MAYER·BROWN

How LNG is Transforming the Global Energy Market – US Developments

David Bloom
Partner
Mayer Brown

Renato Pereira
Vice President, Origination
Cheniere Energy, Inc.

Jose Valera
Partner
Mayer Brown

Bill Wince
Vice President, Transportation & Business Development
Chesapeake Energy Marketing, Inc.

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Presenters

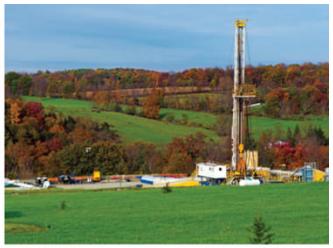
David Bloom
Mayer Brown

Renato Pereira
Cheneire Energy, Inc.

Jose Valera
Mayer Brown

Bill Wince
Chesapeake Energy Marketing, Inc.

BOLD MOVES
BIG FUTURE



Chesapeake ENERGY

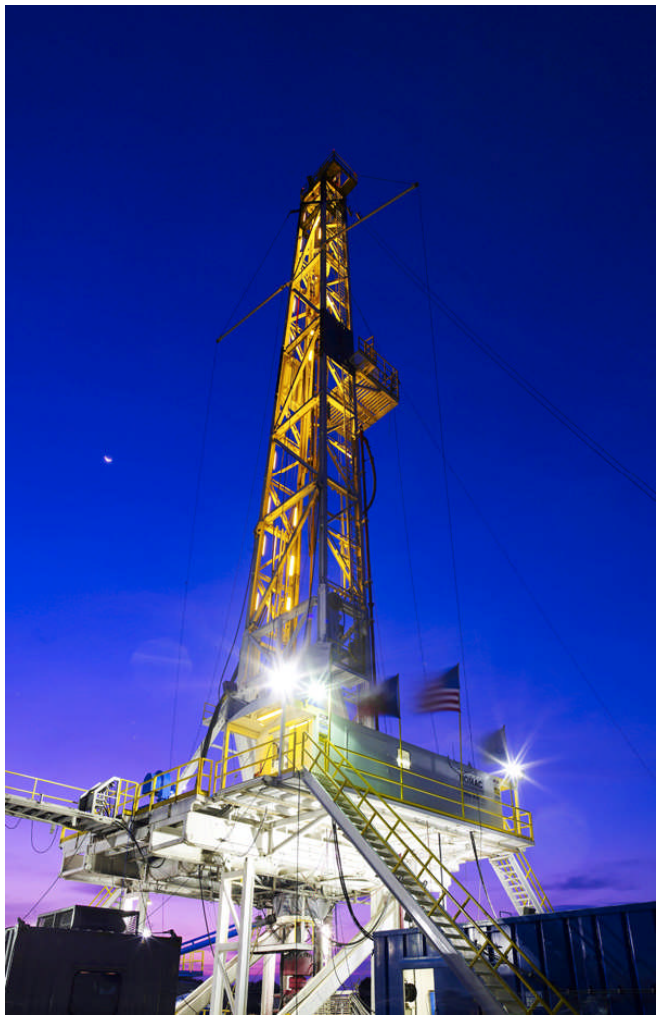
MAYER BROWN WEBINAR

SEPTEMBER 18, 2012

CHESAPEAKE OVERVIEW

Chesapeake ENERGY

THE PREMIER COLLECTION OF E&P ASSETS IN THE U.S.

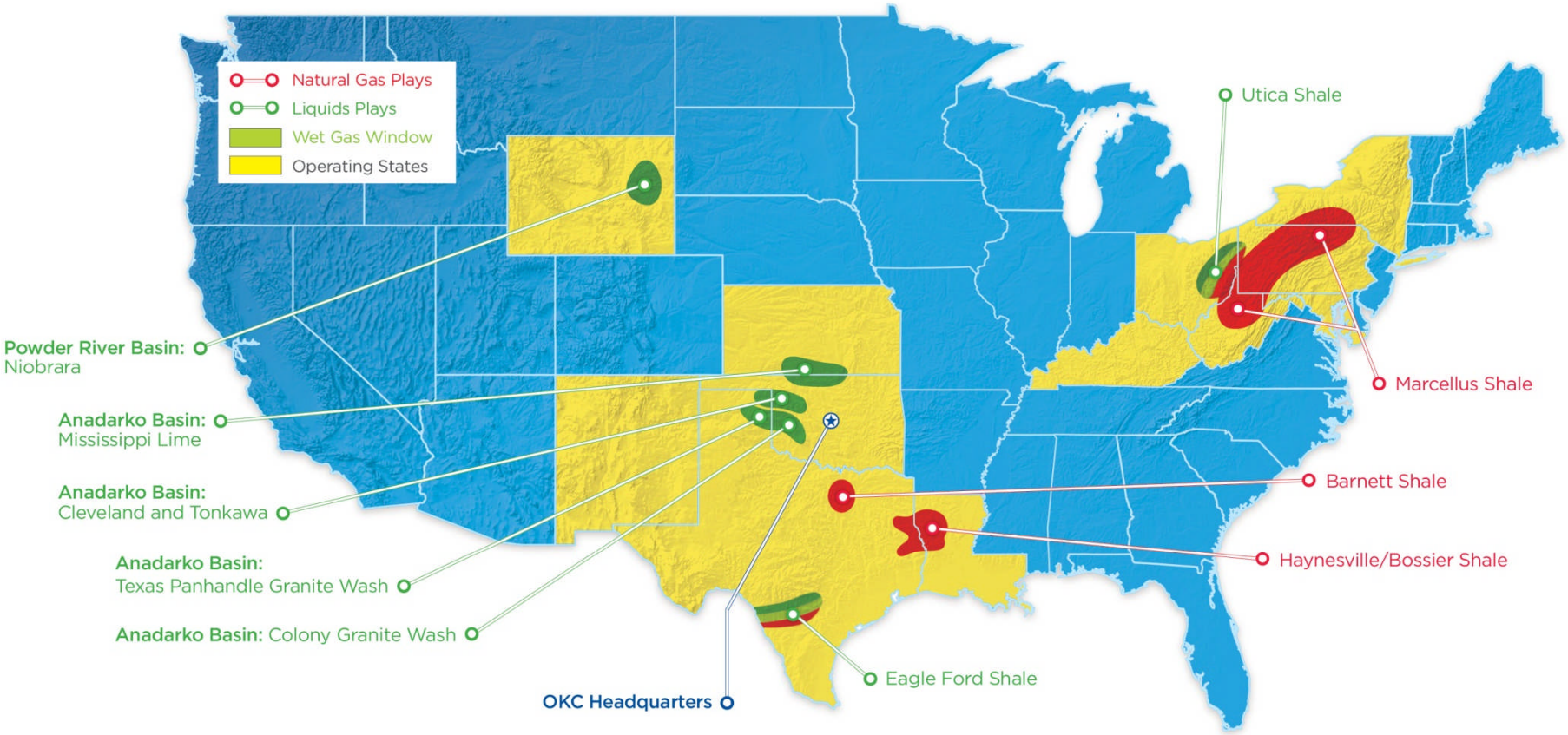


- **Top-tier production growth**
  - 2Q ’12 total production averaged ~3.8 bcfe/d, up 25% YOY and 4% sequentially
  - 2Q ’12 liquids production of ~130,200 bbls/d, up 65% YOY and 15% sequentially
- **During past seven years of “Unconventional Resource Revolution” in the U.S., CHK captured America’s largest natural gas and liquids resource base**
  - 17.4 tcfe or 2.9 Bboe of proved reserves(1)
- **Unparalleled inventory of U.S. onshore leasehold and 3D seismic**
  - >15 mm net acres of U.S. onshore leasehold and >30 mm acres of 3D seismic data
- **Concentrated focus through owning #1 or #2 position in 10 key plays**
- **High quality assets**
  - PXP, BP, STO, TOT, CNOOC JVs and BHP Fayetteville sale validate asset quality and value
  - Exclusive focus onshore U.S. where the highest risk-adjusted returns in the industry are available

(1) Based on the trailing 12-month average first-day-of-the-month prices as of 6/30/12

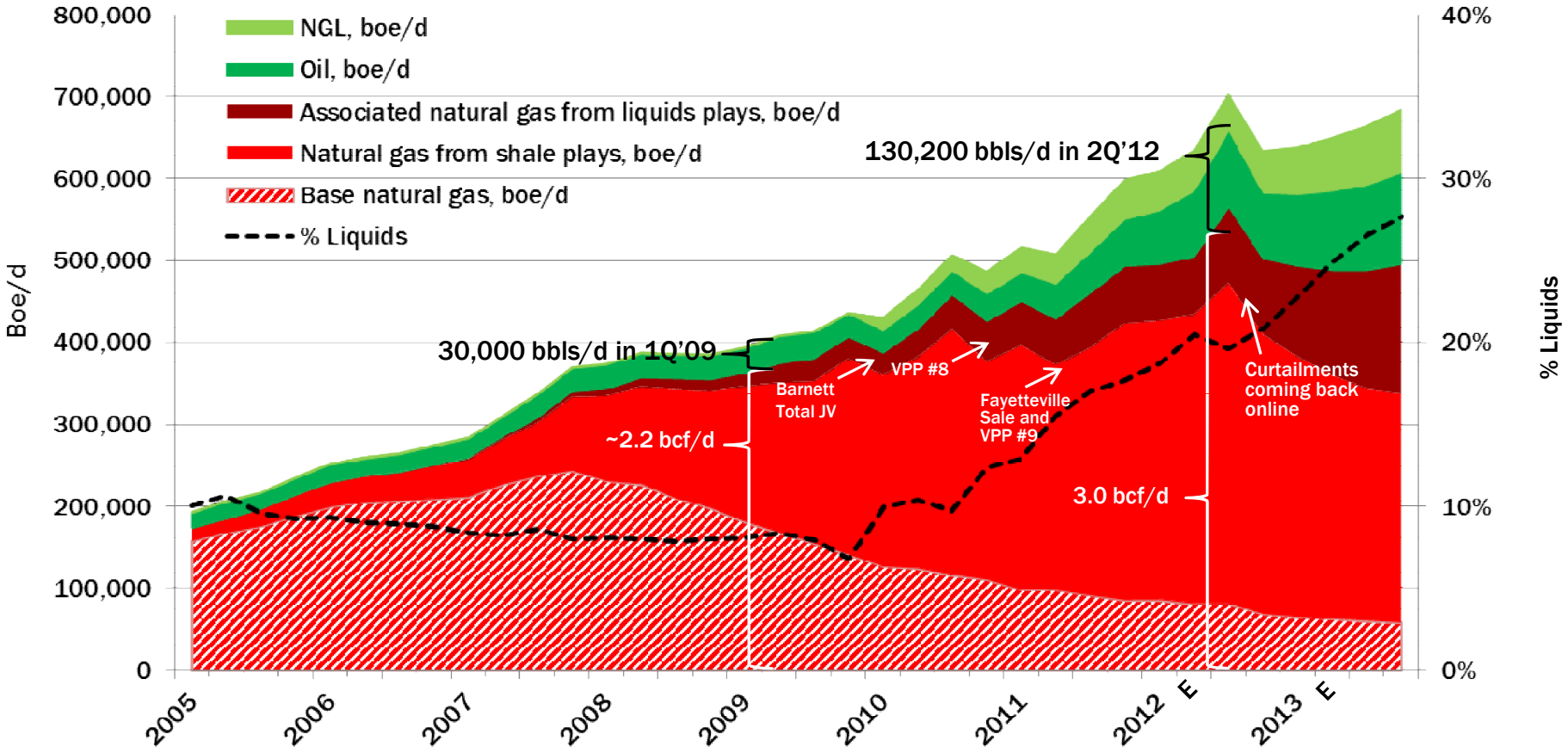
CHK'S 10 KEY PLAYS

Low-risk, U.S. onshore asset base; not exposed to economic, geopolitical or technological risks internationally or in the Gulf of Mexico



Once our asset sales are complete we will exclusively focus on 10 leading plays in which we have a #1 or #2 position

GUIDANCE ON FUTURE EQUITY PRODUCTION- CHK GAS PRODUCTION WILL FALL IF PRICES STAY BELOW $4



CHK is targeting net liquids production to average 130,000 bbls/d, 170,000 bbls/d, 250,000 bbls/d in 2012, 2013 and 2015, respectively

