

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

CHK - Chesapeake Energy Corporation Operational Update Conference Call

EVENT DATE/TIME: APRIL 01, 2013 / 12:30PM GMT

**OVERVIEW:**

CHK provided an operational update.



## CORPORATE PARTICIPANTS

**Jeff Mobley** *Chesapeake Energy Corp - SVP of IR and Research*

**Steve Dixon** *Chesapeake Energy Corp - COO and Acting CEO*

**Nick Dell'Osso** *Chesapeake Energy Corp - CFO*

## CONFERENCE CALL PARTICIPANTS

**Doug Leggate** *BofA Merrill Lynch - Analyst*

**Brian Singer** *Goldman Sachs - Analyst*

**David Tameron** *Wells Fargo Securities, LLC - Analyst*

**Neal Dingmann** *SunTrust Robinson Humphrey - Analyst*

**Bob Brackett** *Sanford C. Bernstein & Company, Inc. - Analyst*

**Charles Meade** *Johnson Rice - Analyst*

**Matt Portillo** *Tudor, Pickering, Holt & Co. Securities - Analyst*

**Biju Perincheril** *Jefferies & Company - Analyst*

**Ray Deacon** *Brean Capital - Analyst*

**Joe Magner** *Macquarie Research Equities - Analyst*

**Mike Kelly** *Global Hunter Securities, LLC - Analyst*

## PRESENTATION

### Operator

Good day, everyone, and welcome to the Chesapeake Energy Corporation conference call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Jeff Mobley. Please go ahead, sir.

---

### Jeff Mobley - Chesapeake Energy Corp - SVP of IR and Research

Good morning, and thank you for joining our call this morning regarding the leadership transition at Chesapeake, and for an update on our operations.

During the course of this call, our commentary will include forward-looking statements regarding our beliefs, goals, expectations, objectives, forecasts, projections and future performance, and the assumptions underlying such statements. Please note that there are a number of factors that could cause our actual results to differ materially from such forward-looking statements. Additional information concerning those factors is available in our earnings release and the Company's SEC filings.

As announced in our press release Friday, our Board of Directors has established a three-person Office of the Chairman following today's retirement of Aubrey McClendon, while continuing the previously announced CEO search process.

The Office of the Chairman will be comprised of Archie Dunham, our Non-Executive Chairman of the Board; Steve Dixon, who has been named Acting Chief Executive Officer, in addition to his continuing role as our Chief Operating Officer; and Nick Dell'Osso, our Chief Financial Officer.



Steve and Nick are with me on the call today, in addition to Jeff Fisher, our Executive Vice President of Production, and Gary Clark, our Vice President of Investor Relations and Research.

I will now turn the call over to Steve for an update on our operations, and then we'll move to Q&A. Steve?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Thanks, Jeff. I'd like to begin by expressing our sincere appreciation and gratitude to Aubrey for his leadership, dedication and contributions to the Company and- to our entire industry - over the past 24 years. I personally would like to thank Aubrey for his wisdom, guidance and friendship during the 22 years that we have partnered together here at Chesapeake, and I certainly wish him well in his future endeavors.

Looking ahead, I'm very excited for Chesapeake's future and - our senior management team is energized about our opportunities ahead, as we convert the great resources we have discovered and captured into production, cash flow and investor returns.

Our management team and Board of Directors are well aligned in our objectives and strategy to take Chesapeake forward. We will remain focused on increasing our liquids production, driving capital efficiencies across our Business, and enhancing our financial flexibility to prudently fund our future growth.

Maintaining our culture of excellence at Chesapeake is also a priority, and we will continue to conduct our Business with the same urgency, intensity and attention to detail that we've always had.

Shifting to our operations, I'm pleased to report that we are achieving many important objectives, and surpassing notable production milestones. Our current level of drilling and completion, and leasehold capital expenditures, are on pace below our budgeted expenditure plan for the year. And while expenditures are on track to come in under budget in the first quarter, we're also delivering on planned production targets. These are despite challenges from winter storms in the Mid-Continent and several Midstream outages and delays.

We have recently averaged an all-time high water mark in average daily net liquids production of 160,000 barrels per day. We have also recently exceeded 4 Bcfe per day of production, having regained this level following the sale of production through recent transactions in the Permian Basin, the Mid-Continent and other areas.

We're also making great progress in cost reductions, and are on track for our lease operating expenses and G&A expenses to come in at or below budget this year.

