

**Chesapeake Energy  
Corporation Reports Financial  
and Operational Results for  
the 2011 Fourth Quarter and  
Full Year**

**Company Reports 2011 Fourth Quarter Net Income to Common Stockholders of \$429 Million, or \$0.63 per Fully Diluted Common Share, on Revenue of \$2.7 Billion; Company Reports Adjusted Net Income Available to Common Stockholders of \$394 Million, or \$0.58 per Fully Diluted Common Share, and Adjusted Ebitda and Operating Cash Flow of \$1.3 Billion Company Reports 2011 Full Year Net Income to Common Stockholders of \$1.6 Billion, or \$2.32 per Fully Diluted Common Share, on Revenue of \$11.6 Billion; Company Reports Adjusted Net Income Available to Common Stockholders of \$1.9 Billion, or \$2.80 per Fully Diluted Common Share, Adjusted Ebitda of \$5.4 Billion and Operating Cash Flow of \$5.3 Billion 2011 Full Year Production Totals 1.194 Tcfe for an Average of 3.272 Bcfe per Day, an Increase of 15% Year over Year; 2011 Full Year Liquids Production Increases 72%, or Approximately 36,000 Barrels per Day, to Average Approximately 87,000 Barrels per Day 2011 Year-End Proved Reserves Reach 18.8 Tcfe; Company Adds Proved Reserves of 5.6 Tcfe through the Drillbit at a Drilling and Completion Cost on Proved Properties of \$1.08 per Mcfe Chesapeake's Current Natural Gas Curtailments Reach Approximately 1.0 Bcf per Day of Gross Operated Production**

OKLAHOMA CITY, OKLAHOMA, FEBRUARY 21, 2012 – Chesapeake Energy Corporation (NYSE:CHK) today announced financial and operational results for the 2011 fourth quarter and full year. For the 2011 fourth quarter, Chesapeake reported net income to common stockholders of \$429 million (\$0.63 per fully diluted common share), ebitda of \$1.375 billion (defined as net income before income taxes, interest expense, and depreciation, depletion and amortization) and operating cash flow of \$1.311 billion (defined as cash flow from operating activities before changes in assets and liabilities) on revenue of \$2.727 billion and production of 331 billion cubic feet of natural gas equivalent (bcfe). For the 2011 full year, Chesapeake reported net income to common stockholders of \$1.570 billion (\$2.32 per fully diluted common share), ebitda of \$4.847 billion and operating cash flow of \$5.309 billion on revenue of \$11.635 billion and production of 1.194 trillion cubic feet of natural gas equivalent (tcfe).

The company's 2011 fourth quarter and full year results include realized natural gas and liquids hedging gains of \$315 million and \$1.554 billion, respectively. The results also include various items that are typically not included in published estimates of the company's financial results by certain securities analysts. Excluding the items detailed below, for the 2011 fourth quarter, Chesapeake reported adjusted net income to common stockholders of \$394 million (\$0.58 per fully diluted common share) and adjusted ebitda of \$1.308 billion, and for the 2011 full year, Chesapeake reported adjusted net income to common stockholders of \$1.936 billion (\$2.80 per fully diluted common share) and adjusted ebitda of \$5.406 billion. The primary excluded items and their effects on the 2011 fourth quarter and full year reported results are detailed as

follows:

- a net unrealized after-tax mark-to-market loss of \$207 million for the fourth quarter and \$486 million for the full year resulting from the company's natural gas, liquids and interest rate hedging programs;
- a net after-tax gain of \$242 million for the fourth quarter and \$238 million for the full year related to sales and impairments of certain of the company's fixed assets; and
- a net after-tax loss of \$118 million for the full year related to the purchase or exchange of certain of the company's senior notes and a related loss on foreign currency derivatives.

A reconciliation of operating cash flow, ebitda, adjusted ebitda and adjusted net income to comparable financial measures calculated in accordance with generally accepted accounting principles is presented on pages 19 – 23 of this release.

### **Key Operational and Financial Statistics Summarized**

The table below summarizes Chesapeake's key results during the 2011 fourth quarter and compares them to results during the 2011 third quarter and the 2010 fourth quarter and also compares the 2011 full year to the 2010 full year.

