



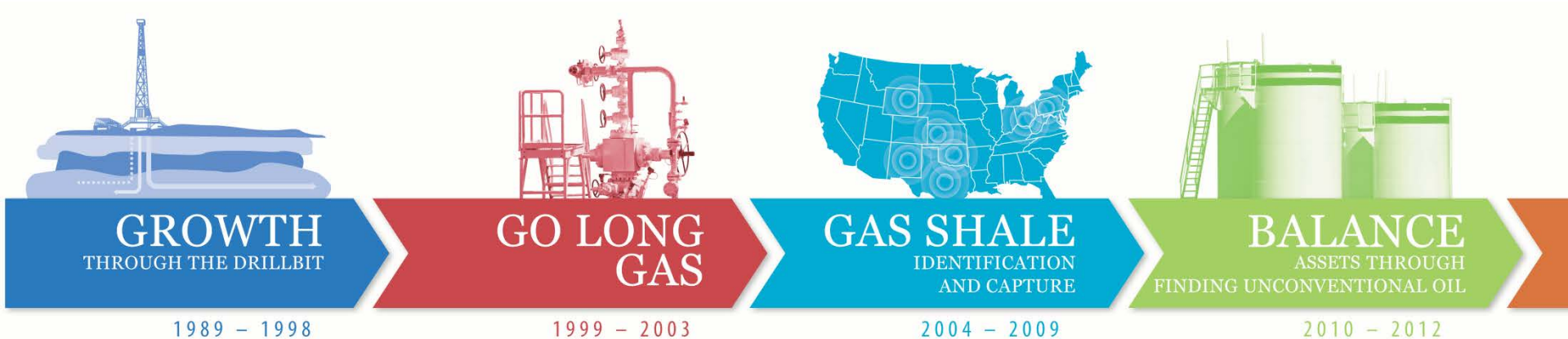
MAY 2013

INVESTOR PRESENTATION

FORWARD-LOOKING STATEMENTS

- This presentation includes “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 those of historical fact that give our current expectations or forecasts of future events. They include estimates of our natural gas and liquids reserves, expected natural gas and liquids production and future expenses, estimated operating costs, assumptions regarding future natural gas and liquids prices, effects of anticipated asset sales, planned drilling activity and drilling and completion capital expenditures (including the use of joint venture drilling carries), and other anticipated cash outflows, as well as projected cash flow and liquidity, debt reduction, business strategy and other plans and objectives for future operations. Disclosures concerning the estimated contribution of derivative contracts to our future results of operations are based upon market information as of a specific date, and such market prices are subject to significant volatility. Our production forecasts are dependent upon many assumptions, including estimates of production decline rates from existing wells and the outcome of future drilling activity. Reference to EUR (estimated ultimate recovery) of natural gas and oil includes amounts that are not yet classified as proved reserves under SEC definitions, but that we believe will ultimately be produced. Estimates of unproved resources are by their nature more speculative than estimates of proved reserves and accordingly are subject to substantially greater risk of actually being realized. Estimates of unproved resources may change significantly as development provides additional data, and actual quantities that are ultimately recovered may differ substantially from prior estimates.
- Pending sales transactions are subject to closing conditions and may not be completed in the time frame anticipated. We do not have binding agreements for all of our planned asset sales. Our ability to consummate each of these transactions is subject to changes in market conditions and other factors. If one or more of the transactions is not completed in the anticipated time frame or at all or for less proceeds than anticipated, our ability to fund budgeted capital expenditures and reduce our indebtedness as planned could be adversely affected. For sale transactions that have closed, we may not be able to satisfy all the requirements necessary to receive proceeds subject to title and other contingencies.
- Factors that could cause actual results to differ materially from expected results are described under “Risk Factors” in Item 1A of our 2012 annual report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 1, 2013. These risk factors include the volatility of natural gas, oil and NGL prices; the limitations our level of indebtedness may have on our financial flexibility; declines in the prices of natural gas and oil potentially resulting in a write-down of our asset carrying values; the availability of capital on an economic basis, including through planned asset sales, to fund reserve replacement costs; our ability to replace reserves and sustain production; uncertainties inherent in estimating quantities of natural gas, oil 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; hedging activities resulting in lower prices realized on natural gas, oil and NGL sales; the need to secure hedging liabilities and the inability of hedging counterparties to satisfy their obligations; drilling and operating risks, including potential environmental liabilities; legislative and regulatory changes adversely affecting our industry and our business, including initiatives related to hydraulic fracturing, air emissions and endangered species; current worldwide economic uncertainty which may have a material adverse effect on our results of operations, liquidity and financial condition; oilfield services shortages, gathering system and transportation capacity constraints and various transportation interruptions that could adversely affect our revenues and cash flow; losses possible from pending or future litigation and regulatory investigations; cyber attacks adversely impacting our operations; and a delay in naming a new CEO, the loss of key operational personnel or inability to maintain our corporate culture.
- Although we believe the expectations and forecasts reflected in 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. We caution you not to place undue reliance on our forward-looking statements, which speak only as of the date of this presentation, and we undertake no obligation to update this information.

PHASES OF CHESAPEAKE



Previous Strategy

New play identification

Asset capture

HBP drilling

Frequent funding requirements



VALUE REALIZATION

2013 – FUTURE

The Path Forward

- Develop existing assets
- Operational excellence
- Capital efficiency
- Financial discipline

VALUE REALIZATION PHASE

DEVELOP EXISTING ASSETS

- Focus on the core of the core
- Improve liquids production mix
- Optimize portfolio and sell noncore assets

OPERATIONAL EXCELLENCE

- Safety
- Regulatory compliance
- Environmental stewardship
- Process improvement
- Cycle time reductions
- Lean manufacturing concepts

CAPITAL EFFICIENCY

- Pad drilling efficiencies
- Leverage first well investments
- Capitalize on oil service vertical integration advantages

FINANCIAL DISCIPLINE

- Improve returns on capital
- Increase capital allocation to drilling and completion activity
- Reduce/eliminate funding gaps
- Reduce financial risk and complexity
- Reduce costs

1Q'13 FINANCIAL RESULTS



ADJ. NET INCOME



ADJ. EPS



ADJ. EBITDA



LIQUIDITY



ASSET SALES



UPSTREAM CAPEX

(1) Includes unrestricted cash and borrowing availability under revolving credit facilities as of 3/31/2013

(2) Cash proceeds from asset sales transactions signed or closed as of 5/3/2013

(3) Drilling, completion and leasehold capital expenditures

Note: Reconciliation of non-GAAP measures to comparable GAAP measures appear on pages 30-33

1Q'13 OPERATIONAL RESULTS



TOTAL



LIQUIDS MIX



OIL



NGL



NATURAL GAS



E&P SAFETY

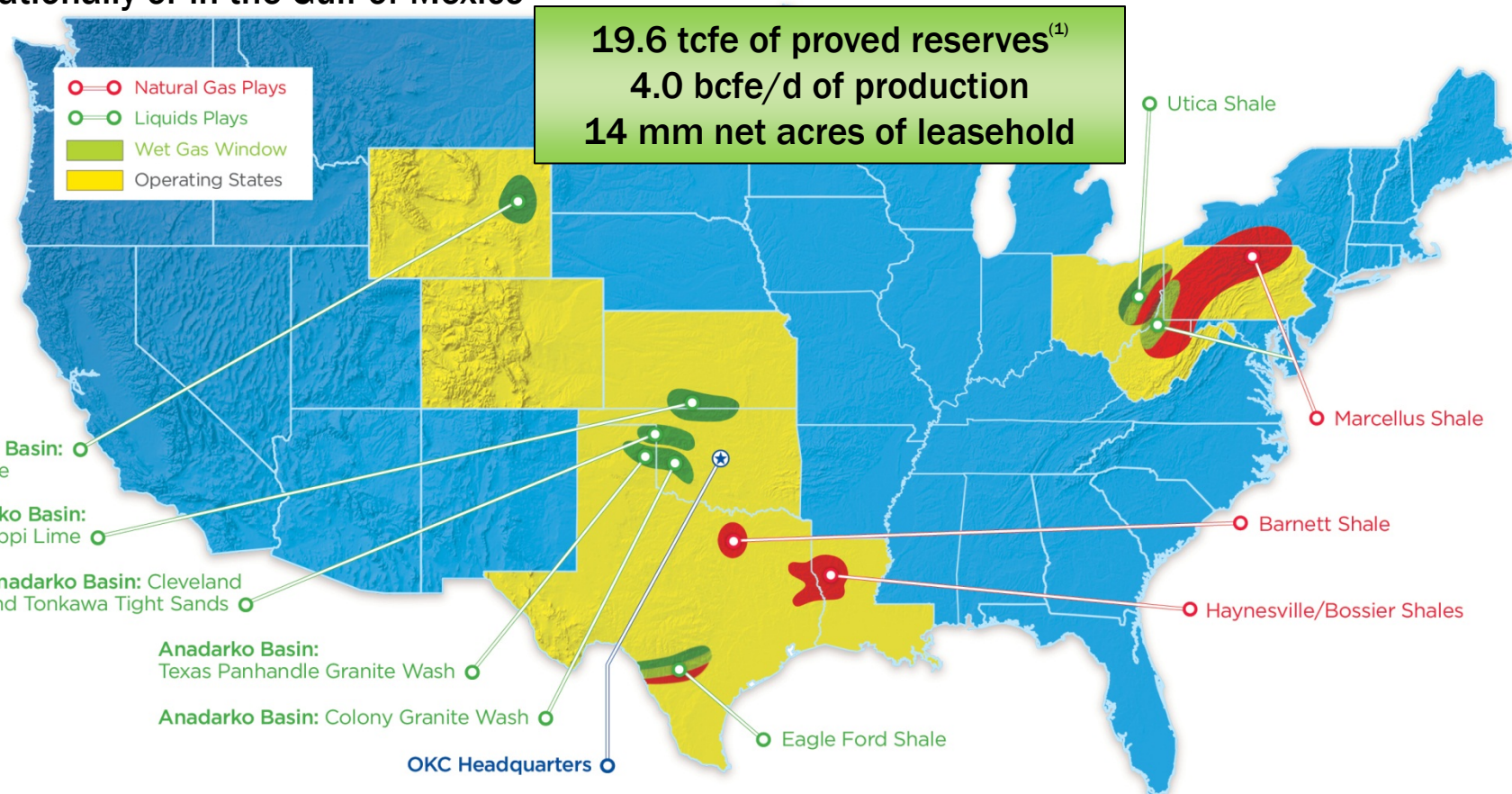
(1) Oil and NGL collectively referred to as "liquids"

