

with these new play efforts, the most notable of which are described in the sections below.

Eagle Ford Shale — This South Texas shale is distinctive from the other shale plays described above because it has three components: an oil play, a wet natural gas play and a dry natural gas play. During 2009–10, Chesapeake acquired approximately 600,000 Eagle Ford net leasehold acres, all of which were in the liquids-rich portions of the play. Our initial wells were very successful, and in late 2010 we sold 33.3% of our assets in the play to Beijing-based Chinese National Offshore Oil Company (CNOOC) for \$2.2 billion in cash and drilling carries. This was CNOOC's first investment in the U.S. onshore E&P industry, and we are proud that it chose Chesapeake as its first U.S. onshore partner. We are currently drilling with 16 rigs in this play and expect to accelerate our drilling to 40 rigs by year-end 2013. We believe our 470,000 net leasehold acre position could support the drilling of up to 5,500 additional net wells in the years ahead.

Pearsall Shale — This shale underlies most of our Eagle Ford acreage and is the second “sleepers” of our natural gas shale plays. We have two rigs dedicated to testing this formation, and our first few wells have significantly exceeded our expectations. This formation is found about 3,000–4,000 feet deeper than the Eagle Ford and so for the play to become competitive with our other natural gas shale plays, we will need natural gas prices to strengthen from where they are today. We believe this will likely occur in 2013 at the latest. We believe our 350,000 net acre Pearsall leasehold position could support the drilling of up to 3,000 additional net wells.

Niobrara Shale — The Niobrara is a two-basin play, covering substantial portions of both the Powder River Basin of east-central Wyoming and the DJ Basin of southeastern Wyoming and northeastern Colorado. During 2008–10, Chesapeake acquired approximately 800,000 net leasehold acres in these two liquids-rich basins, and in early 2011 we sold 33.3% of our assets in the play to CNOOC for approximately \$1.3 billion

A Chesapeake discovery, Louisiana's Haynesville Shale recently passed the Barnett Shale to become the nation's largest producing shale play. The Haynesville comes with an added attraction — much of it is overlain by another prolific natural gas-producing formation, the Bossier Shale.