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### **2011 Full Year Average Daily Production Increases 15% over 2010 Full Year Average Daily Production, Setting Record for 22nd Consecutive Year; 2011 Fourth Quarter Liquids Production Increases 76% Year over Year and Delivers 18% of Total Production and 47% of Unhedged Natural Gas and Liquids Revenue**

Chesapeake's daily production for the 2011 fourth quarter averaged 3.596 bcfe, an increase of 8% from the average 3.329 bcfe produced per day in the 2011 third quarter and an increase of 23% from the average 2.920 bcfe produced per day in the 2010 fourth quarter. Chesapeake's average daily production of 3.596 bcfe for the 2011 fourth quarter consisted of approximately 2.959 billion cubic feet of natural gas (bcf) (82% on a natural gas equivalent basis) and approximately 106,000 barrels (bbls) of oil and natural gas liquids (collectively "liquids") (18% on a natural gas equivalent basis). For the 2011 fourth quarter, the company's year-over-year growth rate of natural gas production was 16% and its year-over-year growth rate of liquids production was 76%, or approximately 46,000 bbls per day. The company's percentage of revenue from liquids in the 2011 fourth quarter was 47% of total unhedged natural gas and liquids revenue compared to 40% in the 2011 third quarter and 34% in the 2010 fourth quarter.

The company's daily production for the 2011 full year averaged 3.272 bcfe, an increase of 15% over the 2.836 bcfe of average daily production for the 2010 full year. Chesapeake's average daily production for the 2011 full year of 3.272 bcfe consisted of 2.751 bcf (84% on a natural gas equivalent basis) and approximately 87,000 bbls (16%

on a natural gas equivalent basis). For the 2011 full year, the company's year-over-year growth rate of natural gas production was 9% and its year-over-year growth rate of liquids production was 72%, or approximately 36,000 barrels per day. The company's percentage of revenue from liquids in the 2011 full year was 40% of total unhedged natural gas and liquids revenue compared to 25% in the 2010 full year and 20% in the 2009 full year. The 2011 full year was Chesapeake's 22nd consecutive year of sequential production growth.

### **Average Realized Prices, Hedging Results and Hedging Positions Detailed**

Average prices realized during the 2011 fourth quarter (including realized gains or losses from natural gas and oil derivatives, but excluding unrealized gains or losses on such derivatives) were \$3.87 per thousand cubic feet of natural gas (mcf) and \$64.12 per bbl, for a realized natural gas equivalent price of \$5.08 per thousand cubic feet of natural gas equivalent (mcf). Realized gains from natural gas and liquids hedging activities during the 2011 fourth quarter generated a \$1.23 gain per mcf and a \$2.06 loss per bbl for a 2011 fourth quarter realized hedging gain of \$315 million, or \$0.95 per mcfe.

By comparison, average prices realized during the 2010 fourth quarter (including realized gains or losses from natural gas and oil derivatives, but excluding unrealized gains or losses on such derivatives) were \$5.22 per mcf and \$62.62 per bbl, for a realized natural gas equivalent price of \$5.87 per mcfe. Realized gains from natural gas and liquids hedging activities during the 2010 fourth quarter generated a \$2.39 gain per mcf and a \$1.43 gain per bbl for a 2010 fourth quarter realized hedging gain of \$571 million, or \$2.13 per mcfe.

For the 2011 full year, average prices realized (including realized gains or losses from natural gas and oil derivatives, but excluding unrealized gains or losses on such derivatives) were \$4.77 per mcf and \$63.90 per bbl, for a realized natural gas equivalent price of \$5.70 per mcfe. Realized gains from natural gas and liquids hedging activities during the 2011 full year generated a \$1.65 gain per mcf and a \$3.21 loss per bbl for a 2011 full year realized hedging gain of \$1.554 billion, or \$1.30 per mcfe.

By comparison, average prices realized during the 2010 full year (including realized gains or losses from natural gas and oil derivatives, but excluding unrealized gains or losses on such derivatives) were \$5.57 per mcf and \$62.71 per bbl, for a realized natural gas equivalent price of \$6.09 per mcfe. Realized gains from natural gas and liquids hedging activities during the 2010 full year generated a \$2.14 gain per mcf and a \$4.04 gain per bbl for a 2010 full year realized hedging gain of \$2.056 billion, or \$1.99 per mcfe.

