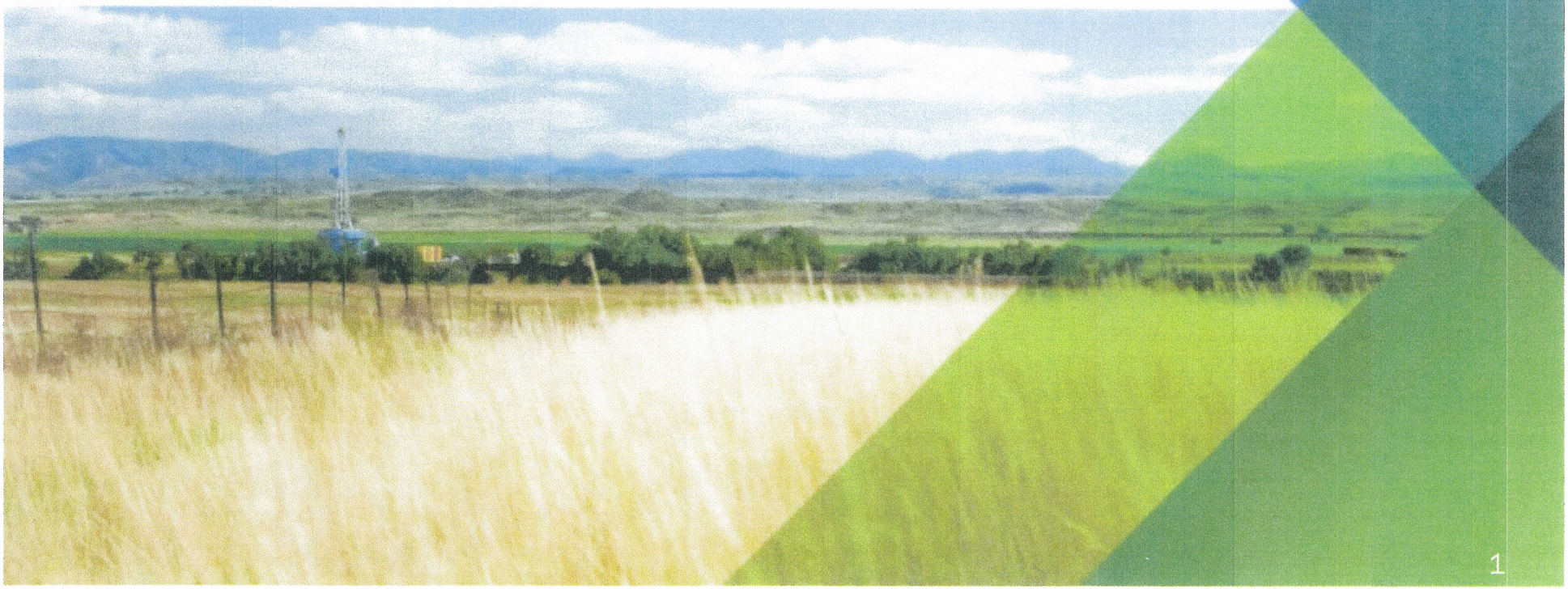
Chesapeake ENERGY

NATURAL GAS VEHICLES

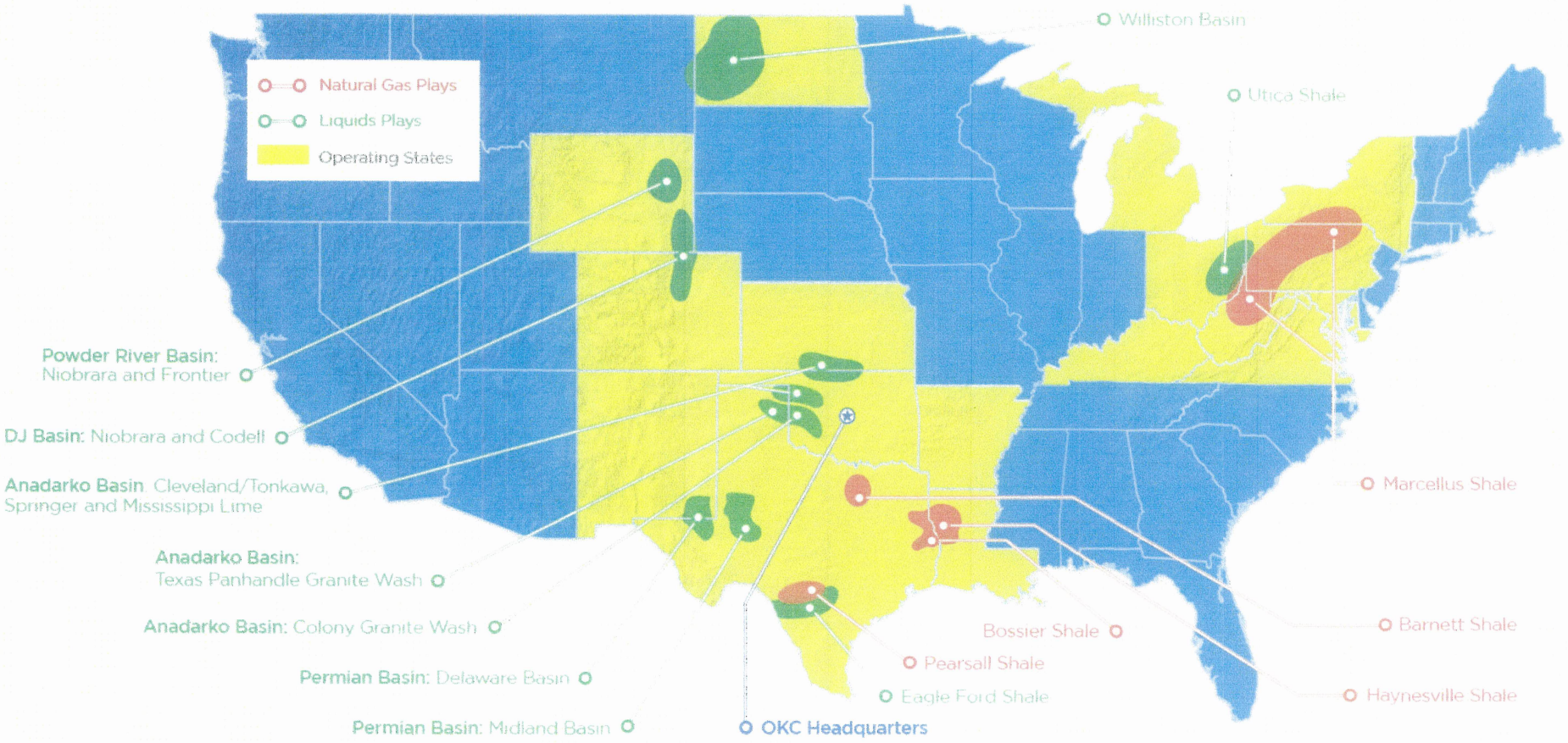
AN ENVIRONMENTAL, ECONOMICAL AND AMERICAN SOLUTION

CHESAPEAKE ENERGY

July 12, 2012



Chesapeake's Operating Areas



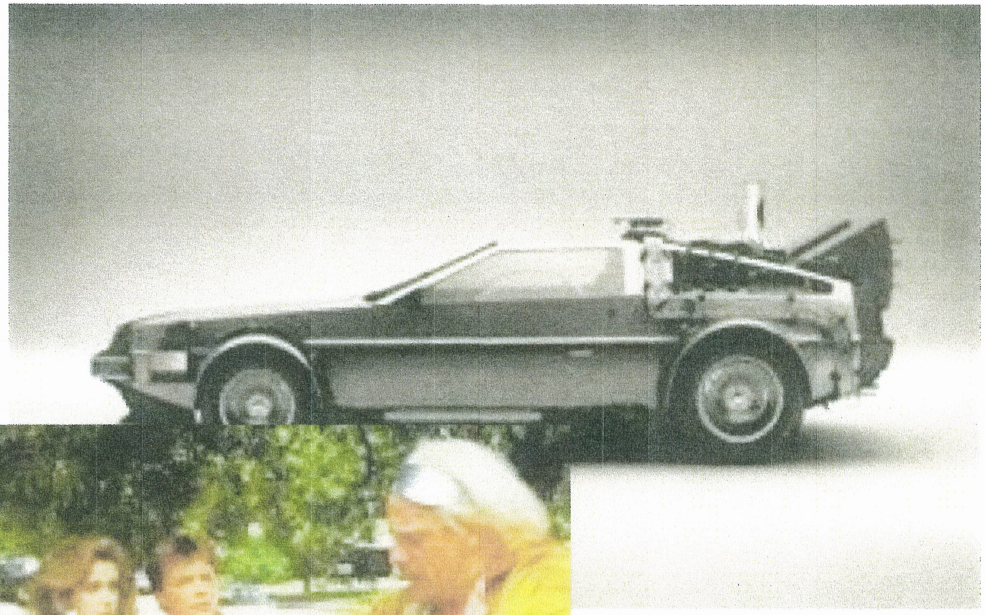
Low-risk, U.S. onshore asset base; not exposed to economic, geopolitical or technological risks internationally or in the Gulf of Mexico

