consideration had a fair value of $17.5 million and $1.9 million as of June 30, 2021 and December 31, 2020, respectively. Changes in fair value are recorded in (gain) loss on sale/exchange of long-lived assets in the Statements of Condensed Consolidated Operations. The fair value of the

Contingent Consideration is based on significant inputs that are interpolated from observable market data and, as such, is a Level 2 fair value measurement. See Note 4 for a description of the fair value hierarchy.

As a result of the 2020 Divestiture, the Company recognized a loss of $42.5 million in (gain) loss on sale/exchange of long-lived assets in the Statements of Condensed Consolidated Operations during the second quarter of 2020.

**10. Acquisitions**

*Reliance Asset Acquisition*. On April 1, 2021, the Company closed on the acquisition of certain oil and gas assets (the Reliance Asset Acquisition) from Reliance Marcellus, LLC (Reliance), pursuant to the Company's exercise of a preferential purchase right that was triggered by Northern Oil and Gas, Inc.'s acquisition of Reliance's Marcellus assets. The total purchase price for the acquisition was approximately $69 million, and the assets acquired consisted of approximately 40 MMcfe per day of current production and 4,100 net acres located in southwest Pennsylvania. The Reliance Asset Acquisition was accounted for as an asset acquisition and not a business combination and, as such, its proceeds were allocated to property, plant and equipment.

*Alta Acquisition*. On July 21, 2021, the Company completed its previously announced acquisition (the Alta Acquisition) of Alta Marcellus Development, LLC and ARD Operating, LLC and subsidiaries (together, the Alta Target Entities), pursuant to that certain Membership Interest Purchase Agreement, dated May 5, 2021 (the Alta Purchase Agreement), by and among the Company, EQT Acquisition HoldCo LLC (a wholly-owned indirect subsidiary of the Company), Alta Resources Development, LLC (Alta Resources) and the Alta Target Entities. The Alta Target Entities collectively hold all of Alta Resources' upstream and midstream assets and liabilities. The purchase price for the Alta Acquisition consisted of approximately $1.0 billion in cash and 98,789,388 shares of the Company's common stock, as adjusted pursuant to customary closing purchase price adjustments set forth in the Alta Purchase Agreement. The Alta Purchase Agreement contains customary representations and warranties, covenants, indemnification and termination provisions and has an effective date of January 1, 2021.

As a result of the Alta Acquisition, the Company acquired approximately 300,000 net Northeast Marcellus acres, approximately 1.0 Bcfe per day of current net production, approximately 300 miles of midstream gathering systems, approximately 100 miles of a freshwater system and a firm transportation portfolio to premium demand markets. In May 2021, upon execution of the Alta Purchase Agreement, the Company deposited $146.3 million in an escrow account, which was disbursed to Alta Resources at closing. As of June 30, 2021, this deposit was reflected in other assets in the Condensed Consolidated Balance Sheet.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Condensed Consolidated Financial Statements and the notes thereto included in this report. Unless the context otherwise indicates, all references in this report to "EQT," the "Company," "we," "us," or "our" are to EQT Corporation and its subsidiaries, collectively.*

### CAUTIONARY STATEMENTS

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Statements that do not relate strictly to historical or current facts are forward-looking and are usually identified by the use of words such as "anticipate," "estimate," "could," "would," "will," "may," "forecast," "approximate," "expect," "project," "intend," "plan," "believe" and other words of similar meaning, or the negative thereof, in connection with any discussion of future operating or financial matters. Without limiting the generality of the foregoing, forward-looking statements contained in this Quarterly Report on Form 10-Q include the expectations of our plans, strategies, objectives and growth and anticipated financial and operational performance, including guidance regarding our strategy to develop our reserves; drilling plans and programs (including availability of capital to complete these plans and programs); the projected scope and timing of our combo-development projects; estimated reserves, including potential future downward adjustments of reserves and reserve life; total resource potential and drilling inventory duration; projected production and sales volume and growth rates (including liquids production and sales volume and growth rates); natural gas prices; changes in basis and the impact of commodity prices on our business; potential future impairments of our assets; our ability to reduce our well costs and capital expenditures, and the timing of achieving any such reductions; infrastructure programs; the cost, capacity, and timing of obtaining regulatory approvals; our ability to successfully implement and execute our operational, organizational, technological and ESG initiatives, and achieve the anticipated results of such initiatives; projected reductions of our gathering and compression rates resulting from our consolidated gas gathering and compression agreement with Equitrans Midstream Corporation (Equitrans Midstream), and the anticipated cost savings and other strategic benefits associated with the execution of such agreement; monetization transactions, including asset sales, joint ventures or other transactions involving our assets, and our planned use of the proceeds from such monetization transactions; potential acquisition transactions or other strategic transactions, the timing thereof and our ability to achieve the intended operational, financial and strategic benefits from any such transactions, including our acquisition of certain upstream and midstream assets from Alta Resources Development, LLC; the timing and structure of any dispositions of our remaining retained shares of Equitrans Midstream's common stock, and the planned use of the proceeds from any such dispositions; the amount and timing of any repayments, redemptions or repurchases of our common stock, outstanding debt securities or other debt instruments; our ability to reduce our debt and the timing of such reductions, if any; projected dividends, if any; projected cash flows and free cash flow; projected capital expenditures; liquidity and financing requirements, including funding sources and availability; our ability to maintain or improve our credit ratings, leverage levels and financial profile; our hedging strategy; the effects of litigation, government regulation and tax position; and the expected impact of changes to tax laws.

The forward-looking statements included in this Quarterly Report on Form 10-Q involve risks and uncertainties that could cause actual results to differ materially from projected results. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. We have based these forward-looking statements on current expectations and assumptions about future events, taking into account all information currently known by us. While we consider these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties, many of which are difficult to predict and beyond our control. These risks and uncertainties include, but are not limited to, volatility of commodity prices; the costs and results of drilling and operations; access to and cost of capital; uncertainties about estimates of reserves, identification of drilling locations and the ability to add proved reserves in the future; the assumptions underlying production forecasts; the quality of technical data; our ability to appropriately allocate capital and resources among our strategic opportunities; inherent hazards and risks normally incidental to drilling for, producing, transporting and storing natural gas, natural gas liquids (NGLs) and oil; cyber security risks; availability and cost of drilling rigs, completion services, equipment, supplies, personnel, oilfield services and water required to execute our exploration and development plans; the ability to obtain environmental and other permits and the timing thereof; government regulation or action; environmental and weather risks, including the possible impacts of climate change; and disruptions to our business due to acquisitions and other significant transactions. These and other risks and uncertainties are described under Item 1A., "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2020.