The company's realized cash hedging gains since January 1, 2006 have been \$8.404 billion, or \$1.59 per mcfe.

### **Company Provides Update on Hedging Positions**

The following table summarizes Chesapeake's 2012 and 2013 open swap positions as of February 21, 2012. Depending on changes in natural gas and oil futures markets and management's view of underlying natural gas and liquids supply and demand trends, Chesapeake may increase or decrease some or all of its hedging positions at any time in the future without notice.

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In addition to the open hedging positions disclosed above, as of February 21, 2012, the company had an additional \$184 million and \$47 million of net hedging gains on closed contracts and premiums for call options that will be realized in 2012 and 2013, respectively, as set forth below.

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Details of the company's year-end hedging positions will be included in the company's 2011 Form 10-K to be filed with the Securities and Exchange Commission (SEC) and current positions are disclosed in summary format in the company's Outlook dated February 21, 2012 for 2012 and 2013, which is attached to this release as Schedule "A," beginning on page 24. The Outlook has been changed from the Outlook dated November 3, 2011, attached as Schedule "B," which begins on page 28, to reflect various updated information.

**Proved Natural Gas and Oil Reserves Increase by 1.7 Tcfe, or 10% for the 2011 Full Year to 18.8 Tcfe Despite the Sale of 2.8 Tcfe of Proved Reserves; Proved Reserves on a Boe Basis Now Reach 3.1 Billion Boe; Company Adds Proved Reserves of 5.6 Tcfe through the Drillbit in 2011 at a Drilling and Completion Cost of \$1.08 per Mcfe**

The following table compares Chesapeake's December 31, 2011 proved reserves, the increase over its year-end 2010 proved reserves, reserve replacement ratio, estimated future net cash flows from proved reserves (discounted at an annual rate of 10% before income taxes (PV-10)) and proved developed percentage based on the trailing 12-month average price required under SEC rules and the 10-year average NYMEX strip prices as of December 31, 2011.

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The following table summarizes Chesapeake's proved well costs for the 2011 full year using the two pricing methods described above.

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A complete reconciliation of proved reserves and reserve replacement ratios based on these two alternative pricing methods, along with total costs, is presented on pages 14 and 15 of this release. Also, a reconciliation of PV-10 to the standardized measure is presented on page 16 of this release.

Additionally, the net book value of the company's other assets was \$7.5 billion as of December 31, 2011, compared to \$6.1 billion as of December 31, 2010.

**Chesapeake's Leasehold and 3-D Seismic Inventories Total 15.3 Million Net**

## **Acres and 30.8 Million Acres, Respectively; Risked Unproved Resources in the Company's Inventory Total 114 Tcfe; Unrisked Unproved Resources Total 352 Tcfe**

Since 2000, Chesapeake has built the largest combined inventories of onshore leasehold (15.3 million net acres) and 3-D seismic (30.8 million acres) in the U.S. The company has also accumulated the largest inventory of U.S. natural gas shale play leasehold (2.2 million net acres) and now owns a leading position in 11 of what Chesapeake believes are the Top 15 unconventional liquids-rich plays in the U.S. – the Granite Wash, Cleveland, Tonkawa and Mississippi Lime plays in the Anadarko Basin; the Avalon, Bone Spring, Wolfcamp and Wolfberry plays in the Permian Basin; the Eagle Ford Shale in South Texas; the Niobrara Shale in the Powder River Basin; and the Utica Shale in the Appalachian Basin.

On its leasehold inventory, Chesapeake has identified an estimated 19.9 tcfe of proved reserves (using volume estimates based on the 10-year average NYMEX strip prices as of December 31, 2011 as compared to 18.8 tcfe using SEC pricing), 114 tcfe of risked unproved resources and 352 tcfe of unrisked unproved resources. The company is currently using 161 operated drilling rigs to further develop its inventory of approximately 39,200 net risked drillsites. Of Chesapeake's 161 operated rigs, 125 are drilling wells primarily focused on developing unconventional liquids-rich plays, 34 are drilling wells primarily focused on unconventional natural gas plays and two are drilling conventional natural gas plays. By April 1, 2012, the company estimates it will be using 157 operated rigs, of which 131 will be drilling wells primarily focused on developing unconventional liquids-rich plays, while only 26 will be drilling wells primarily focused on unconventional natural gas plays and no rigs will be drilling conventional natural gas plays – the first time in the company's nearly 23-year history it has not been drilling a conventional natural gas well.