TOP 20 U.S. NATURAL GAS PRODUCERS

	Company	Ticker	Daily U.S. Natural Gas Production[1][2] 2Q'12	1Q'12	2Q'11	2Q'12 vs. 1Q'12 % Change	2Q'12 vs. 2Q'11 % Change	2011 Reported U.S. Net Proved Natural Gas Reserves (BCFE)	RP Ratio[3]	2011 Reported Proved U.S. Natural Gas Reserves Ranking	U.S. Gas Rigs Drilling on 07/27/12[4]	U.S. Gas Rigs Drilling on 1/1/10[4]	U.S. Gas Rigs % Drilling Change Since 1/1/10
1	ExxonMobil	XOM	3,897	3,932	3,842	(0.9%)	1.4%	26,366	19	1	33	52	(37%)
2	Chesapeake	CHK	3,027	2,978	2,575	1.6%	17.6%	15,515	14	2	12	110	(89%)
3	Anadarko	APC	2,544	2,416	2,326	5.3%	9.4%	8,365	9	7	20	24	(17%)
4	Devon	DVN	2,050	2,071	2,029	(1.0%)	1.1%	9,513	13	5	29	34	(15%)
5	BP	BP	1,833	1,820	1,833	0.7%	0.0%	13,552	20	3	6	12	(50%)
6	EnCana	ECA	1,565	1,779	1,864	(12.0%)	(16.0%)	8,432	15	6	11	40	(73%)
7	ConocoPhillips	COP	1,512	1,561	1,651	(3.1%)	(8.4%)	10,148	18	4	5	10	(50%)
8	Southwestern	SWN	1,508	1,465	1,347	2.9%	11.9%	5,893	11	9	16	16	0%
9	BHP	BHP	1,374	1,378	856	(0.3%)	60.5%	2,730	5	18	22	19	16%
10	Chevron	CVX	1,186	1,170	1,299	1.4%	(8.7%)	3,646	8	12	7	1	600%
11	WPX	WPX	1,142	1,133	1,203	0.8%	(5.1%)	3,983	10	11	9	14	(36%)
12	EOG	EOG	1,070	1,062	1,114	0.8%	(3.9%)	6,046	15	8	9	31	(71%)
13	Shell	RDS	997	1,051	903	(5.1%)	10.4%	3,196	9	14	14	14	0%
14	Apache	APA	844	834	880	1.2%	(4.1%)	2,976	10	15	5	8	(38%)
15	Occidental	OXY	840	834	761	0.7%	10.4%	3,365	11	13	2	1	100%
16	QEP	QEP	703	661	626	6.4%	12.3%	2,749	11	17	10	15	(33%)
17	Ultra	UPL	693	732	627	(5.4%)	10.5%	4,779	19	10	2	11	(82%)
18	EP Energy	EP	688	688	676	0.0%	1.8%	2,566	10	19	2	8	(75%)
19	Cabot	COG	651	620	474	5.0%	37.4%	2,910	12	16	5	12	(58%)
20	Equitable	EQT	619	558	482	11.0%	28.6%	0	0	9	7	19	(63%)
	Totals / Average		29,272	29,264	27,856	0.0%	5.1%	138,021			233	464	(50%)
	Other Producers										218	340	(36%)
	Total										451	804	(44%)

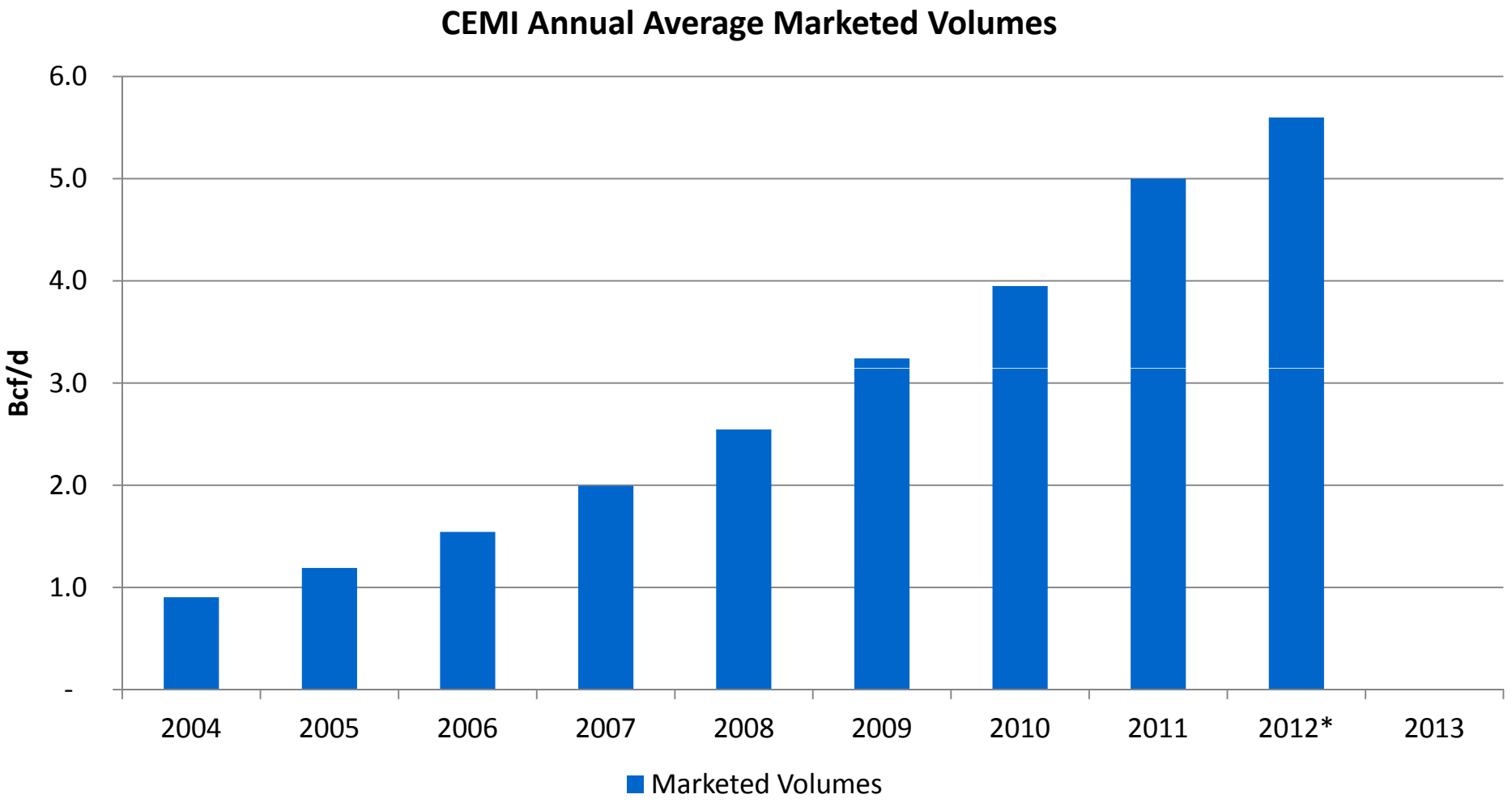
(1) Based on 2Q'12 company reports
(2) In mmcf/day
(3) Based on annualized production
(4) Source: Smith Bits, a Schlumberger Company

TOP 20 U.S. LIQUIDS PRODUCERS

	Company	Ticker	Daily U.S. Liquids Production[1][2] 2Q'12	1Q'12	2Q'11	2Q'12 vs. 1Q'12 % Change	2Q'12 vs. 2Q'11 % Change	2011 Reported Proved U.S. Liquids Reserves (MMBBL)	RP Ratio[3]	2011 Reported Proved U.S. Liquids Reserves Ranking	U.S. Liquids Rigs Drilling on 07/27/12[4]	U.S. Liquids Rigs Drilling on 1/1/10[4]	U.S. Liquids Rigs Drilling % Change Since 1/1/10
1	BP	BP	465	454	465	2.4%	0.0%	2,858	17	1	3	5	(40%)
2	Chevron	CVX	461	456	478	1.1%	(3.6%)	1,311	8	5	15	5	200%
3	ExxonMobil	XOM	419	426	429	(1.6%)	(2.3%)	2,372	16	2	16	4	300%
4	ConocoPhillips	COP	404	427	383	(5.4%)	5.5%	2,009	14	3	25	6	317%
5	Occidental	OXY	322	316	297	1.9%	8.4%	1,751	15	4	25	11	127%
6	Anadarko	APC	233	218	206	6.9%	13.1%	1,034	12	6	15	5	200%
7	Shell	RDS	209	228	221	(8.3%)	(5.4%)	838	11	7	9	4	125%
8	EOG	EOG	205	181	131	13.1%	56.9%	722	10	9	47	13	262%
9	Apache	APA	157	148	139	6.1%	13.1%	794	14	8	50	2	2400%
10	Devon	DVN	146	157	138	(6.8%)	5.6%	693	13	10	26	7	271%
11	Chesapeake	CHK	130	114	79	14.6%	64.7%	546	11	12	116	15	673%
12	Hess	HES	124	109	90	13.8%	37.8%	293	6	16	21	4	425%
13	Continental	CLR	95	60	40	57.9%	134.2%	326	9	14	35	26	35%
14	Marathon	MRO	93	90	72	3.3%	29.2%	279	8	17	29	5	480%
15	BHP	BHP	89	118	86	(24.6%)	3.0%	267	8	18	12	0	1000%
16	Pioneer	PXD	88	85	58	3.8%	53.2%	641	20	11	34	8	325%
17	Whiting	WLL	69	69	53	0.4%	31.1%	298	12	15	25	7	257%
18	Denbury	DNR	67	67	60	0.5%	12.8%	358	15	13	5	1	400%
19	Noble	NBL	62	59	52	5.1%	19.2%	244	11	19	5	1	400%
20	Plains	PXP	60	50	49	20.4%	23.2%	244	11	20	7	0	700%
	Totals / Average		3,899	3,831	3,525	1.8%	10.6%	17,877			520	129	303%
	Other Producers										889	246	261%
	Total										1,409	375	276%

(1) Based on 2Q'12 company reports
(2) In mbbls/day
(3) Based on annualized production
(4) Source: Smith Bits, a Schlumberger Company

CHESAPEAKE ENERGY MARKETING, INC. GROWTH PROFILE

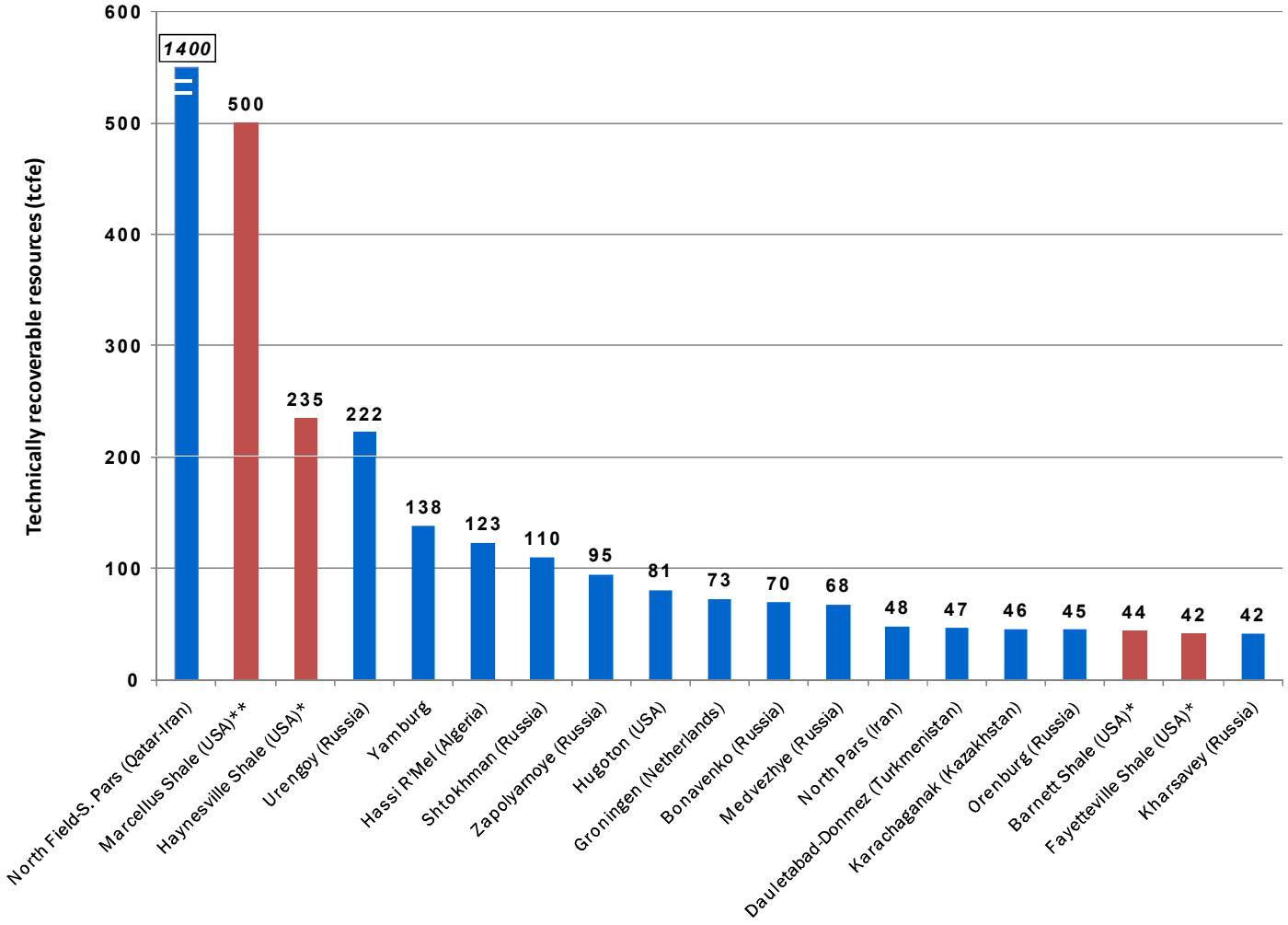


* *2012 figure is CEMI's estimate of average YTD marketed volumes, net of buy back volumes.*

