

FINAL TRANSCRIPT

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CHK - Chesapeake Energy Corporation Conference Call to Discuss Haynesville Shale Joint Venture

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PRESENTATION

Operator

Good day everyone, and welcome to the Chesapeake Energy and Plains Exploration joint conference call. Today's conference is being recorded. At this time for opening remarks and introductions I would like to turn the conference over to Aubrey McClendon. Please go ahead sir.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Good morning, thanks for joining me, Jim Flores, and our respective teams to discuss the exciting news of the formation of our Haynesville joint venture today. I'll speak for about ten minutes, and then turn the call over to Jim for his remarks, and then we'll

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be available for your questions. I might add that this is Chesapeake's first ever joint conference call, and I assure you it is completely unrehearsed. We will do the best we can, but this might become amateur hour.

I know it's a cliché to use the phrase win-win, but that is clearly what the deal represents for both companies. For Jim and PXP it represents their entry into what is quickly developing into what is likely to become America's largest natural gas field, and perhaps even more remarkably, the fourth-largest gas field in the world. This deal also accelerates PXP's growth, wisely invests their excess cash flow and helps them achieve a better portfolio balance between oil and natural gas.

For Chesapeake, it rewards our shareholders by confirming and showcasing how rapidly we're creating value from our new shale plays. In the past year we have invested or committed about \$2.5 billion in the Haynesville, and today we're proving that our Haynesville assets are worth at least \$16.5 billion. That is \$30 per share of value creation in less than a year, and that's just from one of our many plays.

I want to emphasize the "at least" part of that last sentence. Although the play is just under way, the data to date from Chesapeake and other operators strongly suggests the Haynesville holds estimated ultimate recoverable gas reserves of 250 TCF from over 700 TCF of gas in play. By comparison, the Barnett Shale in North Texas will ultimately produce about 50 TCF, or in quotation marks, only 20% of what we see in Haynesville.

In our opinion, it will be the Haynesville more than any other field that will enable our country to realize that we have been blessed with enormous endowment of previously undiscovered natural gas resources. And I believe we must use this natural gas abundance to finally begin freeing the US from our dangerous and debilitating dependence on imported oil by converting some of our transportation fleet to compressed natural gas and plug-in hybrids.

So why are we so confident of the enormous potential of Haynesville? First, we know the formation is present over a large area. In fact, about 3.5 million acres will likely end up being defined as the Core Area. This prediction comes from our two-year geological and petrophysical study of the area, during which time we analyzed over 70 penetrations of the Haynesville and evaluated important core samples in our one-of-a-kind proprietary reservoir technology center on Chesapeake's Oklahoma City campus. All of this research confirmed the existence of very good-looking, homogenous, thick and over-pressured shale reservoir rock in the Core Area.

So far our theories are working. Chesapeake has drilled 8 horizontal wells to date, with initial flow rates of 5 to 15 million cubic feet of gas equivalent per day on very restricted chokes, with very high casing pressures of up to 6500 PSI. Contrast this with initial production rates of 3 to 6 million per day from the very best Barnett wells that are almost always tested on wide open chokes.

It's clear that Haynesville wells will be in a class of their own. If 5 million per day Barnett wells have been called monsters, I'm not sure what to call these Haynesville wells. But since they appear to be three times better, maybe we will call them triple X monsters. If you have a better name in mind, please send it in. We will be all ears.

And please remember our Haynesville wells are likely to get better over time, as they always do in shale plays. For example, our eighth well brought on just two days ago appears to be our best well to date. But I would bet it will not hold that distinction very long. We are currently estimating that Haynesville wells will recover between 4.5 and 8.5 Bcfe. We're comfortable for now, anyway, using 6.5 Bcfe as our estimated ultimate reserve, or EUR, midpoint estimate.

We're drilling and completing Haynesville wells for approximately \$6.5 million each, and expect that cost to decline by 10% or so, as the play moves to full development mode. Assuming 25% is an average royalty rate in play, you can see the drilling and completion costs may average only \$1.33 per Mcfe before leasehold costs.

Now I would like to return to what this transaction does for Chesapeake's shareholders. First of all, it confirms and showcases how we have created roughly \$30 per share value in the past year from just this one play, only a small portion of which we

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believe has been reflected in our current stock market valuation. Secondly, this deal returns to us 120% of our costs incurred to date, and we will still retain an 80% ownership of the commanding acreage position we have built.

Further, the capital received from the PXP transaction illustrates an alternative and attractive future capital funding source for the Company, and helps us continue acquiring leaseholds in this and other emerging plays. In addition, I believe today marks the beginning of a new and exciting chapter in Chesapeake's strategy for creating value. In this new chapter, once we have discovered or helped discover a big new play, established its commerciality and secured a large leasehold position, we may then sell a minority interest to recover our cost, mitigate our risk and confirm and showcase value creation from a new play.

In addition to the Haynesville value creation we're discussing today, I would like to inform you and the industry that we're also pursuing strategic partnerships on our Fayetteville and Marcellus leasehold positions. To remind you, we own more than 550,000 net acres in Fayetteville and are producing over 150 million cubic feet of gas per day which we believe makes our Fayetteville assets worth up to \$15 billion. If we were to sell say 25% of our position in that play on that valuation, I believe we will have proven that the Fayetteville is worth almost \$25 per share to our shareholders.

Furthermore, we own approximately 1.2 million net acres of Marcellus leasehold in Appalachia. And in new disclosure today, I am informing you that our two most recent horizontal Marcellus wells during the past month have produced more than a combined 9 million cubic feet of gas per day. We're not quite ready to release our EUR projections for the entire play, but four million Bcfe for the two wells in question surely seems reasonable based on what we've seen to date.

This means that if our Geoscientific and petrophysical models work as well in Marcellus as they have in Barnett, Fayetteville and Haynesville, later this year we will likely be able to prove that our Marcellus assets are also worth up to \$15 billion or almost another \$30 per share of value.

I might add there will be one notable exception to this model of bringing in partners on our biggest unconventional plays, and that will be in Barnett. The nature of our assets there, deeply embedded in the urban Fort Worth area, would be difficult to bring a partner into at this stage of the program. However, I would like to remind you we still have 220,000 net acres of undrilled leasehold there, on which we plan to drill at least another 3500 wells in the next five to ten years, to develop a net 6 to 7 TCF of new reserve to Chesapeake.

As a result we believe this undrilled Barnett leasehold is also worth at least \$11 billion, or approximately another \$20 per share. Our new leasehold capture rate continues to run at about 50,000 net acres per year in the core area of the Barnett. So in just our four big shale plays, the Haynesville, the Fayetteville, the Barnett and Marcellus, that today account for less than 25% of our production proved reserves and undeveloped leaseholds, we identified for you about \$55 billion of value, or roughly \$100 per share.