The following table summarizes Chesapeake's ownership and activity in its unconventional natural gas plays, its unconventional liquids-rich plays and other plays. Chesapeake uses a probability-weighted statistical approach to estimate the potential number of drillsites and unproved resources associated with such drillsites.

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In recognition of the value gap between liquids and natural gas prices, Chesapeake has directed a significant portion of its technological and leasehold acquisition expertise during the past three years to identify, secure and commercialize new unconventional liquids-rich plays. To date, Chesapeake has built leasehold positions and established production in multiple unconventional liquids-rich plays on approximately 6.6 million net leasehold acres with 830 million bbls of oil equivalent of proved reserves, 8.3 billion bbls of oil equivalent (bboe) (or 50 tcfe) of risked unproved resources and 31 bboe (or 187 tcfe) of unrisked unproved resources based on the company's internal estimates.

## **Curtailments of Natural Gas Reach Approximately 1.0 Bcf per Day of Gross Operated Production**

In response to continued low natural gas prices and as an effort to help bring U.S. natural gas supply and demand into better balance, Chesapeake has demonstrated industry leadership by curtailing natural gas production to the upper level indicated in the company's announcement on January 23, 2012. The company has now curtailed approximately 1.0 bcf per day of gross operated natural gas production, or approximately 1.5% of U.S. Lower 48 natural gas production. The curtailed volumes are

located primarily in the Haynesville and Barnett shale plays. In addition, wherever possible, the company is deferring completions of dry gas wells that have been drilled, but not yet completed, and is also deferring pipeline connections of dry gas wells that have already been completed.

**Company is Reducing 2012 Operated Drilling Capital Expenditures in Dry Gas Plays by Approximately 70% from 2011 Levels, Lowest Level Since 2005; 2012 Average Net Natural Gas Production Projected to Decrease 4% Year Over Year**

The company continues to substantially reduce its operated dry gas drilling activity. By the 2012 second quarter, the company expects that its dry gas rig count will be reduced from an average of approximately 75 dry gas rigs used during 2011 to approximately 24 rigs, including 12 rigs in the northeastern portion of the Marcellus Shale, six rigs in the Haynesville Shale and six rigs in the Barnett Shale. Chesapeake's operated dry gas drilling capital expenditures in 2012, net of drilling carries, are expected to decrease to \$0.9 billion, a decrease of approximately 70% from similar expenditures of \$3.1 billion in 2011 and the company's lowest expenditures on dry gas plays since 2005.

As a result of production curtailments and reduced drilling and completion activity, partially offset by growth in associated natural gas production in liquids-rich plays, Chesapeake projects that its 2012 net natural gas production will average approximately 2.65 bcf per day, a decrease of 100 mmcf per day, or 4%, compared to the company's 2011 average net natural gas production of 2.75 bcf per day.

**Chesapeake to Double 2012 Operated Drilling Capital Expenditures in Liquids-Rich Plays; 2012 Average Net Liquids Production Projected to Increase More than 70% Year Over Year to Approximately 150,000 Barrels per Day**

Chesapeake has reallocated capital from reduced dry gas drilling and deferred well completion and pipeline connection activities to its liquids-rich plays that offer superior returns in the current strong liquids price environment. This reallocation will result in a doubling of operated drilling capital expenditures compared to 2011 activities in Chesapeake's liquids-rich plays, which include the Eagle Ford Shale, Utica Shale, Mississippi Lime, Granite Wash, Cleveland, Tonkawa, Niobrara, Bone Spring, Avalon, Wolfcamp, and Wolfberry. Chesapeake is increasing its operated drilling activity in liquids-rich plays by approximately 45% from an average of approximately 92 rigs used in liquids-rich plays during 2011 to an average of approximately 133 rigs in 2012. The company estimates that approximately 85% of its 2012 total net operated drilling capital expenditures will be invested in its liquids-rich plays.