PREMIER COLLECTION OF U.S. E&P ASSETS



FOCUSED ON 10 KEY PLAYS

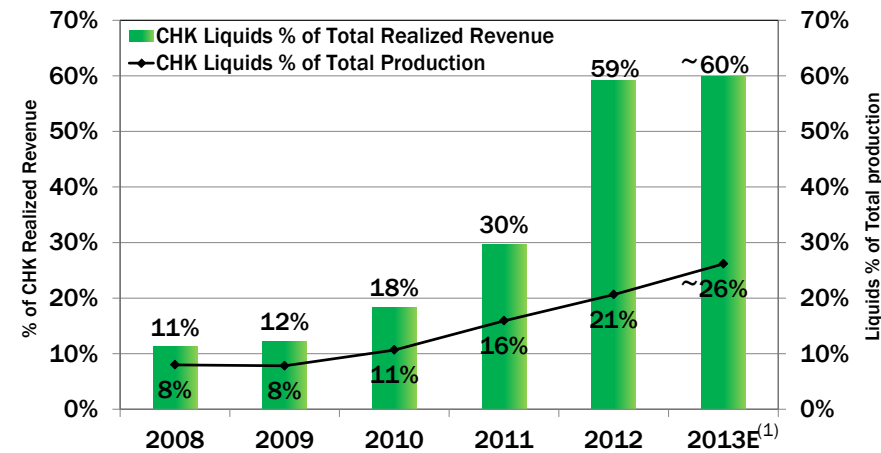
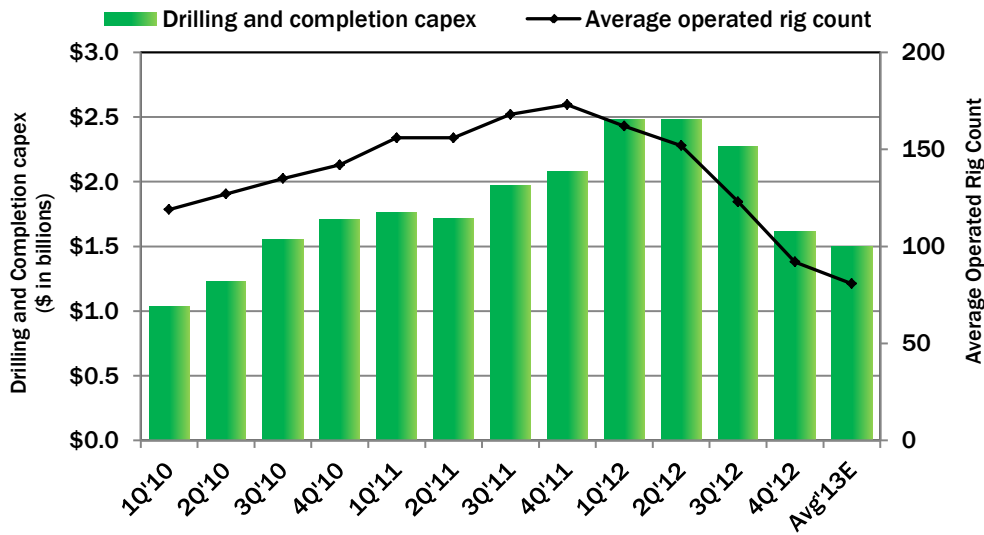
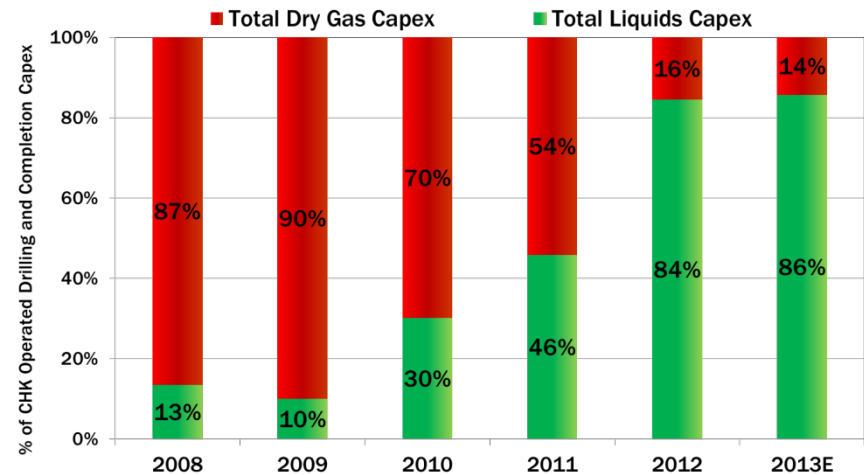
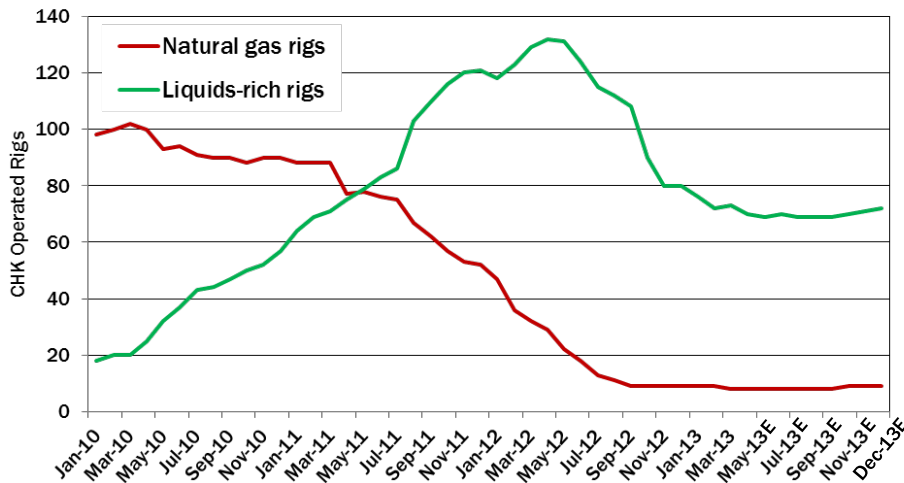
Low-risk, U.S. onshore asset base; not exposed to economic, geopolitical or technological risks internationally or in the Gulf of Mexico



(1) Based on 10-year average NYMEX strip prices as of 12/31/12; 15.7 tcf based on SEC pricing

Nearly exclusive focus on the “core of the core” in 10 key plays, in all of which CHK has a #1 or #2 position

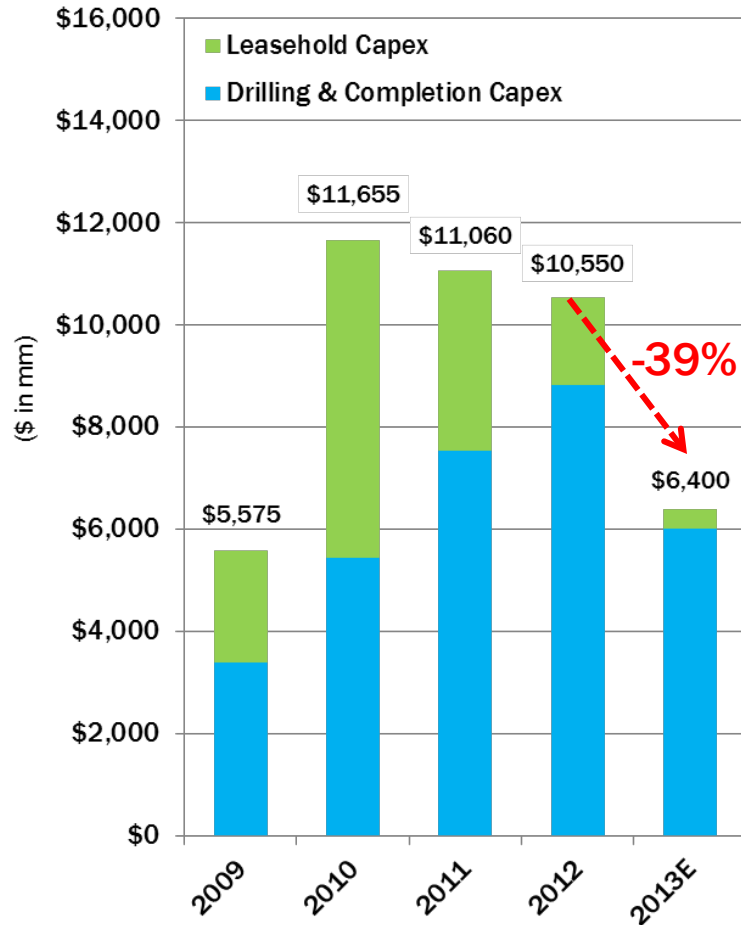
AGGRESSIVE SHIFT OF CAPITAL TO LIQUIDS-RICH PLAYS HAS PAID OFF



(1) Assumes NYMEX natural gas and oil prices of \$4.25/mcf and \$90/bbl in 2013

CHK has been very responsive to market signals and aggressively shifted to higher return liquids-rich plays and moderated spending due to reduced cash flow