Any forward-looking statement speaks only as of the date on which such statement is made, and we do not intend to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

**Consolidated Results of Operations**

Net loss attributable to EQT Corporation for the three months ended June 30, 2021 was $936.5 million, $3.35 per diluted share, compared to net loss attributable to EQT Corporation for the same period in 2020 of $263.1 million, $1.03 per diluted share. The change was attributable primarily to the loss on derivatives not designated as hedges, lower income from investments, increased transportation and processing expense and increased depreciation and depletion, partly offset by increased sales of natural gas, NGLs and oil, higher income tax benefit, the gain on sale of long-lived assets and decreased impairment and expiration of leases.

Net loss attributable to EQT Corporation for the six months ended June 30, 2021 was $977.0 million, $3.50 per diluted share, compared to net loss attributable to EQT Corporation for the same period in 2020 of $430.2 million, $1.68 per diluted share. The change was attributable primarily to the loss on derivatives not designated as hedges, the gain on Equitrans Share Exchange (defined and discussed in Note 8 to the Condensed Consolidated Financial Statements) recognized in the first quarter of 2020, increased depreciation and depletion and increased transportation and processing expense, partly offset by increased sales of natural gas, NGLs and oil, the income from investments, higher income tax benefit, the gain on sale of long-lived assets and decreased impairment and expiration of leases.

See "Sales Volume and Revenues" and "Operating Expenses" for discussions of items affecting operating income and "Other Income Statement Items" for a discussion of other income statement items. See "Investing Activities" under "Capital Resources and Liquidity" for a discussion of capital expenditures.

**Average Realized Price Reconciliation**

The following table presents detailed natural gas and liquids operational information to assist in the understanding of our consolidated operations, including the calculation of our average realized price ($/Mcfe), which is based on adjusted operating revenues, a non-GAAP supplemental financial measure. Adjusted operating revenues is presented because it is an important measure we use to evaluate period-to-period comparisons of earnings trends. Adjusted operating revenues should not be considered as an alternative to total operating revenues. See "Non-GAAP Financial Measures Reconciliation" for a reconciliation of adjusted operating revenues with total operating revenues, the most directly comparable financial measure calculated in accordance with GAAP.

**EQT CORPORATION AND SUBSIDIARIES**
**Management's Discussion and Analysis of Financial Condition and Results of Operations**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Thousands, unless otherwise noted) | | | |
| **NATURAL GAS** | | | | |
| Sales volume (MMcf) | 394,268 | 325,248 | 784,566 | 694,990 |
| NYMEX price ($/MMBtu) | $ 2.84 | $ 1.71 | $ 2.76 | $ 1.84 |
| Btu uplift | 0.16 | 0.09 | 0.15 | 0.09 |
| Natural gas price ($/Mcf) | $ 3.00 | $ 1.80 | $ 2.91 | $ 1.93 |
| | | | | |
| Basis ($/Mcf) (a) | $ (0.57) | $ (0.36) | $ (0.41) | $ (0.29) |
| Cash settled basis swaps (not designated as hedges) ($/Mcf) | (0.02) | (0.02) | (0.05) | 0.02 |
| Average differential, including cash settled basis swaps ($/Mcf) | $ (0.59) | $ (0.38) | $ (0.46) | $ (0.27) |
| Average adjusted price ($/Mcf) | $ 2.41 | $ 1.42 | $ 2.45 | $ 1.66 |
| Cash settled derivatives (not designated as hedges) ($/Mcf) | (0.13) | 1.00 | (0.07) | 0.79 |
| Average natural gas price, including cash settled derivatives ($/Mcf) | $ 2.28 | $ 2.42 | $ 2.38 | $ 2.45 |
| Natural gas sales, including cash settled derivatives | $ 897,429 | $ 786,595 | $ 1,869,923 | $ 1,702,006 |
| | | | | |
| **LIQUIDS** | | | | |
| ***Natural gas liquids (NGLs), excluding ethane:*** | | | | |
| Sales volume (MMcfe) (b) | 16,158 | 10,572 | 30,758 | 21,392 |
| Sales volume (Mbbl) | 2,693 | 1,762 | 5,126 | 3,565 |
| Price ($/Bbl) | $ 34.83 | $ 13.52 | $ 36.00 | $ 16.08 |
| Cash settled derivatives (not designated as hedges) ($/Bbl) | (9.31) | (0.52) | (6.31) | (0.26) |
| Average NGLs price, including cash settled derivatives ($/Bbl) | $ 25.52 | $ 13.00 | $ 29.69 | $ 15.82 |
| NGLs sales | $ 68,737 | $ 22,910 | $ 152,180 | $ 56,421 |
| ***Ethane:*** | | | | |
| Sales volume (MMcfe) (b) | 7,803 | 8,769 | 16,390 | 12,098 |
| Sales volume (Mbbl) | 1,301 | 1,461 | 2,732 | 2,016 |
| Price ($/Bbl) | $ 6.58 | $ 3.38 | $ 6.62 | $ 3.56 |
| Ethane sales | $ 8,560 | $ 4,941 | $ 18,094 | $ 7,186 |
| ***Oil:*** | | | | |
| Sales volume (MMcfe) (b) | 2,366 | 1,058 | 4,071 | 2,237 |
| Sales volume (Mbbl) | 394 | 176 | 678 | 373 |
| Price ($/Bbl) | $ 56.18 | $ 10.17 | $ 58.61 | $ 21.48 |
| Oil sales | $ 22,158 | $ 1,795 | $ 39,772 | $ 8,010 |
| | | | | |
| Total liquids sales volume (MMcfe) (b) | 26,327 | 20,399 | 51,219 | 35,727 |
| Total liquids sales volume (Mbbl) | 4,388 | 3,399 | 8,536 | 5,954 |
| Total liquids sales | $ 99,455 | $ 29,646 | $ 210,046 | $ 71,617 |
| | | | | |
| **TOTAL** | | | | |
| Total natural gas and liquids sales, including cash settled derivatives (c) | $ 996,884 | $ 816,241 | $ 2,079,969 | $ 1,773,623 |
| Total sales volume (MMcfe) | 420,595 | 345,647 | 835,785 | 730,717 |
| Average realized price ($/Mcfe) | $ 2.37 | $ 2.36 | $ 2.49 | $ 2.43 |

(a) Basis represents the difference between the ultimate sales price for natural gas, including the effects of delivered price benefit or deficit associated with our firm transportation agreements, and the New York Mercantile Exchange (NYMEX) natural gas price.
(b) NGLs, ethane and oil were converted to Mcfe at a rate of six Mcfe per barrel.
(c) Total natural gas and liquids sales, including cash settled derivatives, is also referred to in this report as adjusted operating revenues, a non-GAAP supplemental financial measure.