As a result of continued strong operational results and increased drilling activity in liquids-rich plays, Chesapeake has increased its current liquids production to more than 110,000 bbls per day. The company projects that its 2012 net liquids production will increase by approximately 63,000 bbls per day, or more than 70% year over year, to an average of approximately 150,000 bbls per day. Additionally, Chesapeake projects that its liquids production will average more than 200,000 bbls per day in 2013 and 250,000 bbls per day in 2015. Relative to its liquids production rate of approximately 32,000 bbls per day in 2009, Chesapeake believes that its liquids production growth of approximately 220,000 bbls per day from 2009-2015 will represent the best track record of liquids production growth in the U.S. and one of the best track records of liquids production growth in the world during this period.

Chesapeake's projected drilling activity and production in liquids-rich plays discussed above excludes the potential effects of planned 2012 asset monetization transactions associated with the company's Mississippi Lime and Permian Basin assets discussed

below.

### **As Previously Disclosed, Chesapeake Plans to Reduce 2012 Net Leasehold Expenditures by Approximately 60% Year Over Year**

Having captured the largest U.S. oil and natural gas resource base during the past six years of new unconventional play identification and opportunity capture, Chesapeake is reducing its undeveloped leasehold expenditures. The company is now targeting to invest approximately \$1.4 billion in net undeveloped leasehold expenditures in 2012, of which approximately 90% will target liquids-rich plays and 100% will be in plays where the company is already active. This compares to net undeveloped leasehold expenditures of approximately \$3.5 billion and \$5.8 billion in 2011 and 2010, respectively.

### **Company Provides Details on its Financial Plan for 2012**

Chesapeake's primary business goal is to continue creating at least \$10 billion of shareholder net asset value each year through a strategy dedicated to growing its reserves and production and transitioning to a more balanced mix of liquids and natural gas production. As a result of this strategy, the company plans to make capital expenditures in 2012 and 2013 that will exceed its projected cash flow from operations. As previously disclosed in its press release dated February 13, 2012, Chesapeake is pursuing a financial plan to fully fund its anticipated capital expenditures during 2012 and provide additional liquidity for 2013. Furthermore, the company is also projecting that its rapidly increasing liquids production will enable it in 2014 to reach equilibrium between its cash flow from operations and its planned drilling and completion capital expenditures.

Chesapeake anticipates receiving total proceeds in March 2012 of approximately \$2 billion in two separate transactions – a volumetric production payment on its Texas Panhandle Granite Wash assets and a financial transaction (similar to the company's recent CHK Utica financial transaction) involving a new unrestricted subsidiary formed to hold a portion of Chesapeake's assets in Ellis and Roger Mills counties, Oklahoma, in the Cleveland and Tonkawa plays.

In addition, the company is pursuing joint venture transactions in its Mississippi Lime and Permian Basin plays where it owns 1.8 million and 1.5 million net acres of leasehold, respectively. Chesapeake has also recently received industry inquiries about a complete exit from the Permian Basin and may consider a 100% sale of its Permian Basin assets if it receives a compelling offer. Chesapeake's position in the Permian Basin is one of the largest in the basin, with leading positions in the Bone Spring, Avalon, Wolfcamp and Wolfberry plays. Chesapeake's assets in the Permian Basin represent approximately 5% of the company's total net proved reserves and current production. Chesapeake believes the Mississippi Lime joint venture, a Permian Basin transaction and various other minor asset sales could result in cash proceeds to Chesapeake of approximately \$6-8 billion in 2012. The company is targeting completion of these transactions by the end of the 2012 third quarter.

Furthermore, Chesapeake anticipates monetization proceeds of approximately \$2 billion during 2012 involving a portion of its midstream assets, oilfield services assets and miscellaneous investments, bringing estimated total monetization cash proceeds in 2012 to \$10-12 billion. These proceeds are substantially in excess of the difference between the company's expected cash flow from operations and its planned capital expenditures and would allow the company to achieve its previously announced debt reduction goals while providing additional financial strength during this current period of low U.S. natural gas prices.

## Company Returns to its Original 25/25 Plan

As a result of reducing its projected natural gas production through production curtailments and reduced natural gas drilling, Chesapeake is returning to its original 25/25 Plan announced in January 2011 that outlined the company's plan to increase its production and reduce its total long-term debt by 25% each during 2011-12. During 2011, the company achieved 60% of its two-year production growth goal and 72% of its two-year long-term debt reduction goal. The company projects 2012 average daily production of 3.550 bcfe per day, a 25% increase from its 2010 average daily production of 2.836 bcfe per day. Chesapeake continues to affirm its plan to reduce its long-term debt to no more than \$9.5 billion at December 31, 2012 and achieving its 25/25 Plan objectives regardless of the level of natural gas prices during 2012.