Turning to asset sales, we have completed or signed up approximately \$1.5 billion of sales as part of our plan for \$4 billion to \$7 billion of sales this year. And we are on track to execute agreements for additional sales in the next few months that we look forward to sharing with you once definitive agreements are reached.

We are particularly pleased with the market's response to multiple small asset packages that we have offered. These packages represent very good opportunities for development exploratory drilling that Chesapeake will not be in a position to exploit in the near term, yet will provide great value to our asset buyers. While many of these assets may not be individually noteworthy to investors, in aggregate, the combined value that we anticipate collecting this year will likely be very meaningful, and lead to further progress in improving our balance sheet.

We've also taken advantage of the recent surge in natural gas prices to lock in additional price protection in 2013, and we have begun to hedge natural gas production in 2014 at prices well above \$4, a level the market has not seen for quite some time.

Now turning to specific plays, I would like to highlight several positive developments underway in our Utica Shale play in Eastern Ohio and Western Pennsylvania. As many of you know, Chesapeake discovered the play in 2010, and completed an important joint venture with Total in 2010. We are the largest leaseholder, with approximately 1 million net acres in the play. To date, we have drilled more than 240 wells in the Utica, representing approximately 75% of the wells drilled in the entire play thus far.



As a result of infrastructure constraints, we are currently have turned to sales just 54 wells; but we anticipate substantial ramp-up and completions as we progress through this year. We are only producing 75 Mmcf per day from the play net to Chesapeake, due to processing constraints, but we believe this well set is capable of producing approximately double this level, if unconstrained. We are targeting net production of more than 330 Mmcf per day, or 55,000 BOE per day from the play by the end of the year. Achieving this level will be dependent upon the timely startup of critical processing infrastructure at multiple facilities in the months ahead.

As an example of the outstanding recent well results we are achieving in this play, we recently completed a six-well program on our Scott unit in Carroll County, Ohio. We drilled six wells from a common pad, with average 24-hour restricted test rates of 1,250 BOE per day, which includes 310 barrels of oil, 200 barrels of NGL with ethane not recovered, and 4.4 Mmcf of natural gas per day. This is at flowing tubing pressures exceeding 3,000 PSI. Well costs for this group averaged approximately \$6.5 million, indicating some of the potential cost savings we expect to realize as our operations mature and we focus on development in the future.

I would also note that we have recently submitted 2012 annual production data and other information on our wells drilled in 2011 and 2012 to the Ohio Department of Natural Resources. This data will be available publicly, perhaps later this week. Due to infrastructure constraints that I mentioned before, it was necessary to curtail and restrict production on these wells placed into service last year. As a result, we believe the data reported to the ODNR is not indicative of the productive capacity of Utica Shale wells drilled in our development fairway.

Based on Chesapeake's geoscientific, petrophysical and engineering research during the past two years, and the results of detailed analysis of the wells we have drilled to date, Chesapeake is targeting ultimate reserve recoveries of 5 Bcfe to 10 Bcfe per well in the Utica, depending on location and commodity mix within the play.

Our analysis of the play to date indicates a very prolific resource base is in place that varies across the play, with increasing condensate yield from east to west following a strong correlation to reservoir maturity.

Given our view of the per-well reserve and production potential, and in consideration of product mix, planned well costs and current market prices, we are targeting drilling rates of return of 30% to 80%, with an average return in excess of 40% within our joint venture AMI with Total, which is largely in the wet gas window of the play.

Now turning to the Eagle Ford Shale play in South Texas. I am pleased to report that we continue to achieve strong operating results. We recently established a daily record high of 124,000 barrels per day of gross operated oil production, or approximately 56,000 barrels per day net to Chesapeake. We believe our gross operated production level potentially ranks Chesapeake as the second largest oil producer in the play, and further validates the quality of our Eagle Ford asset base.

Our total daily net production from the Eagle Ford has recently averaged 80,000 BOE per day, and we are targeting total daily net production of more than 92,000 BOE per day by year end. This is even after selling net production of approximately 5,000 BOE per day associated with our Northern Eagle Ford asset package that's currently on the market. This strong growth will be generated from the completion and first production of more than 400 gross wells this year.

Our margins in the Eagle Ford continue to be strong, particularly as a result of premium pricing for crude oil that's being sold based on LLS pricing that has remained well above WTI pricing. Looking forward, we anticipate further margin expansion through transportation cost reductions and better access to premium markets as a result of the startup of multiple important pipeline projects this year.