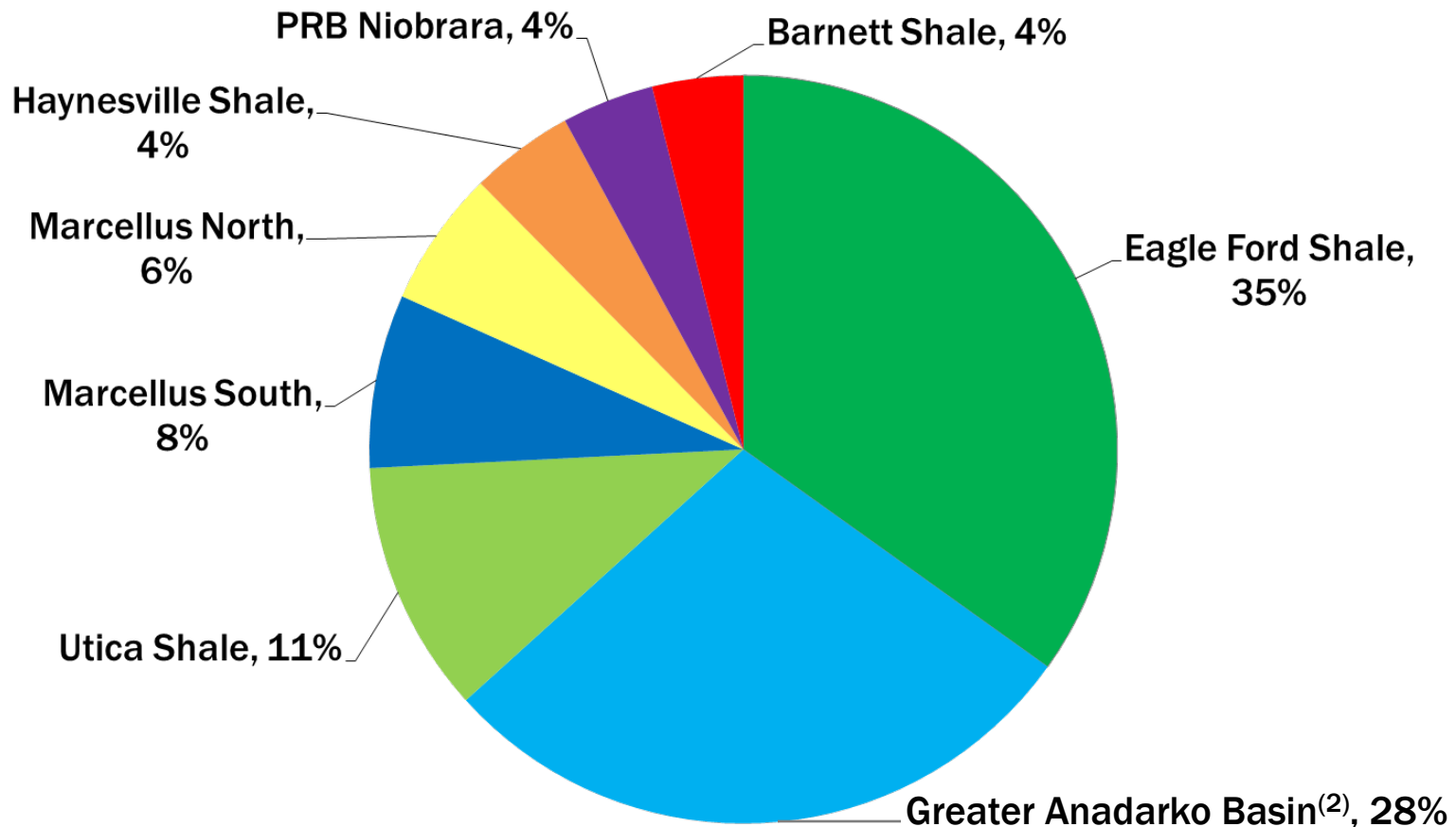
OPTIMIZATION OF DRILLING AND COMPLETION CAPEX



- Combined drilling, completion and leasehold capex projected to decline ~39% from 2012
 - 2013E drilling and completion capex is projected to decline 32% from 2012
- 1Q'13 drilling and completion spend was at a rate consistent with targeted ~\$6 billion 2013E budget
- Leasehold capex in 1Q'13 was down 95% YOY
- Devoting >80% capex to drilling and completion activities in 2013 vs. an average of ~50% over last three years
 - Capital allocation trend will continue in 2014 as ~90% of total capex focused on D&C activities

D&C capex has been optimized to complete transition to liquids, achieve tighter operational focus on the core of the core and improve balance between capex and cash flow

2013 DRILLING AND COMPLETION CAPEX ALLOCATION BY PLAY⁽¹⁾

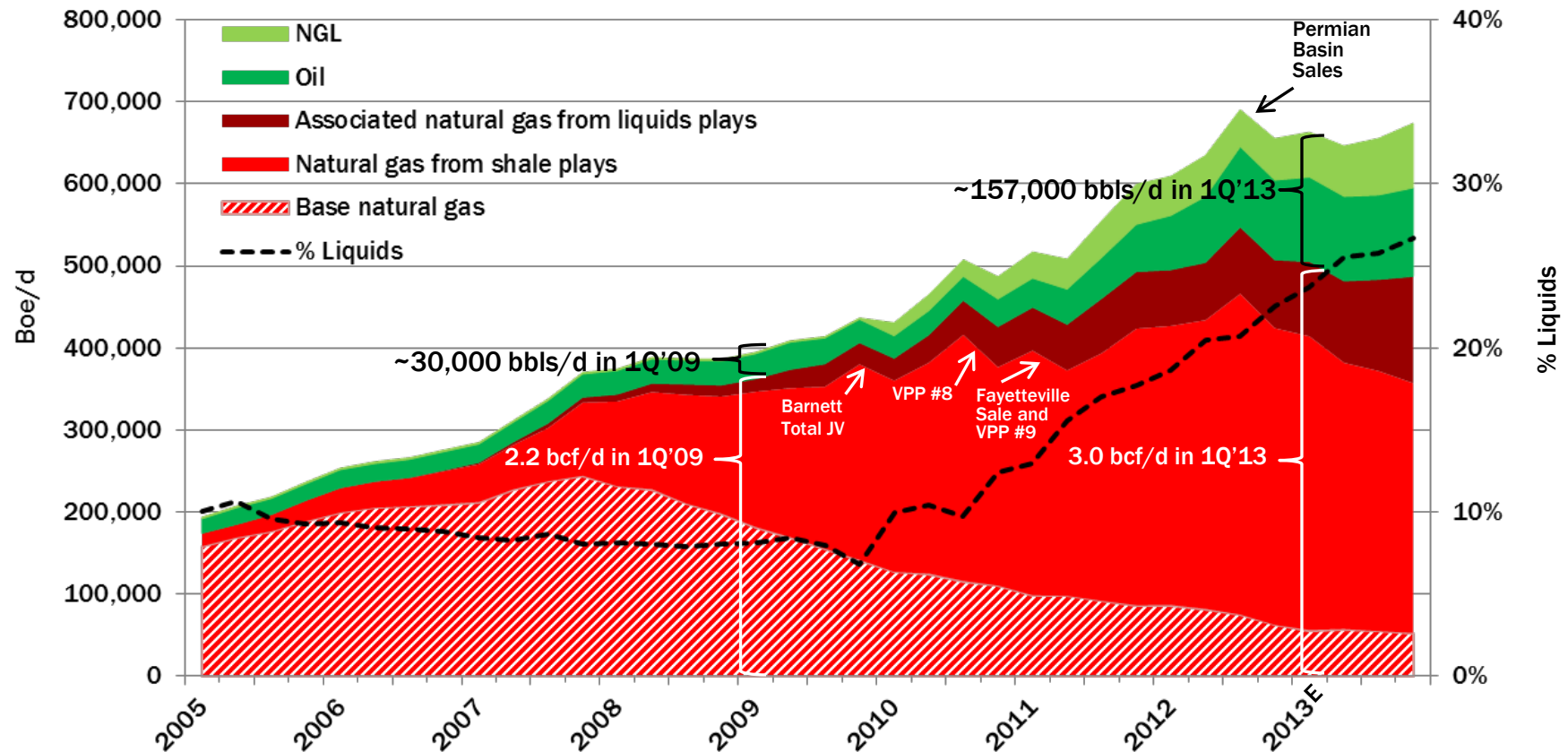


(1) Net of drilling carries

(2) Greater Anadarko Basin includes: Mississippi Lime, Granite Washes, Cleveland, Tonkawa, and Hogshooter