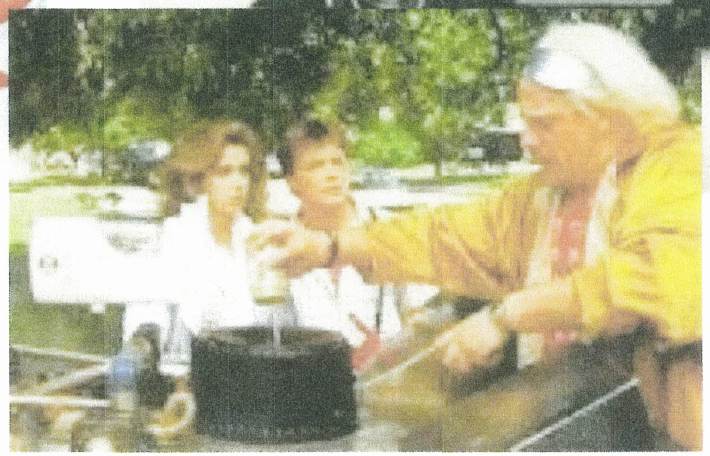
What Does the Future of Transportation Fuels Look Like?

Chesapeake ENERGY

The Jetson's - 1962

Doc and the Flux Capacitor - 1985





America Needs a Fuel Bridge

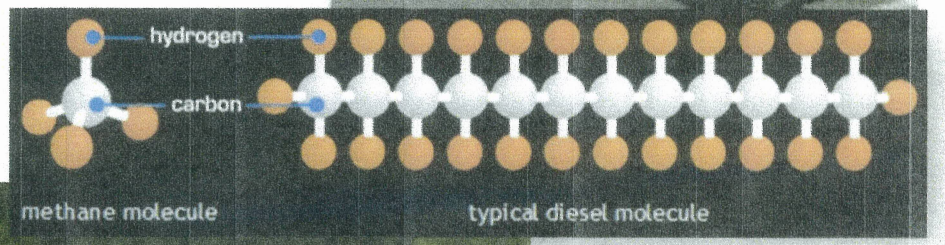
That is environmentally friendly, low cost, reliable
and provides energy independence and security for America.

Natural Gas is Clean

Chesapeake ENERGY

» Natural Gas is Clean

- Natural gas is mostly methane (CH4): a low carbon fuel
- Natural gas vehicles reduce green house gases between 20%-29%
- Natural gas vehicles reduce NOx (87% reduction)
- Natural gas vehicles reduce PM (95%+ reduction)



Natural Gas is Affordable

Natural Gas vs. Diesel Retail Pricing

Chesapeake ENERGY

Current Retail Price of Gasoline & Diesel ($ / gal)

