Oklahoma’s Energy Future

OWRB - Governor’s Water Conference
October 29, 2008
Oklahoma Water Usage Issues

Wrong Way

Tom Price for Elected Office
Who We Are and Why We Care

CHESAPEAKE ENERGY CORPORATION

- #1 Producer of clean-burning U.S natural gas
- #1 U.S and Oklahoma Explorer with 146 and 34 Active Drilling Rigs, respectfully
- #1 Quality Job Creator in the U.S and Oklahoma Natural Gas Industry
- CHK employs over 7,700 Americans; 4,000 Oklahomans
- 2007 Top Managed Energy Company
  – Forbes’ Magazine
Chesapeake is a Leading Explorer for Clean Energy Across America

Actively drilling in 9 states

State Rig Count
- Texas: 66
- Oklahoma: 34
- Arkansas: 19
- Louisiana: 15
- West Virginia: 5
- New Mexico: 3
- New York: 2
- Kentucky: 1
- Virginia: 1
Chesapeake - Oklahoma’s Leading Explorer, Investor, and Quality Job Creator
# Chesapeake’s Oklahoma Energy Exploration:
Leading the Way for a Clean and Domestic Fuel

## Top Operators – Oklahoma

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Rig Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Chesapeake</td>
<td>34</td>
</tr>
<tr>
<td>2.</td>
<td>XTO</td>
<td>11</td>
</tr>
<tr>
<td>3.</td>
<td>Cimarex</td>
<td>10</td>
</tr>
<tr>
<td>4.</td>
<td>Devon</td>
<td>10</td>
</tr>
<tr>
<td>5.</td>
<td>Newfield</td>
<td>10</td>
</tr>
<tr>
<td>6.</td>
<td>Continental</td>
<td>9</td>
</tr>
<tr>
<td>7.</td>
<td>Apache</td>
<td>7</td>
</tr>
<tr>
<td>8.</td>
<td>Burlington</td>
<td>6</td>
</tr>
<tr>
<td>9.</td>
<td>BP America</td>
<td>5</td>
</tr>
<tr>
<td>10.</td>
<td>Chaparral</td>
<td>5</td>
</tr>
</tbody>
</table>

Subtotal: Top 10 107
Total Oklahoma 217

Source: Smith Tool, 10/24/08  RED – Oklahoma Companies
In 1998, Chesapeake invested 100% of its capital expenditures in Oklahoma totaling $92 Million.

In 2007, Chesapeake is active in over 17 states and still invested $1.4 Billion in capital expenditures in Oklahoma.

Chesapeake’s Oklahoma headquarters continues to benefit to the tune of over $5 Billion in cash flows from outside Oklahoma’s operations.
2008 Unconventional Shale Natural Gas Extraction Equation

Technology + Water - Natural Gas = Capital Formation - Tax Revenue

Job Creation
Today’s Technology and Unconventional Shale Formations are Key Economic Drivers
One Oklahoma Well:

- Distributes **600 checks** for goods and services;
- Provides business for over **98 service companies**;
- Contributes on average about **$425,000** to the state in taxes **per year**;
- Drives consumers to the shops, restaurants, theaters, barber shops, etc. nearby;
- Delivers royalty payments to Oklahomans – historically could be **several million dollars** over the well-life.
Chesapeake – Proud to be Oklahomans

- **38 Rigs in Barnett Shale in North Texas**
  - 25% of Chesapeake’s operations are in North Texas
  - Only 3% of our workforce is in North Texas
  - Income taxes and capital flow back to Oklahoma

- There is a wise and prudent balance of using our natural resources as an economic driver

- We can use state resources efficiently and constructively work with other “needy” states to benefit Oklahoma

- Excess resources can provide capital infusion where quality jobs and economic development are critical today
Oklahoma’s energy and water sectors can creatively work together and create jobs in Oklahoma.

- Energy Projects
- Creative Water Conservation – Re-allocation
- Economic Driver
- Environmental

WE MUST WORK TOGETHER AS OKLAHOMANS
Innovative Use of Our Resources

Oklahoma’s Natural Gas for Transportation
Why CNG is Right for Oklahoma NOW!

- **Top Producer of Natural Gas**

- **We Export 2/3 of our Natural Gas Resource**
  - Not an optimal “value-adding” process
    - Keep our natural gas in the state
    - Provides greater tax revenues for Oklahoma
    - Benefits both economy and environment
Oklahoma’s Energy Future

Natural Gas, Water, Wind, and Solar

- Cleaner Air
- Increased Capital Resources
- Stronger Communities
- National Leadership
- Robust Economy
### Chesapeake’s Economic Impact
#### Oklahoma 2000 – 2008E

**Total from Chesapeake’s Oklahoma Investments**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oklahoma Operated Wells Drilled</td>
<td>Over 3,000</td>
</tr>
<tr>
<td>Oklahoma Property Acquisitions</td>
<td>$ 5.1 Billion</td>
</tr>
<tr>
<td>Drilling Capital Expenditures</td>
<td>$ 5.7 Billion</td>
</tr>
<tr>
<td>Royalty Payments <em>(50k owners)</em></td>
<td>$ 2.1 Billion</td>
</tr>
<tr>
<td>State Severance Taxes</td>
<td>$698 Million</td>
</tr>
<tr>
<td>State Sales Taxes</td>
<td>$121 Million</td>
</tr>
<tr>
<td>Total Oklahoma Taxes</td>
<td>$819 Million</td>
</tr>
</tbody>
</table>
Who will be the Leaders of Tomorrow?

Oklahoma’s Resource Visionaries

- Innovation
- Collaboration
- Leadership
- Communication
- Character
- State Pride

Robert S. Kerr

A. S. ‘Mike’ Monroney
Tom Price
Senior Vice President – Corporate Development
Chesapeake Energy Corporation
Tom.price@chk.com
(405) 879-9257