LNG EXPORTS & NORTH AMERICAN GAS SUPPLY

Chesapeake ENERGY

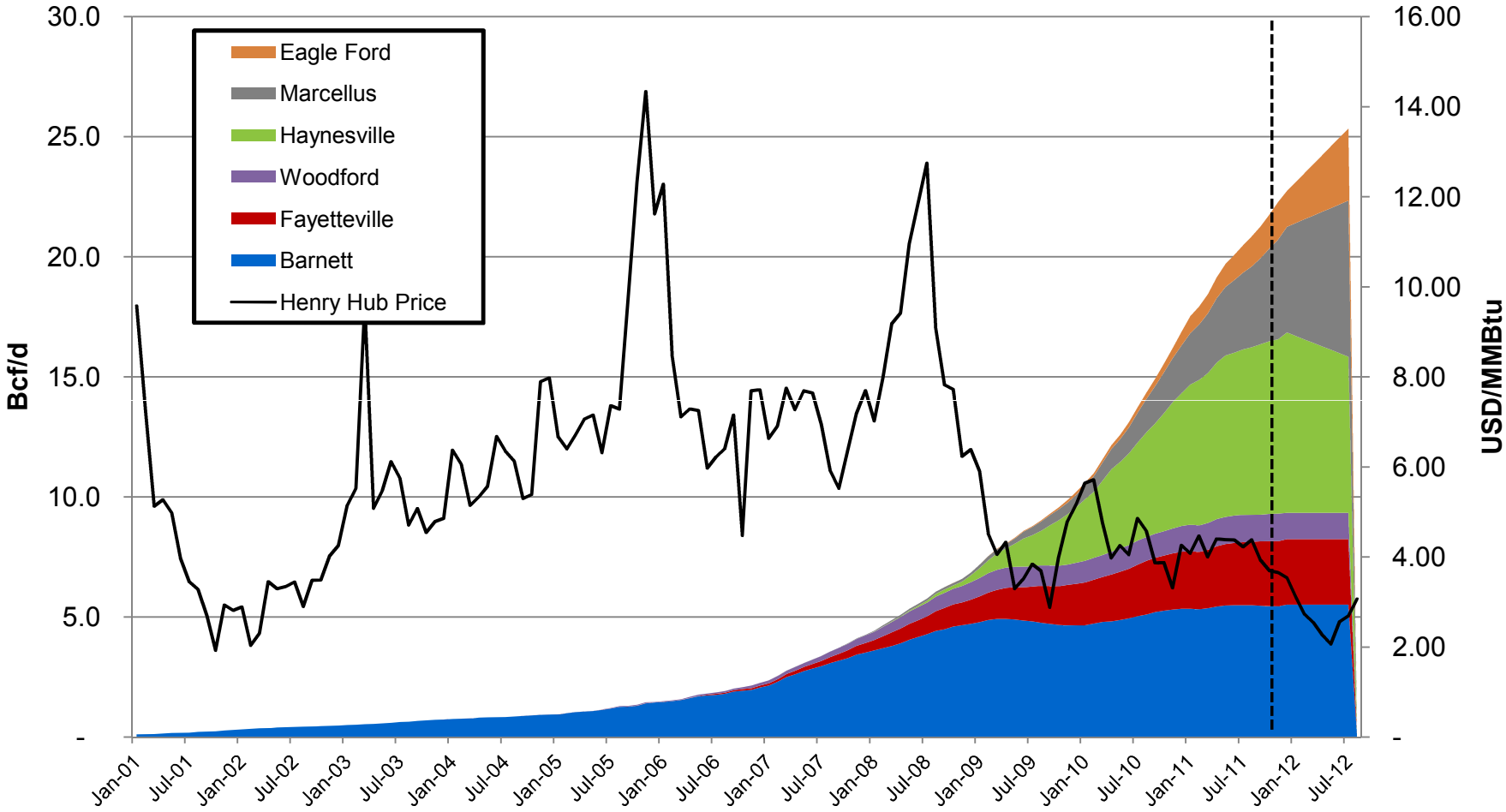
U.S. SHALES: WORLD CLASS RESOURCES



*U.S. Department of Energy (April 2009): Modern Shale Gas Development in the United States: A Primer, p. 17

**Dr. Terry Engelder, Penn State University

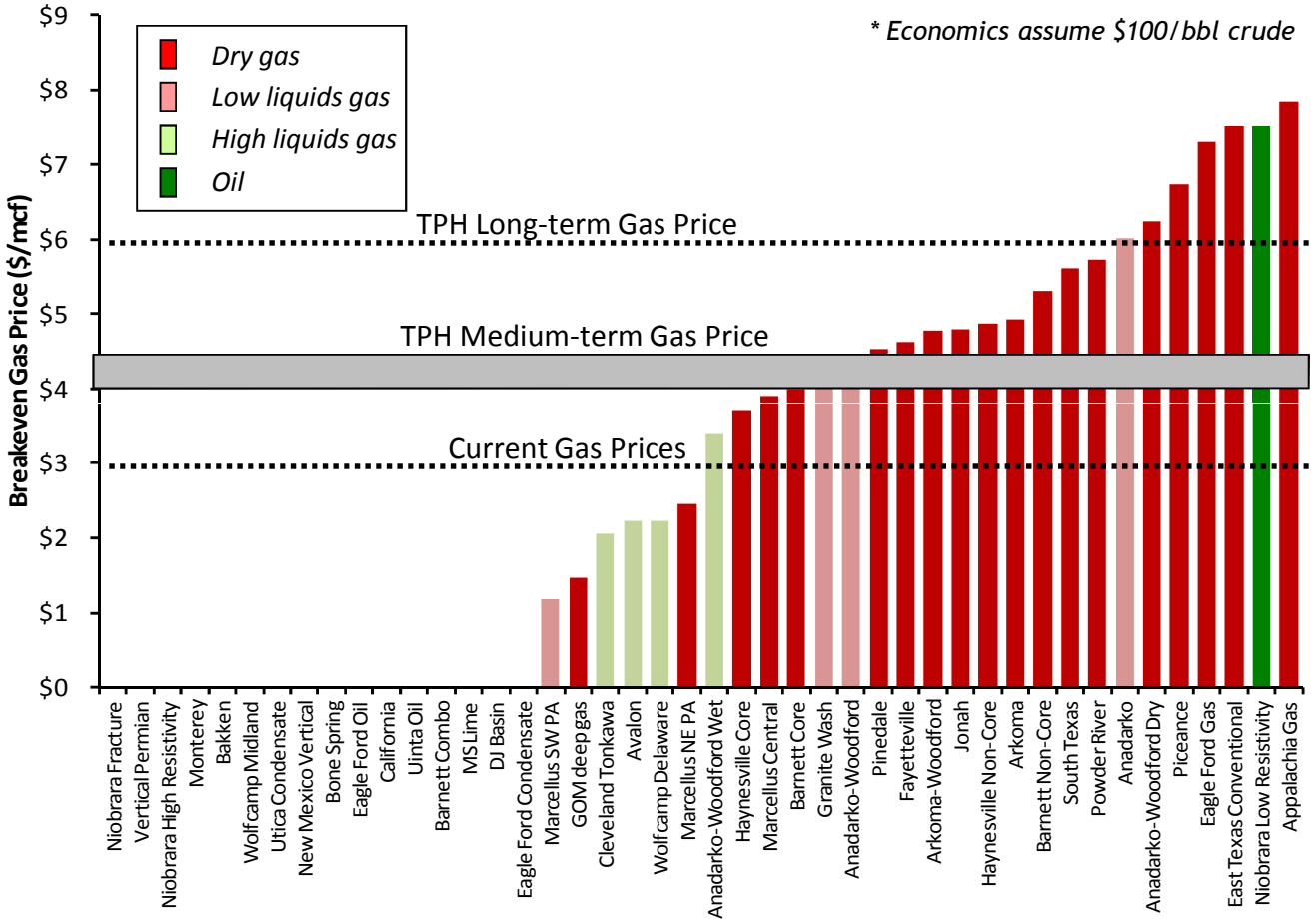
RELENTLESS GROWTH HAS OUTPACED DEMAND & DEPRESSED PRICE



CHK's gross operated shale gas production is ~6.3 bcf/d.

MARGINAL DRY GAS PLAYS NEED HIGHER PRICES

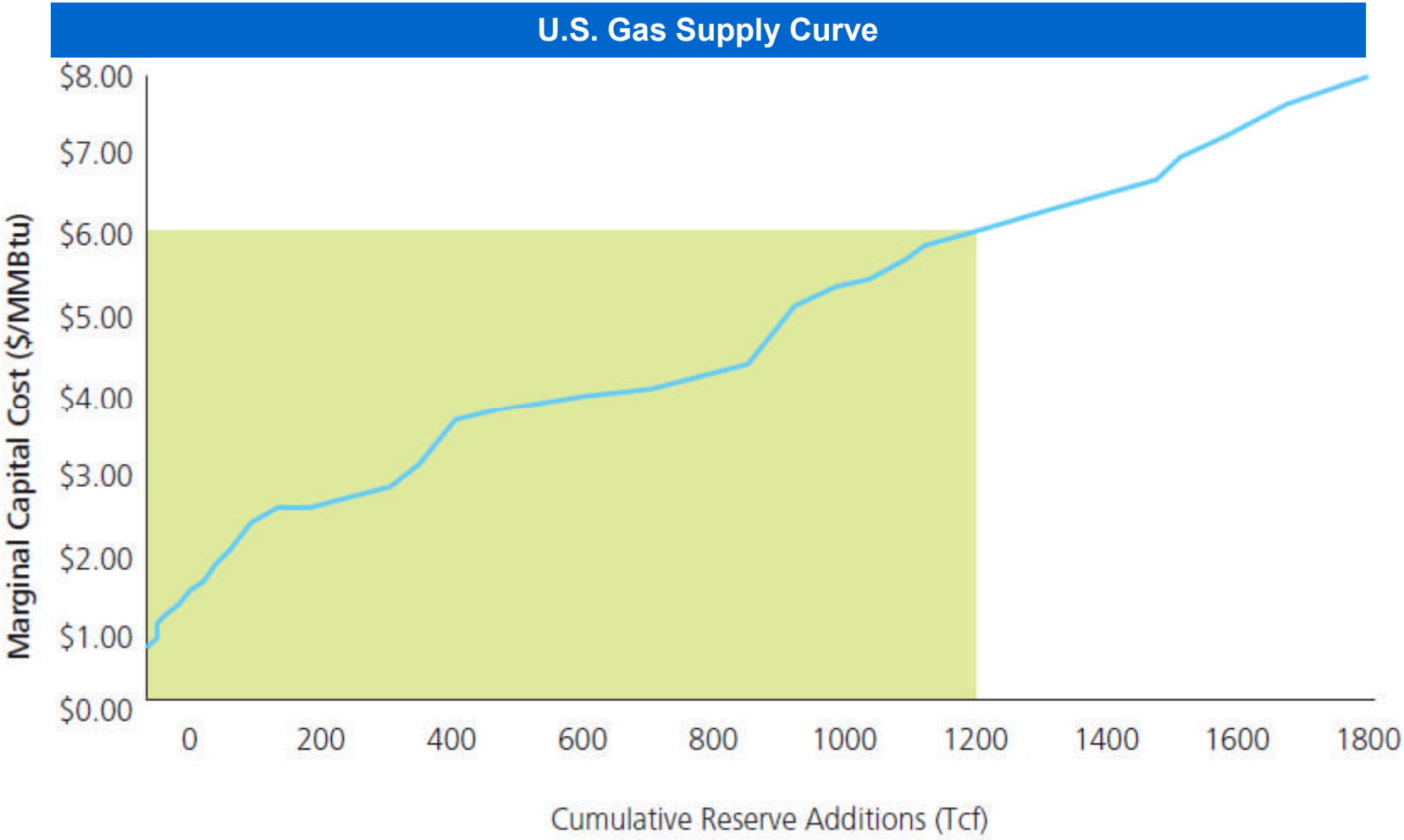
Tudor Pickering Holt Basin Economics Analysis – Gas Price Required for



- Gas prices aren't sustainable below $3/mcf gas. Marcellus is the only onshore gas play that truly works.
- Most basins fall below $6/mcf gas, therefore, demand growth is needed to support our long-term gas price.
- Oil and liquids-rich plays lower the marginal cost of supply.
- Lower oil prices (we're assuming $100/bbl) would increase the marginal cost