>85% of 2013 drilling and completion capital expenditures are focused on liquids plays

CHK'S NEAR-TERM PROJECTED PRODUCTION GROWTH IS 100% LIQUIDS



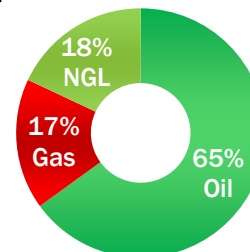
CHK is projecting net liquids production to average ~170,000 bbls/d in 2013 and targeting ~250,000 bbls/d in 2015

EAGLE FORD SHALE



- **1Q'13 daily net production of 75 mboe/d, up 225% YOY**
 - › Liquids averaged 62 mboe/d, up 251% YOY
 - › Targeting exit rate at YE'13 of ~71 mboe/d of liquids and total production of 92 mboe/d
 - › Average peak daily rates of 111 wells that commenced first production during 1Q'13 was ~950 boe/d
- **Drilled 887 wells in the Eagle Ford⁽¹⁾**
 - › Includes 650 producing, 34 WOPL and 203 wells in various stages of completion
 - › Drilled 91 new wells in 1Q'13
- **Spud-to-spud cycle times down 28% YOY, from 25 to 18 days**
 - › Targeting 13 days long-term once in full pad drilling development mode
 - › Anticipate 50% of drilling on multi-well pads in 2H'13 and >75% in 2014
- **~3,500 future drilling locations on acreage CHK plans to retain**
 - › >10 year drilling inventory based on current activity level
- **Currently operating 15 rigs with plans to reduce to 13 in 2H'13**