In terms of capital efficiency, we continue to make good progress at reducing well costs in the Eagle Ford through reduced cycle times, further economies of scale and optimized completions. Our well costs for a 6,300-foot lateral well have decreased from \$9 million early in the play to approximately \$7 million currently. Once we largely complete our drilling campaign in the play to hold leases by production later this year, we believe we can drive well costs down further to the \$6 million range, by utilizing existing infrastructure and capitalizing on pad development efficiencies.



As a reminder, we are allocating the largest percentage of our drilling completion capital expenditure budget to the Eagle Ford Shale this year, representing approximately 35% of our planned drilling and completion CapEx.

We're also beginning to test the merits of increased density drilling on our acreage, with pilot programs underway to evaluate well performance on 350-foot offset spacing. This equates to roughly 50-acre well spacing. If successful with this development approach, we would increase our drilling inventory meaningfully from the 500-foot, or 70-acre well spacing development plan we currently assume.

In summary, the leadership transition at Chesapeake is being implemented smoothly and successfully, and we are very pleased with the operational results our Company is delivering, as highlighted by the two examples provided today. We look forward to sharing our first quarter financial results, and provide a more detailed update on our asset sales initiatives soon.

I would now like to open the call for questions. Operator?

---

## QUESTIONS AND ANSWERS

### Operator

Thank you. At this time, we will start the question-and-answer session.

(Operator Instructions)

Our first question comes from Doug Leggate with Bank of America Merrill Lynch.

---

### Doug Leggate - BofA Merrill Lynch - Analyst

Thanks, guys. Good morning, everybody. I've got two quick ones, if I may. Steve, on the disposal progress generally, can you give any specificity around likely timing as to when we can get better comfort that the planned disposals that you have underway right now for this year are going to be achieved, and to reiterate perhaps that any associated production has already been taken out of your guidance? And I've got a quick follow-up, please.

---

### Steve Dixon - Chesapeake Energy Corp - COO and Acting CEO

Yes, we are well underway. We announced the 1.5. We have ongoing negotiations with additional packages. We have data rooms open. We can't provide any specifics on timing or size. But as the data becomes available, we will certainly release it.

---

### Doug Leggate - BofA Merrill Lynch - Analyst

And all associated production is already out of your guidance, Steve?

---

### Steve Dixon - Chesapeake Energy Corp - COO and Acting CEO

A significant amount of it is, yes. Four to seven is a big range so the lower end of that would be out of our guidance.

---

**Doug Leggate** - *BofA Merrill Lynch - Analyst*

Okay. Great. My follow-up, very briefly, given the strength of gas prices recently, both in the front and in the back end of the curve, can you give us any update as to how you might have changed your hedging policy short-term, in terms of any resets you might have put in place? And I'll leave it there. Thanks.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Thanks, Doug. Really no reset. We have been doing some hedging as pricing has run up. We're very pleased with our history of how we've done hedging in the past. But we've added some to '13. We're starting to layer some in in '14 but no real change in our philosophy.

---

**Nick Dell'Osso** - *Chesapeake Energy Corp - CFO*

What I would just add there, Doug, is that we've done almost exclusively swaps in the recent past and we have a done just a little bit of three-way collars.

---

**Doug Leggate** - *BofA Merrill Lynch - Analyst*

All right. I'll wait on the first quarter, get more details. Thanks.

---

**Operator**

We'll take our next question from Brian Singer with Goldman Sachs.

---

**Brian Singer** - *Goldman Sachs - Analyst*

Thanks. Good morning. Just one follow-up question with regards to natural gas prices. You just highlighted the additional hedges that you've done for 2013 and '14. Can you just talk to whether you feel at this time more comfortable with either adding more to your completion count for more dry gas activity or to your rig count, and at what point you might feel more comfortable doing that?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

We are on a pretty strict budget and we're not planning on changing our activity on dry gas drilling. So really no changes, Brian.

---

**Brian Singer** - *Goldman Sachs - Analyst*

And to the degree that your budget surprises to the down side, it seems like per your earlier comments, you seemed relatively optimistic with regards to capital efficiency. Do you end up still spending the budget that you have planned and with more activity, or do you end up spending less?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

We probably end up spending less, Brian.

---



**Brian Singer** - *Goldman Sachs - Analyst*

Great. Thanks. And lastly, with regards to the follow-up on the hedging question specifically, are you employing knock-out provisions or anything besides your standard swaps and collars for the hedges that you're taking on here?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

No, sir, we are not.

---

**Brian Singer** - *Goldman Sachs - Analyst*

Great. Thanks very much.