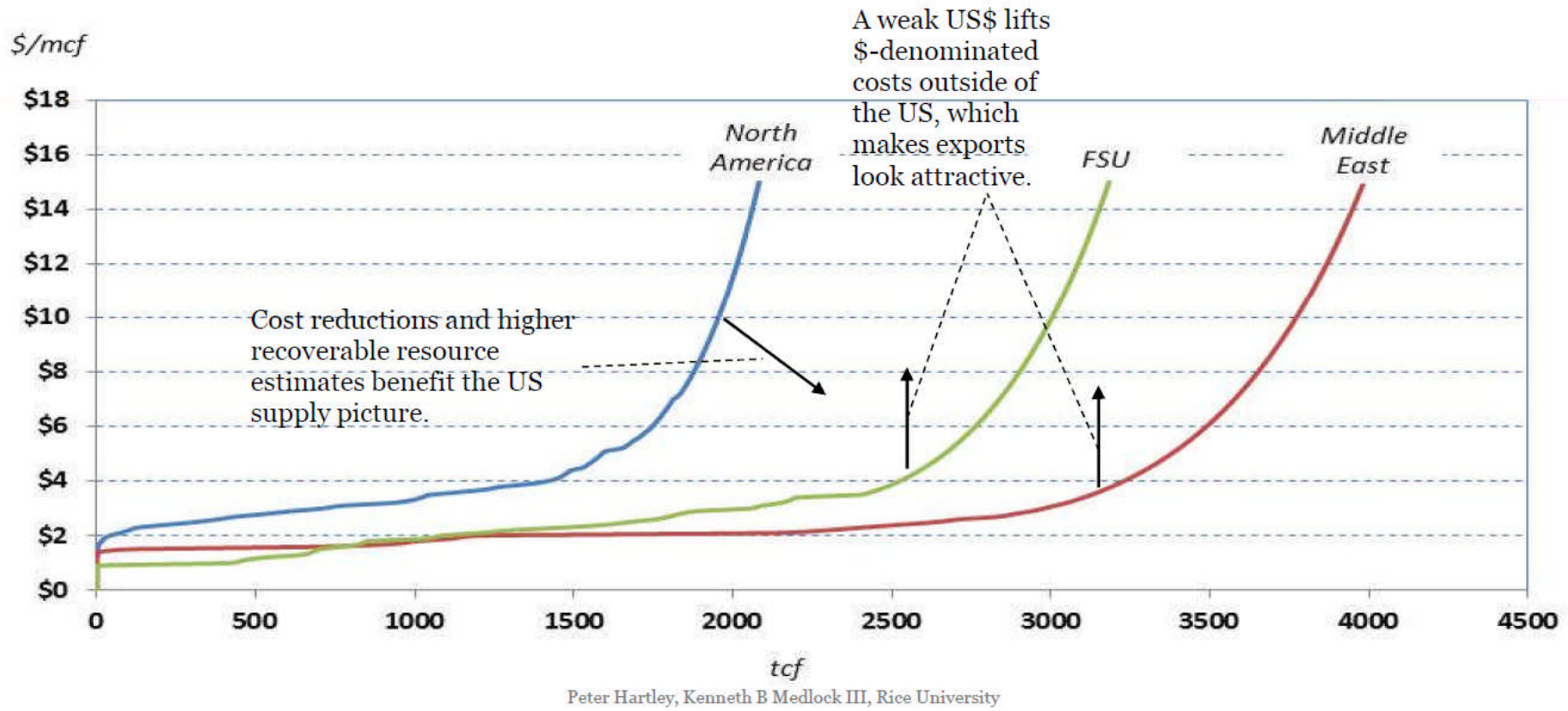
Source: Tudor Pickering Holt

THE GOOD NEWS: DECADES OF GAS FOR U.S. MARKET & EXPORTS BELOW $6



Source: Deloitte Center for Energy Solutions

TECHNOLOGICAL ADVANCES & MONETARY EFFECTS MAKE U.S. EXPORTS INCREASINGLY ATTRACTIVE



Source: Rice University

U.S. TRANSPORTATION NETWORK

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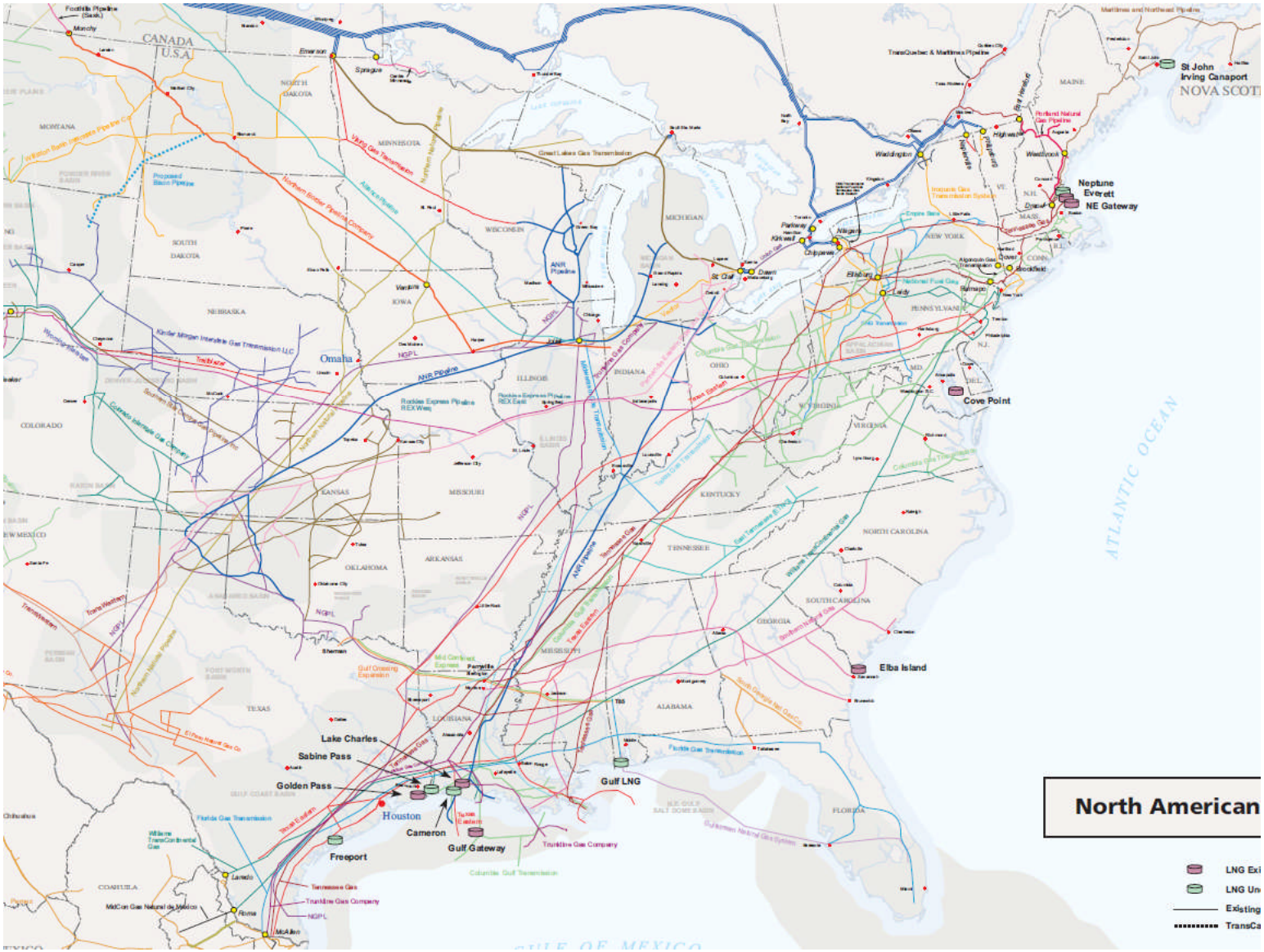
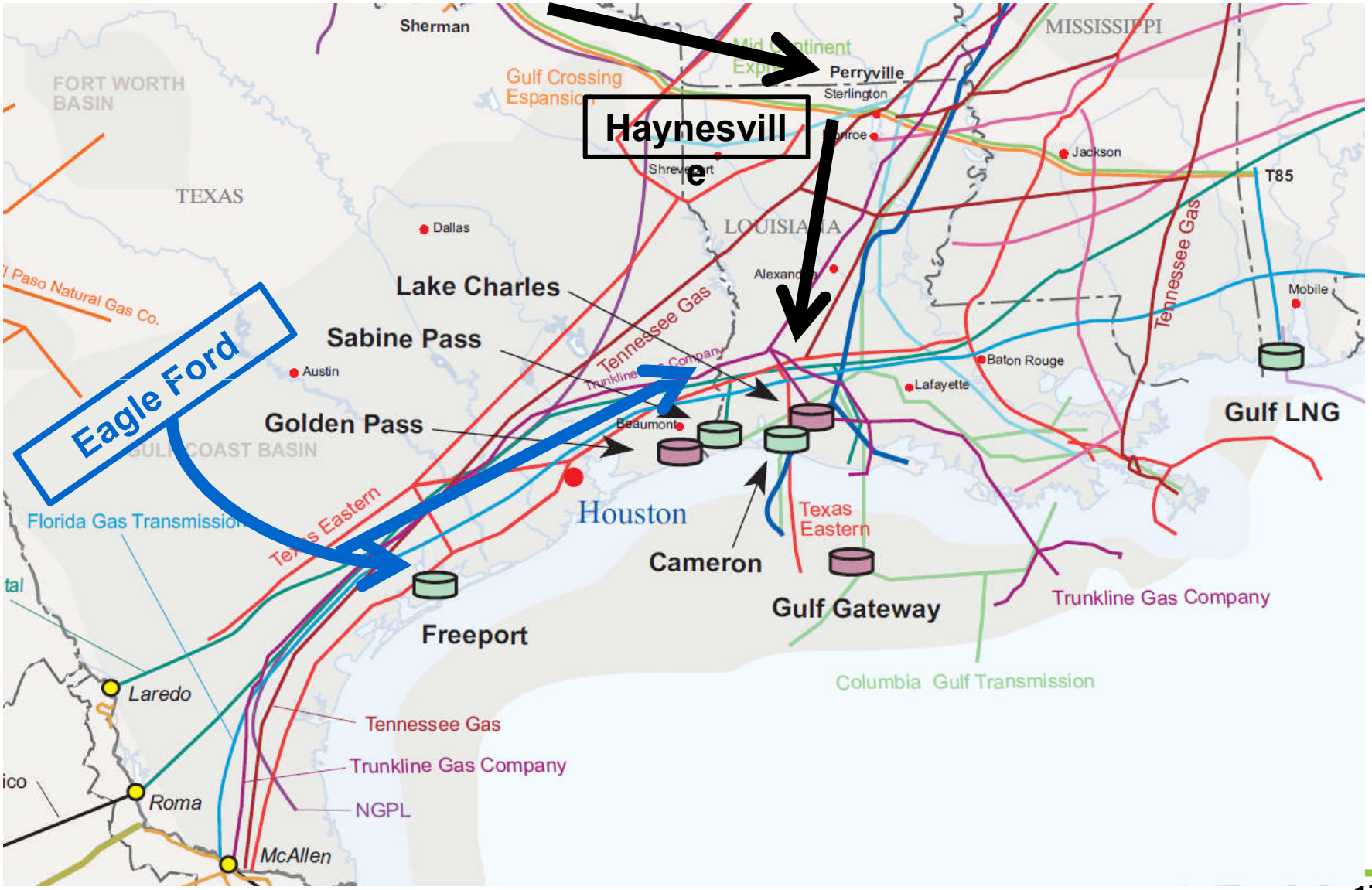
U.S. INTERSTATE PIPELINE NETWORK



PROPOSED GULF COAST EXPORT PROJECTS AND PIPELINES



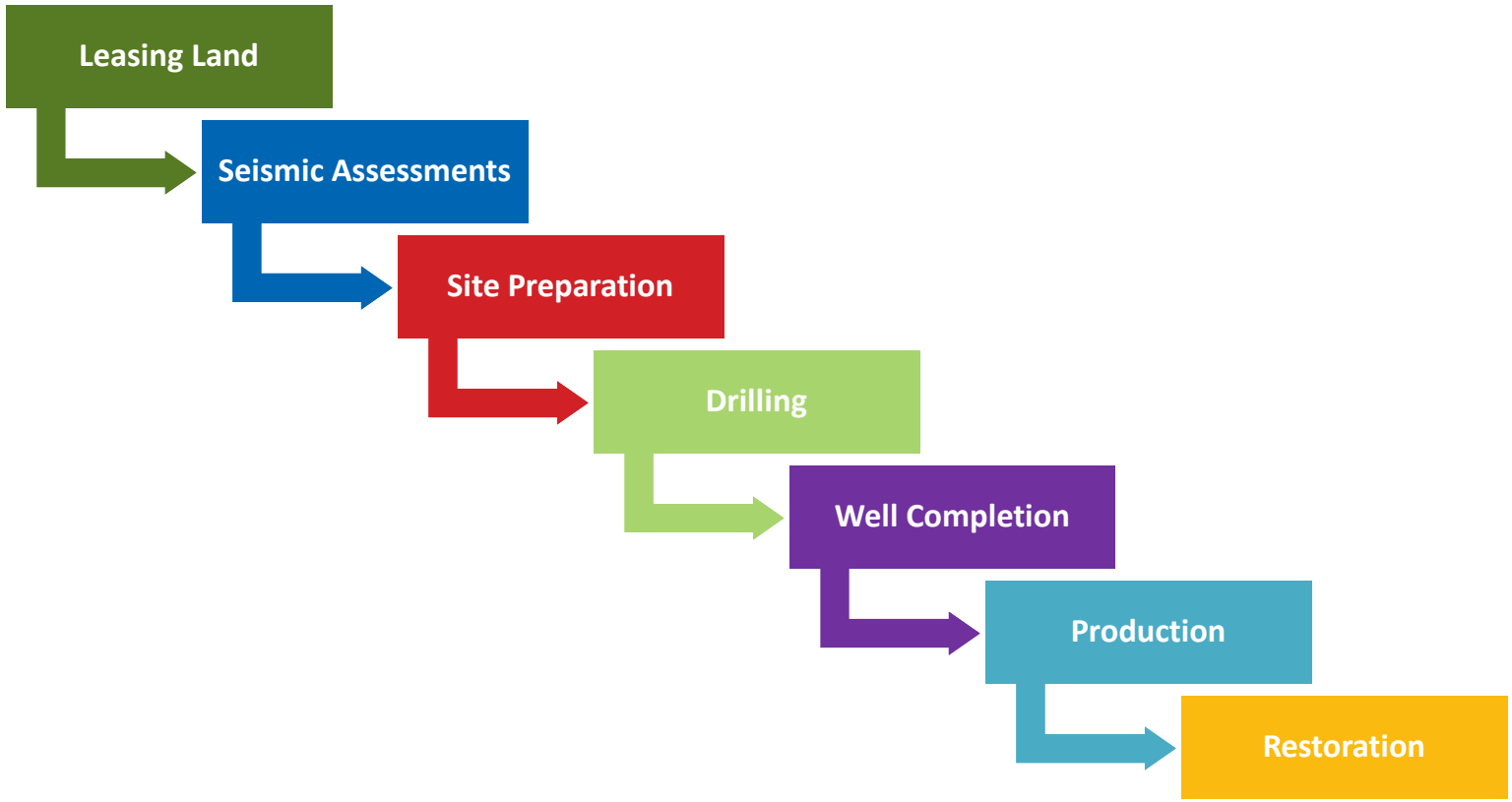
ENVIRONMENTAL OPERATION OVERVIEW:

Buckhannon, WV: During Drilling

Buckhannon, WV: After Site Recovery

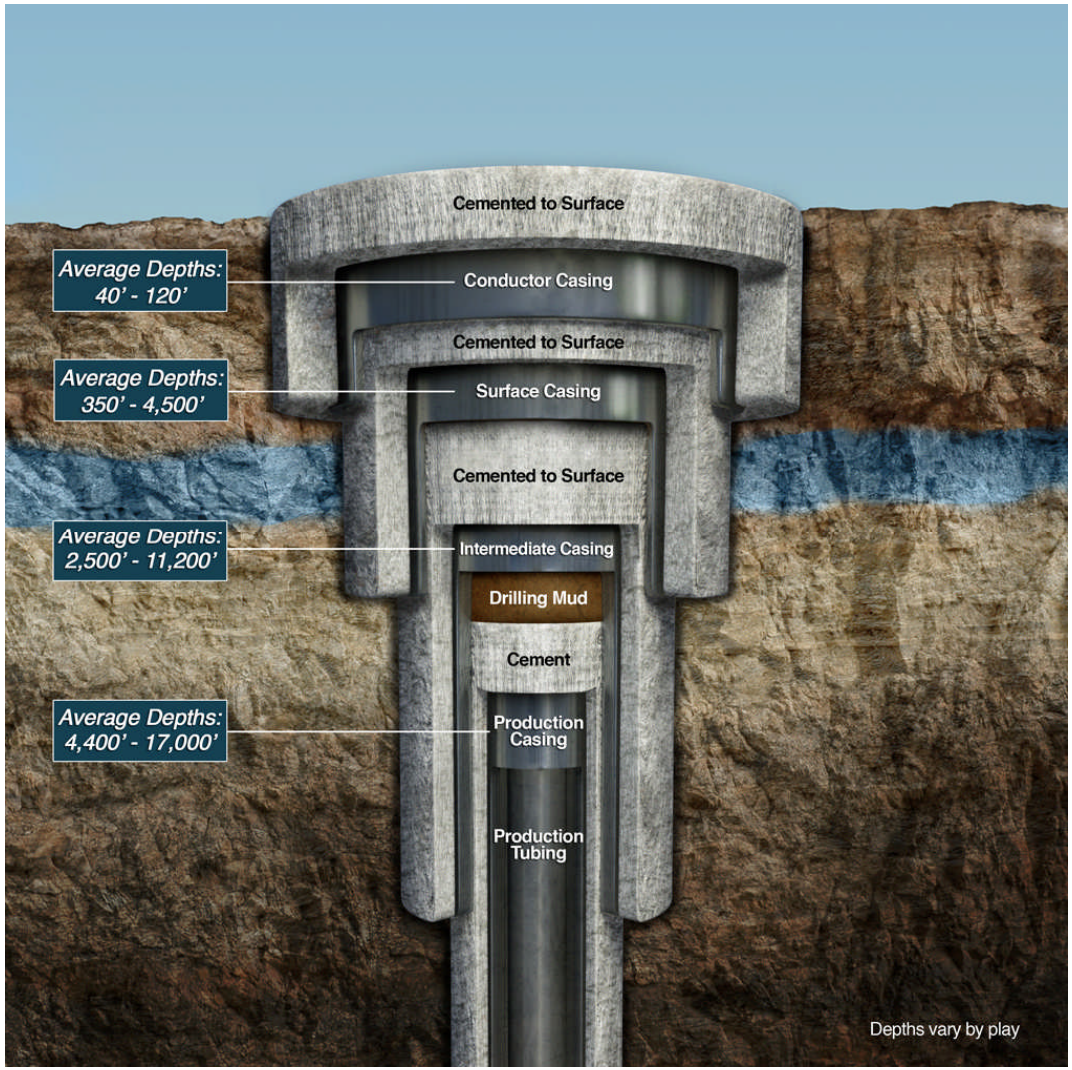
Are our operations regulated?

- Our operations are regulated by federal, state and local agencies from start to finish and are specific to local terrain and climate



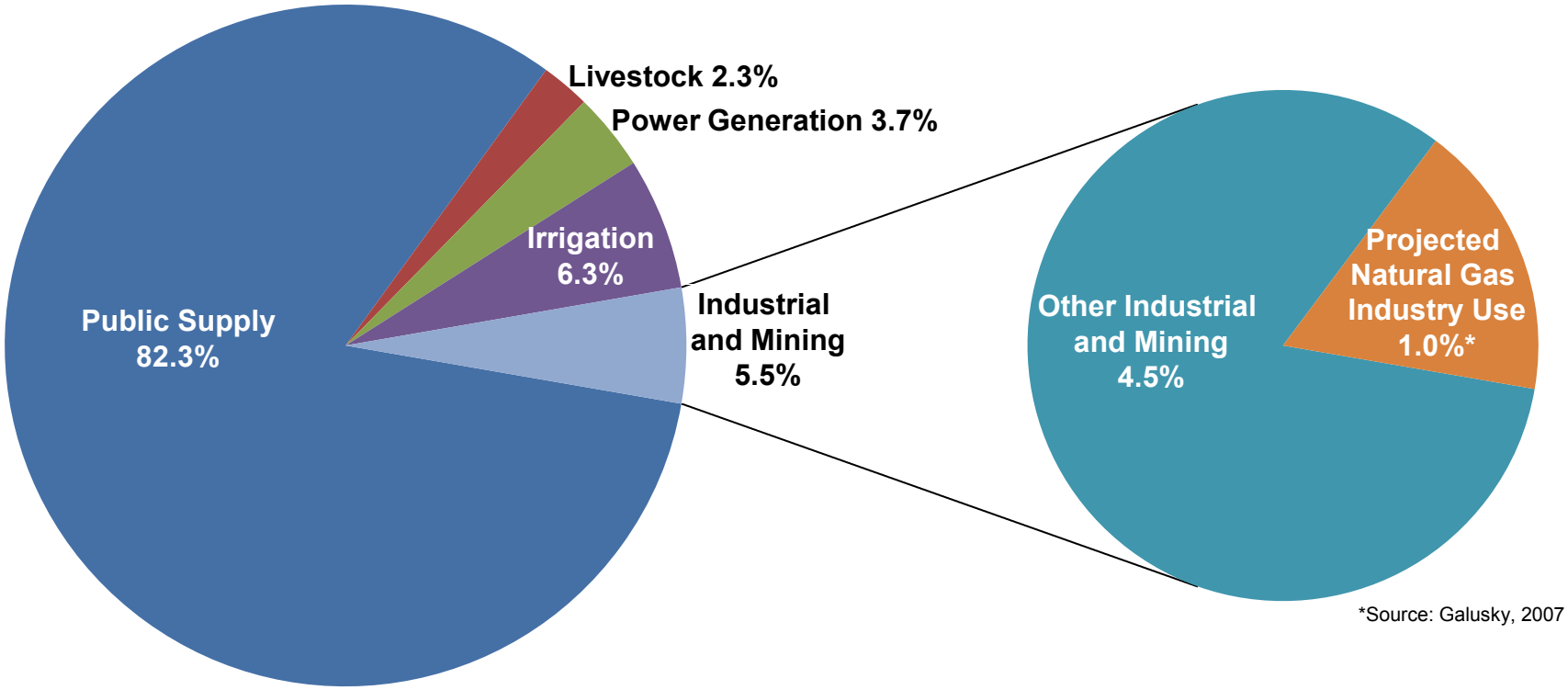
Protecting Groundwater

- Knowing where fresh water is located
- Protective well design



Are we a large water user?

Total water use (surface water and groundwater) in North Central Texas (20-county area) by sector



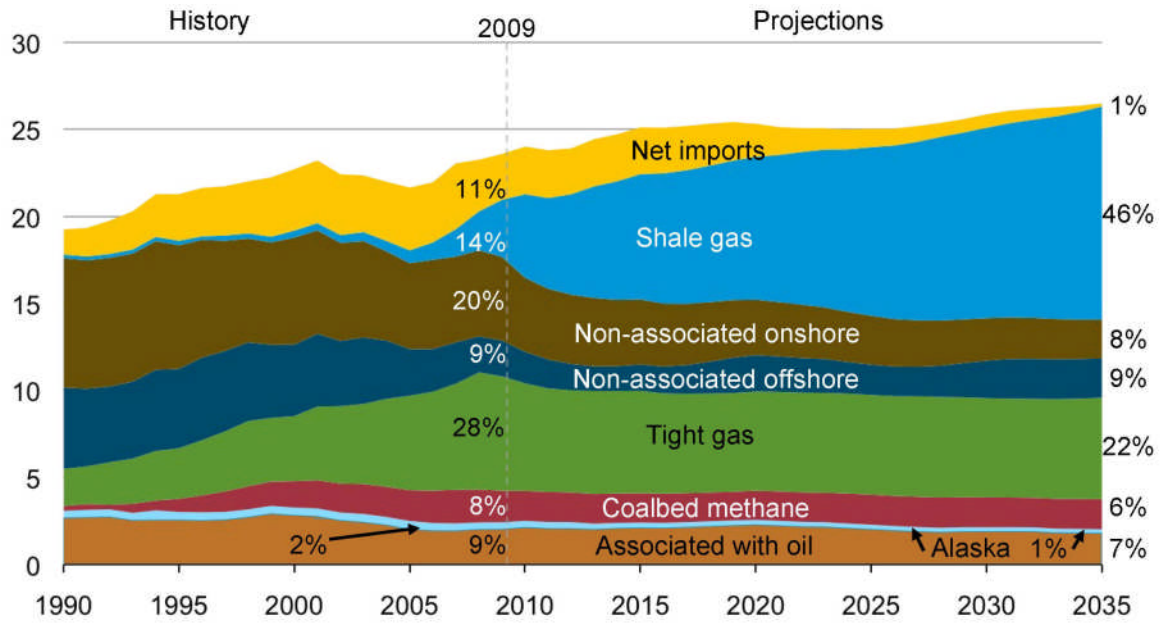
*Source: Galusky, 2007

- Source: Texas Water Development Board, 2006

LNG – Global Demand Outlook

Renato Pereira

Shale Gas – A Growth Story



Source: EIA, Annual Energy Outlook 2011

US Shale Production (MMcf/d)							
	Barnett	**Woodford**	**Fayetteville**	**Haynesville**	**Eagleford**	**Marcellus**	**Total**
2007	3,029	220	230	75	4	0	**3,559**
2008	4,423	544	726	162	6	62	**5,923**
2009	4,909	877	1,399	1,064	51	244	**8,544**
2010	5,148	1,080	2,107	4,040	316	1,501	**14,192**
2011	5,645	1,156	2,567	6,963	1,116	3,265	**20,712**
2012	5,897	1,169	2,798	7,792	1,620	5,075	**24,351**