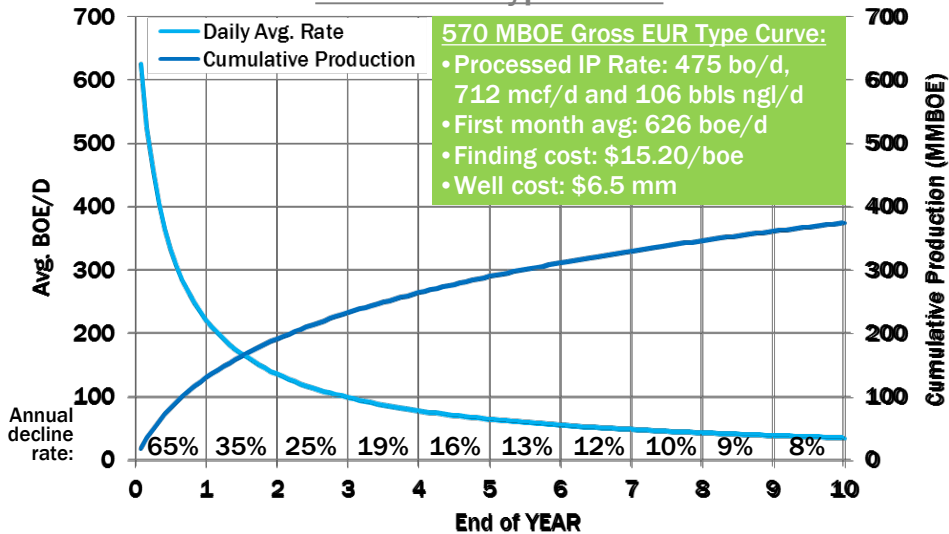
1Q'13 Production Mix



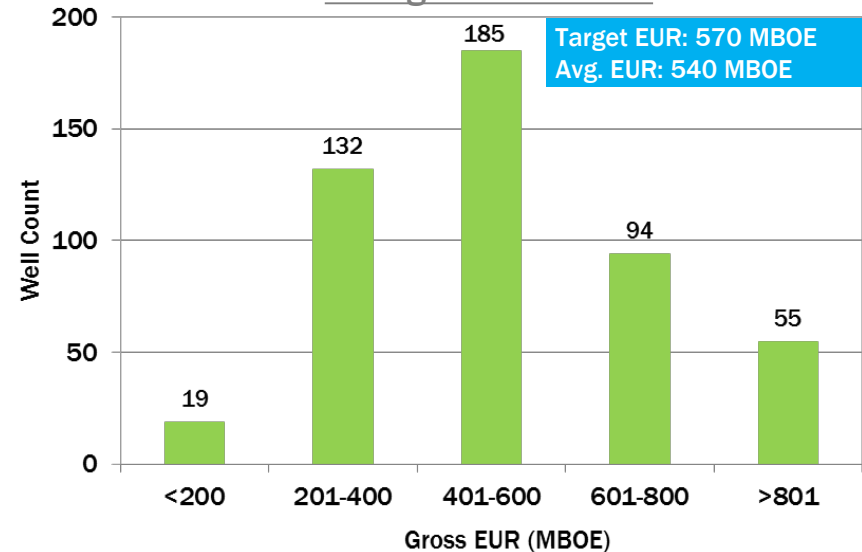
(1) As of 3/31/2013

CHK EAGLE FORD CORE ECONOMICS

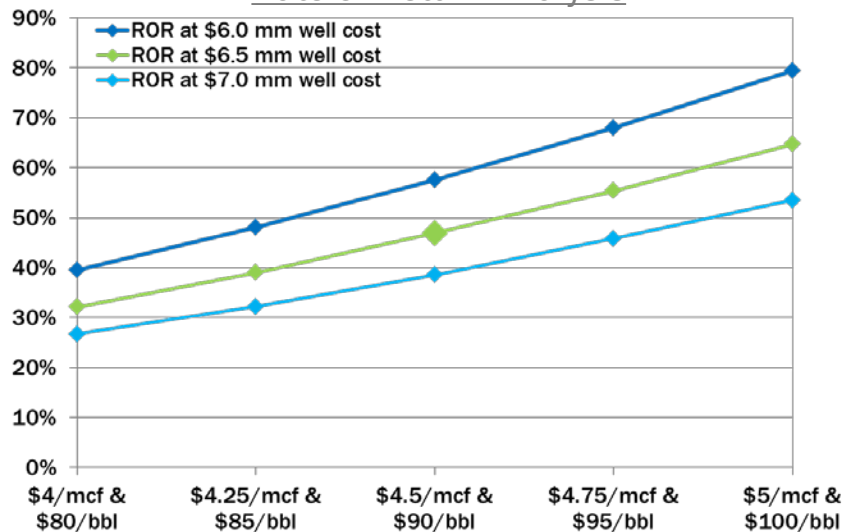
Pro Forma Type Curve



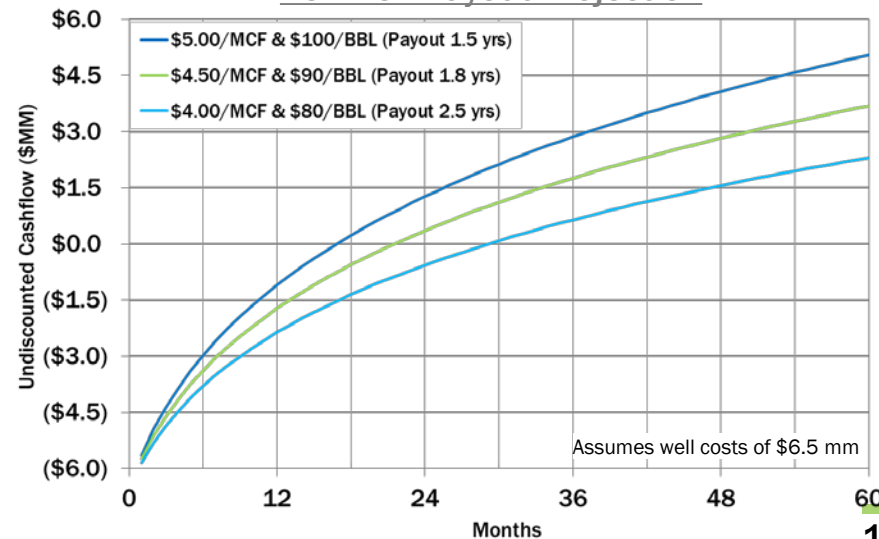
Histogram of EURs⁽¹⁾



Rate of Return Analysis



Per Well Payout Projection



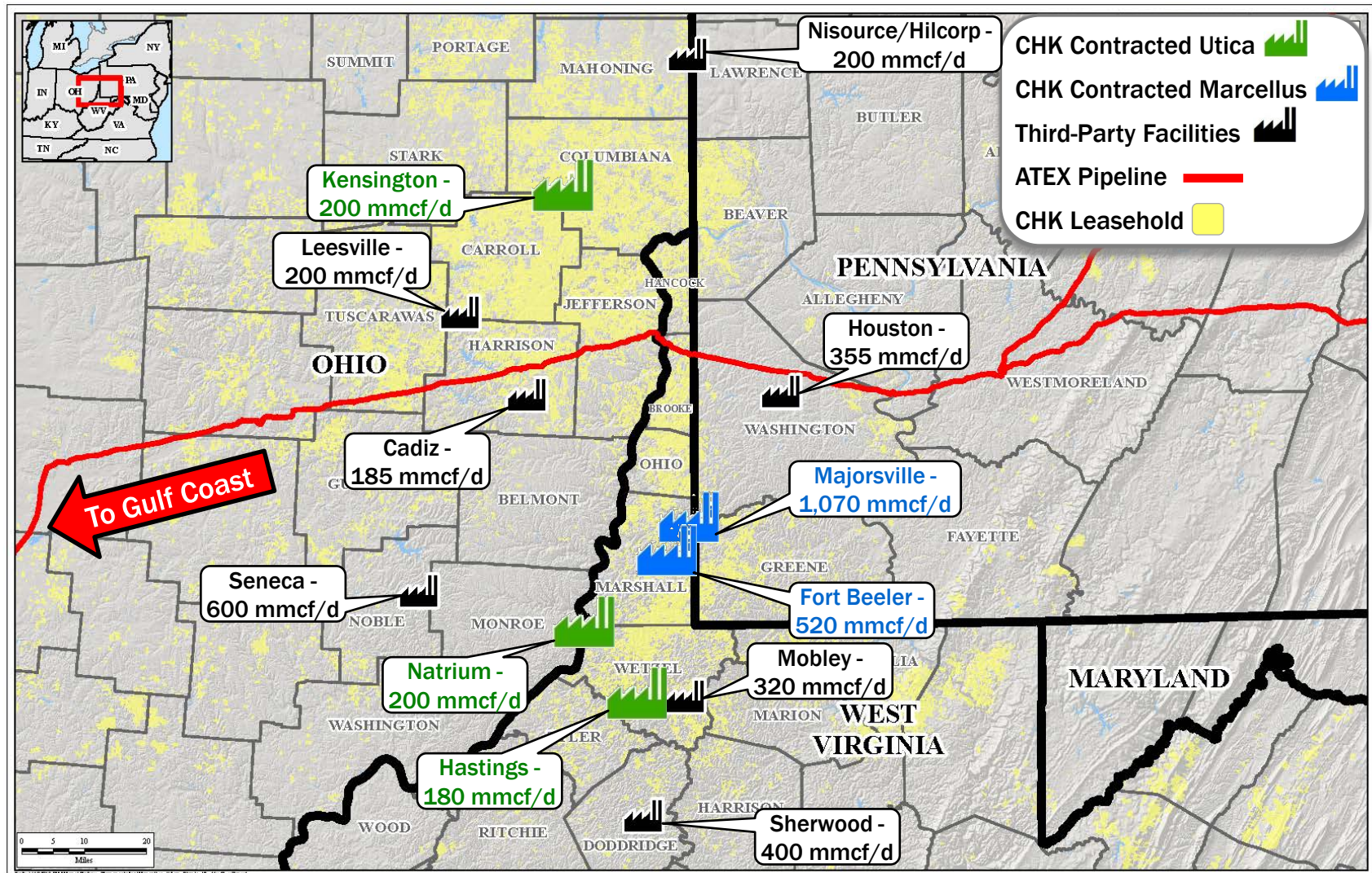
(1) Includes 485 wells completed since 12/31/2011

UTICA SHALE



- **1Q'13 daily net production of ~60 mmcfe/d**
 - › Targeting YE'13 exit rate of 330 mmcfe/d
 - › Average peak daily rates of 13 wells that commenced first production during 1Q'13 was ~1,200 boe/d
- **Drilled 249 wells in the Utica play to date**
 - › Includes 66 producing wells, 86 WOPL and 97 wells in various stages of completion
- **Multi-well pad efficiency gains evident in Coe unit in Carroll County, Ohio – 1st well drilled for nearly \$8.5 mm (including infrastructure costs), next 5 wells averaged \$5.9 mm – a 30% decrease**
 - These six wells averaged 24-hour restricted flow rates of 1,170 boe/d, which included 75 bbls of oil, 280 bbls of NGL (with ethane not recovered) and 4.9 mmcf/d with flowing tubing pressures exceeding 2,400 psi.
- **Projecting EURs of 5 - 10 bcfe in wet gas window**
- **Currently operating 14 rigs in the play**

UTICA AND MARCELLUS SOUTH PROCESSING PLANTS⁽¹⁾



(1) CHK contracted plants reflect plant capacity, not CHK's contract volumes. Note: Natrium's phase one projected to be online in 2Q'13 with future system capacity to reach ~600 mmcf/d. Kensington phase one of ~200 mmcf/d projected to be online in mid-year 2013 with future system capacity to reach 600 mmcf/d.

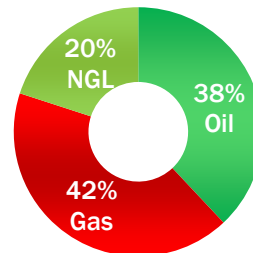
Source: Company records

GREATER ANADARKO BASIN



- **Focusing on five plays: Mississippi Lime, Granite Wash, Cleveland, Tonkawa and Hogshooter**
 - › 1Q'13 aggregate net production of 114 mboe/d, up 30% YOY and up 9% sequentially despite 5 mboe/d weather related downtime
 - › Average peak daily rates of 90 wells that commenced first production during 1Q'13 was ~900 boe/d
 - › Currently operating 28 rigs in the five plays
- **Substantially completed water disposal trunk line infrastructure and salt water disposal well network in Mississippi Lime play – will improve efficiencies and costs**
- **Successfully extended Hogshooter play further east and have identified >50 remaining drilling locations**
 - › Average peak daily rates of 14 wells that commenced first production during 1Q'13 was ~2,380 boe/d

1Q'13 Combined Production Mix

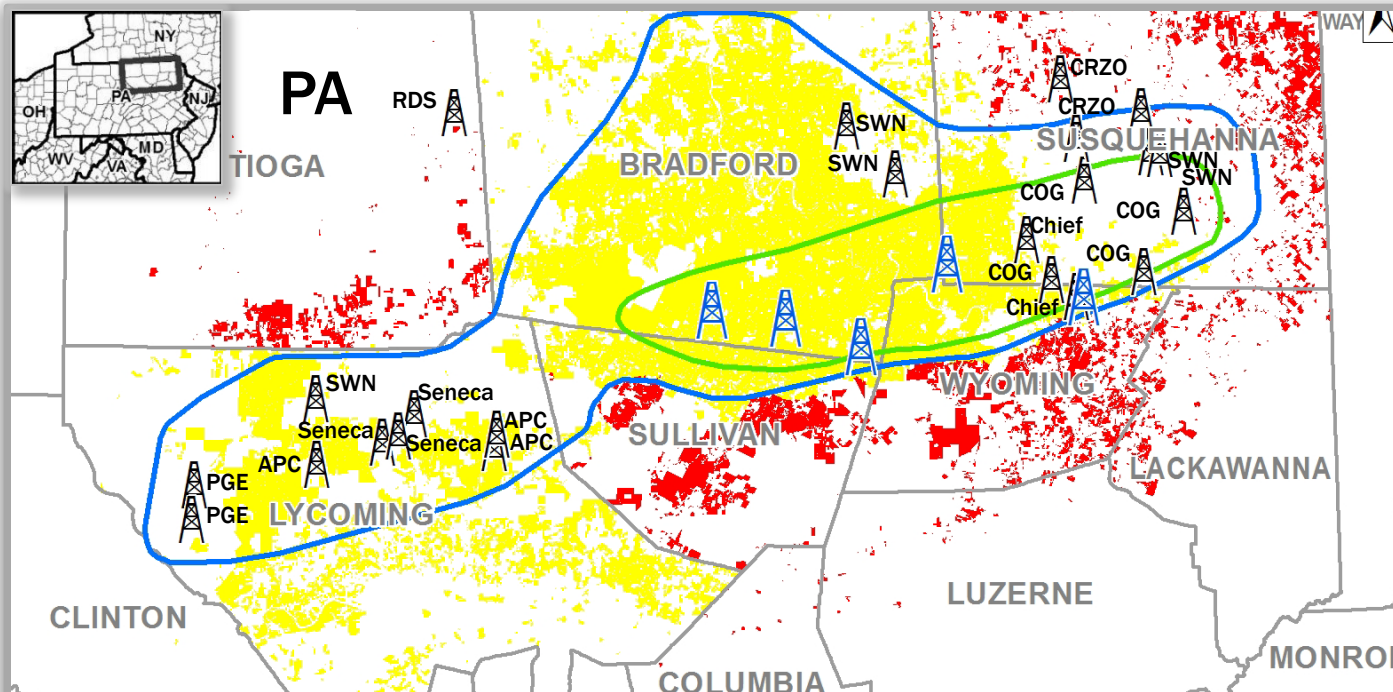


MARCELLUS SHALE



- Industry's largest producer where CHK recently achieved gross operated milestone of >2 bcfe/d
- 1Q'13 daily net production:
 - Northern dry gas portion: 710 mmcfe/d, up 70% YOY, 10% sequentially
 - Avg. peak rate of 39 wells that commenced first production, 8.0 mmcfe/d
 - >10 year drilling inventory based on current activity level
 - Southern wet gas portion: ~170 mmcfe/d, up 21% YOY, 9% sequentially
 - Avg. peak rate of 13 wells that commenced first production, 6.0 mmcfe/d
- Currently operating 5 rigs in northern Marcellus and 3 rigs in southern Marcellus

