

Chesapeake Energy Corporation Provides 2017 Third Quarter Update

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OKLAHOMA CITY, Sept. 26, 2017 /[PRNewswire](#)/ -- Chesapeake Energy Corporation (NYSE:CHK) today provided an update on its 2017 third quarter operational results and revisions to its 2017 full-year guidance. Highlights include:

- ***Disruptive weather, closed asset sales and changes in capital allocation result in adjusted average 2017 third quarter production estimate of approximately 542,000 boe per day, higher sequentially compared to 527,600 boe in the 2017 second quarter***
- ***Average 2017 third quarter oil production estimate of 86,000 barrels per day***
- ***With delays largely mitigated, Chesapeake expects 2017 fourth quarter oil production to average approximately 100,000 barrels of oil per day***

Doug Lawler, Chesapeake's Chief Executive Officer, commented, "As a result of operational delays and curtailments due to disruptions caused by Hurricane Harvey, closed asset sales and capital allocation adjustments, we are forecasting our 2017 third quarter volumes to be approximately 542,000 boe per day, including approximately 86,000 barrels of oil per day, compared to total production for the 2017 second quarter of approximately 527,600 boe per day, including approximately 88,400 barrels of oil per day. We expect these impacts to be limited to the third quarter, but are revising our guidance for the full year. Last week we averaged approximately 555,000 boe per day and 91,000 barrels of oil per day, and we anticipate our volumes will continue to grow substantially in the 2017 fourth quarter as our current production rate has recovered from the delays noted above. We plan to place 120 to 130 new wells into production in the 2017 fourth quarter, primarily in the Eagle Ford and Powder River Basin. Accordingly, we now project that our oil volumes will average approximately 100,000 barrels per day for the 2017 fourth quarter."

Lawler continued, "As we enter 2018, we remain focused on reducing our debt and driving toward cash flow neutrality. We will continue to take all of the appropriate steps to retain a disciplined pace of activity, while creating the most value from the capital efficiencies we are seeing throughout our operations."

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Headquartered in Oklahoma City, Chesapeake Energy Corporation's (NYSE: CHK) operations are focused on discovering and developing its large and geographically diverse resource base of unconventional oil and natural gas assets onshore in the United States. The company also owns oil and natural gas marketing and natural gas compression businesses.

This news release and the accompanying Outlook 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. They include statements that give our current expectations, management's outlook, guidance or forecasts of future events, production and well connection forecasts, estimates of operating costs, wells placed into production, cash flow neutrality, lowering debt, anticipated capital and operational efficiencies, planned development drilling and expected drilling cost reductions, general and administrative expenses, capital expenditures, the timing of anticipated asset sales and proceeds to be received therefrom, projected cash flow and liquidity, our ability to enhance our cash flow and financial flexibility, plans and objectives for future operations, and the assumptions on which such statements are based. Although we believe the expectations and forecasts reflected in the forward-looking statements are reasonable, we can give no assurance they will prove to have been correct. They can be affected by inaccurate or changed assumptions or by known or unknown risks and uncertainties.

Factors that could cause actual results to differ materially from expected results include those described under "Risk Factors" in Item 1A of our annual report on Form 10-K and any updates to those factors set forth in Chesapeake's subsequent quarterly reports on Form 10-Q or current reports on Form 8-K (available at <http://www.chk.com/investors/sec-filings>). These risk factors include the volatility of oil, natural gas and NGL prices; the limitations our level of indebtedness may have on our financial flexibility; our inability to access the capital markets on favorable terms; the availability of cash flows from operations and other funds to finance reserve replacement costs or satisfy our debt obligations; downgrade in our credit rating requiring us to post more collateral under certain commercial arrangements; write-downs of our oil and natural gas asset carrying values due to low commodity prices; our ability to replace reserves and sustain production; uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and projecting future rates of production and the amount and timing of development expenditures; our ability to generate profits or achieve targeted results in drilling and well operations; leasehold terms expiring before production can be established; commodity derivative activities resulting in lower prices realized on oil, natural gas and NGL sales; the need to secure derivative liabilities and the inability of counterparties to satisfy their obligations; adverse developments or losses from pending or future litigation and regulatory proceedings, including royalty claims; charges incurred in response to market conditions and in connection with our ongoing actions to reduce financial leverage and complexity; drilling and operating risks and resulting liabilities; effects of environmental protection laws and regulation on our business; legislative and regulatory initiatives further regulating hydraulic fracturing; our need to secure adequate supplies of water for our drilling operations and to dispose of or recycle the water used; impacts of potential legislative and regulatory actions addressing climate change; federal and state tax proposals affecting our industry; potential OTC derivatives regulation limiting our ability to hedge against commodity price fluctuations; competition in the oil and gas exploration and production industry; a deterioration in general economic, business or industry conditions; negative public perceptions of our industry; limited control over properties we do not operate; pipeline and gathering system capacity constraints and transportation interruptions; terrorist activities and cyber-attacks adversely impacting our operations; potential challenges by Seventy Seven Energy Inc.'s (SSE) former