	Gasoline	Diesel
As of April 16, 2012	$3.92	$4.13

	Natural Gas on Gallon Equivalent Basis						Diesel
	GGE	DGE	GGE	DGE	GGE	DGE	Diesel
"Raw" equivalent commodity cost	$0.25	$0.28	$0.50	$0.56	$0.74	$0.83	$2.47
Other costs per Gallon							
Distribution	$0.18	$0.18	$0.18	$0.18	$0.18	$0.18	$0.29
State/local Taxes	$0.07	$0.07	$0.07	$0.07	$0.07	$0.07	$0.45
Maintenance, service	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	
CAPEX/Amort/Refining	$0.45	$0.45	$0.45	$0.45	$0.45	$0.45	$0.83
TOTAL "other" costs	$0.90	$0.90	$0.90	$0.90	$0.90	$0.90	$1.57
Total Cost per GE	**$1.15**	**$1.18**	**$1.40**	**$1.46**	**$1.64**	**$1.73**	**$4.04**
Assumed Retail Markup*	50%	50%	50%	50%	50%	50%	2%
Retail	**$1.72**	**$1.77**	**$2.09**	**$2.18**	**$2.47**	**$2.60**	**$4.13**

** Typical diesel retail markup is 2%, we assume 50% retail natural gas markup to conservatively estimate payback period*