But there is still more after that \$100 of value. After subtracting those four plays to Chesapeake would still be a company with 1.8 Bcfe per day of production and would own more than 10 million net acres of undeveloped leaseholds in other plays. Using a large cap peer group average valuation, the rest of the Company will be worth approximately \$35 billion. Adding in \$5 billion in value for our midstream and service businesses and subtracting \$13 billion of liabilities results in equity value for Chesapeake of \$82 billion, or roughly \$150 per share of net asset value.

We believe we're just in the beginning stages of the market fully recognizing Chesapeake's tremendous net asset value and our transaction today with PXP is an important first step in highlighting that value. We understand for that value to be fully recognized we must capture the full potential from our huge land positions. To do so, we've concentrated on building the human capital and corporate infrastructure to develop these large plays quickly and efficiently. We identified all the critical aspects needed for success in these massive drilling campaigns and have assembled the people, equipment and technical skills to get it done.

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We believe our ability to tackle large drilling programs is unmatched and that is a key reason why PXP is partnering with us. Through the combination of our leading land positions, deep understanding of unconventional reservoirs, and ability to drill large numbers of successful wells efficiently, we have developed durable competitive advantages that should help us deliver superior returns and growth rates for years to come.

Before I turn the call over to Jim I would like to return to Haynesville for two final thoughts. First, we chose PXP as our partner because I know Jim, I trust him, and I admire the company he has built. We also believe that PXP's deep Louisiana roots will be very helpful to us as we further develop the Haynesville in the decades to come. Jim and I are both land men, so we especially understand the value in today's world of having a huge land machine that can devour big chunks of land across these massive new unconventional plays. In these plays, if you snooze, you lose. And with over 4000 land men in the field every day buying new leases, I can assure you that Chesapeake is not snoozing.

Second, please keep in mind that the Haynesville will in some ways develop similarly to how the Barnett has developed, but in other ways it will be very different. On the different side I would say that everything will happen much more quickly and much more easily in the Haynesville. On the similar side, I would say there will be a highly productive core area, but say the Haynesville equivalent to Johnson and Tarrant counties in the Barnett, and there will be a much less productive noncore area. Just like in the Barnett, some companies and investors will undoubtedly confuse the two.

However, you may recall four years ago Chesapeake entered the Barnett with a desire to own acreage only in the very best area. And we are determined before our entry that the best area would be in Johnson and Tarrant counties. You may recall at the time other companies were saying the Western and southern counties, counties with names you may recall such as Palo Pinto, Erath, Somerville and so forth, would be just as good as Tarrant and Johnson.

We said otherwise, invested our capital accordingly, and I believe time has proven Chesapeake's laserlike focus on understanding where the best rock is located and buying all the leases that we can over that superior rock has proven to be the best strategy in the Barnett. And I believe it also will be in the Haynesville. Today I firmly believe that PXP is buying 110,000 net acres of prime, center cut Haynesville leaseholds at a price that is fair to both companies and provides very attractive returns for each of our shareholders.

I am very proud to welcome PXP as our partner in the Haynesville, and without further to do, I will now turn the call over to Mr. Jim Flores.

Jim Flores - *Plains Exploration - Chairman, President and CEO*

Thanks Aubrey and good morning everyone. It's great to be here in Oklahoma City with you and your team this morning. I have with me today Winston Talbert, our CFO, and Marc Hensel, our VP of Acquisitions and Divestitures and Hance Myers, our VP of Investor Relations. I also have a few remarks about PXP's thoughts about the Haynesville JV, and I would like to share them with everyone then I will turn it back over to you, Aubrey, for questions.

Today PXP is in an enviable position. The significant high margin oil and gas production combined with record high prices, creating a very strong cash flow both currently and in future years. As our stakeholders know, this strong cash flow outlook far exceeds our capital expenditure opportunities for 2008, and is projected to do so in 2009 and 2010 due to the recent \$100 barrel floors we're able to purchase on our oil production and our \$10 MMBtu protection on our natural gas production through 2009.

Historically, we've used this strong financial position to fund capital expenditures and use the remaining free cash flow to repurchase outstanding shares of PXP common stock. For instance, as you recall in the first quarter of this year we retired about 5% of PXP's total outstanding stock. We will always and continue to measure our direct capital expenditures against the dollar per boe valuation of our stock. Therefore we have not participated in the latest hot play, and instead elected to repurchase our

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stock and while we were constantly reviewing the landscape for opportunities that provided superior returns of significant positive impact to our company.

We believe the Haynesville Shale is one of those unique opportunities. The Haynesville Shale impact we think will be no less than the San Juan Basin coal seam gas impact of the late '80s and early '90s. The reservoir here at the Haynesville is beautiful in its simplicity, the massive gas in place, produces -- produced also with dynamic volumes much like the San Juan gas Basin volumes came in everybody in '80s and '90s.

The Haynesville Shale reservoir has consistent high porosity throughout. And the over-pressured feature of the Haynesville has proved to have excellent production recovery characteristics to date on all wells that we have seen here at Chesapeake. Over the past month we have had full access to Chesapeake's engineering and geologic data. Our talented team at PXP have matched up well with the talented group of technical professionals and commercial people here at Chesapeake, and as we poured over their geologic data, core lab work and their in-house core lab, their well sites, their engineering to formulated our own opinion on Haynesville Shale and Chesapeake's acreage position.

Our conclusion was very consistent with the Chesapeake technical team. The Haynesville is a world-class reservoir, and Chesapeake's acreage position and business plan to accelerate the development is smack dab in the middle of it and it's going to be a great investment for PXP. The Chesapeake Haynesville Shale JV is a unique opportunity for PXP to acquire 950 million boe, or 5.7 TCF of net unproven resource potential, for about \$3.50 a barrel or \$0.58 per Mcfe.

With Chesapeake's announced rig schedule and operating plan for the Haynesville Shale, PXP believes it can book up to 30% of this resource potential the next five years, which would equate to a 50% increase in PXP's proven reserves. Chesapeake and PXP plan to aggressively develop this acreage, therefore doubling PXP's total proved reserves on an all-in F&D cost of approximately \$11 a barrel, or \$1.83 an Mcfe.

Everyone at PXP has worked very hard to position the company with assets to provide strong high-value growth, while maintaining the Company's financial flexibility to be opportunistic when significant dynamic growth assets that will enhance our current portfolio become available. Currently PXP's production growth rate is forecasted at 5% to 8%, with growth as assets in the Piceance Basin of Colorado, our Flatrock field in the Gulf of Mexico, and Panhandle Ranches area in Texas.

The addition of the Haynesville Shale JV asset is expected to increase PXP's production growth rate above 20% per year for the next five years. Total PXP production is projected to double by 2013. The project is expected to be free cash flow positive to PXP late 2011. Additionally, PXP's inventory of dynamic growth projects that we hope to be producing soon, like California offshore, the Gulf Coast, the Green River Basin and deepwater field in the Gulf of Mexico continued positive momentum, both on the permitting and exploration and development fronts. We look forward to updating everyone with our quarterly release and conference calls going forward.