## 2011 Fourth Quarter and Full Year Financial and Operational Results Conference Call Information

A conference call to discuss this release has been scheduled for Wednesday, February 22, 2012 at 9:00 am EST. The telephone number to access the conference call is **913-312-0684** or toll-free **800-289-0546**. The passcode for the call is **4996325**. We encourage those who would like to participate in the call to place calls between 8:50 and 9:00 am EST. For those unable to participate in the conference call, a replay will be available for audio playback at 1:00 pm EST on Wednesday, February 22, 2012 and will run through midnight Wednesday, March 7, 2012. The number to access the conference call replay is **719-457-0820** or toll-free **888-203-1112**. The passcode for the replay is **4996325**. The conference call will also be webcast live on Chesapeake's website at [www.chk.com](http://www.chk.com) in the "Events" subsection of the "Investors" section of the website. The webcast of the conference call will be available on Chesapeake's website for one year.

*This news release and the accompanying Outlooks include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements other than statements of historical fact and give our current expectations or forecasts of future events. They include estimates of natural gas and oil reserves and resources, expected natural gas and oil production and future expenses, assumptions regarding future natural gas and oil prices, planned drilling activity, drilling and completion costs and anticipated asset sales, projected cash flow and liquidity, business strategy and other plans and objectives for future operations. Disclosures concerning the fair value of derivative contracts and their estimated contribution to our future results of operations are based upon market information as of a specific date. These market prices are subject to significant volatility. We caution you not to place undue reliance on our forward-looking statements, which speak only as of the date of this news release, and we undertake no obligation to update this information.*

*Factors that could cause actual results to differ materially from expected results are described under "Risks Related to Our Business" in our Prospectus Supplement filed with the U.S. Securities and Exchange Commission on February 14, 2012. These risk factors include the volatility of natural gas and oil prices; the limitations our level of indebtedness may have on our financial flexibility; declines in the values of our natural gas and oil properties resulting in ceiling test write-downs; the availability of capital on an economic basis, including through planned asset monetization transactions, to fund reserve replacement costs; our ability to replace reserves and sustain production; uncertainties inherent in estimating quantities of natural gas and oil reserves and projecting future rates of production and the amount and timing of development expenditures; inability to generate profits or achieve targeted results in drilling and well operations; leasehold terms expiring before production can be established; hedging*

*activities resulting in lower prices realized on natural gas and oil sales; the need to secure hedging liabilities and the inability of hedging counterparties to satisfy their obligations; drilling and operating risks, including potential environmental liabilities; legislative and regulatory changes adversely affecting our industry and our business, including initiatives related to hydraulic fracturing; general economic conditions negatively impacting us and our business counterparties; oilfield services shortages and transportation capacity constraints and interruptions that could adversely affect our cash flow; and losses possible from pending or future litigation.*

*Our production forecasts are dependent upon many assumptions, including estimates of production decline rates from existing wells and the outcome of future drilling activity. Although we believe the expectations and forecasts reflected in these and other forward-looking statements are reasonable, we can give no assurance they will prove to have been correct. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties.*

*The SEC requires natural gas and oil companies, in filings made with the SEC, to disclose proved reserves, which are those quantities of natural gas and oil that by analysis of geoscience and engineering data can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. In this news release, we use the terms “risked and unrisked unproved resources” to describe Chesapeake’s internal estimates of volumes of natural gas and oil that are not classified as proved reserves but are potentially recoverable through exploratory drilling or additional drilling or recovery techniques. These are broader descriptions of potentially recoverable volumes than probable and possible reserves, as defined by SEC regulations. Estimates of unproved resources are by their nature more speculative than estimates of proved reserves and accordingly are subject to substantially greater risk of actually being realized by the company. We believe our estimates of unproved resources are reasonable, but such estimates have not been reviewed by independent engineers. Estimates of unproved resources may change significantly as development provides additional data, and actual quantities that are ultimately recovered may differ substantially from prior estimates.*