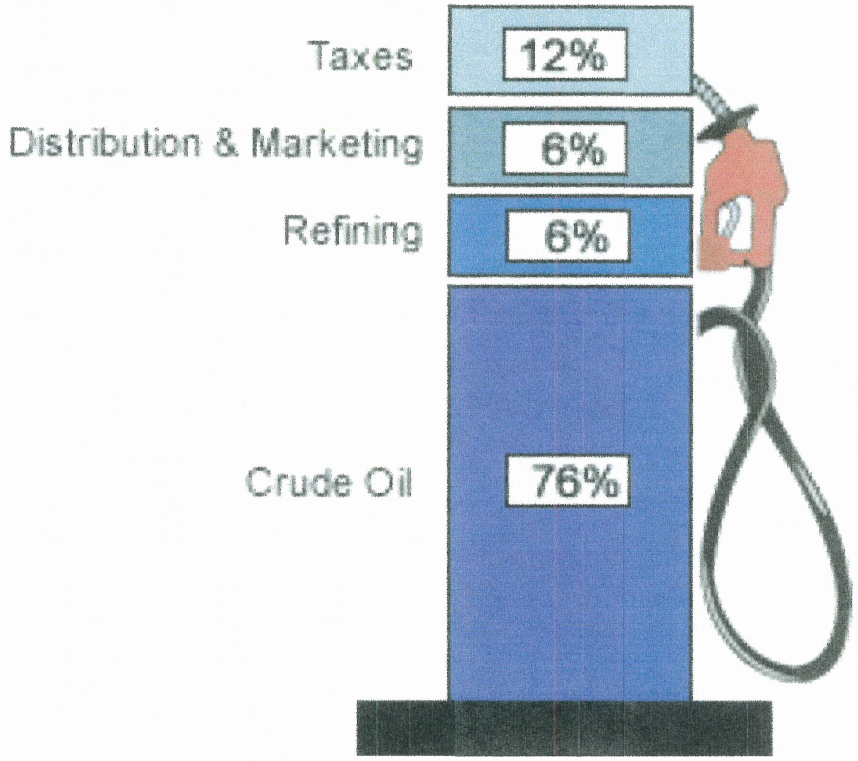
*** Crude cost $ / gallon*

Source: Lazard Capital Markets estimates, EIA, NGV America

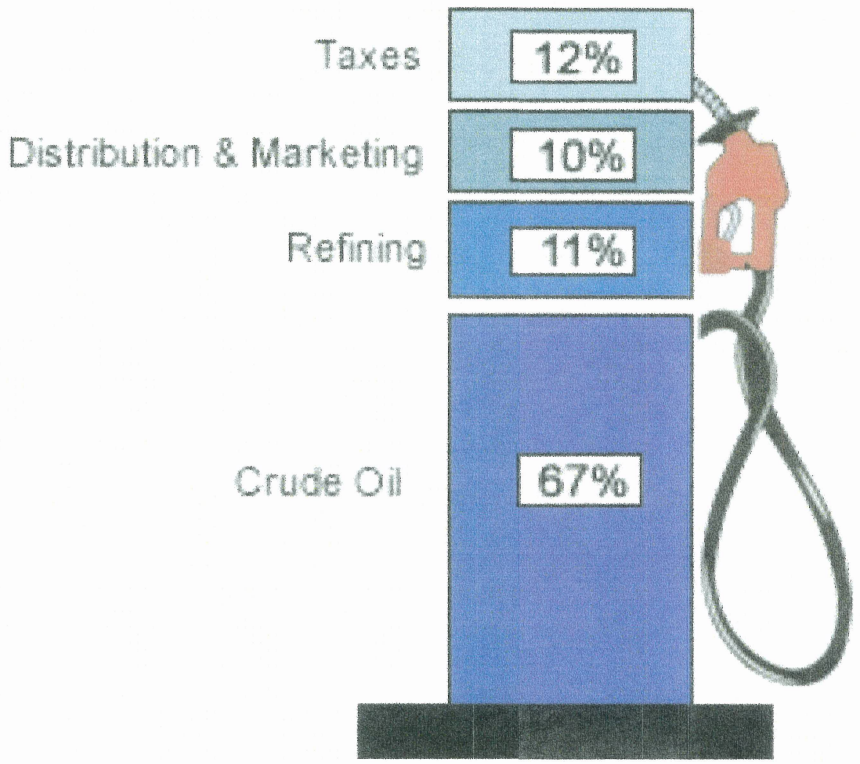
Natural Gas is Affordable

Gasoline and Diesel Retail Pricing Inputs

Regular Gasoline (January 2012)
Retail Price: $3.38/gallon



Diesel (January 2012)
Retail Price: $3.83/gallon



Source: U.S. Energy Information Administration

Natural Gas is Affordable

CNG Price Stability Example

Chesapeake ENERGY

Natural Gas @ $3.20 per MCF

INPUT	COST
Natural Gas (divide by 8)	$0.40
Transport Costs & Fees	$0.25
Electricity Costs per GGE	$0.11
Maintenance per GGE	$0.25
Federal and State Taxes	$0.28
Fuel Card Fees per GGE	$0.05
Retailer Profit Margin	$0.50
CNG at the Pump	**$1.85**

Natural Gas @ $6.40 per MCF

INPUT	COST
Natural Gas (divide by 8)	$0.80
Transport Costs & Fees	$0.25
Electricity Costs per GGE	$0.11
Maintenance per GGE	$0.25
Federal and State Taxes	$0.28
Fuel Card Fees per GGE	$0.05
Retailer Profit Margin	$0.50
CNG at the Pump	**$2.25**

What is our goal in New Mexico and America?

- Reduce Green House Gases, NOx and Particulate Matter
- Lower fleet operating costs
- Promote natural gas as the clean, affordable and abundant alternative motor fuel for America
  - The PLAN: Utilize producer, field service and national fleet conversions to base load CNG GGE's at public-access refueling locations to expand CNG refueling infrastructure

NGVs are a Fleet Owner's Dream

- Energy Companies
- Local/State Governments
- Airports
  - Terminal Buses, Shuttles, Taxis, Tarmac Vehicles
- Refuse
  - Collection, Recycling
- Transit
  - City Buses, Maintenance, Shuttles
- School Districts
  - Buses, Vans, Maintenance
- "Short Haul" Delivery
  - Food & Beverage Distributors, Postal, Newspapers, Linens, Uniforms, Regional Freight
- Utilities & Telecom
  - Gas/Electric/Water, Communications
- Small Businesses
  - Plumbers, Electricians, Florists, Service Companies

Detroit Rolls Out CNG in 2012

Chesapeake ENERGY

GM

CHRYSLER

Ford

National Fleets with NGVs

Chesapeake ENERGY

verizon

at&t

US. FOODS KEEPING KITCHENS COOKING.

O'Reilly AUTO PARTS

COX

Frito Lay Good fun!