Source: LCI Energy Insight

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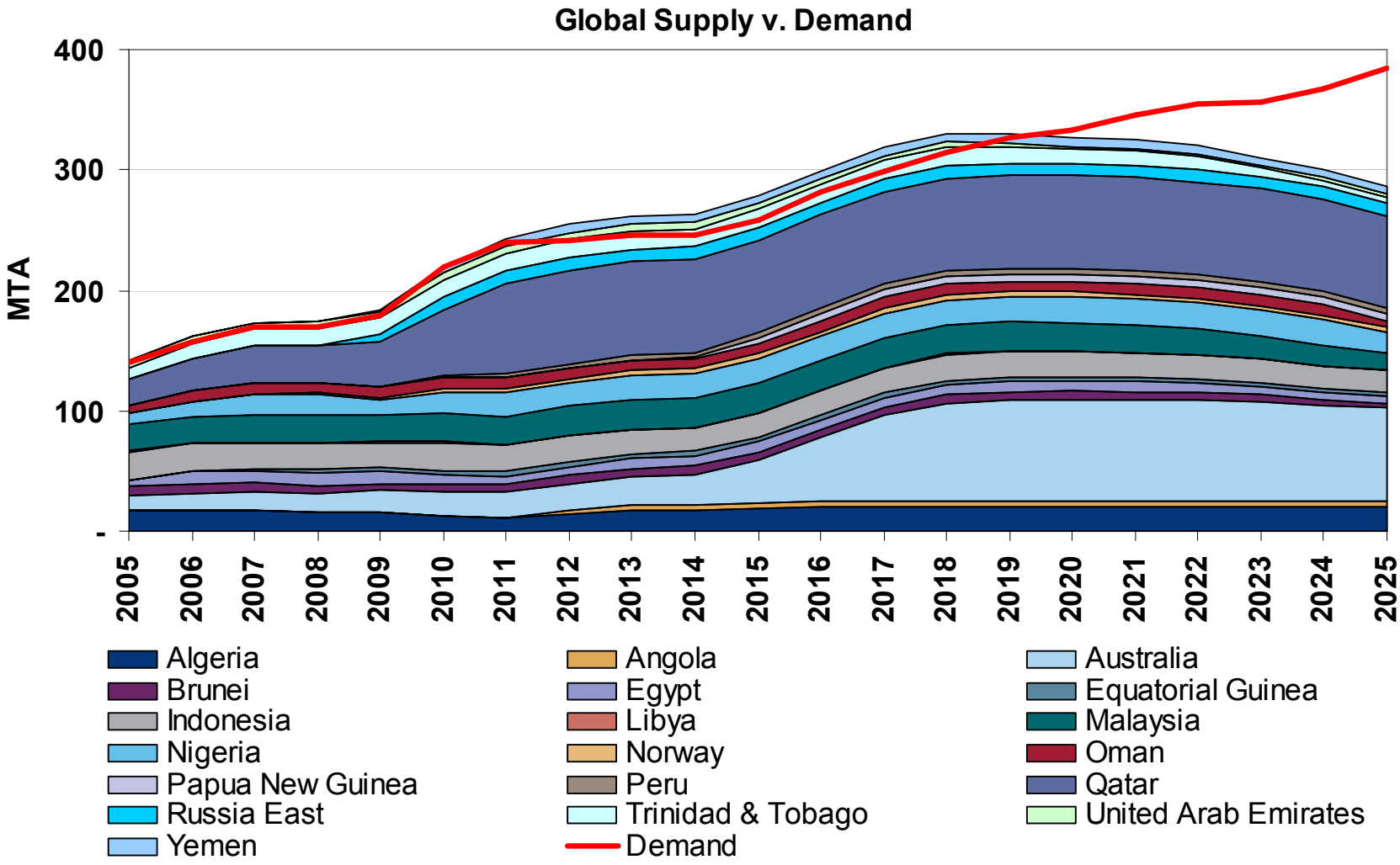
LNG - Nearly 90 MTA of Projected Shortage by 2025



Source: Woodmac; Excludes US proposed LNG

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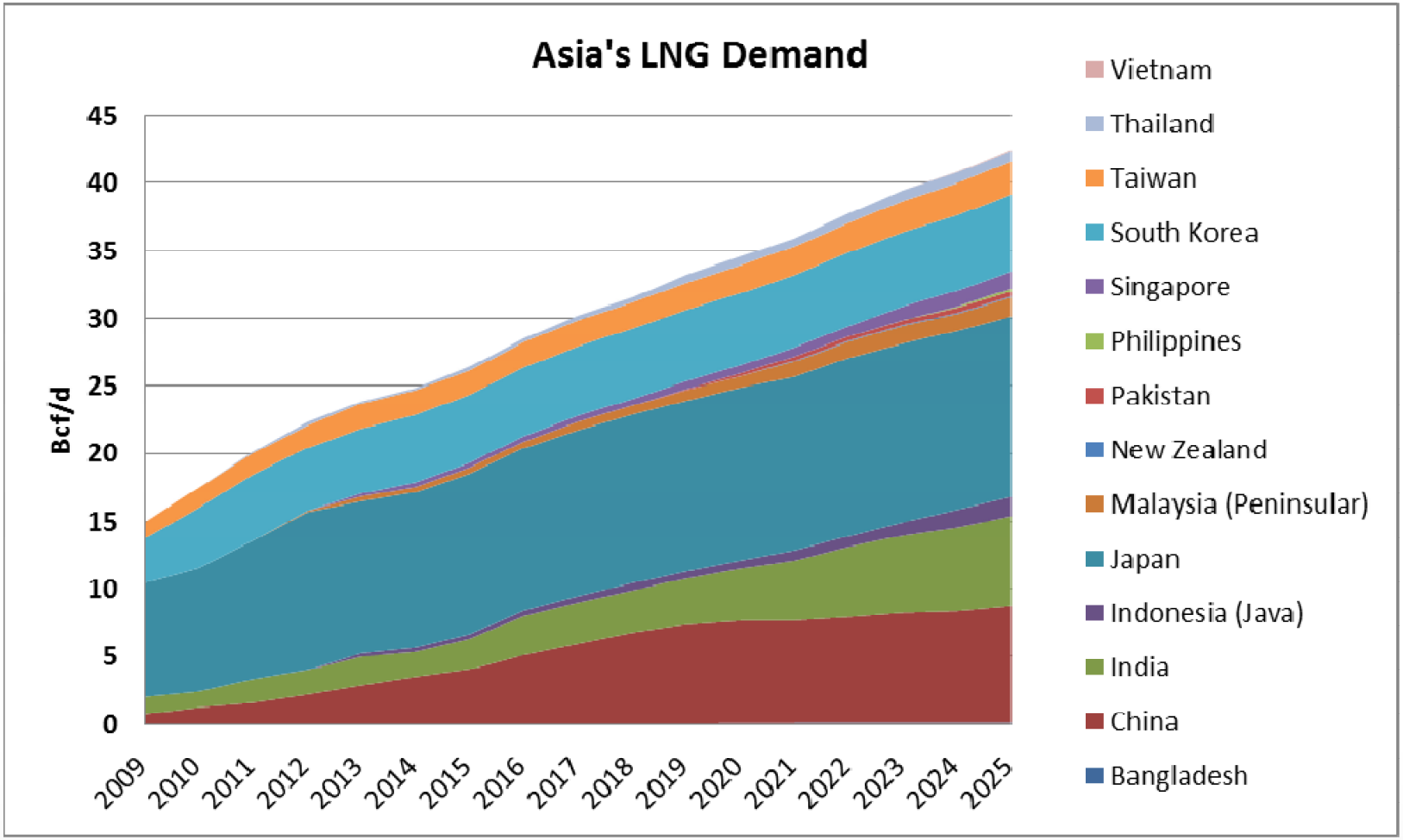
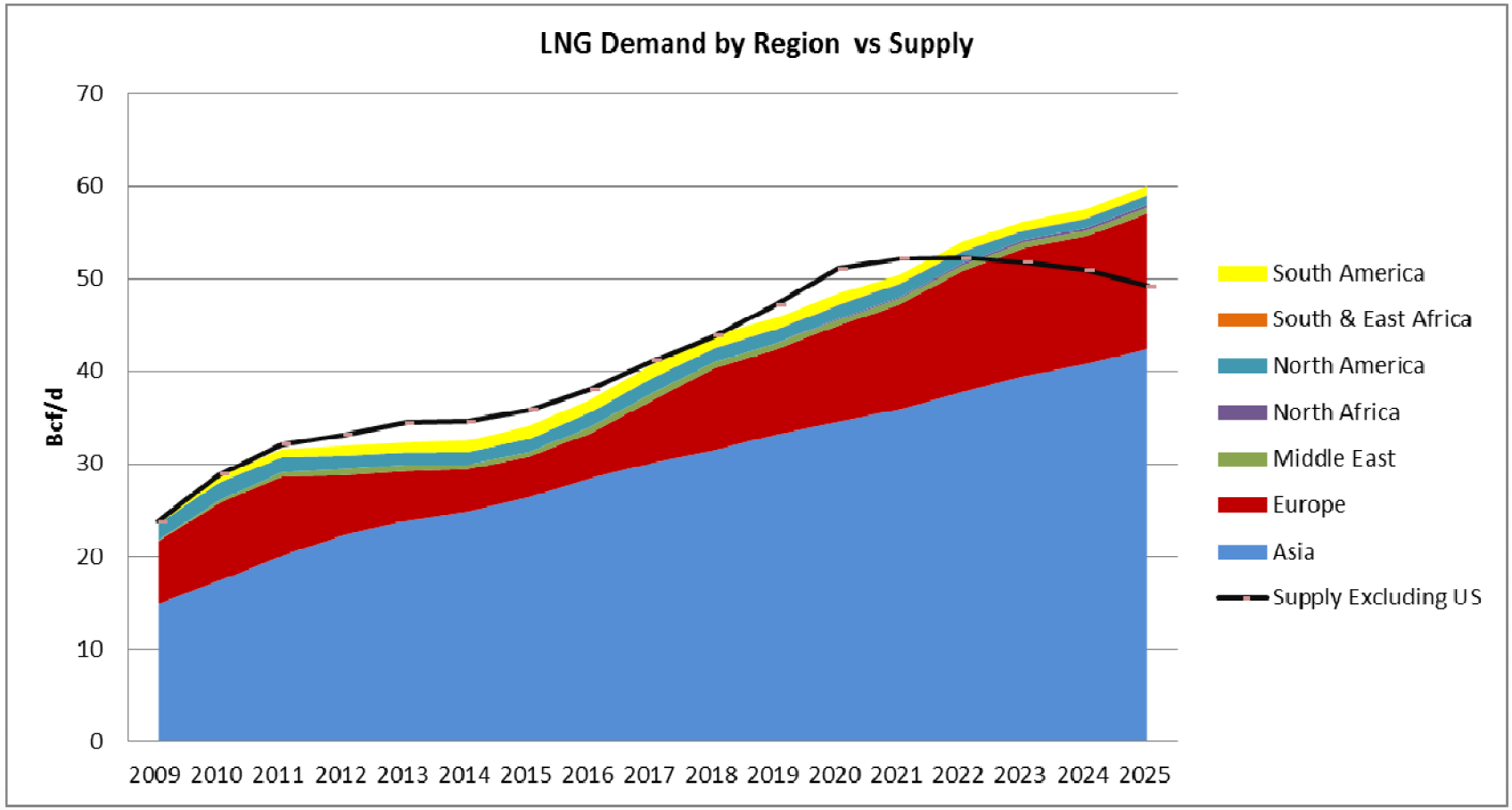
Emerging Markets in Asia are the Locomotives of Growth