**Non-GAAP Financial Measures Reconciliation**

The table below reconciles adjusted operating revenues, a non-GAAP supplemental financial measure, with total operating revenues, its most directly comparable financial measure calculated in accordance with GAAP. Adjusted operating revenues (also referred to in this report as total natural gas and liquids sales, including cash settled derivatives) is presented because it is an important measure we use to evaluate period-to-period comparisons of earnings trends. Adjusted operating revenues excludes the revenue impacts of changes in the fair value of derivative instruments prior to settlement and net marketing services and other. We use adjusted operating revenues to evaluate earnings trends because, as a result of the measure's exclusion of the often-volatile changes in the fair value of derivative instruments prior to settlement, the measure reflects only the impact of settled derivative contracts. Net marketing services and other primarily includes the costs of, and recoveries on, pipeline capacity releases. Because we consider net marketing services and other to be unrelated to our natural gas and liquids production activities, adjusted operating revenues excludes net marketing services and other. We believe that adjusted operating revenues provides useful information to investors for evaluating period-to-period comparisons of earnings trends.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Thousands, unless otherwise noted) | | | |
| Total operating revenues | $ (260,116) | $ 527,074 | $ 689,807 | $ 1,634,131 |
| Add (deduct): | | | | |
| Loss (gain) on derivatives not designated as hedges | 1,345,532 | (26,426) | 1,534,345 | (415,862) |
| Net cash settlements (paid) received on derivatives not designated as hedges | (71,441) | 315,393 | (109,581) | 561,129 |
| Premiums (paid) received for derivatives that settled during the period | (9,579) | 2,076 | (19,305) | (1,479) |
| Net marketing services and other | (7,512) | (1,876) | (15,297) | (4,296) |
| Adjusted operating revenues, a non-GAAP financial measure | $ 996,884 | $ 816,241 | $ 2,079,969 | $ 1,773,623 |
| | | | | |
| Total sales volume (MMcfe) | 420,595 | 345,647 | 835,785 | 730,717 |
| Average realized price ($/Mcfe) | $ 2.37 | $ 2.36 | $ 2.49 | $ 2.43 |

**Sales Volume and Revenues**

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | % | 2021 | 2020 | % |
| | (Thousands, unless otherwise noted) | | | | | |
| Sales volume by shale (MMcfe): | | | | | | |
| Marcellus (a) | 375,116 | 305,752 | 22.7 | 749,057 | 639,503 | 17.1 |
| Ohio Utica | 44,034 | 38,430 | 14.6 | 83,963 | 88,205 | (4.8) |
| Other | 1,445 | 1,465 | (1.4) | 2,765 | 3,009 | (8.1) |
| Total sales volume (b) | 420,595 | 345,647 | 21.7 | 835,785 | 730,717 | 14.4 |
| | | | | | | |
| Average daily sales volume (MMcfe/d) | 4,622 | 3,798 | 21.7 | 4,618 | 4,015 | 15.0 |
| | | | | | | |
| Operating revenues: | | | | | | |
| Sales of natural gas, NGLs and oil | $ 1,077,904 | $ 498,772 | 116.1 | $ 2,208,855 | $ 1,213,973 | 82.0 |
| (Loss) gain on derivatives not designated as hedges | (1,345,532) | 26,426 | (5,191.7) | (1,534,345) | 415,862 | (469.0) |
| Net marketing services and other | 7,512 | 1,876 | 300.4 | 15,297 | 4,296 | 256.1 |
| Total operating revenues | $ (260,116) | $ 527,074 | (149.4) | $ 689,807 | $ 1,634,131 | (57.8) |

(a) Includes Upper Devonian wells.
(b) NGLs, ethane and oil were converted to Mcfe at a rate of six Mcfe per barrel.

***Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020***

*Sales of natural gas, NGLs and oil.* Sales of natural gas, NGLs and oil increased for the three months ended June 30, 2021 compared to the same period in 2020 due to increased sales volume and a higher average realized price. Average realized price increased due to higher NYMEX prices and higher liquids prices, partly offset by lower cash settled derivatives and unfavorable differential. For the three months ended June 30, 2021 and 2020, we paid $71.4 million and received $315.4 million, respectively, of net cash settlements on derivatives not designated as hedges, which are included in average realized price but may not be included in operating revenues.

Sales volume increased primarily as a result of prior period sales volume decreases of 36 Bcfe from the 2020 Strategic Production Curtailments (defined below) and sales volume increases of 33 Bcfe from the assets acquired from the Chevron Acquisition (defined below). The 2020 Strategic Production Curtailments refers to our strategic decision to temporarily curtail approximately 1.4 Bcfe per day of gross production, equivalent to approximately 1.0 Bcfe per day of net production, beginning in May 2020 and ending in July 2020, at which time we began a moderated approach to bringing back on-line production that had been curtailed. The Chevron Acquisition refers to our acquisition of upstream assets from Chevron U.S.A. Inc. in the fourth quarter of 2020.

*(Loss) gain on derivatives not designated as hedges.* For the three months ended June 30, 2021 and 2020, we recognized a loss of $1,345.5 million and a gain of $26.4 million, respectively, on derivatives not designated as hedges. The 2021 loss was related primarily to decreases in the fair market value of our NYMEX swaps and options due to increases in NYMEX forward prices. The 2020 gain was related primarily to increases in the fair market value of our NYMEX swaps and options due to decreases in NYMEX forward prices.

*Net marketing services and other.* Net marketing services and other increased for the three months ended June 30, 2021 compared to the same period in 2020 due primarily to the liquids uplift realized on gas purchased at the wellhead from other operators.

***Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020***

*Sales of natural gas, NGLs and oil.* Sales of natural gas, NGLs and oil increased for the six months ended June 30, 2021 compared to the same period in 2020 due to increased sales volume and a higher average realized price. Average realized price increased due to higher NYMEX prices and higher liquids prices, partly offset by lower cash settled derivatives and unfavorable differential. For the six months ended June 30, 2021 and 2020, we paid $109.6 million and received $561.1 million, respectively, of net cash settlements on derivatives not designated as hedges, which are included in average realized price but may not be included in operating revenues.

Sales volume increased primarily as a result of sales volume increases of 67 Bcfe from the assets acquired from the Chevron Acquisition and prior period sales volume decreases of 36 Bcfe from the 2020 Strategic Production Curtailments.

*(Loss) gain on derivatives not designated as hedges.* For the six months ended June 30, 2021 and 2020, we recognized a loss of $1,534.3 million and a gain of $415.9 million, respectively, on derivatives not designated as hedges. The 2021 loss was related primarily to decreases in the fair market value of our NYMEX swaps and options due to increases in NYMEX forward prices. The 2020 gain was related primarily to increases in the fair market value of our NYMEX swaps and options due to decreases in NYMEX forward prices.

*Net marketing services and other.* Net marketing services and other increased for the six months ended June 30, 2021 compared to the same period in 2020 due primarily to the liquids uplift realized on gas purchased at the wellhead from other operators.

**Operating Expenses**

The following table presents information on our production-related operating expenses.