Ryder

WM WASTE MANAGEMENT

Coca-Cola

CENTRAL FREIGHT LINES INC.

UPS

J.B. HUNT

Advantages to Adding CNG Infrastructure to Existing C-store Locations

Chesapeake ENERGY

- Sunk costs
  - Land/ real estate – simply adding a profit center
  - Minimal site work to forecourt
  - Existing gas and electric utility services
  - Existing canopy
  - Operational labor efficiencies
- Convenient locations
  - What fleet divers want
  - What consumers want and are familiar with
- Existing services
  - Convenience snacks, food and drinks
  - Bi-Fuel/ Dual-Fuel vehicles still need gas or diesel.
  - Bathrooms
  - Car washes
  - ATM's and more

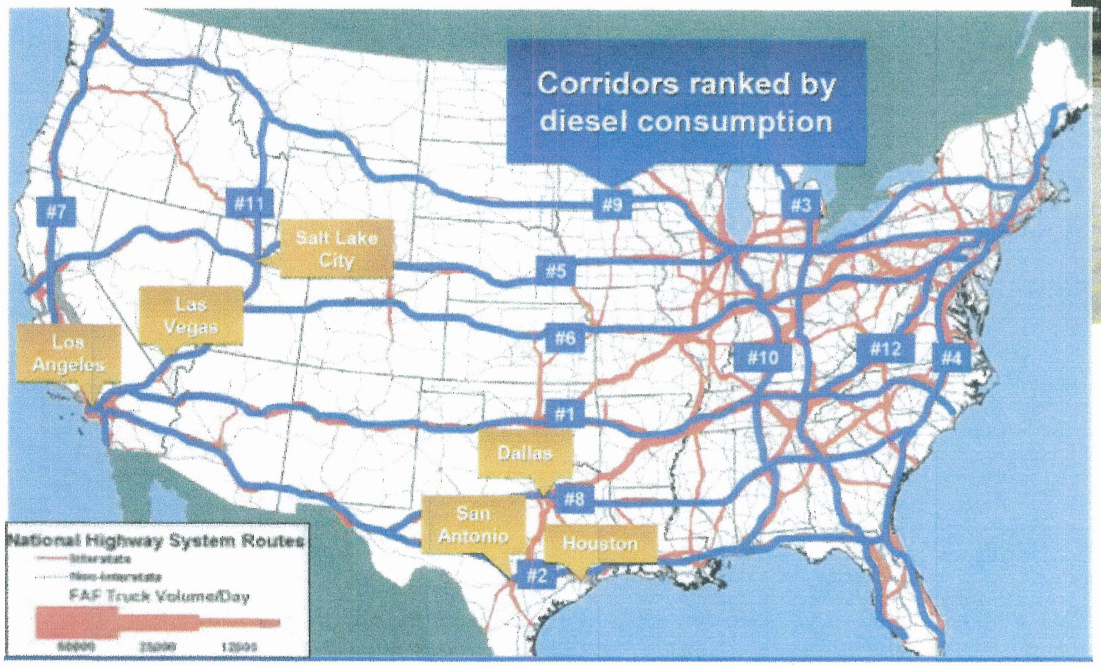
What makes a site a good CNG candidate?

Chesapeake ENERGY

» Location
- Close to fleets and along travel corridors
- NOT PREFERRED in remote locations or behind the fence of an industrial park