The production forecast of 20%-plus percent in 2009 reflects an immediate significant impact to our production volumes and reserve additions of the Haynesville without regulatory, logistic marketing or equipment timing that are delays in other areas. This is a testament to all the hard work that Chesapeake organization has put into developing this Haynesville asset base, and for PXP combining the Haynesville asset base and operating plan with our own PXP plan will result in the highest projected organic growth rate in the Company's history for multiple years ahead here at PXP.

Our current financing plans are to borrow the necessary funds for the acquisition under our recently enlarged revolver with JPMorgan and Bank of America. And we plan to reduce that revolver by \$1 billion over time using the excess cash flow of high commodity prices and non-revenue asset sales like real estate and frontier deepwater Gulf of Mexico fields.

Going forward, using a price deck of \$100 oil and \$10 gas, which is a 35% discount to current prices, and the same price as our hedge -- current hedge protection, PXP looks to pay for all future development expenditures, both existing operations and the

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Haynesville Shale from existing strong cash flow. Therefore PXP is raising our capital expenditure guidance for 2008 to \$1.5 billion, and issuing 2009 capital expenditure projection of \$1.75 billion.

Now just a few closing comments about the transaction and then we will get on to questions. This is an exciting opportunity for PXP, and I appreciate my friendship and trust with -- that Aubrey and I share, and I am sure -- and this will ensure this joint venture will be very successful. Speaking for all of us at PXP we're truly honored to be Chesapeake's partner in the Haynesville Shale, and we look forward to assisting in any way to aggressively develop these important reserves. Aubrey, back to you.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Thanks very much. I neglected to mention that Marc Rowland is with me today and also Steve Dixon, our CFO and COO respectively, and also Jeff Mobley is with us at another location. So operator, I believe we're available for questions at this time.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Joseph Allman, JPMorgan.

Joseph Allman - JPMorgan - Analyst

Good morning everybody. Could you -- does this joint venture cover just the Haynesville formation, or does it include other formations as well? And could you define the Haynesville? In East Texas, would you consider part of the Bossier shale? And in North Louisiana would you consider part of the Bossier or a distinct formation?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Oh Joe, there is some question about that. We believe there are distinct formations in both areas, and as to the zones that the deal covers on existing leaseholds, Plains is picking up right below the base of the Cotton Valley and new leasehold that we acquired from this day forward we share what ever we get on an 80/20 basis, all rights.

Jim Flores - Plains Exploration - Chairman, President and CEO

Also, it's got a geographic limitation for our area of interest that is confidential, but it is Haynesville-specific from a geographic standpoint.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

It is plenty big, I would add, to make sure we think it captures all of the 3.5 million acres that we believe are in play and what we're going to call the Core Area.

Joseph Allman - JPMorgan - Analyst

Could you talk about eight horizontal wells, and are they all North Louisiana wells, or is there some in East Texas, and could you talk about some of the counties where you drilled some of those wells?

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Jim Flores - Plains Exploration - Chairman, President and CEO

That's all pretty much a matter of public record, but all of our eight have been in Louisiana, and we won't be drilling any wells in Texas for another 60 to 90 days, probably 90 days or so.

Joseph Allman - JPMorgan - Analyst

What gives you confidence in the 80 acre spacing?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Oh Joe, I think a couple things. Our experience with other shales, with the Fayetteville and the Woodford, and the Barnett, and with our -- just the rock characteristics as well, when we compare what we found here back to those other plays. The Barnett is at 55 acres, and so in our view more likely than not you could go to a closer spacing pattern over time.

We think this would kind of be the maximum pattern and that sort of thing defined in another shale plays is that you can always pick up additional reserves by going on tighter spacing than this. The question is just how much do you affect the economic returns.

One of the things I think Jim appreciates here, and certainly it's captured our eye for a long time, which is -- as big as these plays are, our initial reserve recoveries are not really bigger than 30, 35%. And I am pretty confident that five years from now, ten years from now, 25 years from now, there will be people -- either these companies or other companies, that are going to figure out how to get that next 5% of that next 25% out.

These are formations that are going to give and give and give for decades to come. I think sometimes people overlook the fact of -- we think we're pretty sophisticated these days being able to make these shales produce, but I think 10 or 20 years from now there will be an even greater degree of sophistication that will capture more and more gas from these shales.

Joseph Allman - JPMorgan - Analyst

That's helpful. Finally, Aubrey, could you update us on kind of the asset sales that you previously talked about, the Woodford, the Midstream MLP, the VPP you are marketing, the status of those, and do you still expect the same proceeds you expected before, including the -- what is the timetable on these new partnerships you talked about today?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

We're going to get everybody a full update on those issues at the end of the month when we do our second quarter conference call. We want the emphasis today to be on the Haynesville and our deal with Jim. We're still proceeding down the road on both the first initiatives that you all talked about, and we will have an update in about three weeks there.

And then with regard to the other partnerships that we're seeking in the Fayetteville and in the Marcellus, we've had some preliminary discussions and expect to have others with some other companies, and if anybody else is interested out there in doing something along the lines of what we have done with PXP, we're open for business and happy to have those conversations.

Joseph Allman - JPMorgan - Analyst

Appreciate you, thank you.

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Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Thanks Joe.

Operator

David Heikkinen, Tudor, Pickering and Holt.

David Heikkinen - Tudor, Pickering and Holt - Analyst

Congratulations to both of you. First, Jim, thinking about allocation of capital for Plains, can you walk us through kind priorities for capital as Chesapeake ramps? You've got a pretty clear indication of running at least 60 rigs; just trying to think through -- would you pull any capital out of the Piceance? Would you pull any capital away from exploration, or as you try to meet your debt reduction goals?

Jim Flores - Plains Exploration - Chairman, President and CEO

We filed some -- we filed a roadshow presentation or whatever you call it --

David Heikkinen - Tudor, Pickering and Holt - Analyst

Your 8-K.

Jim Flores - Plains Exploration - Chairman, President and CEO

The 8-K, it's got kind of a macro look at our CapEx, but specifically the things like our Piceance and Panhandle Ranches and our Gulf Coast Flatrock but those all will be fully funded. What we will be moving is really more through our free cash flow, and reducing some of our exploration exposure. Like for instance next year we're looking at about \$150 million of exploration in 2009 versus years past we've had \$300 or \$400 million of exploration.

David Heikkinen - Tudor, Pickering and Holt - Analyst

Is that -- maybe thinking about it, does it change your perspective on taking interest in things like Blackbeard and when you reduce your exploration? Just trying to think about priorities for that money you're going to be investing now.

Jim Flores - Plains Exploration - Chairman, President and CEO

We look at our development budgets as a bottoms-up kind of approach. So we look at -- we'd take a very conservative view on commodity price of gas and oil, and we built it up to make our development budget. And as you know we do a lot of exploration with our incremental capital that we're -- that's more commodity price sensitive above our close. What we're projecting right now is \$100 oil and \$10 gas next year, and that \$1.75 billion budget having \$150 million exploration, fully funding about \$500 million of our Haynesville development in '09 and all of our other developments of every place else. Because as you know, they underpin our 20% to 22% growth in our production volumes.