Source: Woodmac

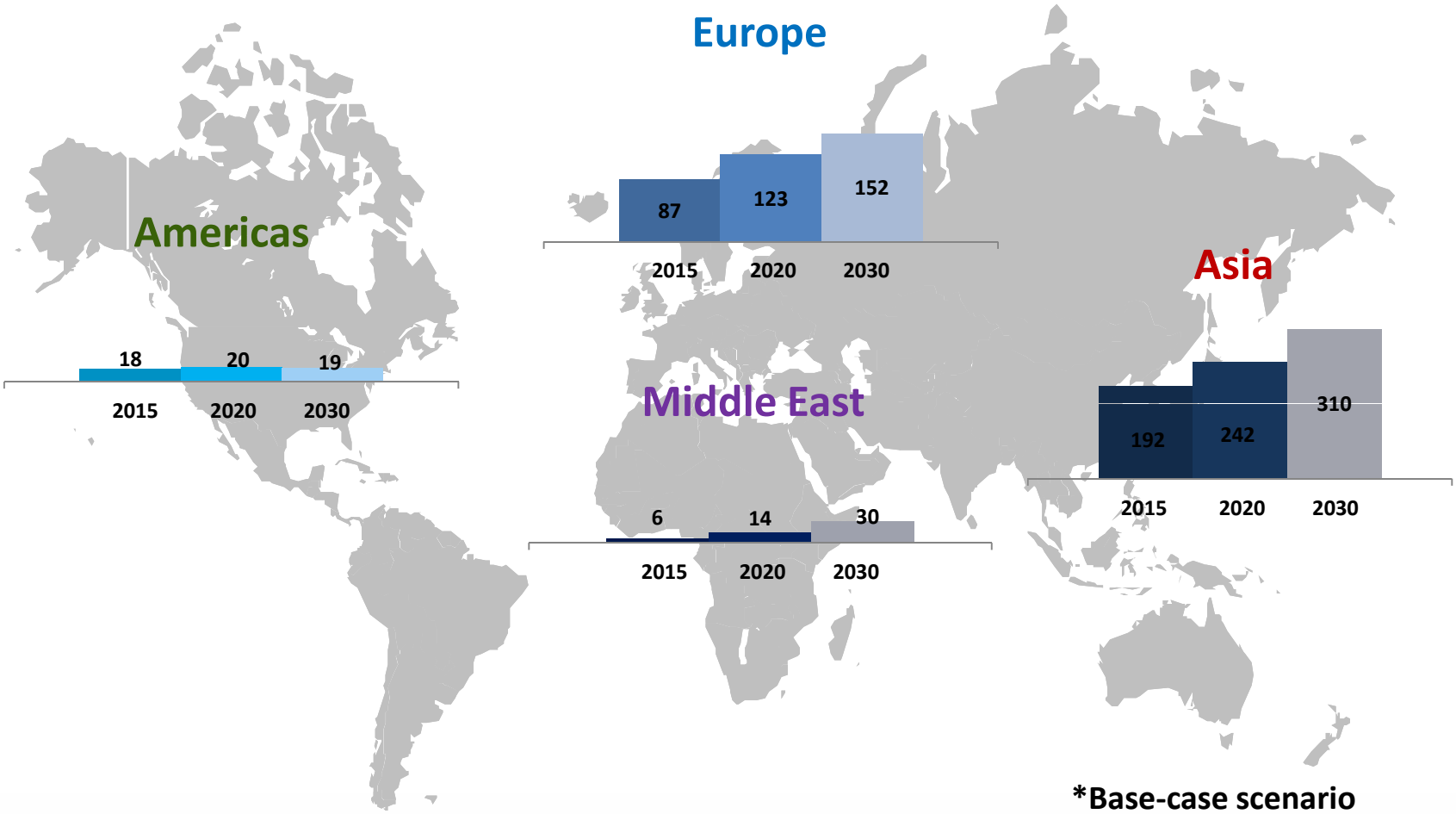
Asia Continues to Propel the LNG Market

LNG from North America Ideally Timed to Alleviate Shortage



Source: Woodmac

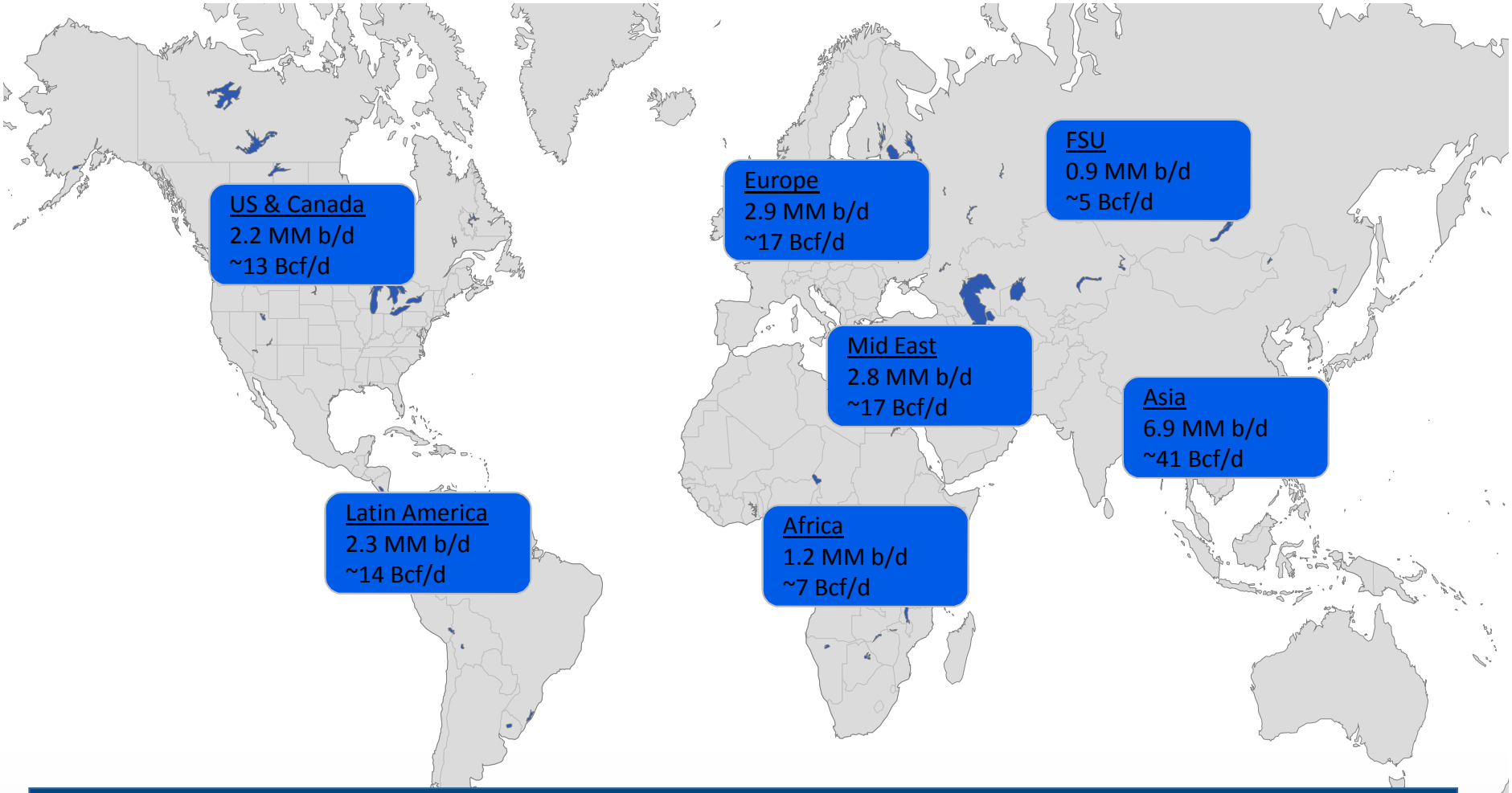
Regional LNG Import Outlook in mtpa



*Base-case scenario

Source: Facts Global

Global Petroleum Demand – Stationary Sources



Global oil use totals 19 million b/d (~22%) in stationary sources, such as industrial, power and heating, that could be switched to natural gas: equivalent to 100+ Bcf/d natural gas demand

Source: PIRA Energy Group, "The Potential for Natural Gas Substitution of Stationary Petroleum Demand", January 2010

CHENIERE

Sabine Pass LNG Exports Will Provide Global LNG Buyers With an Attractive, Long-term, Alternative Source of Supply

Worldwide LNG prices predominantly based on oil prices = $11 - $23 / MMBtu

LNG Contract Price		
Indexation %	11%	15%
at $100/bbl	$ 11.00	$ 15.00
at $150/bbl	$ 16.50	$ 22.50

Cost of delivered gas from Sabine Pass to Americas / Europe / Asia = $7 - $9 / MMBtu

($/MMBtu)	Americas	Europe	Asia
Henry Hub	$ 3.00	$ 3.00	$ 3.00
Capacity Charge	3.00	3.00	3.00
Shipping	0.75	1.25	3.00
Fuel/Basis	0.35	0.35	0.35
Delivered Cost	$ 7.10	$ 7.60	$ 9.35

Current LNG Market	30 – 40 Bcf/d	LNG contracts indexed to oil prices – rule of thumb 11% to 15% of crude oil prices
Growth Market	100 Bcf/d	Power generators switching from oil to gas – paying $13 to $19 / MMBtu for fuel oil and diesel

Source: Waterborne, GIIGNL, PIRA Energy Group, Cheniere Research

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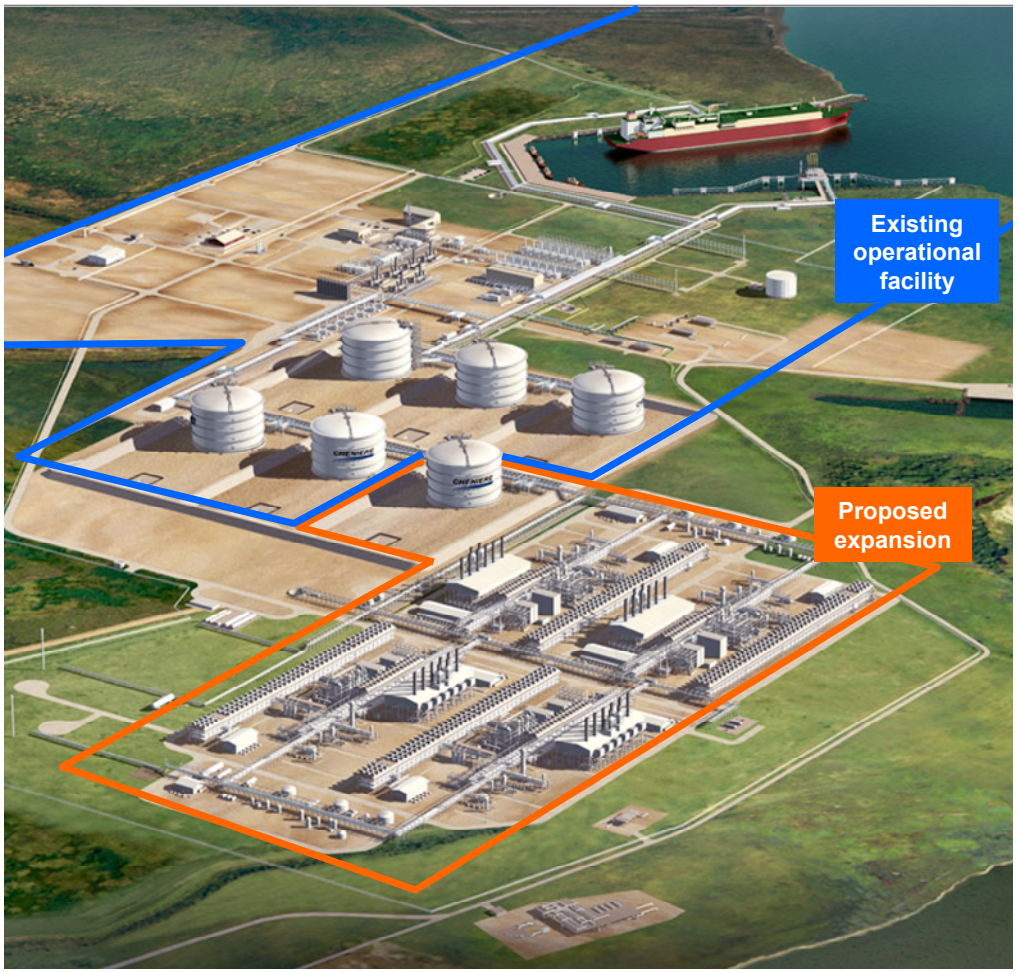
U.S. LNG Export Projects

Company	Capacity (Bcf/d)	DOE Filing	FERC Filing
Sabine Pass Liquefaction	2.2	✓	✓
Corpus Christi Liquefaction	1.8	✓	✓
Freeport LNG Expansion	2.8	✓	✓
Lake Charles Exports	2.0	✓	
Dominion Cove Point	1.0	✓	
Jordan Cove Energy Project	1.2	✓	
Cameron LNG	1.7	✓	
Gulf Coast LNG Export	2.8	✓	

Source: Office of Oil and Gas Global Security and Supply, Office of Fossil Energy, U.S. Department of Energy; U.S. Federal Energy Regulatory Commission

Sabine Pass Liquefaction Project:
Brownfield Development Utilizing Existing Assets



Current Facility

- 853 acres in Cameron Parish, LA
- 40 ft ship channel 3.7 miles from coast
- 2 berths; 4 dedicated tugs
- 5 LNG storage tanks (17 Bcf of storage)
- 4.3 Bcf/d peak regasification capacity
- 5.3 Bcf/d of pipeline interconnection to the US pipeline network

Liquefaction Expansion

- Guaranteed construction contract w/Bechtel
- Up to four liquefaction trains designed with ConocoPhillips' Optimized Cascade® Process technology
- Six GE LM2500+ G4 gas turbine driven refrigerant compressors per train
- Gas treating and environmental compliance
- Modifications to the Creole Trail Pipeline for bi-directional service
- Sixth tank for fourth liquefaction train

Significant infrastructure in place including storage, marine and pipeline interconnection facilities; pipeline quality natural gas to be sourced from U.S. pipeline network

Corpus Christi LNG, LLC
Cheniere Energy, Inc. 100%

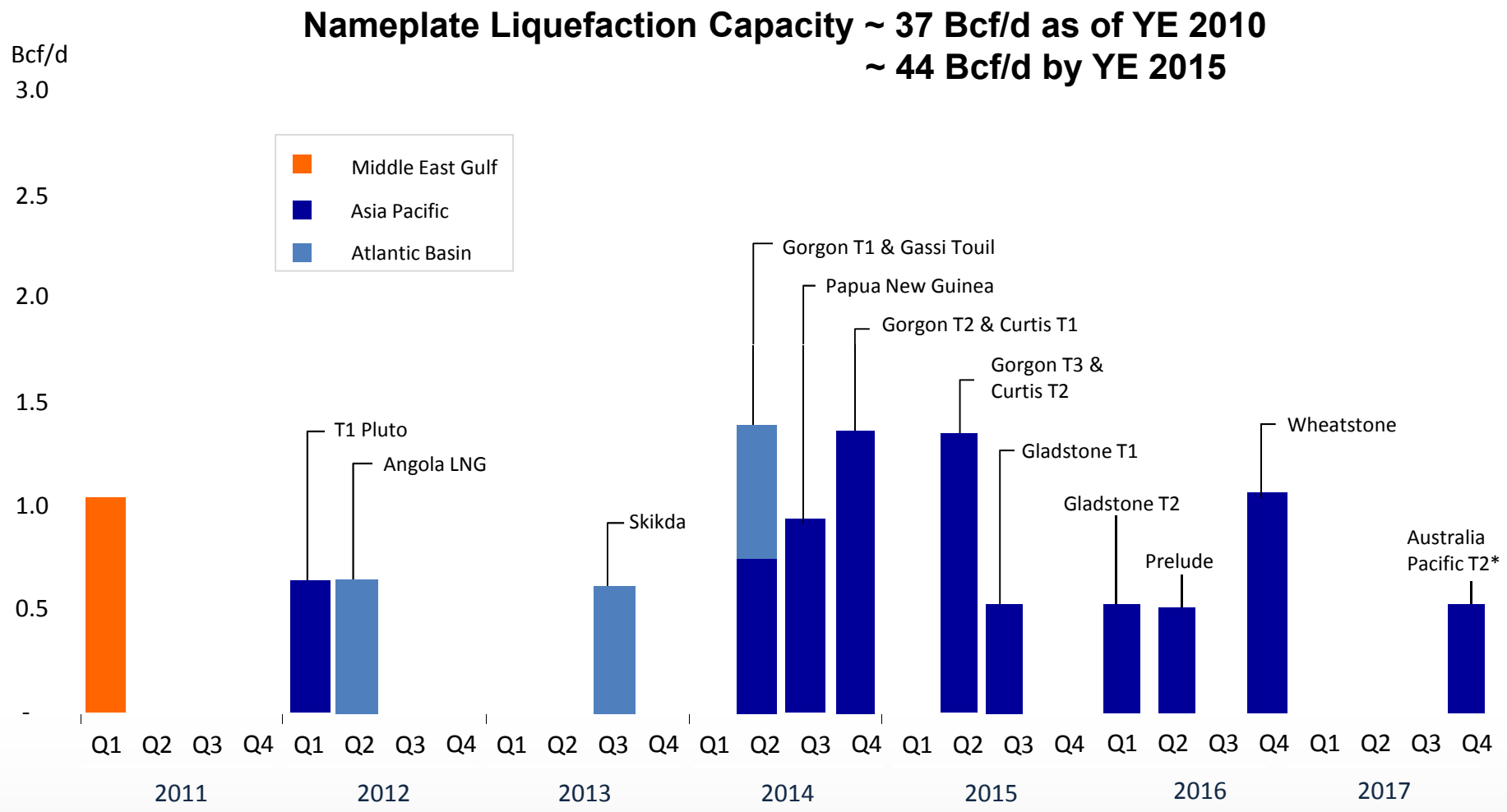
- **Land**
  - 212 acres in San Patricio County, TX
  - ~ 400 acres of permanent easement
- **Accessibility - Deepwater Ship Channel**
  - La Quinta Channel dredged to 45 feet
- **Proximity**
  - 14.3 nautical miles from coast
  - 16 nautical miles from outer buoy
- **Berthing/Unloading**
  - 2 docks
  - LNGCs up to 265,000 cm
  - 3 dedicated tugs
- **Storage**
  - 3 x 160,000cm (10.1 Bcfe)
- **Vaporization**
  - 2.6 Bcf/d
- **Potential Pipeline Access**
  - Interstate access to NE, MW, SE & Mexico markets
  - ~5 Bcf/d within 25 Miles
- **Regional Market - Strong Gas Demand**
  - Texas industrials & power generators
- **Project Status**
  - FERC permitted
  - Site preparation completed
  - LNG Liquefaction Facilities (1.0 Bcf/d) in Permitting
  - Construction subject to commercial development

