

## Chesapeake Energy plans to raise \$5B over 2 years

By Murray Evans • The Associated Press • May 10, 2010, 6:30 pm

OKLAHOMA CITY -- Chesapeake Energy Corp. said Monday plans to raise about \$5 billion over the next two years in an effort to expand its investment in oil and natural gas liquids and to reduce its debt.

Oklahoma City-based Chesapeake announced a "strategic and financial plan" that includes the sale of up to a 20 percent equity interest in its Chesapeake Appalachia LLC subsidiary to investors within the next three to 12 months. Chesapeake is a key driller in the Appalachian Basin, with 24 operating rigs in the Marcellus Shale natural gas play.

Chesapeake also announced a private placement of \$600 million of a new series of convertible preferred stock to investors in Asia. The investors, Maju Investments (Mauritius) Pte Ltd. and Hampton Asset Holding Ltd., will have an option for up to \$500 million more shares within the next 30 days.

Of the \$5 billion to be raised, Chesapeake said it plans to use \$3.5 billion to pay off its debt and \$1.5 billion to focus on drilling for oil and natural gas liquids.

Chesapeake also is looking at negotiating various joint ventures as part of its plan, which the company said is ultimately designed to achieve an investment grade rating for its debt securities.

Chesapeake is one of the top independent natural gas producers in the U.S. but has gradually expanded its oil and natural gas liquids portfolio in recent months. Company spokesman Jim Gipson said natural gas accounted for about 90 percent of Chesapeake's production in the first quarter of 2010, down from 93 percent a year ago.

Chesapeake's CEO Aubrey McClendon has spoken in recent weeks about the company's interest in expanding its oil and natural gas liquids production, noting that oil prices are rising while the cost of natural gas is stagnant. Crude oil rose \$1.69 to \$76.80 per barrel Monday on the New York Mercantile Exchange while natural gas rose 15.5 cents to \$4.170 per 1,000 cubic feet.

In a production update issued last week, Chesapeake said it is trying to identify more supplies of oil and natural gas liquids. It said it has strong positions in 12 "liquids-rich" plays -- mostly in Oklahoma, Texas and Wyoming -- and is using 21 operated rigs to develop about 1.9 million acres of leasehold.

The company wants to enter into joint ventures so that it can pay for accelerated drilling in those areas. Chesapeake said Monday that in the third quarter of this year, it plans a joint venture in the Eagle Ford Shale in south Texas. It did not name a partner.

The goal of the joint ventures, Chesapeake said, would be to have 50 operating rigs on the 12 plays within the next year.

Chesapeake shares rose \$1.19, or 5.4 percent, to close at \$23.10.

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