So those are critical spendings. The exploration spending is less important because of the size of the reserve bookings, and the reserve growth we're going to have here at the Haynesville, Piceance, the Panhandle. We're going to be able to grow our

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production and at sub \$2 Mcf -- grow our reserves at a sub \$2 finding cost on those incremental plays. So the more capital we allocate there, the better off we're going to be on a business ratio.

David Heikkinen - *Tudor, Pickering and Holt - Analyst*

And in interest in any of the other areas, you guys have done a joint venture now. As you think about the Marcellus or the Fayetteville, are those plays that Plains would want to be participating in? Not trying to front run a negotiation you guys are doing but --

Jim Flores - *Plains Exploration - Chairman, President and CEO*

Last night at our dinner Aubrey laid down another set of documents that had all those names on it (multiple speakers).

Aubrey McClendon - *Chesapeake Energy Corporation - Chairman and CEO*

It was 40,000/acre

Jim Flores - *Plains Exploration - Chairman, President and CEO*

We are very excited about having all the plays in Louisiana and know a lot of friends and companies. We think we [could add] a lot of systems there. And what is going to be interesting about this play, I will make a couple of comments subsequent to what we're talking about. The key about acreage is position, obviously, and when we looked at getting in the Haynesville, looked at getting into shale plays and so forth, we're not a big acreage inventory as everybody knows. We believe that acreage is only as good as it's going to get drilled.

And the way this deal is structured to incentivize Chesapeake to drill these wells as fast as they can, and as aggressive as they can, drives their returns higher and also drives ours, which is a key component. And we look at -- we've seen a lot of numbers thrown out there about 30,000 an acre and so forth. Yes, Chesapeake is going to receive 30,000 an acre. But I want to articulate a little bit the way we think about the acreage number, because it's 15,000 an acre upfront for the lease acre.

As we pay the drilling carry, and not even taking into account the tax attributes of that drilling carry which are very significant to our free cash flow, we feel like we're paying that 15,000 an acre for a developed acre, a proved -- a PDP acre. That PDP acre value transfer for that second 15,000 is very important. Aubrey and his team understand that because they want to -- the biggest thing they want is somebody to aggressively help them, assist them, push them any way they can, and the only way we can do that right now is financially, to aggressively develop this play.

I think it surprised everybody that Chesapeake had acquired so much acreage in the last 45 days. They aggressively got up to the leasing program during our talks of putting this money into the deal, and the 550,000 acres is the dominant position. It is in the right position, and you'll hear from I'm sure Aubrey and Steve Dixon about their rig schedule and how aggressive they are going to be going forward, further detail on those types of questions.

David Heikkinen - *Tudor, Pickering and Holt - Analyst*

Just to switch now, from a Chesapeake perspective, Aubrey, and thinking about that ramp and pace of development and ramp in leasing. Do you have any framework or target that you can talk about as far as where, out of 3.5 million acre area, you end on the leasing side?

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Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

I'm glad you didn't ask Marc Rowland that. But -- this stuff is expensive. There's no doubt about it. It's also very valuable. So I think if you look at what we've done in Barnett, which is we continued to capture acreage at around the rate of 50,000 acres per year, and -- I think we can do quite a bit better here, given the acreage is not all in an urban environment. There's going to be competition, and so it's difficult to speculate what our capture rate would be.

I would be disappointed if we couldn't pick up several hundred thousand more acres as the play rolls on, I think there will be other companies that will come to us and say we would like to do some joint venturing with you. I think Goodrich transaction is a nice one to look at. They sold us half of their interest, and you know their stock has skyrocketed as a result because I think investors have agreed deal of confidence that the wells are going to get drilled and they're going to get drilled timely, and they're going to get drilled by somebody who has a great deal of shale experience.

So particularly on the East Texas side there's a lot of HBP acreage, and we hope to be very competitive over there as an operator of choice for people who would like to go with somebody who has a proven track record in developing shale, as they discover this play.

David Heikkinen - Tudor, Pickering and Holt - Analyst

Probably okay. Next question, just thinking about the eight wells that you've drilled, distribution of initial rates, choked back. Choke back seems to say that you may not have the best indication of what real decline curves are as they're holding rate a little longer. Can you give us some indication of the shape of the decline curve, or what you have seen over the last nine or ten months of real production history?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

We're not really ready to go into that kind granularity yet. There will be a time for that. But I think we have opened the chokes a little bit, and do feel like we've got to handle on the kind of decline curve we're going to see here. We think we've got a good idea what the B factor ought to be, and -- this is not our first shale play, to look at initial production from wells, and we see more shale every day than anybody else in the US, and feel pretty confident about our estimates here.

Jim Flores - Plains Exploration - Chairman, President and CEO

Dave, this is Jim. I -- we're second to Chesapeake seeing all the data on Haynesville. We've seen Chesapeake's data and so forth. And I totally understand why Aubrey is being protective with it and so forth, and proprietary with it, because they have all -- they've drilled all the wells, couple of other discoveries obviously on the flanks 100 miles away that have showed some extent to the play.

But the data that we have looked at and just doing comparisons and so forth, since we have the luxury of dealing with the best in the industry, the Shells, Chevron, Anadarko, the OXY's, even Jim Bob Moffett's group from the standpoint and their talents, we were amazed and stunned at the level of technical expertise and data and the details and so forth of the organization, number one. But here on Haynesville, the uniqueness of it and so forth -- I know everybody can get frustrated at times wanting more data and wanting to see more things, but from a commercial aspect here, from PXP's perspective we totally support Chesapeake's confidentiality, being their partner, of as much data as possible for the commercial advantage.

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Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

David I will give you one little piece of information. In the Barnett we're using an initial first year decline rate of 70%. Here we're using 73%. But I am not ready to give you a B factor yet for this play. I believe we're using about 1.5 in the Barnett. Again, there will be a day, and really I want to give more information, but also try not to give a complete roadmap to others in the industry.

David Heikkinen - Tudor, Pickering and Holt - Analyst

One final question. In every other play, Aubrey, you've assigned a risk factor to the acreage. Here you talked about a range that looks like a high percentage of the acreage is developed. Can you talk about what -- is it as you go to the Barnett 85% to 90% of this acreage gets developed, or what are you thinking about first initial risk factor with the wells you've looked at, and where it goes over time?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

We're going to review that with you at the conference call at the end of the month, where we give that risk factor for all of our big plays. If you could hang on.

David Heikkinen - Tudor, Pickering and Holt - Analyst

Thanks for all the answers.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

We'll do that.

Jim Flores - Plains Exploration - Chairman, President and CEO

David, from PXP's standpoint has acquired the acreage if you use the numbers we talked about, you'll use that 0.85 risk factor on the acreage. Obviously we tested that down to some lower numbers and so forth on rates of return, we're comfortable with that just from a prudence standpoint. But the 0.85 we feel is very comfortable, with knowing the acreage location and the data that we have.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

One other thing. Remember in the Barnett, we've got karsting issues in the Barnett. We've got faulting issues in the Barnett that chews up anywhere from 10% to 15% of our acreage. In the Fayetteville we've got very, very challenging structural environment there, lots of faulting. 3-D is absolutely critical in terms of being able to place our wells.