creditors in connection with SSE's recently completed bankruptcy under Chapter 11 of the U.S. Bankruptcy Code; an interruption in operations at our headquarters due to a catastrophic event; the continuation of suspended dividend payments on our common stock; the effectiveness of our remediation plan for a material weakness; certain anti-takeover provisions that affect shareholder rights; and our inability to increase or maintain our liquidity through debt repurchases, capital exchanges, asset sales, joint ventures, farmouts or other means. The guidance provided in this press release and outlook supersede all prior guidance for the third and fourth quarter and full year 2017.

In addition, disclosures concerning the estimated contribution of derivative contracts to our future results of operations are based upon market information as of a specific date. These market prices are subject to significant volatility. Our production forecasts are also dependent upon many assumptions, including estimates of production decline rates from existing wells and the outcome of future drilling activity. Expected asset sales may not be completed in the time frame anticipated or at all. 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 any of the information provided in this release or the accompanying Outlook, except as required by applicable law. In addition, this news release contains time-sensitive information that reflects management's best judgment only as of the date of this news release.

CHESAPEAKE ENERGY CORPORATION MANAGEMENT'S OUTLOOK AS OF SEPTEMBER 25, 2017

Chesapeake periodically provides guidance on certain factors that affect the company's future financial performance. New information or changes from the company's August 2, 2017 Outlook are ***italicized bold*** below.

	Year Ending
	12/31/2017
Adjusted Production Growth ^(a)	<i>(1%) to 1%</i>
Absolute Production	
Liquids - mmbbls	<i>51.5 - 53.5</i>
Oil - mmbbls	<i>32.0 - 33.0</i>
NGL - mmbbls	<i>19.5 - 20.5</i>
Natural gas - bcf	<i>855 - 875</i>
Total absolute production - mmboe	<i>194.0 - 199.0</i>
Absolute daily rate - mboe	<i>532 - 545</i>
Estimated Realized Hedging Effects ^(b) (based on 9/22/17 strip prices):	
Oil - \$/bbl	<i>\$2.97</i>
Natural gas - \$/mcf	<i>(\$0.04)</i>
NGL - \$/bbl	<i>(\$0.13)</i>
Estimated Basis to NYMEX Prices:	
Oil - \$/bbl	<i>\$0.60 - \$0.80</i>
Natural gas - \$/mcf	<i>\$0.30 - \$0.35</i>
NGL - \$/bbl	<i>\$3.75 - \$4.15</i>
Operating Costs per Boe of Projected Production:	
Production expense	<i>\$2.75 - \$2.95</i>
Gathering, processing and transportation expenses	<i>\$7.00 - \$7.50</i>
Oil - \$/bbl	<i>\$4.00 - \$4.20</i>
Natural Gas - \$/mcf	<i>\$1.25 - \$1.35</i>
NGL - \$/bbl	<i>\$8.00 - \$8.40</i>
Production taxes	<i>\$0.40 - \$0.50</i>
General and administrative ^(c)	<i>\$1.15 - \$1.25</i>

General and administrative

Stock-based compensation (noncash)	\$0.10 - \$0.20
DD&A of natural gas and liquids assets	\$4.00 - \$5.00
Depreciation of other assets	\$0.40 - \$0.50
Interest expense ^(d)	\$2.00 - \$2.10
Marketing, gathering and compression net margin ^(e)	(\$80) - (\$60)
Book Tax Rate	0%
Capital Expenditures (\$ in millions) ^(f)	\$1,900 - \$2,300
Capitalized Interest (\$ in millions)	\$200
Total Capital Expenditures (\$ in millions)	\$2,100 - \$2,500

- (a) Based on 2016 production of 529 mboe per day, adjusted for 2016 and 2017 sales. Includes expected settlements for commodity derivatives adjusted for option
- (b) premiums. For derivatives closed early, settlements are reflected in the period of original contract expiration.
- (c) Excludes expenses associated with stock-based compensation.
- (d) Excludes unrealized gains (losses) on interest rate derivatives.
- (e) Excludes non-cash amortization of approximately \$22 million related to the buydown of a transportation agreement.
- (f) Includes capital expenditures for drilling and completion, leasehold, geological and geophysical costs, rig termination payments and other property and plant and equipment. Excludes any additional proved property acquisitions.

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