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | % | 2021 | 2020 | % |
| | (Thousands, unless otherwise noted) | | | | | |
| **Operating expenses:** | | | | | | |
| Gathering | $ 286,405 | $ 252,095 | 13.6 | $ 566,766 | $ 513,816 | 10.3 |
| Transmission | 130,235 | 119,515 | 9.0 | 255,107 | 266,677 | (4.3) |
| Processing | 47,376 | 34,026 | 39.2 | 87,927 | 64,977 | 35.3 |
| Lease operating expenses (LOE), excluding production taxes | 25,547 | 25,894 | (1.3) | 52,566 | 53,917 | (2.5) |
| Production taxes | 21,999 | 12,435 | 76.9 | 42,210 | 24,792 | 70.3 |
| Exploration | 1,779 | 876 | 103.1 | 2,728 | 1,799 | 51.6 |
| Selling, general and administrative | 49,853 | 43,341 | 15.0 | 94,859 | 78,279 | 21.2 |
| | | | | | | |
| Production depletion | $ 376,813 | $ 317,905 | 18.5 | $ 749,821 | $ 670,982 | 11.7 |
| Other depreciation and depletion | 3,475 | 5,191 | (33.1) | 7,583 | 9,640 | (21.3) |
| Total depreciation and depletion | $ 380,288 | $ 323,096 | 17.7 | $ 757,404 | $ 680,622 | 11.3 |
| | | | | | | |
| Per Unit ($/Mcfe): | | | | | | |
| Gathering | $ 0.68 | $ 0.73 | (6.8) | $ 0.68 | $ 0.70 | (2.9) |
| Transmission | 0.31 | 0.35 | (11.4) | 0.31 | 0.36 | (13.9) |
| Processing | 0.11 | 0.10 | 10.0 | 0.11 | 0.09 | 22.2 |
| LOE, excluding production taxes | 0.06 | 0.07 | (14.3) | 0.06 | 0.07 | (14.3) |
| Production taxes | 0.05 | 0.04 | 25.0 | 0.05 | 0.03 | 66.7 |
| Selling, general and administrative | 0.12 | 0.13 | (7.7) | 0.11 | 0.11 | — |
| Production depletion | 0.90 | 0.92 | (2.2) | 0.90 | 0.92 | (2.2) |

***Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020***

*Gathering.* Gathering expense increased on an absolute basis for the three months ended June 30, 2021 compared to the same period in 2020 due to increased sales volume, additional gathering capacity acquired from the Chevron Acquisition and a higher gathering rate structure as a result of the Consolidated GGA (defined and discussed in Note 8 to the Condensed Consolidated Financial Statements). We expect to realize fee relief and a lower gathering rate structure from the Consolidated GGA beginning with the Mountain Valley Pipeline (MVP) in-service date.

Gathering expense decreased on a per Mcfe basis for the three months ended June 30, 2021 compared to the same period in 2020 due primarily to increased sales volume, which resulted in utilization of lower overrun rates as part of the Consolidated GGA, and a lower gathering rate structure on the assets acquired from the Chevron Acquisition.

*Transmission.* Transmission expense increased on an absolute basis for the three months ended June 30, 2021 compared to the same period in 2020 due primarily to released capacity on, and credits received from, the Texas Eastern Transmission Pipeline in 2020. Transmission expense decreased on a per Mcfe basis for the three months ended June 30, 2021 compared to the same period in 2020 due primarily to increased sales volume, some of which does not have associated transmission expense, such as the assets acquired from the Chevron Acquisition.

*Processing.* Processing expense increased on an absolute and per Mcfe basis for the three months ended June 30, 2021 compared to the same period in 2020 due to increased liquid sales volume due primarily to increased development of liquids-rich areas and increased processed volume from the Chevron Acquisition.

*Production taxes*. Production taxes increased on an absolute and per Mcfe basis for the three months ended June 30, 2021 compared to the same period in 2020 due primarily to increased Pennsylvania impact fees and West Virginia severance taxes as a result of higher prices.

*Selling, general and administrative.* Selling, general and administrative expense increased on an absolute basis for the three months ended June 30, 2021 compared to the same period in 2020 due primarily to higher long-term incentive compensation costs due to changes in the fair value of awards.

*Depreciation and depletion.* Production depletion expense increased on an absolute basis for the three months ended June 30, 2021 compared to the same period in 2020 due to increased sales volume, partly offset by a lower annual depletion rate. Production depletion expense decreased on a per Mcfe basis for the three months ended June 30, 2021 compared to the same period in 2020 due to a lower annual depletion rate.

*Amortization of intangible assets.* Amortization of intangible assets for the three months ended June 30, 2020 was $7.5 million. Our intangible assets were fully amortized in the fourth quarter of 2020.

*(Gain) loss on sale/exchange of long-lived assets.* During the three months ended June 30, 2021, we recognized a gain on sale of long-lived assets of $16.8 million related primarily to changes in the fair value of the Contingent Consideration from the 2020 Divestiture (defined and discussed in Note 9 to the Condensed Consolidated Financial Statements). During the three months ended June 30, 2020, we recognized a loss on sale/exchange of long-lived assets of $49.2 million, of which $6.7 million related to the 2020 Asset Exchange Transactions and $42.5 million related to the 2020 Divestiture. See Note 9 to the Condensed Consolidated Financial Statements.

*Impairment and expiration of leases.* Impairment and expiration of leases for the three months ended June 30, 2021 was $25.6 million compared to $41.3 million for the same period in 2020. The decrease was driven by higher lease expirations in 2020 due to changes in market conditions.

*Other operating expenses.* Other operating expenses for the three months ended June 30, 2021 of $5.2 million were attributable primarily to transaction costs associated with the Chevron Acquisition and Alta Acquisition (defined and discussed in Note 10 to the Condensed Consolidated Financial Statements). Other operating expenses for the three months ended June 30, 2020 of $4.7 million were attributable primarily to transaction and reorganization costs.

***Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020***

*Gathering.* Gathering expense increased on an absolute basis for the six months ended June 30, 2021 compared to the same period in 2020 due to increased sales volume, additional gathering capacity acquired from the Chevron Acquisition and a higher gathering rate structure as a result of the Consolidated GGA. We expect to realize fee relief and a lower gathering rate structure from the Consolidated GGA beginning with the MVP in-service date.

Gathering expense decreased on a per Mcfe basis for the six months ended June 30, 2021 compared to the same period in 2020 due primarily to increased sales volume, which resulted in utilization of lower overrun rates as part of the Consolidated GGA, and a lower gathering rate structure on the assets acquired from the Chevron Acquisition.

*Transmission.* Transmission expense decreased on an absolute basis for the six months ended June 30, 2021 compared to the same period in 2020 due primarily to released capacity on, and credits received from, the Texas Eastern Transmission Pipeline in 2020 and released capacity on the Tennessee Gas Pipeline. Transmission expense decreased on a per Mcfe basis for the six months ended June 30, 2021 compared to the same period in 2020 due primarily to increased sales volume, some of which does not have associated transmission expense, such as the assets acquired from the Chevron Acquisition.