Corpus Christi Site Preparation – Nov 2007

CHENIERE

Appendix

Firm Liquefaction Capacity Additions



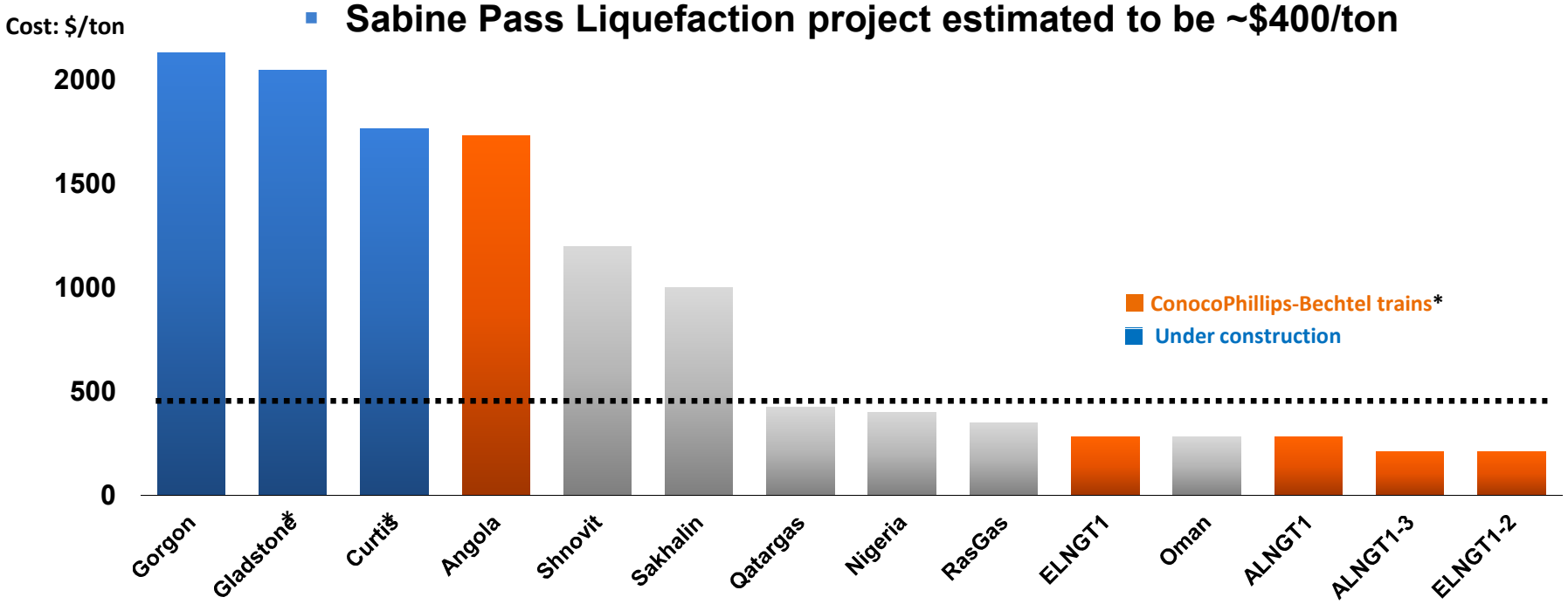
Source: Cheniere Research

*FID pending

CHENIERE

Sabine Pass Liquefaction Project - Brownfield Development, Lower Expected Capital Costs

- **Range of liquefaction project costs: $200 - $2,000 per ton**
- **1 Bcf/d of capacity = $1.5 B to $9 B**
- **Sabine Pass Liquefaction project estimated to be ~$400/ton**



- **Brownfield development – significant infrastructure already in place**
  - Storage, marine and pipeline interconnection facilities
- **Upstream wells, gathering pipelines and treatment infrastructure not required**
  - Pipeline quality natural gas sourced from U.S. pipeline grid

Source: ConocoPhillips-Bechtel, Cheniere research. Project costs per ton are total project costs divided by mtpa capacity of LNG trains. Figures do not attempt to isolate, where applicable, the cost of the liquefaction facilities within a major LNG complex. Chart includes a representative sample of liquefaction facilities and does not include all liquefaction facilities existing or under construction.
Note: Past results not a guarantee of future performance.

CHENIERE

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How LNG is Transforming the Global Energy Market

Statutory Overview

- Exports are subject to regulation under Section 3 of the Natural Gas Act
- The Department of Energy (DOE) has jurisdiction over exports of natural gas
- The Federal Energy Regulatory Energy Commission (FERC) has jurisdiction over on-shore LNG facilities, as well as associated upstream pipelines
- Exports to countries with a free trade agreement (FTA) covering natural gas are deemed to be in the public interest
- Other exports are reviewed by DOE and shall be approved unless DOE "finds that the proposed exportation … will not be consistent with the public interest"

What Does Each Agency Consider?

- DOE will review:
  - Cumulative impact of applications previously approved
  - Domestic need for natural gas proposed for export
  - Adequacy of domestic natural gas supply
  - US energy security
  - Overall effects on US economy
  - DOE policy of promoting competition
- FERC will review:
  - Traditional siting issues
  - Environmental concerns

What Does Each Agency Consider? (continued)

- FERC will not:
  - By statute, impose open access or rate regulation of facilities approved prior to January 1, 2015
  - Review the environmental effects of upstream production of natural gas
  - Review the public interest in exporting natural gas

The Current State of Play

- DOE has approved multiple FTA proposals, but only one non-FTA proposal
- DOE has commissioned additional studies to analyze the effect of exports
- FERC has approved one import facility and vacated the authorizations of several import-only facilities

Who Are the Players?

- Natural gas producers and terminal developers favor exports
- Local communities tend to support LNG projects in the Gulf Coast and take a dimmer view elsewhere, i.e. the Pacific Northwest
- Opponents have focused on several issues:
  - Price effects of increased demand for natural gas, including coupling US domestic prices to international natural gas prices
  - Uncertainty of “new era” of US natural gas supply position
  - Increased domestic natural gas production should be directed to new uses, such as transportation, replacement of coal-fired generation

Who Are the Players? (continued)

- Increased domestic natural gas prices would adversely affect the competitiveness of industries reliant on natural gas
- The environmental consequences of increased natural gas production are unacceptable
- The US should not promote natural gas use, either at home or abroad

What's Next?

- Everyone is waiting for the issuance of the DOE-commission reports, which had been promised for late summer
- Once the reports are issued and digested, DOE still will have to act on individual applications
- DOE approval of at least some of the non-FTA applications is expected – but not until after the elections
- A change in administration could result in some incremental delay
- FERC will act on a reasonably timely basis

What's Next? (continued)

- DOE, while favoring exports of natural gas, is looking for limiting principles
  - Unlikely to approve all export requests
  - Searching for a basis for allocating opportunities
  - Unlikely to rely exclusively on market competition to weed out applicants
  - Some, but not all, applications likely will be approved
- DOE, even while approving applications, will reserve the right to protect US interests
  - Language in recent orders
  - Other statutory authorities

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Presenter Profiles

Presenter Profiles

David I. Bloom
Partner – Washington DC

David I. Bloom

Since joining Mayer Brown in 1978, David Bloom has earned widespread recognition as a skilled and knowledgeable regulatory attorney who concentrates his practice on transactions in the energy sector. His counsel is sought by some of the nation's leading sector-focused investors, lenders, energy producers, and large-scale energy consumers.

David advises clients across a broad spectrum of industry issues, providing informed counsel on matters of investment and funding, acquisitions, complex purchase and service agreements, and federal and state regulatory concerns. Particular areas of activity include investments in the energy sector, natural gas and power marketing, natural gas storage, and transportation and electric generation.

In the course of his practice, David represents:

•Financial institutions (commercial banks, investment banks, and hedge funds) relative to equity investments in the energy sector and investment-related federal and state regulations. Representation includes pre-acquisition review of regulatory issues, negotiation of purchase agreements, preparation of regulatory filings, and development of post-acquisition compliance plans

- Natural gas shippers in the negotiation of long-term transportation agreements with pipeline projects
- Lenders engaged in financing oil and natural gas pipeline projects, natural gas storage projects, and electric generating facilities
- Commercial companies in the negotiation of energy purchase contracts, including electricity and natural gas
- Utility and corporate entities in proceedings before the Federal Energy Regulatory Commission, the US Department of Energy, and other government agencies
- Clients aiming to develop energy-related legislation and legislative strategies

Admitted

District of Columbia 1978

Presenter Profiles

Renato Pereira
Vice President, Origination
Cheneire Energy, Inc.

Renato Pereira

Mr. Pereira has over 25 years of experience in the North American energy industry, first as an engineer in the petrochemical industry, then in the regulated natural gas pipeline industry and finally in the deregulated trading and marketing business. Previously at Transco and Entergy/Koch, Mr. Pereira led the development of $2 billion of regulated pipeline facilities adding in excess of 2 Bcf/d of capacity to the US grid.

Mr. Pereira also successfully developed joint ventures to build two new major U.S. pipelines. As President of Gulf South Pipeline, he directed an interstate pipeline with over 10,000 miles of pipe and 600 employees. Mr. Pereira holds a Bachelors' in Chemical Engineering and an MBA.

Presenter Profiles

Jose L. Valera
Partner – Houston

Jose L. Valera

Jose L. Valera is a partner in the Houston office of Mayer Brown. Focusing his practice on domestic and international energy transactions and project development, he has more than 25 years of legal experience representing oil, gas and electric energy companies throughout the United States, Central America, South America, Africa, Asia and the Caribbean.

He represents oil and gas companies on exploration and production contracts, investment agreements, upstream development projects, mergers and acquisitions, joint ventures and LNG projects. His practice also includes the representation of electric companies in the development of thermal and renewable generation projects, plant operations and maintenance, fuel supply, financing, mergers and acquisitions.

Jose has counseled the governments of Argentina, Bolivia, Honduras, Peru and Iraq on energy legislative reform matters, development of shared hydrocarbon resources, and privatization transactions related to the electric and oil and gas industries.

Fluent in English, Spanish and French, he is a former member of the board of directors of the Association of International Petroleum Negotiators and is a frequent speaker on energy matters at professional conferences.

Admitted

- Louisiana
- Texas
- Peru

Presenter Profiles

Bill Wince
Vice President, Transportation & Business Development
Chesapeake Energy Marketing, Inc

Bill Wince

Bill Wince joined Chesapeake Energy Corporation in 2003 and has held management positions in business development, gas transportation and contract administration. He currently serves as Vice President – Business Development for Chesapeake Energy Marketing, Inc., an affiliate of Chesapeake Energy Corporation that provides marketing services for the company and its partners. In this position he is responsible for Chesapeake's development of new gas markets including liquid natural gas export, power and industrial projects. He is also accountable for formulation and execution of basis hedging strategy.

Mr. Wince has more than 30 years of experience in energy marketing. Before joining Chesapeake, he held various marketing management positions with Devon Energy Corporation. He also served as controller of Hurricane Trading Company, an oil marketing company based in Tulsa, Oklahoma.

He is a certified public accountant and has a bachelor's degree in business administration in accounting from the University of Oklahoma. Wince completed graduate work at the University of Tulsa. He is a member of the Society of Gas Lighting.