



Rig lights come on at twilight in the Permian Basin of Texas, where crews drill around the clock in the liquids-rich Bone Spring play. This is the newest in a series of energy booms that has enabled West Texas cities like Midland to prosper for almost 100 years.

I am pleased to report that we have apparently finally convinced President Barack Obama and Congressional leadership to recognize that the energy path America is on today is completely unsustainable. There appears to be growing recognition that it is spectacularly dangerous for America to continue importing 9 million barrels of oil per day and exporting

more than \$1 billion per day in national wealth to oil exporting countries.

America's undiminished appetite for foreign oil has created the largest wealth transfer in the history of the world. The political leadership in Washington, D.C., has not seemed overly concerned about this issue until recently. However, after President Obama's recent speech calling

(1) Reserve replacement is calculated by dividing net reserve additions from all sources by actual production for the corresponding period. We calculate drilling and net acquisition cost per mcf by dividing total drilling and net proved property acquisition costs incurred during the year (excludes certain costs primarily related to net unproved property acquisitions, geological and geophysical costs and deferred taxes related to corporate acquisitions) by total proved reserve additions excluding price-related revisions.

(2) A non-GAAP financial measure, as defined below. Please refer to the Investors section of our website at www.chk.com for reconciliations of non-GAAP financial measures to comparable financial measures calculated in accordance with generally accepted accounting principles.

- Adjusted ebitda is net income (loss) before interest expense, income tax expense (benefit), and depreciation, depletion and amortization expense, as adjusted to remove the effects of certain items that management believes affect the comparability of operating results.
- Operating cash flow is cash provided by operating activities before changes in assets and liabilities.
- Adjusted earnings per fully diluted share is net income (loss) per share available to Chesapeake common stockholders, assuming dilution, as adjusted to remove the effects of certain items that management believes affect the comparability of operating results.

(3) FORTUNE 100 Best Companies to Work For® listed in the magazine's February 7, 2011 issue.