I'd like to emphasize here at we have not shot any 3-D. There will be some areas of structural complexity, but one of the things that initially attracted us to this play was the pretty benign structural position of this acreage, or of this whole area, and felt like we could drill wells in zone, and that we would not -- there was no such thing as Karst and we would not be dealing with drilling through faults. And so just off the bat, there's less of the need to risk and our acreage here than maybe in some other plays.

In addition, keep in mind, from our wells, if you go to where Petrohawk has talked about their wells and Ecanna has successful wells, Penn Virginia has successful wells, there are quite significant field rumors about Shell's wells to the south. So you already are seeing some kind of four corners work in terms of determining the outlines of the play.

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So like I said, in comparison to the Barnett, this thing is going to develop very quickly, and what has taken four or five years in the Barnett to develop is going to probably telescope down to about six months or so in terms of being able to say where you want to be here. We think we know from our petrophysical work, and have tried to stakeout that kind of core area position.

David Heikkinen - Tudor, Pickering and Holt - Analyst

OK, thanks guys.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Got a nice note this morning. We did enjoy your humor as well, which we always appreciate that.

David Heikkinen - Tudor, Pickering and Holt - Analyst

Thank you.

Operator

Duane Grubert, CRT Capital.

Duane Grubert - CRT Capital - Analyst

Jim, you've successfully sold down projects that you had in the past. On this particular deal with Chesapeake, do you retain the ability in the future to sell off part of your Haynesville?

Jim Flores - Plains Exploration - Chairman, President and CEO

We always have the opportunity to sell anything that we own, from the standpoint -- we continue to mitigate risk -- for instance we sold half interest in the Piceance stock, and so forth. That was more of a portfolio -- you know, modification, because we did not want to sell all the Permian. We liked oil prices and we liked gas prices, so we bought them as a partner there. We don't foresee selling down anything in this Haynesville. Actually we wanted more interest, and Aubrey would not sell it to us.

Duane Grubert - CRT Capital - Analyst

Okay. So specifically the Chesapeake does not have a first right in the agreement?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

He didn't say that.

Jim Flores - Plains Exploration - Chairman, President and CEO

Chesapeake has a first right and agreement to buy our interest, and we gave up our right to buy Chesapeake. How's that?

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Duane Grubert - CRT Capital - Analyst

That's good. In that, it does behoove you guys to have more land. Is Plains also going to deploy an army of people looking for acreage, or are you going to leave that up to Chesapeake?

Jim Flores - Plains Exploration - Chairman, President and CEO

On our best day, we could not assist Chesapeake on the land side. So we leave that up to Chesapeake. But I will always be at Aubrey's disposal if any Louisiana-ish type situation comes available that I can add assistance to. No, we plan participating in 20% of the acreage going forth, within our large area, in AMI, and continue to be supportive and a real good partner.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

We have determined that Jim has a rather large family, lots of cousins, lots of second cousins. And not all of them want to lease to him.

Jim Flores - Plains Exploration - Chairman, President and CEO

Aubrey is making them all rich. They're all happy.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

We do have an army, we've got 4000 land men in the field today, about 1000 are in Barnett; we're I think up to about 750 in this play. So we're definitely scouring the woods, and also have an active -- what we call business development department here that works with other operators, and of course we have an acquisitions department also that looks to buy production. So we kind of hit it four ways.

We have brokers in the field, we have land men in the office, we have business development that works on acquiring HBP acreage without any production, and we have acquisitions department that works on acquiring acreage with production. So we're really trying to cover all potential bases there. And there is not a whole lot of mystery to our presence in the area these days, and so we get a lot of phone calls a day from people wanting to solicit interest in their minerals and leasehold.

Duane Grubert - CRT Capital - Analyst

And there's going to be a lot of debate over how Plains determined its price. Jim, if you could walk us through a little bit, how important was dollars per acre? How important was a full view of risk outcomes. Can you walk us through your thinking?

Jim Flores - Plains Exploration - Chairman, President and CEO

Sure Duane, the price was whatever -- was set by Aubrey. Obviously we were the buyer. But how we paid for it I guess is the question. The aspect of \$15,000 an acre and \$15,000 an acre of carry, if you will, that adds up to \$30,000, just to keep the math simple. What we came up with, and I go back to the acreage is not worth a dollar to us if it's not going to be developed. So we could pay \$10,000 an acre or \$5000 an acre, if it sat there and expired or didn't get developed over the next seven years, or -- eight years, we don't think that's even worth doing.

So if Chesapeake wasn't going to deploy the rigs fleet that they're going to employ, and aggressively develop it, this acreage isn't worth 10,000, 15,000 in our view. Because it is just extra -- we've got tons of acreage in the Gulf of Mexico that we're not

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going to be able to develop that is going to expire due to rig shortages and small prospectivity. But in this situation, being able to accelerate it, you can do a rate of return model that's acceptable for capital deployment.

When you take the carry, the \$1.65 billion of carry, and you think about PXP's unique position with -- take \$1 billion of pre-tax the cash free cash flow over our CapEx the next couple of years, just the tax -- income tax shield on drilling \$1 billion worth of wells -- or \$0.5 billion worth of wells a year, versus taking the free cash flow and paying taxes on it, basically you're talking about that carry being offset by the tax bill. So that has a huge advantage to us on a rate of return on an after-tax basis.

But on pre-tax return basis, by being able to accelerate and drill these wells we're going to be able to book reserves and production. This seems it's going to be free cash flow by 2011. There's nobody else in the Haynesville Shale that can do that. There's no one else that can deliver the rigs, it's going to be first mover advantage for the marketing. There's going to be a large volume gas coming out of here. It's going to change the gas dynamics on the Gulf Coast. It's going to change the gas dynamics on the shale plays in the area.

And we wanted to be with the most aggressive, with the best acreage, have the capabilities of executing. So we look at risk mitigation and execution mitigation, and the opportunity for returns, not just deploying capital cheaply, but deploying capital smartly is the key what PXP has been most proud of. When we bought in the Piceance, we bought into a market that was in disarray from high differentials. We found a way before we bought near to solve that marketing. Eighteen months later we're getting -- we're going to be getting NYMEX prices coming out of the Piceance because of our marketing alliances and the deals we're going to do this summer regarding getting liquids' royalties and so forth and netback's and so forth.

We look at the same thing on a comprehensive basis. Who's going to be able to deliver the goods here at the Haynesville from a standpoint of delivering our returns and our cash flow, not only our money back, but also the tax flow returns for our investment. There's only one place to do it and do it effectively, that's here.

Duane Grubert - CRT Capital - Analyst

That was a great answer; it's been fun talking to you both at the same time. Thank you.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

We enjoyed your right up as well. Nicely done.