---

**Operator**

We'll move on to our next question from David Tameron with Wells Fargo.

---

**David Tameron** - *Wells Fargo Securities, LLC - Analyst*

Good morning. Just one question on the transition. If you guys are still in the search for a permanent CEO, why not just leave you as COO and continue to move forward? Why establish this office?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

The Board felt it was important to set up the Office of the Chairman. It gives me full authority as CEO, but I've got Archie and Nick to rely on during this transition period. So the Board felt it was important that we had strong leadership moving forward, and so I've been empowered with the CEO and very anxious to lead a very exciting business plan that we have. So senior management and the Board are aligned, and we are moving ahead.

---

**David Tameron** - *Wells Fargo Securities, LLC - Analyst*

Okay. And there was some articles written, some speculation that you got close to somebody, which fell apart at the last minute. Can you talk about any timing expectations, as far as either to make your role permanent or to find a new CEO?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

No, those are speculations and we won't address that. This is the Board's decision.

---

**David Tameron** - *Wells Fargo Securities, LLC - Analyst*

All right. And the last question on the Board. There had also been some talk last year about maybe a potential change in CapEx. It sounds like the Board right now has signed off on the 2013 plan. We shouldn't anticipate any more meaningful changes at this point. Is that the right way to look at it?

---



**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Yes, that's correct. We are executing on that plan. We are executing on our asset sales. Everything's working well. And again, I'm excited to continue to execute and improve upon that plan.

---

**David Tameron** - *Wells Fargo Securities, LLC - Analyst*

All right. That's all I've got. Thanks.

---

**Operator**

Our next question comes from Neal Dingmann with SunTrust.

---

**Neal Dingmann** - *SunTrust Robinson Humphrey - Analyst*

Good morning, gentlemen. Say, just a little bit maybe more color on the Utica. You went through pretty well. Just wondering, as far as the rigs running now, the returns you mentioned, especially in the AMI, but even throughout, seemed to be quite positive. Thoughts about adding rigs there, I guess would be the first question, the Utica. And then second, what you're seeing currently in the area as far as take-away. It seems like you and your partner there have pretty good build out. Wonder how that's coming along.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Thanks, Neal. It is a significant amount of build out being done by us, our partners and others. And because that's not all in place yet, we really can't ramp up any more than we are today. Hope to be able to do more of that next year, but this is about as fast as we can do today and not get too far ahead of the processing capacities.

---

**Neal Dingmann** - *SunTrust Robinson Humphrey - Analyst*

Okay. And then M&A in the region, where do you sit? You obviously have a sizable amount of acreage. Are you trying to look at any potential additional JVs or anything like that, or are you adding some bolt-on just through some of your acreage there? Just wondering for either yourselves or others around your area, what you're seeing as far as M&A in the Utica.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

We are focused on really within our block, so we're not looking to expand. We do have a significant amount of acreage down in the Utica dry block that we may look to JV with others later, but we're not looking to grow significantly ourselves.

---

**Neal Dingmann** - *SunTrust Robinson Humphrey - Analyst*

Okay. And then just lastly, staying in the same area. I noticed your costs, a little bit lower than some others, maybe that are down in the Southern, that are doing a little bit longer laterals, more frac stages. Just your thoughts as far as the optimal length frac stages and the amount of propping per stage, is there thoughts about maybe expanding this a little bit, even if that means costing a little bit more in order to perhaps push the results a little bit, or are you pretty satisfied with how you're drilling and completing these?

---



**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

We're very satisfied with the progress. It's always continuous improvement. You would expect our costs to be less, because we've drilled 75% of the wells in the play. So we've had a much longer learning curve, and figured how to do it better, quicker, cheaper. But no, we're not satisfied yet. We think there's a lot of opportunity, especially on the completion side, and so we're working very hard to continue to improve and optimize our completions.

---

**Neal Dingmann** - *SunTrust Robinson Humphrey - Analyst*

Perfect. Look forward to the results. Thanks, guys.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Thank you.

---

**Operator**

We'll take our next question from Bob Brackett with Bernstein Research.

---

**Bob Brackett** - *Sanford C. Bernstein & Company, Inc. - Analyst*

Had a quick question on how the rising gas price might impact your choices of what to dispose. Any sense that there's a greater market to buy some of your gassier assets?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

There certainly is sentiment in the market that gas has bottomed and will be going up. So I would say yes, there is more interest, Bob.