NORTHERN MARCELLUS – CHK CORE OF THE CORE



- CHK leasehold
- Recently divested leasehold
- CHK operated rigs
- Industry rigs
- CHK Core
- CHK Core of the Core

CHK owns ~100,000 net acres with >1,000 remaining drilling locations in the core of the core

FINANCIAL SUMMARY



OUTLOOK SUMMARY

	2011	2012	YE 2013E
Production:			
Natural gas (bcf)	1,004	1,129	1,060 - 1,090
Oil (mbbls)	16,964	31,265	37,000 - 39,000
NGL (mbbls) ⁽¹⁾	14,712	17,615	23,000 - 25,000
Natural gas equivalent (bcfe)	1,194	1,422	1,420 - 1,474
Daily natural gas equivalent midpoint (mmcf)	3,272	3,886	3,965
YOY production increase (adjusted for planned asset sales)	15%	19%	2%
Oil YOY production increase	55%	84%	22%
NGL YOY production increase	97%	20%	36%
Liquids YOY production increase	72%	54%	27%
% Production from liquids	16%	21%	26%
% Realized revenues from liquids ⁽²⁾	30%	59%	60%
Natural Gas production increase (decrease)	9%	12%	(5%)
Operating costs per mcfe:			
Production expense, production taxes and G&A ⁽³⁾	\$1.44	\$1.38	\$1.35 - \$1.50
Operating cash flow (\$mm) ⁽²⁾⁽⁴⁾	\$5,310	\$4,053	\$5,200 - \$5,300
Well costs on proved and unproved properties (\$mm)	(\$7,545)	(\$8,830)	(\$5,750 - \$6,250)
Acquisition of unproved properties, net (\$mm)	(\$3,515)	(\$1,720)	(\$400)

(1) Assumes no ethane rejection

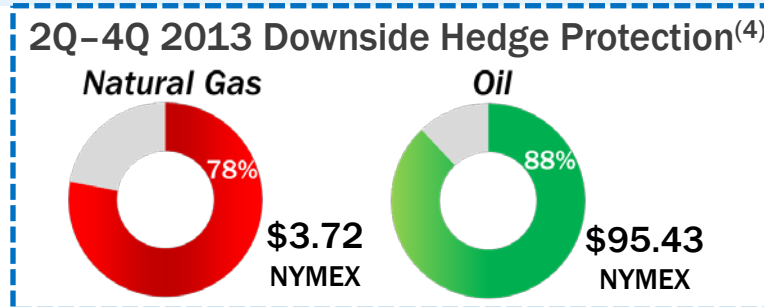
(2) Assumes NYMEX prices on open contracts of \$4.00 to \$4.50/mcf and \$90.00/bbl in 2013

(3) Excluding noncash stock-based compensation

(4) Before changes in assets and liabilities, reconciliation to historical figures available on page 33

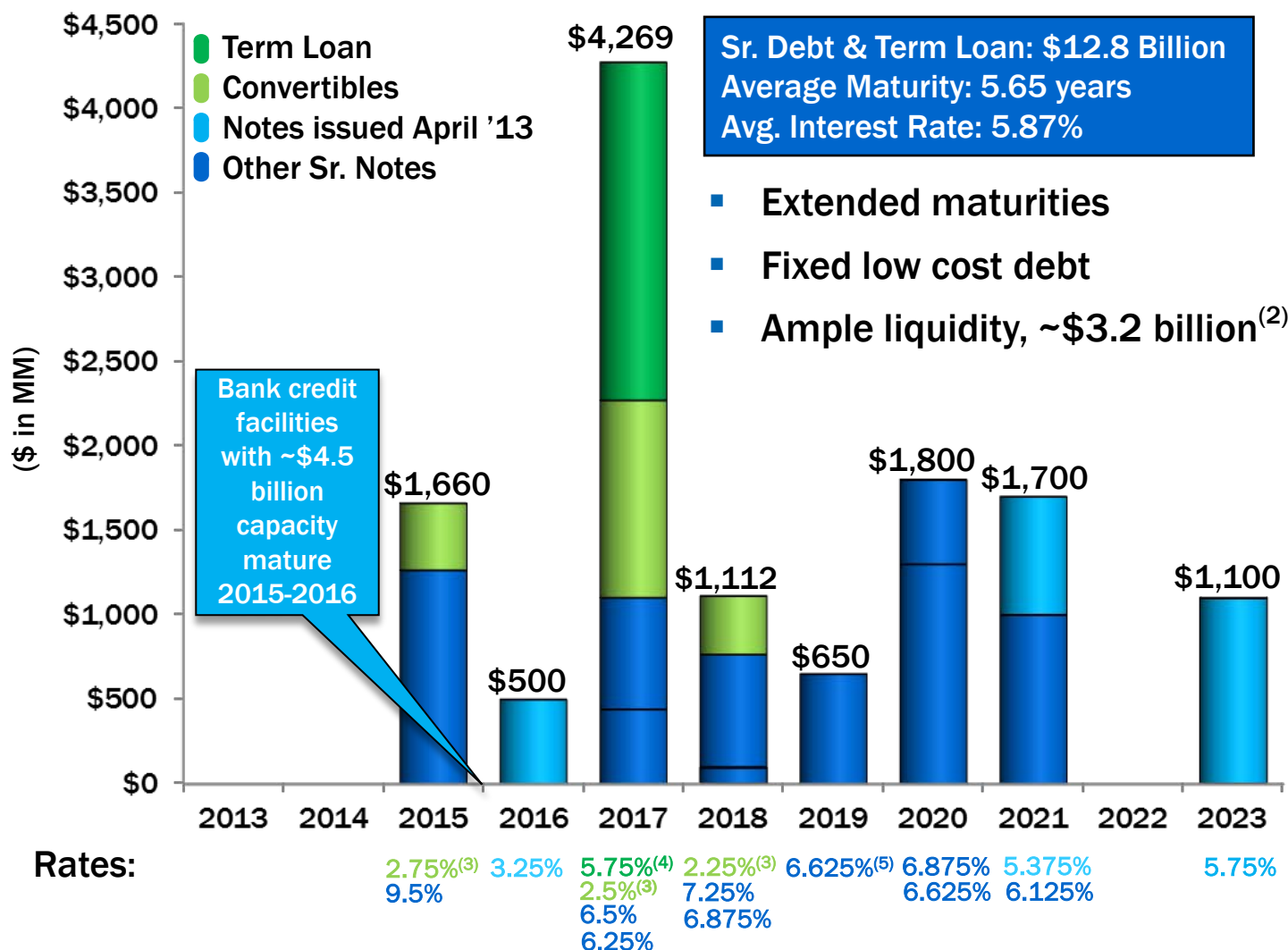
2013 FINANCIAL PROJECTIONS⁽¹⁾

As of 5/1/2013 Outlook (\$ in mm; oil at \$90 NYMEX)	NYMEX Natural Gas Prices		
	\$3.00	\$4.00	\$5.00
O/G revenue⁽²⁾	\$6,190	\$6,900	\$7,620
Adjusted Ebitda	\$4,770	\$4,920	\$5,040
Operating cash flow⁽³⁾	\$5,050	\$5,200	\$5,320
Adjusted net income	\$1,000	\$1,090	\$1,160
Adjusted net income per fully diluted share	\$1.31	\$1.43	\$1.53



- (1) Reconciliations of financial projections on pages 34-35
 (2) Excludes effects of estimated realized and unrealized hedging gains and losses
 (3) Before changes in assets and liabilities
 (4) Hedged positions based on Outlook as of 5/1/2013; 7% of 2013 gas production is hedged under collar arrangements with exposure below \$3.03/mcf

PRO FORMA DEBT MATURITY SCHEDULE⁽¹⁾



(1) As of 3/31/2013 pro forma for 4/13/2013 tenders and issuances, successful redemption of \$1.3 billion Senior Notes due 2019 at par and payment at maturity of remaining 7.625% Senior Notes due July 2013 following April 2013 tender.