Operator

Shannon Nome, Deutsche Bank.

Shannon Nome - Deutsche Bank - Analyst

Thanks, good morning all. A lot of the great questions have been asked. I guess a couple follow-ups. I've heard some thought that the play in this area is some mix of shale and some conventional sands. And the concern of course would be the decline profile, which you've already commented on some, I understand. But the decline profile could be surprising in areas where you have more of a component of conventional contribution. Perhaps -- is there anything you can offer up on that, or would you just go back to your earlier comment that you've done your homework and we will have to take your word for it?

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Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

In our area, we're looking for 100% pure shale. In other areas of the play, to the North and Northwest and West, the Haynesville Shale does grade out into kind of some limey sands, and that may be what people are talking about. So there's going to be kind of lots of plates of spaghetti thrown at the wall here going forward Shannon, and it's going to be called Haynesville. I don't think it's going to all stick, if you will. What we're looking for is great looking black shales that meet our model for the right permeability, the right porosity, the right total organic content and all the other attributes of the shale that we're looking for.

Jim Flores - Plains Exploration - Chairman, President and CEO

This is Jim. From our perspective, obviously we question we asked as investing this type of capital here. And without the information, when you hear the flowrates and the performance of these wells traditional, non-pressured shale developers would probably be very skeptical of this type of performance and flowrates. And it goes back to the consistent high porosity of these shales and the pressure and the real dynamic pressure and uniqueness of this reservoir.

So I can see where people would go to a speculation there, but I can assure you, after looking at all the data and 70 wells, our guys and so forth, the amazing part about this reservoir is the consistency Aubrey alluded to earlier and the simplicity of it. Very, very repeatable, and having looked at all these shale plays for a long time and looked with astonishment and jealousy at everything else, is one is a different animal due to the porosity and the pressure that gives it that dynamic production. You're talking about gas flows of impact for gas flows in a short period of time versus the long, drawn out 1 to 2 million a day type flowrates you've seen in other areas, even our tight sands.

Shannon Nome - Deutsche Bank - Analyst

That's very helpful Jim. On that note, my other question relates to more of a macro theme. The flowrates I've been seeing are enough to make even a gas bull like me sort of cringe at the idea of the kind of supplies we could be talking about a couple years out. Can you give us a sense of what the infrastructure constraints look like, and how quick can this be a Bcf a day type of play?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Are you addressing that to me?

Shannon Nome - Deutsche Bank - Analyst

Yes, Aubrey or whoever wants it.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Well, nobody wants it. We are on top of a gain from midstream perspective. As you know we have a large midstream business already that handles Barnett gas and Woodford gas and Fayetteville gas and traditional gas in Oklahoma and other places in Texas. And we will be moving forward to get a lot of this gas to Perryville going forward.

Keep in mind we've got a couple of advantages here. We're east of the Barnett. We're east of the traditional east Texas plays, and of course the farther east you go the better or closer you are to markets and the higher your gas price is going to be. We think our gas price here is around \$1 an Mcf better than the Barnett. And that's not something that either Jim or I have emphasized.

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But if you consider what you pay for acreage in the Barnett, and you consider what you pay for acreage here, and then think about your gas as being worth \$1 more in Mcf, and you multiply that times 6.5 Bcf for every 80 acres, you can quickly do some math to see the acreage prices in Haynesville could some numbers that are benefited by being so far east.

In terms of being a gas bull, I have been talking for months about needing to develop the ability for the US to export gas. I think there will be a day when we will need to get gas into the worldwide market. All these guys opening up regas facilities, I just don't think there's any value to them. And they fail to appreciate what kind of the onshore shale guys have been capable of doing in the US.

I think a huge new market will have to be in our transportation network. I alluded to a little bit in my comments, but the US has a very serious liquid transportation fuel problem. And oil at \$140 a barrel in my view is not the top of the market and it's not caused by speculation. It's caused by demand around the world exceeding supply, particularly demand growth exceeding supply growth.

The US, though, is blessed with some remarkable reserves of natural gas. Right now we're 99% self-sufficient if you include Canada. So I think we've got a great opportunity here to take advantage of a fuel that trades at half the price of oil, made in America, it's clean, affordable, and we will be putting a full court press on trying to get people around the country to recognize that rather than sell all of our SUVs and go into a depression and export all our national wealth, all we have to do is retrofit about 25,000 gas stations around the country at \$400,000 a pop, it's \$10 billion, and everybody come in and fill up at \$2.50 a gallon. And that's a \$20 an M for gas -- natural gas equivalent, because you can make 8 gallons of transportation fuel for every Mcf of gas.

We do need to develop markets, but my view it is kind of we're not unlike anybody else who finds a great new product. You got to go out and develop your markets. And electricity markets will be strong, of course. I think potentially hugely liberating event for our country to recognize that in this one field we've discovered may be equivalent of 10 years worth of future supply, or said another way, from this one field I think we double American proved reserves right now. It's a great day for PXP and Chesapeake, but it's also a great day for our country, I think.

Shannon Nome - Deutsche Bank - Analyst

Not to put words in your mouth, a reason for the near-term hedges -- near-term next I mean year to two, is your seeing the supplies that you're sort of victim of your own success. But longer-term, your bullishness on gas is predicated on new demand markets?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Yes it is. I think despite our overall bullishness about the value of the product we produce, we're now big enough where we can create our own weather, if you will, and so we need to have an umbrella from time to time. So we're okay hedging at \$11, \$12, \$13 an Mcf. We're going to lose a lot of money this year on the mark to markets on our hedges. We did that in 2005, and made a killing in '06 and '07 as a result of being hedged.

And also, keep in mind that we would not have a lot of the assets that we have today had we not hedged over the last couple of years and been able to take some risks that we otherwise would've been scared of taking. And I would frankly be a little more cautious today about ramping up in the Haynesville if I wasn't out there simultaneously hedging 2010, 2001 and gas prices at \$11 and \$12. When you're finding it for \$1.33 and you're selling at for 10 to 12 times that, I don't worry too much about maybe giving up \$15 or \$16 an Mcf. It's just not a risk I'm willing to take.

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Shannon Nome - Deutsche Bank - Analyst

Fair enough. One parting shot. On the Marcellus, two latest horizontals. Was that 9 million a day combined, that wasn't each, was it?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

No, it was combined, you're right.

Shannon Nome - Deutsche Bank - Analyst

Thank you.

Operator

Jeff Robertson, Lehman Brothers.

Jeff Robertson - Lehman Brothers - Analyst

Good morning. To follow up on some of Jim's comments about the ramp up in activity, Aubrey and Jim can you all talk a little bit about logistics for the Haynesville for the next couple of years in terms of drilling activity levels, and Aubrey, how much you think you all may or may not do with your own assets, and infrastructure needs, both on well completions and processing and all that? And some of the steps you're taking to ramp up so quickly and manage that process efficiently and get the cost savings that you mentioned?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Just to repeat for everybody, we plan to be at 12 rigs by the end of '08, 30 rigs by end of '09 and 60 rigs by 2010. Those are operated rigs, and I'm confident that we will be involved in wells that are drilled by other operators in this play as well.