---

**Bob Brackett** - *Sanford C. Bernstein & Company, Inc. - Analyst*

Would you change the suite of asset packages on the market, or are you going to stick with what you're already thinking about?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

We plan on sticking with what we have. Again, we've got a lot of interest and continuing to make progress. So no, don't see any reason to change our plans.

---

**Bob Brackett** - *Sanford C. Bernstein & Company, Inc. - Analyst*

Okay. Thank you.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Thank you.

---

**Operator**

We'll take our next question from Charles Meade with Johnson Rice.

---

**Charles Meade** - *Johnson Rice - Analyst*

Good morning, gentlemen. Going back to the Utica. Steve, I'm curious. Can you tell us in general how many stages you are doing on your completions there? And I recognize not every well will be the same, but is there kind of a standard lateral length, the number of stages you're doing right now?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

There probably is an average per foot of lateral. You know, our laterals are not all the same length, and we are still doing quite a bit of testing. As I mentioned earlier, the completion part is something that we're really trying to optimize. And that's again, a function of cost, and then what productivity you get. And I'll mention that that changes across the play. So it's not one set of parameters that work. So it's really more customized, and we're still trying to work on optimization. So I don't really have a formula to give you, Charles.

---

**Charles Meade** - *Johnson Rice - Analyst*

But in general, are you denser spacing in the more liquids-rich areas? Is that a fair assumption?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Yes, sir.

---

**Charles Meade** - *Johnson Rice - Analyst*

Okay. And then, I was hoping also you could talk a little about the nature of the bottlenecks you're having there. You cited that you're flowing that Scott unit, 3,000 pounds flowing tubing pressure. That sounds like those wells are riding line pressure. What are the pieces that you're really working hard? Is it gathering lines? Is it compression infrastructure? Or is it the biggest piece being gas processing?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Biggest piece is gas processing, by far. That's the limit, Charles. We do have gathering to build out and compression, but it's really the processing plants. We've got Natrium coming on soon, Momentum mid-year. So there are a number of projects that are being completed that will add significantly to our production capacity.

---

**Charles Meade** - *Johnson Rice - Analyst*

Okay. Got it. Thank you.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Thank you.

---



**Operator**

We'll take our next question from Matt Portillo with Tudor, Pickering and Holt.

---

**Matt Portillo** - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Good morning. Just two quick questions from me. In terms of the production you mentioned of the 160,000 barrels a day of liquids production, just wanted to clarify, is that less the Mississippian Lime sale?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

No, sir. That will come off, once that is completed.

---

**Matt Portillo** - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Great. And then just in regards to your 2013 budget, could you remind us how many rigs you guys were planning on running in that budget and where you stand today? Thank you.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

It's in the low 80s, and I believe we are at 81 rigs today.

---

**Matt Portillo** - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Thank you very much.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Thank you, Matt.

---

**Operator**

We'll take our next question from Biju Perincheril from Jefferies.

---

**Biju Perincheril** - *Jefferies & Company - Analyst*

Hello. Good morning. Steve, just looking through your asset sales, and you still have a sizable amount of acreage expiring over the next couple of years. Just wondering how that changes, once you go through the divestiture program this year.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Over '13 and '14, a lot of that acreage will either be sold or perhaps expire. We are focusing on our core assets. And as you can imagine, not all our acreage is within core.

---



**Biju Perincheril** - *Jefferies & Company - Analyst*

So with the current rig program, the acreage that you want to hold on to, what's your expectation when all that HBP requirement?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

100%. That's how we determine the size of this year's capital program was to HBP all the stuff that we wanted to. And so our budget allows to HBP that, either through the drill bit or there are some dollars in there for extensions and renewals, also in our leasehold budget. So all that's budgeted for, and we are, again, right on target to accomplish that.

---

**Biju Perincheril** - *Jefferies & Company - Analyst*

Got it. And a follow-up question. I apologize if you mentioned this before. The CapEx run rate being below budget, did you mention how much of that is on the cost side, service cost, versus just improved efficiency on your operations?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Well, it's probably some of both but a lot of it is efficiency of our operations. The teams are just doing an outstanding job of lowering costs. Everybody's focused on that. And when this team here focuses, they can get it accomplished and so again, tremendous confidence that we will be on or under budget this year.

---

**Biju Perincheril** - *Jefferies & Company - Analyst*

Great. Thank you.

---

**Operator**

(Operator Instructions)

We'll take our next question from Ray Deacon with Brean Capital.