*Processing.* Processing expense increased on an absolute and per Mcfe basis for the six months ended June 30, 2021 compared to the same period in 2020 due to increased liquid sales volume due primarily to increased development of liquids-rich areas and increased processed volume from the Chevron Acquisition.

*Production taxes*. Production taxes increased on an absolute and per Mcfe basis for the six months ended June 30, 2021 compared to the same period in 2020 due primarily to increased West Virginia severance taxes and Pennsylvania impact fees as a result of higher prices.

*Selling, general and administrative.* Selling, general and administrative expense increased on an absolute basis for the six months ended June 30, 2021 compared to the same period in 2020 due primarily to higher long-term incentive compensation costs due to changes in the fair value of awards.

*Depreciation and depletion.* Production depletion expense increased on an absolute basis for the six months ended June 30, 2021 compared to the same period in 2020 due to increased sales volume, partly offset by a lower annual depletion rate. Production depletion expense decreased on a per Mcfe basis for the six months ended June 30, 2021 compared to the same period in 2020 due to a lower annual depletion rate.

*Amortization of intangible assets.* Amortization of intangible assets for the six months ended June 30, 2021 was $15.0 million. The intangible assets were fully amortized in the fourth quarter of 2020.

*(Gain) loss on sale/exchange of long-lived assets.* During the six months ended June 30, 2021, we recognized a gain on sale of long-lived assets of $18.0 million related primarily to changes in the fair value of the Contingent Consideration from the 2020 Divestiture. During the six months ended June 30, 2020, we recognized a loss on sale/exchange of long-lived assets of $98.1 million, of which $55.6 million related to the 2020 Asset Exchange Transactions and $42.5 million related to the 2020 Divestiture. See Note 9 to the Condensed Consolidated Financial Statements.

*Impairment and expiration of leases.* Impairment and expiration of leases for the six months ended June 30, 2021 was $42.4 million compared to $95.0 million for the same period in 2020. The decrease was driven by higher lease expirations in 2020 due to changes in market conditions.

*Other operating expenses.* Other operating expenses for the six months ended June 30, 2021 of $14.7 million were attributable primarily to transaction costs associated with the Chevron Acquisition and Alta Acquisition and changes in legal reserves, including settlements. Other operating expenses for the six months ended June 30, 2020 of $4.7 million were attributable primarily to transaction and reorganization costs.

**Other Income Statement Items**

*Gain on Equitrans Share Exchange.* During the first quarter of 2020, we recognized a gain on the Equitrans Share Exchange of $187 million. See Note 8 to the Condensed Consolidated Financial Statements.

*(Income) loss from investments.* For the three and six months ended June 30, 2021, we recognized income on our investment in Equitrans Midstream and income on our investment in a fund that invests in companies developing technology and operating solutions for exploration and production companies. Our investment in Equitrans Midstream fluctuates with changes in Equitrans Midstream's stock price, which was $8.51 and $8.04 as of June 30, 2021 and December 31, 2020, respectively. For the three months ended June 30, 2020, we recognized income on our investment in Equitrans Midstream due to an increase in Equitrans Midstream's stock price during the three months ended June 30, 2020. For the six months ended June 30, 2020, we recognized a loss on our investment in Equitrans Midstream due to a decrease in Equitrans Midstream's stock price during the six months ended June 30, 2020 as well as a decrease in the number of shares of Equitrans Midstream's common stock that we own as a result of the Equitrans Share Exchange.

*Dividend and other income.* Dividend and other income decreased for the six months ended June 30, 2021 compared to the same period in 2020 due primarily to lower dividends received from our investment in Equitrans Midstream driven by a decrease in the number of shares of Equitrans Midstream's common stock that we own as well as a decrease in the dividend amount per share.

*Loss on debt extinguishment.* During the three and six months ended June 30, 2021, we recognized a loss on debt extinguishment of $5.3 million and $9.8 million, respectively, due to fees incurred for a bridge-loan commitment related to the Alta Acquisition and the repayment of our 4.875% senior notes. During the three and six months ended June 30, 2020, we recognized a loss on debt extinguishment of $0.4 million and $17.0 million, respectively, related to the repayment of our 4.875% senior notes, 2.50% senior notes, floating rate notes and term loan facility. See Note 6 to the Condensed Consolidated Financial Statements.

*Interest expense.* Interest expense increased for the three and six months ended June 30, 2021 compared to the same periods in 2020 due to increased interest incurred on new debt, higher borrowings under our credit facility and increased interest due to letters of credit issued throughout 2020. These increases were partly offset by lower interest incurred due to debt repayments throughout 2020 and the first quarter of 2021. See Note 6 to the Condensed Consolidated Financial Statements.

*Income tax benefit.* See Note 5 to the Condensed Consolidated Financial Statements.

**Capital Resources and Liquidity**

Although we cannot provide any assurance, we believe cash flows from operating activities and availability under our credit facility should be sufficient to meet our cash requirements inclusive of, but not limited to, normal operating needs, debt service obligations, planned capital expenditures and commitments for at least the next twelve months and, based on current expectations, for the long term.

*Planned Capital Expenditures*. In 2021, we expect to spend approximately $1,100 million to $1,175 million in total capital expenditures, excluding amounts attributable to noncontrolling interests, which are expected to be funded by operating cash flow and, if required, borrowings under our credit facility. Sales volume in 2021 is expected to be 1,800 Bcfe to 1,875 Bcfe. The planned capital expenditures and expected sales volume include amounts attributable to the assets acquired from the Alta Acquisition, which closed on July 21, 2021.

*Operating Activities.* Net cash provided by operating activities was $443 million for the six months ended June 30, 2021 compared to $947 million for the same period in 2020. The decrease was due primarily to decreased cash settlements received on derivatives not designated as hedges and unfavorable timing of working capital payments including increased collateral and margin deposits associated with the Company's over the counter derivative instrument contracts and exchange traded natural gas contracts, partly offset by higher cash operating revenues.

Our cash flows from operating activities are affected by movements in the market price for commodities. We are unable to predict such movements outside of the current market view as reflected in forward strip pricing. Refer to Item 1A., "Risk Factors – Natural gas, NGLs and oil price volatility, or a prolonged period of low natural gas, NGLs and oil prices, may have an adverse effect on our revenue, profitability, future rate of growth, liquidity and financial position" in our Annual Report on Form 10-K for the year ended December 31, 2020.

*Investing Activities.* Net cash used in investing activities was $675 million for the six months ended June 30, 2021 compared to $349 million for the same period in 2020. The increase was due primarily to cash paid for acquisitions in 2021 and cash received in 2020 from the sale of assets and the Equitrans Share Exchange, partly offset by lower capital expenditures.