From an infrastructure perspective, I really don't think you could've put this play in a better spot. There's plenty of water. There is a regulatory environment, I think, which is favorable in Louisiana for development. Relatively easy to get 640 acre units put together, and unitized and ready for drilling. I don't think there is a better state in the nation for laying gas pipeline and there is already gas pipelines and there's already great pipeline infrastructure in place. I've mentioned it's east of some bottlenecks and closer to markets, the gas is valued higher.

There is some low areas and some wet areas that we will have to work around. But we're not in South Louisiana, I want to emphasize. We're in northwest Louisiana and east Texas, and we're for the most part except along the Red River, we're high and dry. So this is going to happen a lot more quickly than the Barnett did, and certainly a lot more quickly than can happen in the Marcellus and Pennsylvania, where you just got some very, very substantial infrastructure issues.

I failed to mention also the service infrastructure here, of course, is excellent. You have all the traditional fields in North Louisiana and east Texas. And so we're not having to extend supply lines out like has happened in some other plays. Again, I don't think you could've put this in a better place for us to be able to drive down costs and get gas out quickly, efficiently and at a great price.

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Jim Flores - Plains Exploration - Chairman, President and CEO

This is Jim. Obviously we did a tremendous amount of due diligence on this area. Aubrey is being very humble when it comes to capabilities of deploying these types of assets, garnishing the services, and -- I think Steve was talking about the number of contract rigs and new builds is probably about 50-50 starting out, very active program of new builds.

The marketing aspect is one of the real big pluses. You've got so many trunk lines close by. It's really going to the building out the gathering system, and [patrolling] the gas on the Haynesville to those trunk lines. That's 50, 75 miles, it's really going to put Chesapeake/Plains now in a great position to deliver the production, deliver the drilling, deliver everything to the landowners and royalty owners, plus offset operators. It's really going to be amazing see the dominance that that is going to happen, and also what it achieves economically and that leverage to cost and leveraged of getting things done.

One of the big things, it's not lost on the state of Louisiana because the state of Louisiana is a net consumer of gas. It's one of the largest users of gas, with its petrochemical complex along the river and in the last 20 years it's become a net consumer of gas, mostly from offshore, which has been in constant decline. So this is going to be a great day for Louisiana specifically to be a net supplier of its own gas, and probably exporter out for the gas it uses and be a big thing for the state for a long, long time to come.

So it's impact is everywhere, and that favorable development environment Aubrey talked about access to the whole Gulf Coast oil service industry plus the mid continent ArkLaTex, that felt like Chesapeake is well-positioned to deliver all of this in record time at low prices and build all those efficiencies in over time.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

I'd kind of wiffed on your question about drilling rigs. We have 83 today, I believe is that right? Steve? And then we have how many on order?

Steve Dixon - Chesapeake Energy Corporation - EVP Operations and COO

Another 20 -- 27 I think.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

We have 27 rigs on order that will be owned by our own company. So we will be at 110, and those will all come by mid to end '09

Steve Dixon - Chesapeake Energy Corporation - EVP Operations and COO

End of '09.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

End of '09. We're also entering into some longer-term contracts with other contractors who were going out and getting new builds as well. So we'll get there on the rigs, and just to remind you we run 45 rigs in the Barnett and kind of middle of Fort Worth. If we can run 45 rigs in Fort Worth, we can run 60 rigs across the countryside of northwestern Louisiana/east Texas.

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Jeff Robertson - *Lehman Brothers - Analyst*

Aubrey, are you willing to comment on how much you're doing inside the Shreveport/Bossier City areas, and how much urban activity is in this play?

Aubrey McClendon - *Chesapeake Energy Corporation - Chairman and CEO*

We've been there. We -- I think it's well-known we're working through an outfit called Twin Cities Leasing, which is Larry Dale's operation. Dale Operating, a lot of people know that we did two transactions with Larry in the Barnett, and he has put together an enormously impressive organization that specializes in urban leasing, and he has been on the ground there for really close to the start of the year. And has had a network setup, and we're working rooftop to rooftop.

It's not something that is tremendously rewarding for anybody else to really work on, because it's just kind of tough sledding to go door-to-door trying to buy leases. But that's what his guys are trained to do, and we think it's a good opportunity for us to continue to work that urban area just as we're working it in the Barnett.

Jeff Robertson - *Lehman Brothers - Analyst*

Thank you.

Aubrey McClendon - *Chesapeake Energy Corporation - Chairman and CEO*

Thank you Jeff.

Operator

(OPERATOR INSTRUCTIONS). Joe Magner, Tristone Capital.

Joe Magner - *Tristone Capital - Analyst*

Good morning, thank you. Great looking transaction, just a few follow-up questions from what has not been covered. There is a range from 4.5 to 8.5. Any comments on what determines the well performance within that range, specific reservoir characteristics or location?

Aubrey McClendon - *Chesapeake Energy Corporation - Chairman and CEO*

This early in the play you can use different B factors. You can use different initial decline rates, and kind of be at lots of different numbers. But we're most comfortable at the 6.5, but at the low side I think it would be impossible for anyone to look at the data we've got now and be less than 4.5. It's actually reasonably easy to look at the data and get to 8.5.

So we tried to pick an initial number here that we hope can have some creep upward that will come just from being a little -- less -- being able to be less conservative going forward. As you get better data, I will remind you that when we jumped into the Barnett we thought we were finding 1.8 Bcfe. And we have incrementally gone up on four or five occasions, now we're about 2.65 overall. And in Tarrant County we're probably pushing close to 3 Bcfe on average. In the Fayetteville, I think we started at 1.6 there, now we're at 2.2 the 2.8 range, depending on where we are in the play.

Again, I would like to emphasize that these plays get better and better over time, and if you're to take our first eight wells in Haynesville and compare them with our first eight wells in the Barnett or our first eight wells in the Fayetteville, there's just no

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comparison whatsoever. And some of that is obviously a learning curve benefit, but there will be better wells to come and we will learn more and more about this play to date. And I think -- I personally believe that 6.5 will likely end up being more of a floor than a ceiling.

Joe Magner - Tristone Capital - Analyst

Can you provide any details on how you're completing these? We heard varying lateral lengths and varying numbers of frac stages per lateral.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

That's because there are varying lateral lengths. Our laterals go from as short on one well as 2900 feet, and that was because I believe it was a reentry of a well that we have drilled vertically it was not in a position on the outside of a section where we could extend it very far. To our last two wells are over 4000 feet, in fact 4027 and 4034 feet on laterals. We have used either five or six stages. We have heard of course that it Petrohawk used 11.

We will experiment around. We're pretty comfortable with the base of knowledge we've developed in Fayetteville and Woodford and Barnett in terms of optimum design. You can spend a whole lot more money on completions than we are, and maybe get a little bit more gas but your economics might not be quite as good. So we will experiment with more stages and see how it goes, but right now think we've got a pretty good program here at six stages, which is roughly one stage every 650 feet.