» Easy access
- Ability to safely ingress and egress a larger profile vehicle

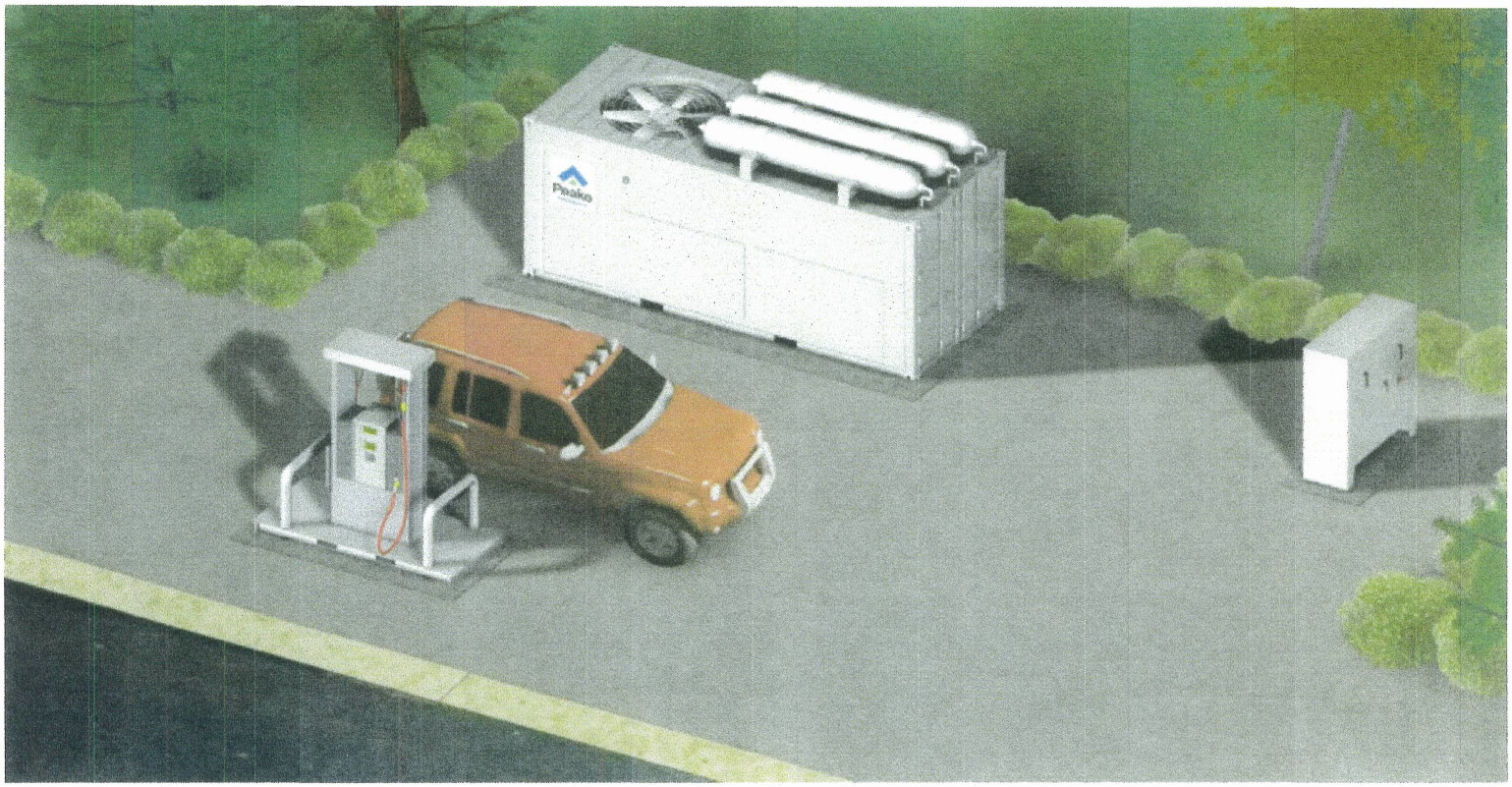
» Reputable operator, clean facility, existing services



An example of good access and location, but no ancillary services.

CNG Refueling Equipment

- Push toward lower costs, better performance, smaller size and increased reliability
- Move toward plug and play; ease of permitting and installation



Natural Gas is Clean, Affordable, Abundant and Domestic

Chesapeake ENERGY

» Call to action

- Chesapeake is partnering to build out CNG refueling infrastructure
- Chesapeake is working with car and truck manufacturers
- Chesapeake is working on fleet conversions

- What can you do?
  - Convert your vehicles – dedicated, bi-fuel and dual-fuel
  - Purchase and support OEM bi-fuel vehicles
  - Support State NGV and CNG policies and incentives
  - Support Federal NGV and CNG policies and incentives