(2) Includes unrestricted cash and borrowing availability under revolving credit facilities as of 3/31/2013

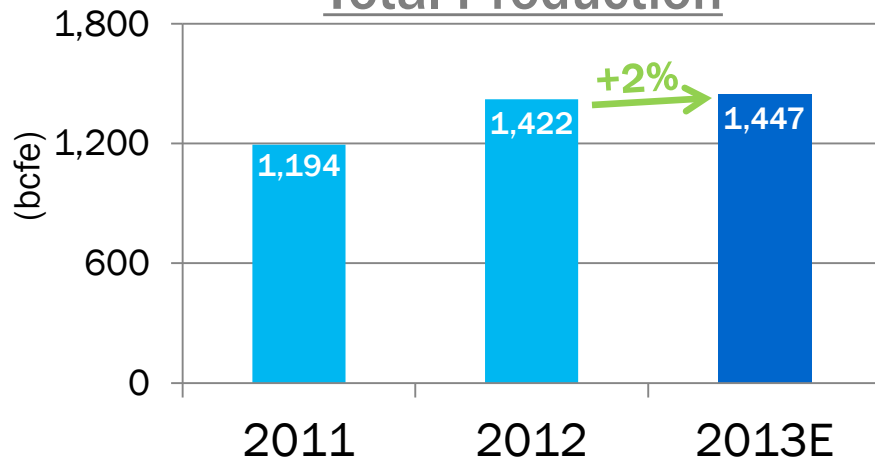
(3) Recognizes earliest investor put option as maturity for the 2.75% 2035, 2.5% 2037 and 2.25% 2038 Contingent Convertible Senior Notes

(4) Interest at LIBOR plus 4.50%; LIBOR rate is subject to a floor of 1.25% per annum

(5) COO \$650 mm Senior Notes due 2019

IMPROVING METRICS⁽¹⁾

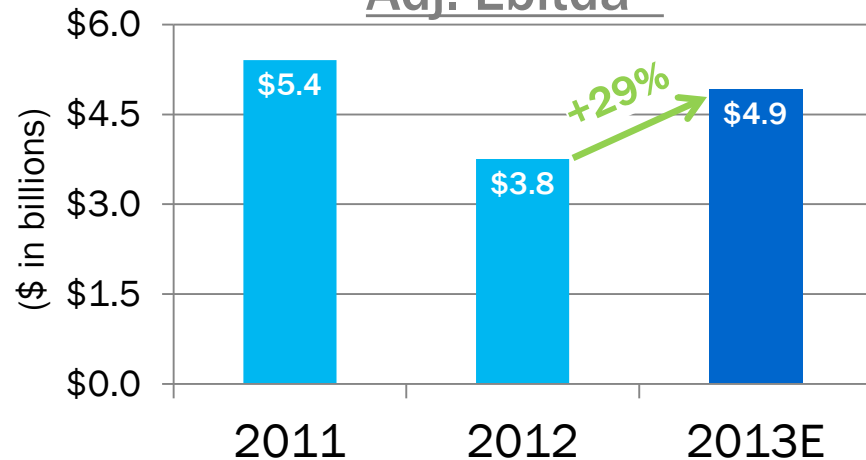
Total Production



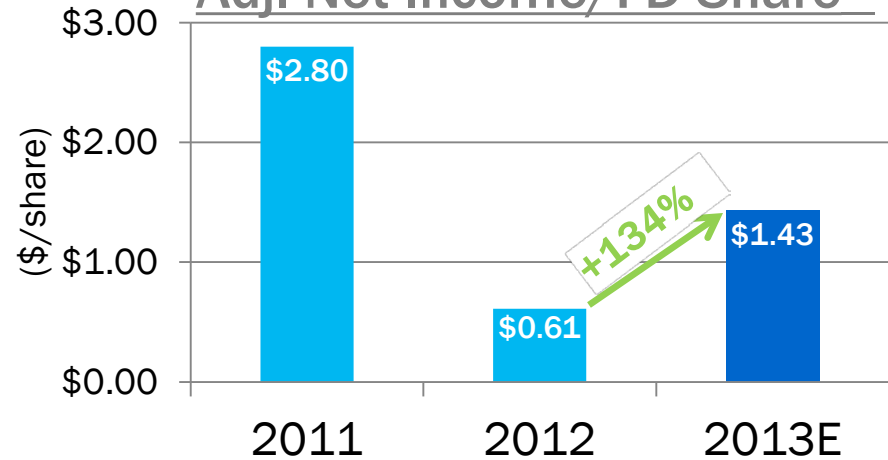
Net Cash Margin⁽²⁾



Adj. Ebitda⁽³⁾



Adj. Net Income/FD Share⁽³⁾



(1) Note: 2013E based on 5/1/2013 Outlook using \$4/mcf natural gas and \$90/bbl oil for open months in 2013

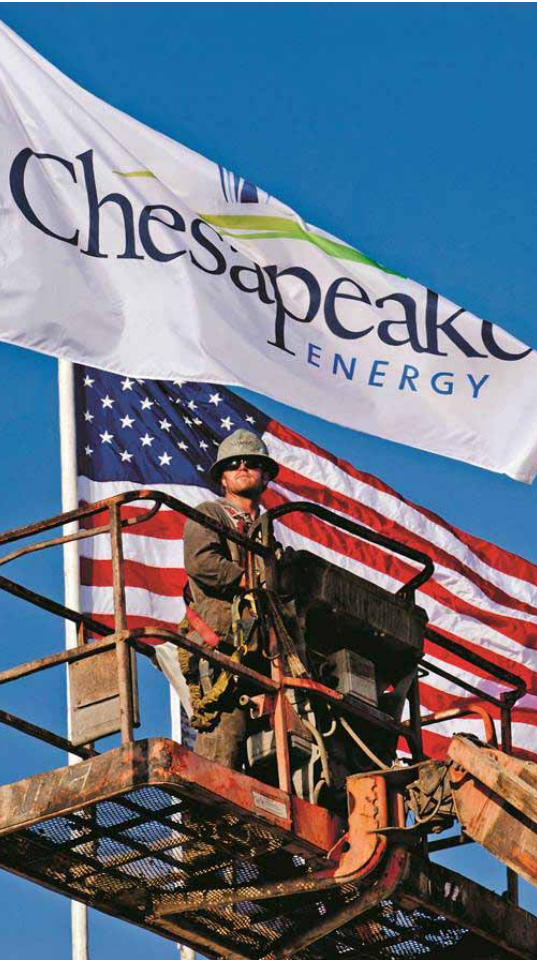
(2) Realized price less production cost, production tax, G&A expense, interest expense and preferred dividends

(3) Reconciliations of non-GAAP financial measures to comparable GAAP measures appear on pages 30-33

SUMMARY



WHY INVEST IN CHK?



- Best assets in the business amassed, now focused on greater shareholder returns from them
- Ongoing strategic transformation to a value realization phase
- Committed to reducing financial risk and complexity
- One of the top liquids growth stories in the industry
- Perhaps the biggest beneficiary of tailwinds from recovering U.S. natural gas market after four years of fighting strong headwinds

CORPORATE INFORMATION

Chesapeake Headquarters

6100 N. Western Avenue
Oklahoma City, OK 73118

Website: www.chk.com

CHK
LISTED
NYSE

FORTUNE
100
BEST
COMPANIES
TO WORK FOR
2013
6TH YEAR IN A ROW!

Other Publicly Traded Securities

	<u>CUSIP</u>	<u>Ticker</u>
7.625% Senior Notes due 2013	#165167BY2	CHKJ13
9.5% Senior Notes due 2015	#165167CD7	CHK15K
3.25% Senior Notes due 2016	#165167CJ4	CHK16
6.25% Senior Notes due 2017	#027393390	N/A
6.50% Senior Notes due 2017	#165167BS5	CHK17
6.875% Senior Notes due 2018	#165167CE5	CHK18B
7.25% Senior Notes due 2018	#165167CC9	CHK18A
6.775% Senior Notes due 2019	#165167CH8	CHK19
6.625% Senior Notes due 2020	#165167CF2	CHK20A
6.875% Senior Notes due 2020	#165167BU0	CHK20
6.125% Senior Notes Due 2021	#165167CG0	CHK21
5.375% Senior Notes Due 2021	#165167CK1	CHK21A
5.75% Senior Notes Due 2023	#165167CL9	CHK23
2.75% Contingent Convertible Senior Notes due 2035	#165167BW6	CHK35
2.50% Contingent Convertible Senior Notes due 2037	#165167BZ9/165167CA3CHK37/CHK37A	
2.25% Contingent Convertible Senior Notes due 2038	#165167CB1	CHK38
4.5% Cumulative Convertible Preferred Stock	#165167842	CHK PrD
5.0% Cumulative Convertible Preferred Stock (Series 2005B)	#165167826	N/A
5.75% Cumulative Convertible Preferred Stock	#165167776/U16450204	N/A
5.75% Cumulative Convertible Preferred Stock (Series A)	#165167784/U16450113	N/A

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APPENDIX



RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON STOCKHOLDERS



(\$ in millions, except per-share data)(unaudited)

THREE MONTHS ENDED:	March 31, 2013	December 31, 2012	March 31, 2012
Net income (loss) available to common stockholders	\$ 15	\$ 257	\$ (71)
Adjustments, net of tax:			
Unrealized (gains) losses on derivatives	94	(78)	167
Net gains on sales of fixed assets	(30)	(166)	(1)
Impairments of fixed assets and other	16	36	—
Impairment of investment	6	—	—
Employee retirement expense and other termination benefits	83	2	—
Gain on sale of investment	—	(19)	—
Losses on purchases of debt	—	122	—
Other	(1)	(1)	(1)
Adjusted net income available to common stockholders^(a)	183	153	94
Preferred stock dividends	43	43	43
Total adjusted net income	<u>\$ 226</u>	<u>\$ 196</u>	<u>\$ 137</u>
Weighted average fully diluted shares outstanding^(b)	758	754	752
Adjusted earnings per share assuming dilution^(a)	\$ 0.30	\$ 0.26	\$ 0.18