The following table summarizes our capital expenditures.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (Millions) | | | |
| Reserve development | $ 178 | $ 235 | $ 367 | $ 458 |
| Land and lease (a) | 31 | 28 | 54 | 50 |
| Capitalized overhead | 14 | 13 | 27 | 24 |
| Capitalized interest | 4 | 4 | 8 | 8 |
| Other production infrastructure | 19 | 19 | 24 | 20 |
| Other corporate items | — | 4 | 4 | 5 |
| Total capital expenditures | 246 | 303 | 484 | 565 |
| Deduct: Non-cash items (b) | (27) | (47) | (14) | (53) |
| Total cash capital expenditures | $ 219 | $ 256 | $ 470 | $ 512 |

(a) Capital expenditures attributable to noncontrolling interests were $3.8 million and $5.1 million for the three and six months ended June 30, 2021, respectively.
(b) Represents the net impact of non-cash capital expenditures, including the effect of timing of receivables from working interest partners, accrued capital expenditures and capitalized share-based compensation costs. The impact of accrued capital expenditures includes the reversal of the prior period accrual as well as the current period estimate.

*Financing Activities.* Net cash provided by financing activities was $544 million for the six months ended June 30, 2021 compared to net cash used in financing activities of $600 million for the same period in 2020. For the six months ended June 30, 2021, the primary source of financing cash flows was net proceeds from the issuance of debt, and the primary uses of financing

cash flows were net repayments of credit facility borrowings and debt. For the six months ended June 30, 2020, the primary uses of financing cash flows were net repayments of debt and credit facility borrowings, and the primary source of financing cash flows was net proceeds from the issuance of debt.

See Note 6 to the Condensed Consolidated Financial Statements for further discussion of our debt and borrowings under our credit facility.

Depending on our actual and anticipated sources and uses of liquidity, prevailing market conditions and other factors, we may from time to time seek to retire or repurchase our outstanding debt or equity securities through cash purchases in the open market or privately negotiated transactions. The amounts involved in any such transactions may be material. Additionally, we plan to dispose of our remaining retained shares of Equitrans Midstream's common stock and use the proceeds to reduce our debt.

**Security Ratings and Financing Triggers**

The table below reflects the credit ratings and rating outlooks assigned to our debt instruments as of July 27, 2021. Our credit ratings and rating outlooks are subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independent from any other rating. We cannot ensure that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn by a rating agency if, in the rating agency's judgment, circumstances so warrant. See Note 3 to the Condensed Consolidated Financial Statements for further discussion of what is deemed investment grade.

| Rating agency | Senior notes | Outlook |
|---|---|---|
| Moody's Investors Service (Moody's) | Ba1 | Stable |
| Standard & Poor's Ratings Service (S&P) | BB+ | Positive |
| Fitch Ratings Service (Fitch) | BB+ | Stable |

Changes in credit ratings may affect our access to the capital markets, the cost of short-term debt through interest rates and fees under our lines of credit, the interest rate on the senior notes with adjustable rates, the rates available on new long-term debt, our pool of investors and funding sources, the borrowing costs and margin deposit requirements on our over the counter (OTC) derivative instruments and credit assurance requirements, including collateral, in support of our midstream service contracts, joint venture arrangements or construction contracts. Margin deposits on our OTC derivative instruments are also subject to factors other than credit rating, such as natural gas prices and credit thresholds set forth in the agreements between us and our hedging counterparties.

As of July 27, 2021, we had sufficient unused borrowing capacity, net of letters of credit, under our credit facility to satisfy any requests for margin deposit or other collateral that our counterparties are permitted to request of us pursuant to our OTC derivative instruments, midstream services contracts and other contracts. As of July 27, 2021, such assurances could be up to approximately $1.2 billion, inclusive of letters of credit, OTC derivative instrument margin deposits and other collateral posted of approximately $1.2 billion in the aggregate. See Notes 3 and 6 to the Condensed Consolidated Financial Statements for further information.

Our debt agreements and other financial obligations contain various provisions that, if not complied with, could result in default or event of default under our credit facility, mandatory partial or full repayment of amounts outstanding, reduced loan capacity or other similar actions. The most significant covenants and events of default under the debt agreements relate to maintenance of a debt-to-total capitalization ratio, limitations on transactions with affiliates, insolvency events, nonpayment of scheduled principal or interest payments, acceleration of other financial obligations and change of control provisions. Our credit facility contains financial covenants that require us to have a total debt to total capitalization ratio no greater than 65%. The calculation of this ratio excludes the effects of accumulated other comprehensive income. As of June 30, 2021, we were in compliance with all debt provisions and covenants under our debt agreements.

**Commodity Risk Management**

The substantial majority of our commodity risk management program is related to hedging sales of our produced natural gas. The overall objective of our hedging program is to protect cash flows from undue exposure to the risk of changing commodity prices. The derivative commodity instruments that we use are primarily swap, collar and option agreements. The following table summarizes the approximate volume and prices of our NYMEX hedge positions through 2024 as of July 23, 2021.

| | 2021 (a) | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| **Swaps:** | | | | |
| Volume (MMDth) | 741 | 1,277 | 166 | 2 |
| Average Price ($/Dth) | $ 2.77 | $ 2.77 | $ 2.53 | $ 2.67 |
| **Calls – Net Short:** | | | | |
| Volume (MMDth) | 180 | 391 | 77 | 15 |
| Average Short Strike Price ($/Dth) | $ 2.92 | $ 2.96 | $ 2.89 | $ 3.11 |
| **Puts – Net Long:** | | | | |
| Volume (MMDth) | 105 | 169 | 69 | 15 |
| Average Long Strike Price ($/Dth) | $ 2.59 | $ 2.65 | $ 2.40 | $ 2.45 |
| **Fixed Price Sales (b):** | | | | |
| Volume (MMDth) | 36 | 4 | 3 | — |
| Average Price ($/Dth) | $ 2.49 | $ 2.38 | $ 2.38 | $ — |

(a) July 1 through December 31.
(b) The difference between the fixed price and NYMEX price is included in average differential presented in our price reconciliation in "Average Realized Price Reconciliation." The fixed price natural gas sales agreements can be physically or financially settled.

For 2021 (July 1 through December 31), 2022, 2023 and 2024, we have natural gas sales agreements for approximately 9 MMDth, 18 MMDth, 88 MMDth and 11 MMDth, respectively, that include average NYMEX ceiling prices of $3.17, $3.17, $2.84 and $3.21, respectively. We have also entered into derivative instruments to hedge basis. We may use other contractual agreements to implement our commodity hedging strategy from time to time. See Item 3., "Quantitative and Qualitative Disclosures About Market Risk" and Note 3 to the Condensed Consolidated Financial Statements for further discussion of our hedging program.