***Chesapeake Energy Corporation (NYSE:CHK) is the second-largest producer of natural gas, a Top 15 producer of oil and natural gas liquids and the most active driller of new wells in the U.S. Headquartered in Oklahoma City, the company's operations are focused on discovering and developing unconventional natural gas and oil fields onshore in the U.S. Chesapeake owns leading positions in the Barnett, Haynesville, Bossier, Marcellus and Pearsall natural gas shale plays and in the Granite Wash, Cleveland, Tonkawa, Mississippi Lime, Bone Spring, Avalon, Wolfcamp, Wolfberry, Eagle Ford, Niobrara and Utica unconventional liquids-rich plays. The company has also vertically integrated its operations and owns substantial midstream, compression, drilling, trucking, pressure pumping and other oilfield service assets directly and indirectly through its subsidiaries Chesapeake Midstream Development, L.P. and Chesapeake Oilfield Services, L.L.C. and its affiliate Chesapeake Midstream Partners, L.P. (NYSE:CHKM). Further information is available at [www.chk.com](http://www.chk.com) where Chesapeake routinely posts announcements, updates, events, investor information, presentations and news releases.***

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PV-10 is discounted (at 10%) future net cash flows before income taxes. The standardized measure of discounted future net cash flows includes the effects of estimated future income tax expenses and is calculated in accordance with Accounting Standards Topic 932. Management uses PV-10 as one measure of the value of the company's current proved reserves and to compare relative values among peer companies without regard to income taxes. We also understand that securities analysts and rating agencies use this measure in similar ways. While PV-10 is based on prices, costs and discount factors which are consistent from company to company, the standardized measure is dependent on the unique tax situation of each individual company.

The company's December 31, 2011 PV-10 and standardized measure were calculated using the trailing 12-month average first-day-of-the-month prices as of December 31, 2011 of \$4.12 per mcf and \$95.97 per bbl. The company's December 31, 2010 PV-10 and standardized measure were calculated using the trailing 12-month average first day-of-the-month prices as of December 31, 2010 of \$4.38 per mcf and \$79.42 per bbl.

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## Commodity Hedging Activities

Chesapeake enters into natural gas and oil derivative transactions in order to mitigate a portion of its exposure to adverse market changes in natural gas and oil prices. Please see the quarterly reports on Form 10-Q and annual reports on Form 10-K filed by Chesapeake with the Securities and Exchange Commission for detailed information about derivative instruments the company uses, its quarter-end natural gas and oil derivative positions and the accounting for commodity derivatives.

At February 21, 2012, the company does not have any open natural gas swaps in place. The company currently has \$176 million of net hedging gains related to closed natural gas contracts and premiums for call options for future production periods.

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The company currently has the following natural gas written call options in place for 2012 through 2020:

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The company has the following natural gas basis protection swaps in place for 2012 through 2022:

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At February 21, 2012, the company has the following open crude oil swaps in place for 2012 and through 2015. In addition, the company has \$105 million of net hedging gains related to closed crude oil contracts and premiums for call options for future production periods.

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The company currently has the following crude oil written call options in place for 2011 through 2017:

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## Commodity Hedging Activities

Chesapeake enters into natural gas and oil derivative transactions in order to mitigate a portion of its exposure to adverse market changes in natural gas and oil prices. Please see the quarterly reports on Form 10-Q and annual reports on Form 10-K filed by Chesapeake with the Securities and Exchange Commission for detailed information about derivative instruments the company uses, its quarter-end natural gas and oil derivative positions and the accounting for commodity derivatives.

At November 3, 2011, the company does not have any open natural gas swaps in place. The company currently has \$616 million of net hedging gains related to closed natural gas contracts and premiums collected on call options for future production periods.

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The company currently has the following natural gas written call options in place for 2011 through 2020:

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The company has the following natural gas basis protection swaps in place for 2011 through 2022:

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At November 3, 2011, the company has the following open crude oil swaps in place for 2011 and through 2015. In addition, the company has \$93 million of net hedging gains related to closed crude oil contracts and premiums collected on call options for future production periods.

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The company currently has the following crude oil written call options in place for 2011 through 2017:

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SOURCE: Chesapeake Energy Corporation

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