(a) Adjusted net income available to common stockholders and adjusted earnings per share assuming dilution exclude certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to GAAP earnings because:

- Management uses adjusted net income available to common stockholders to evaluate the company's operational trends and performance relative to other natural gas and oil producing companies.
- Adjusted net income available to common stockholders is more comparable to earnings estimates provided by securities analysts.
- Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

(b) Weighted average fully diluted shares outstanding include shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

RECONCILIATION OF OPERATING CASH FLOW AND EBITDA



(\$ in millions)(unaudited)

	March 31, 2013	December 31, 2012	March 31, 2012
THREE MONTHS ENDED:			
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 924	\$ 858	\$ 274
Changes in assets and liabilities	252	271	636
OPERATING CASH FLOW^(a)	<u>\$ 1,176</u>	<u>\$ 1,129</u>	<u>\$ 910</u>
	March 31, 2013	December 31, 2012	March 31, 2012
THREE MONTHS ENDED:			
NET INCOME (LOSS)	\$ 102	\$ 344	\$ (3)
Interest expense	21	14	12
Income tax expense (benefit)	63	219	(2)
Depreciation and amortization of other assets	78	71	84
Natural gas, oil and NGL depreciation, depletion and amortization	648	651	506
EBITDA^(b)	<u>\$ 912</u>	<u>\$ 1,299</u>	<u>\$ 597</u>
	March 31, 2013	December 31, 2012	March 31, 2012
THREE MONTHS ENDED:			
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 924	\$ 858	\$ 274
Changes in assets and liabilities	252	271	636
Interest expense	21	14	12
Unrealized gains (losses) on natural gas, oil and NGL	(146)	125	(270)
Net gains on sales of fixed assets	49	272	2
Impairments of fixed assets and other	(27)	(59)	—
Employee retirement and other termination benefits	(105)	(3)	—
Gain on sale of investment	—	31	—
Losses on investments	(29)	(18)	(33)
Impairment of investment	(10)	—	—
Stock-based compensation	(32)	(27)	(37)
Losses on purchases of debt	—	(200)	—
Other items	15	35	13
EBITDA^(b)	<u>\$ 912</u>	<u>\$ 1,299</u>	<u>\$ 597</u>

(a) Operating cash flow represents net cash provided by operating activities before changes in assets and liabilities. Operating cash flow is presented because management believes it is a useful adjunct to net cash provided by operating activities under accounting principles generally accepted in the United States (GAAP). Operating cash flow is widely accepted as a financial indicator of a natural gas and oil company's ability to generate cash which is used to internally fund exploration and development activities and to service debt. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies within the natural gas and oil exploration and production industry. Operating cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing or financing activities as an indicator of cash flows, or as a measure of liquidity.

(b) Ebitda represents net income before income tax expense, interest expense and depreciation, depletion and amortization expense. Ebitda is presented as a supplemental financial measurement in the evaluation of our business. We believe that it provides additional information regarding our ability to meet our future debt service, capital expenditures and working capital requirements. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Ebitda is also a financial measurement that, with certain negotiated adjustments, is reported to our lenders pursuant to our bank credit agreements and is used in the financial covenants in our bank credit agreements. Ebitda is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income, income from operations, or cash flow provided by operating activities prepared in accordance with GAAP.

RECONCILIATION OF ADJUSTED EBITDA

(\$ in millions)(unaudited)

THREE MONTHS ENDED:	March 31, 2013	December 31, 2012	March 31, 2012
EBITDA	\$ 912	\$ 1,299	\$ 597
Adjustments:			
Unrealized (gains) losses on natural gas, oil and NGL derivatives	146	(125)	270
Impairment of investment	10	—	—
Net gains on sales of fixed assets	(49)	(272)	(2)
Impairments of fixed assets and other	27	59	—
Net income attributable to noncontrolling interests	(44)	(44)	(25)
Gain on sale of investment	—	(31)	—
Losses on purchases of debt	—	200	—
Employee retirement expense and other termination benefits	133	3	—
Other	(1)	—	(2)
Adjusted EBITDA^(a)	<u>\$ 1,134</u>	<u>\$ 1,089</u>	<u>\$ 838</u>

(a) Adjusted ebitda excludes certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to ebitda because:

- Management uses adjusted ebitda to evaluate the company's operational trends and performance relative to other natural gas and oil producing companies.
- Adjusted ebitda is more comparable to estimates provided by securities analysts.
- Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

RECONCILIATION OF OPERATING CASH FLOW AND EBITDA



(\$ in millions)(unaudited)

	December 31, 2012	December 31, 2011
TWELVE MONTHS ENDED:		
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,841	\$ 5,903
Changes in assets and liabilities	1,228	(594)
OPERATING CASH FLOW^(a)	<u>\$ 4,069</u>	<u>\$ 5,309</u>
TWELVE MONTHS ENDED:		
NET INCOME (LOSS)	\$ (594)	\$ 1,757
Income tax expense (benefit)	(380)	1,123
Interest expense	77	44
Depreciation and amortization of other assets	304	291
Natural gas, oil and NGL depreciation, depletion and amortization	2,507	1,632
EBITDA^(b)	<u>\$ 1,914</u>	<u>\$ 4,847</u>
TWELVE MONTHS ENDED:		
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,841	\$ 5,903
Changes in assets and liabilities	1,228	(594)
Interest expense	77	44
Unrealized gains (losses) on natural gas, oil and NGL derivatives	561	(789)
Impairment of natural gas and oil properties	(3,315)	—
Net gains on sales of fixed assets	267	437
Impairments of fixed assets and other	(316)	(46)
Gains (losses) on investments	(180)	41
Stock-based compensation	(120)	(153)
Gains on sales of investments	1,092	—
Losses on purchases of debt	(200)	(5)
Other items	(21)	9
EBITDA^(b)	<u>\$ 1,914</u>	<u>\$ 4,847</u>

(a) Operating cash flow represents net cash provided by operating activities before changes in assets and liabilities. Operating cash flow is presented because management believes it is a useful adjunct to net cash provided by operating activities under accounting principles generally accepted in the United States (GAAP). Operating cash flow is widely accepted as a financial indicator of a natural gas and oil company's ability to generate cash which is used to internally fund exploration and development activities and to service debt. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies within the natural gas and oil exploration and production industry. Operating cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing or financing activities as an indicator of cash flows, or as a measure of liquidity.

(b) Ebitda represents net income (loss) before income tax expense, interest expense and depreciation, depletion and amortization expense. Ebitda is presented as a supplemental financial measurement in the evaluation of our business. We believe that it provides additional information regarding our ability to meet our future debt service, capital expenditures and working capital requirements. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Ebitda is also a financial measurement that, with certain negotiated adjustments, is reported to our lenders pursuant to our bank credit agreements and is used in the financial covenants in our bank credit agreements. Ebitda is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income, income from operations or cash flow provided by operating activities prepared in accordance with GAAP.

RECONCILIATION OF 2013 FINANCIAL PROJECTIONS: ADJUSTED EBITDA TO OPERATING CASH FLOW



As of 5/1/2013 Outlook

(\$ in mm; oil at ~\$90 NYMEX)

NYMEX Natural Gas Prices

	\$3.00	\$4.00	\$5.00
O/G revenue (unhedged)	\$6,190	\$6,900	\$7,620
Hedging effect ⁽¹⁾	540	-	(570)
Marketing, service operations and other	290	290	290
Production taxes ~4%	(240)	(260)	(290)
Production cost (LOE)	(1,270)	(1,270)	(1,270)
G&A ⁽²⁾	(540)	(540)	(540)
Net income attributable to noncontrolling interests	(200)	(200)	(200)
Adjusted Ebitda	\$ 4,770	\$ 4,920	\$ 5,040
Interest expense incl. capitalized interest	(110)	(110)	(110)
Non-cash interest expense	60	60	60
Stock-based compensation	130	130	130
Net income attributable to noncontrolling interests	200	200	200
Operating cash flow⁽³⁾	\$ 5,050	\$ 5,200	\$ 5,320

(1) Includes effects of estimated realized hedging gains and losses and excludes effects of unrealized hedging gains and losses

(2) Includes expense related to noncash stock-based compensation

(3) Before changes in assets and liabilities

RECONCILIATION OF 2013 FINANCIAL PROJECTIONS: OPERATING CASH FLOW TO ADJUSTED NET INCOME

As of 5/1/2013 Outlook

(\$ in mm; oil at ~\$90 NYMEX)

NYMEX Natural Gas Prices

	\$3.00	\$4.00	\$5.00
Operating cash flow⁽¹⁾	\$5,050	\$5,200	\$5,320
Oil and gas depreciation	(2,530)	(2,530)	(2,530)
Depreciation of other assets	(400)	(400)	(400)
Income taxes (38% rate)	(730)	(790)	(840)
Non-cash interest expense	(60)	(60)	(60)
Stock-based compensation	(130)	(130)	(130)
Net income attributable to noncontrolling interests	(200)	(200)	(200)
Adjusted net income to common stockholders	\$1,000	\$1,090	\$1,160
Adjusted earnings per fully diluted share	\$1.31	\$1.43	\$1.53

(1) Before changes in assets and liabilities