**Commitments and Contingencies**

In the ordinary course of business, various legal and regulatory claims and proceedings are pending or threatened against us. While the amounts claimed may be substantial, we are unable to predict with certainty the ultimate outcome of such claims and proceedings. We accrue legal and other direct costs related to loss contingencies when actually incurred. We have established reserves that we believe to be appropriate for pending matters and, after consultation with counsel and giving appropriate consideration to available insurance, we believe that the ultimate outcome of any matter currently pending against us will not materially affect our financial condition, results of operations or liquidity. See Note 16 to the Consolidated Financial Statements and Part I, Item 3., "Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2020 for a discussion of our commitments and contingencies.

**Recently Issued Accounting Standards**

Our recently issued accounting standards are described in Note 1 to the Condensed Consolidated Financial Statements.

**Critical Accounting Policies and Estimates**

Our critical accounting policies, including a discussion regarding the estimation uncertainty and the impact that our critical accounting estimates have had, or are reasonably likely to have, on our financial condition or results of operations, are described in Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2020. The application of our critical accounting policies may require us to make judgments and estimates about the amounts reflected in the Condensed Consolidated Financial Statements. We use historical experience and all available information to make these estimates and judgments. Different amounts could be reported using different assumptions and estimates.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

*Commodity Price Risk and Derivative Instruments.* Our primary market risk exposure is the volatility of future prices for natural gas and NGLs. Due to the volatility of commodity prices, we are unable to predict future potential movements in the market prices for natural gas and NGLs at our ultimate sales points and, thus, cannot predict the ultimate impact of prices on our operations. Prolonged low, or significant, extended declines in, natural gas and NGLs prices could adversely affect, among other things, our development plans, which would decrease the pace of development and the level of our proved reserves. Increases in natural gas and NGLs prices may be accompanied by, or result in, increased well drilling costs, increased production taxes, increased lease operating expenses, increased volatility in seasonal gas price spreads for our storage assets and increased end-user conservation or conversion to alternative fuels. In addition, to the extent we have hedged our production at prices below the current market price, we will not benefit fully from an increase in the price of natural gas.

The overall objective of our hedging program is to protect cash flows from undue exposure to the risk of changing commodity prices. Our use of derivatives is further described in Note 3 to the Condensed Consolidated Financial Statements and "Commodity Risk Management" under "Capital Resources and Liquidity" in Item 2., "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our OTC derivative commodity instruments are placed primarily with financial institutions and the creditworthiness of those institutions is regularly monitored. We primarily enter into derivative instruments to hedge forecasted sales of production. We also enter into derivative instruments to hedge basis. Our use of derivative instruments is implemented under a set of policies approved by our management-level Hedge and Financial Risk Committee and is reviewed by our Board of Directors.

For derivative commodity instruments used to hedge our forecasted sales of production, which are at, for the most part, NYMEX natural gas prices, we set policy limits relative to the expected production and sales levels that are exposed to price risk. We have an insignificant amount of financial natural gas derivative commodity instruments for trading purposes.

The derivative commodity instruments we use are primarily swap, collar and option agreements. These agreements may require payments to, or receipt of payments from, counterparties based on the differential between two prices for the commodity. We use these agreements to hedge our NYMEX and basis exposure. We may also use other contractual agreements when executing our commodity hedging strategy.

We monitor price and production levels on a continuous basis and make adjustments to quantities hedged as warranted.

A hypothetical decrease of 10% in the market price of natural gas on June 30, 2021 and December 31, 2020 would increase the fair value of our natural gas derivative commodity instruments by approximately $728 million and $501 million, respectively. A hypothetical increase of 10% in the market price of natural gas on June 30, 2021 and December 31, 2020 would decrease the fair value of our natural gas derivative commodity instruments by approximately $735 million and $495 million, respectively. For purposes of this analysis, we applied the 10% change in the market price of natural gas on June 30, 2021 and December 31, 2020 to our natural gas derivative commodity instruments as of June 30, 2021 and December 31, 2020 to calculate the hypothetical change in fair value. The change in fair value was determined using a method similar to our normal process for determining derivative commodity instrument fair value described in Note 4 to the Condensed Consolidated Financial Statements.

The above analysis of our derivative commodity instruments does not include the offsetting impact that the same hypothetical price movement may have on our physical sales of natural gas. The portfolio of derivative commodity instruments held to hedge our forecasted produced gas approximates a portion of our expected physical sales of natural gas; therefore, an adverse impact to the fair value of the portfolio of derivative commodity instruments held to hedge our forecasted production associated with the hypothetical changes in commodity prices referenced above should be offset by a favorable impact on our physical sales of natural gas, assuming that the derivative commodity instruments are not closed in advance of their expected term and the derivative commodity instruments continue to function effectively as hedges of the underlying risk.

If the underlying physical transactions or positions are liquidated prior to the maturity of the derivative commodity instruments, a loss on the financial instruments may occur or the derivative commodity instruments might be worthless as determined by the prevailing market value on their termination or maturity date, whichever comes first.

*Interest Rate Risk.* Changes in market interest rates affect the amount of interest we earn on cash, cash equivalents and short-term investments and the interest rate we pay on borrowings under our credit facility. None of the interest we pay on our senior notes fluctuate based on changes to market interest rates. A 1% increase in interest rates on the borrowings under our credit facility during the six months ended June 30, 2021 would have increased interest expense by approximately $2 million.

Interest rates on our 6.125% senior notes due 2025 and 7.00% senior notes due 2030 fluctuate based on changes to the credit ratings assigned to our senior notes by Moody's, S&P and Fitch. Interest rates on our other outstanding senior notes do not fluctuate based on changes to the credit ratings assigned to our senior notes by Moody's, S&P and Fitch. For a discussion of credit rating downgrade risk, see Item 1A., "Risk Factors – Our exploration and production operations have substantial capital requirements, and we may not be able to obtain needed capital or financing on satisfactory terms" in our Annual Report on Form 10-K for the year ended December 31, 2020. Changes in interest rates affect the fair value of our fixed rate debt. See Note 6 to the Condensed Consolidated Financial Statements for further discussion of our debt and Note 4 to the Condensed Consolidated Financial Statements for a discussion of fair value measurements, including the fair value of our debt.

*Other Market Risks.* We are exposed to credit loss in the event of nonperformance by counterparties to our derivative contracts. This credit exposure is limited to derivative contracts with a positive fair value, which may change as market prices change. Our OTC derivative instruments are primarily with financial institutions and, thus, are subject to events that would impact those companies individually as well as the financial industry as a whole. We use various processes and analyses to monitor and evaluate our credit risk exposures, including monitoring current market conditions and counterparty credit fundamentals. Credit exposure is controlled through credit approvals and limits based on counterparty credit fundamentals. To manage the level of credit risk, we enter into transactions primarily with financial counterparties that are of investment grade, enter into netting agreements whenever possible and may obtain collateral or other security.

Approximately 22%, or $514 million, of our OTC derivative contracts outstanding at June 30, 2021 had a positive fair value. Approximately 47%, or $456 million, of our OTC derivative contracts outstanding at December 31, 2020 had a positive fair value.