---

**Ray Deacon** - *Brean Capital - Analyst*

Good morning, Steve. I was wondering if you could elaborate a little bit more on the Eagle Ford liquids-rich position, and in terms of down-spacing, how much of your acreage do you think is likely to work for the reduced 50-acre spacing?

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Well, I hope a significant portion, Ray. We're doing a couple pilots in different areas to test that and to try to understand the limits of that. But we're excited to get those results, and it could be very meaningful to our resource base.

---

**Ray Deacon** - *Brean Capital - Analyst*

Right. So maybe by year end, you'll have a clearer picture after you see these pilots for a while.

---

**Steve Dixon** - Chesapeake Energy Corp - COO and Acting CEO

Yes. We'll need to watch that production for a while. But we're doing quite a bit of testing, quite a bit of science with those, so I think we'll get some good results, like you say, later this year.

---

**Ray Deacon** - Brean Capital - Analyst

Okay. Great. I guess kind of a similar question on the Utica. 300-barrel a day IP rate on the oil side. How much of the acreage do you think you could see that higher oil component versus NGLs, or do you know yet?

---

**Steve Dixon** - Chesapeake Energy Corp - COO and Acting CEO

I don't have it broken out percentage of acreage. But it's a gradation from east to west on the amount of those liquids. Lot of NGLs in all of it. And again, the condensate, or oil proportion of it, increases to the west. But it's a significant amount of acreage. We have a million acres in the play, and these are great economics on these wells. So we have a lot of good acreage.

---

**Ray Deacon** - Brean Capital - Analyst

Right. Great. Thank you.

---

**Operator**

We'll take our next question from Joe Magner with Macquarie Capital.

---

**Joe Magner** - Macquarie Research Equities - Analyst

Good morning. Thanks. Just wanted to make sure that I had the outlook for the Eagle Ford straight. I think on the call today you mentioned that current production is around 80,000 barrels a day, targeting 92,000 at the end of the year, net of asset sales. I believe prior target was around 70,000. But if I'm not mistaken the planned package that you were marketing was for 11,000 barrels a day of volumes, and now it's 5,000. I just want to make sure that I have all the pieces.

---

**Steve Dixon** - Chesapeake Energy Corp - COO and Acting CEO

It's kind of confusing on gross and net, and then whether it's oil liquids versus BOE. I believe the 70,000 was liquids and the 92,000 is BOE. So I think those numbers are still consistent. And both those are with the planned asset sales of 5,000 net to us.

---

**Joe Magner** - Macquarie Research Equities - Analyst

So is that 5,000 net, that's consistent with the prior plan?

---

**Steve Dixon** - Chesapeake Energy Corp - COO and Acting CEO

Yes, that was 10,000, 11,000 gross, 5,000 net in the asset sale.

---

**Joe Magner** - *Macquarie Research Equities - Analyst*

Okay. Great. That squares out. Thanks.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

No problem, Joe.

---

**Operator**

We'll take our next question from Mike Kelly with Global Hunter Securities.

---

**Mike Kelly** - *Global Hunter Securities, LLC - Analyst*

Thanks, Steve. Good morning. You mentioned that these smaller asset sales that are likely off our radar screen are starting to add up in aggregate here. And was just hoping you could quantify, if you look at the \$5 billion to \$7 billion in terms of the total divestiture program this year, how much of that might be made up of these smaller asset sales.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

I don't have a tally of that for you, Mike. But I just really wanted to mention that, because like you said, it's not on anybody's radar screen. And we have a number of them with our huge acreage position, really the fringe in all these plays are some parts that are really good that really we don't have the capital attention to, are valuable to others. And we're just continuing to click along at 50 to 100 or more little asset sales that are really starting to add up.

---

**Mike Kelly** - *Global Hunter Securities, LLC - Analyst*

Okay. Maybe I'll try again for kind of a ballpark figure, just something to think of as \$1 billion in aggregate or potentially more than that, or considerably less than that? I'm not sure how to take this.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

Again, I'll just say that as we get definitive agreements, we will release and provide that information.

---

**Mike Kelly** - *Global Hunter Securities, LLC - Analyst*

Thank you.

---

**Steve Dixon** - *Chesapeake Energy Corp - COO and Acting CEO*

We've reached the top of the hour and I'd like to wrap up the call. I want to thank everyone for their attendance on such a short notice. Please direct additional questions to Jeff and Gary. Thank you.

---

**Operator**

And that concludes today's teleconference. Thank you for your participation.



**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2013, Thomson Reuters. All Rights Reserved.