As of June 30, 2021, we were not in default under any derivative contracts and had no knowledge of default by any counterparty to our derivative contracts. During the three months ended June 30, 2021, we made no adjustments to the fair value of our derivative contracts due to credit related concerns outside of the normal non-performance risk adjustment included in our established fair value procedure. We monitor market conditions that may impact the fair value of our derivative contracts.

We are exposed to the risk of nonperformance by credit customers on physical sales of natural gas, NGLs and oil. Revenues and related accounts receivable from our operations are generated primarily from the sale of produced natural gas, NGLs and oil to marketers, utilities and industrial customers located in the Appalachian Basin and in markets that are accessible through our transportation portfolio, which includes markets in the Gulf Coast, Midwest and Northeast United States and Canada. We also contract with certain processors to market a portion of NGLs on our behalf.

No one lender of the large group of financial institutions in the syndicate for our credit facility holds more than 10% of the financial commitments under such facility. The large syndicate group and relatively low percentage of participation by each lender are expected to limit our exposure to disruption or consolidation in the banking industry.

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of management, including our Principal Executive Officer and Principal Financial Officer, an evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)), was conducted as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

*Changes in Internal Control over Financial Reporting*

There were no changes in internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the second quarter of 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

In the ordinary course of business, various legal and regulatory claims and proceedings are pending or threatened against us. While the amounts claimed may be substantial, we are unable to predict with certainty the ultimate outcome of such claims and proceedings. We accrue legal and other direct costs related to loss contingencies when actually incurred. We have established reserves in amounts that we believe to be appropriate for pending matters and, after consultation with counsel and giving appropriate consideration to available insurance, we believe that the ultimate outcome of any matter currently pending against us will not materially affect our financial condition, results of operations or liquidity.

There have been no material updates to the matters previously disclosed in Item 3, "Legal Proceedings" of our Annual Report on Form 10-K for the year ended December 31, 2020, or the matters previously disclosed in Part II, Item 1 , "Legal Proceedings" of our subsequently filed Quarterly Report on Form 10-Q.

See also “Commitments and Contingencies” under Part I, Item 2. “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

### Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2020.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not repurchase any equity securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, during the three months ended June 30, 2021.

**Item 6. Exhibits**

| Exhibit No. | Description | Method of Filing |
|---|---|---|
| 2.01* | Membership Interest Purchase Agreement, dated May 5, 2021, among Alta Resources Development, LLC, a Delaware limited liability company, Alta Marcellus Development, LLC, a Delaware limited liability company, ARD Operating, LLC, a Delaware limited liability company, EQT Acquisition HoldCo LLC, a Delaware limited liability company, and EQT Corporation. | Incorporated herein by reference to Exhibit 2.1 to Form 8-K (#001-3551) filed on May 7, 2021. |
| 3.01(a) | Restated Articles of Incorporation of EQT Corporation (as amended through November 13, 2017). | Incorporated herein by reference to Exhibit 3.1 to Form 8-K (#001-3551) filed on November 14, 2017. |
| 3.01(b) | Articles of Amendment to the Restated Articles of Incorporation of EQT Corporation (effective May 1, 2020). | Incorporated herein by reference to Exhibit 3.1 to Form 8-K (#001-3551) filed on May 4, 2020. |
| 3.01(c) | Articles of Amendment to the Restated Articles of Incorporation of EQT Corporation (effective July 23, 2020). | Incorporated herein by reference to Exhibit 3.1 to Form 8-K (#001-3551) filed on July 23, 2020. |
| 3.02 | Amended and Restated Bylaws of EQT Corporation (as amended through May 1, 2020). | Incorporated herein by reference to Exhibit 3.4 to Form 8-K (#001-3551) filed on May 4, 2020. |
| 4.01(a) | Twelfth Supplemental Indenture, dated May 17, 2021, between EQT Corporation and The Bank of New York Mellon, as trustee, pursuant to which the 3.125% Senior Notes due 2026 were issued. | Incorporated by reference to Exhibit 4.3 to Form 8-K (#001-3551) filed on May 18, 2021. |
| 4.01(b) | Thirteenth Supplemental Indenture, dated May 17, 2021, between EQT Corporation and The Bank of New York Mellon, as trustee, pursuant to which the 3.625% Senior Notes due 2031 were issued. | Incorporated by reference to Exhibit 4.4 to Form 8-K (#001-3551) filed on May 18, 2021. |
| 10.01 | Extension Agreement and First Amendment to Second Amended and Restated Credit Agreement, dated April 23, 2021, among EQT Corporation, PNC Bank, National Association, as administrative agent, and each lender party thereto. | Incorporated herein by reference to Exhibit 10.1 to Form 8-K (#001-3551) filed on April 26, 2021. |
| 10.02* | Purchase Agreement, dated May 10, 2021, among EQT Corporation and BofA Securities, Inc. and J.P. Morgan Securities LLC, as representatives of the several initial purchasers named in Schedule 1 thereto. | Incorporated herein by reference to Exhibit 10.1 to Form 8-K (#001-3551) filed on May 14, 2021. |
| 10.03 | Registration Rights Agreement, dated July 21, 2021, among EQT Corporation and certain security holders thereof parties thereto, and Form of Lock-Up Agreement. | Incorporated herein by reference to Exhibit 10.1 to Form 8-K (#001-3551) filed on July 22, 2021. |
| 31.01 | Rule 13(a)-14(a) Certification of Principal Executive Officer. | Filed herewith as Exhibit 31.01. |
| 31.02 | Rule 13(a)-14(a) Certification of Principal Financial Officer. | Filed herewith as Exhibit 31.02. |
| 32 | Section 1350 Certification of Principal Executive Officer and Principal Financial Officer. | Furnished herewith as Exhibit 32. |
| 101 | Interactive Data File. | Filed herewith as Exhibit 101. |
| 104 | Cover Page Interactive Data File. | Formatted as Inline XBRL and contained in Exhibit 101. |

**Certain schedules and similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. EQT Corporation agrees to furnish a supplemental copy of any omitted schedule or attachment to the Securities and Exchange Commission upon request.*

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQT CORPORATION
(Registrant)

By: /s/ David M. Khani
David M. Khani
Chief Financial Officer

Date: July 29, 2021

**Exhibit 31.01**

**CERTIFICATION**

I, Toby Z. Rice, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of EQT Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2021

/s/ Toby Z. Rice

Toby Z. Rice

President and Chief Executive Officer

**Exhibit 31.02**

**CERTIFICATION**

I, David M. Khani, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of EQT Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2021

/s/ David M. Khani

David M. Khani

Chief Financial Officer

**Exhibit 32**

**CERTIFICATION**

In connection with the Quarterly Report of EQT Corporation ("EQT") on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certify pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of EQT.

/s/ Toby Z. Rice July 29, 2021
Toby Z. Rice
President and Chief Executive Officer

/s/ David M. Khani July 29, 2021
David M. Khani
Chief Financial Officer