Joe Magner - Tristone Capital - Analyst

Thanks. What point do we begin to get a little more visibility for Chesapeake on how this is going to impact production growth? Not so much this year, but next year? A lot of moving pieces with this partnership and possibly some other partnerships. Assuming this is all incremental activity and these rates hold in where they have been coming in, it seems like there is a chance for production growth expectations to get ratcheted up over time. Any comment there?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

I think there is that chance. I mentioned before, we don't want to takeaway the emphasis here on the JV with Plains, so we'll have our earnings announcement in three weeks. And we will have plenty of updated information on both our capital structure as well as our production and reserve forecast at that time. I agree with you that this would be unlikely to take our forecast production growth down.

Joe Magner - Tristone Capital - Analyst

It would be hard to see that happening. Was this a competitive process, or was this a negotiated transaction between the two companies?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

It was competitive and negotiated, in the sense that it was competitive with Jim and me. Actually, and end of the day we wanted to do something quiet, we want to do something fast, Jim and I have had a conversation over the phone about their interests in Louisiana, and we got together on it pretty fast.

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And I think one of the nice things here is -- I think we knew pretty immediately what we wanted for the acreage. Because we had seen what happened to leasehold values or what has happened to leasehold values in the Barnett. We've seen what happened to leasehold values in the Fayetteville. We had information on our side that made me very comfortable that we should not sell it for a penny less than what we agreed to sell it to Jim for.

On the other hand, he is kind of coming in cold to the deal, and a little harder for him to say, you guys have drilled three wells, we agree with you. And so it took a little bit of warmup time, and they came back with the structure where half of it is upfront and half of it is down the road. I think you have given a real nice explanation today of how this structure motivates us to get wells drilled, and that proves their rate of return. Of course ours as well.

Also I think you really don't look at this as him risking that second 15,000 an acre that he is really at that point investing in proved developed reserves. And from our perspective we know we're going to get the cash pretty fast, and felt like it probably would have scared him or other people off if we had demanded all the cash upfront. I think it's a nice -- it just worked out, where we got the value we wanted and he gets the structure he wanted, and I think it worked out very nicely.

Joe Magner - *Tristone Capital - Analyst*

Okay, thanks for your comments. It's pretty exciting to watch this all unfold.

Aubrey McClendon - *Chesapeake Energy Corporation - Chairman and CEO*

Thank you Jim.

Operator

Brian Singer, Goldman Sachs.

Brian Singer - *Goldman Sachs - Analyst*

Good morning. Most my questions have been answered, but Aubrey, a question for you that was asked to Jim earlier. When you think about the additional capital to develop the Haynesville, should we look at this as an incremental completely to your existing programs, or would it replace drilling that would have otherwise occurred elsewhere?

Aubrey McClendon - *Chesapeake Energy Corporation - Chairman and CEO*

We always high-grade, and you're seeing us talk about the transaction on the Woodford in Oklahoma, where we will be able to redeploy some capital and we will have some more news on that towards end of the month. Most of this is incremental, although I will say these wells pay back pretty quickly. So you get yourself to a position where it's not -- it may be not as big a strain as you might think.

Leasehold always remains kind of challenge on how to handle that -- at 20,000 an acre every 100,000 acres is \$2 billion. At 30,000, it's \$3 billion. You spend a lot of money on leasehold in a hurry, and that's harder to get your fast return on. It's pretty easy to get a good return on drilling.

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Jim Flores - Plains Exploration - Chairman, President and CEO

This is Jim. From PXP's perspective, Haynesville will be free cash flow to us in 2011. Somewhere between \$9 and \$10 an Mcf. So with us carrying Chesapeake wells, they will be free cash flow by the end of '09. So it will be self-supporting from a CapEx standpoint, and obviously throwing up a lot of extra free cash flow very soon because of those dynamic flow rates that Aubrey is talking about. So that's -- it's got some -- the dynamic production aspect really doesn't become -- so the capital doesn't become a drain on anybody because of the growth rate.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

One other thing. We mentioned in the deal that before acreage cost we think drilling and finding costs are \$1.33 an Mcf. Remember that during this time of recoupment of cost from PXP, from Chesapeake's perspective half of that \$1.33 will be paid for by PXP, and we won't have leasehold costs because we have recovered through this deal 120% of our leasehold costs. So we -- it doesn't take long to pay back \$0.67 a Mcfe of signing costs at \$12 or \$13 a Mcf.

Again, remember we also, given how hedged we are, we're particularly motivated to bring on incremental additionally -- or unhedged additional production amounts as we can go out and either let those ride, or we can go out and hedge them at contemporary prices. So there's pretty powerful incentives all the way around here for us to get after the program. And we will have more information again about our capital program at the end of the month.

Brian Singer - Goldman Sachs - Analyst

I guess on the macro side when you look at the combined number of wells that your two companies plan to drill together, what do you think would be the contribution to production when you look out into 2009 and 2010? And I think certainly I'm with you in terms of the longer-term needs and opportunities for developing additional gas consumption markets, but what is your medium-term outlook when you look out into maybe 2010?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

The numbers got a little scary for us. So I'll let Jim -- I think Jim has got some numbers.

Jim Flores - Plains Exploration - Chairman, President and CEO

Well, from our standpoint, just on a production basis, trying to convert about 40, 45 million a day to net to PXP in 2009, and that goes up to about 100 million a day in 2010. Try to convert boe's to Mcfs here, multiply by six. But it's some big numbers. I'm trying to tone them down a little bit. But our -- the aspect for Chesapeake is four times that amount. So if we get 0.5 B a day by the end of 2010 I think that's kind of a baseline that on a gross basis that seems to work.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Brian, we're working on some -- not working, we've done a lot of work as we have been talking to partners about our MLP about where our peak gas production gets to in the Barnett and Haynesville and Fayetteville and Marcellus. So let's talk about that, in three weeks and I think we will have some good numbers for you. Just keep in mind that all of those numbers at the end of the day are highly dependent of course on the rigs that you throw at the issue. If we want this to peak in 2035, we can do that. If we want it to peak in 2015, we can do that. We just got to change the number of rigs that we put on it.

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Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

I'm not sure if we drove this point home also, but these wells are going to be drilled on 640 acre spacing units. So one well will hold 640 acres. So when you do the math and say, gosh, they've got this number of acres and divide by 80 they've got to drill this number of wells in three or five years, that's not true. Because so much of it -- it will all be drilled on 640s, and one well will hold. Plus a lot of this acreage is HBP already, held by production, and we're getting assignments of deep rights that will be held in perpetuity from shallow production.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Ok Brian, anything else?

Brian Singer - Goldman Sachs - Analyst

That's it, thank you.

Operator

Tom Gardner, Simmons & Co.

Tom Gardner - Simmons & Co. - Analyst

Good morning guys. A lot of my questions have been addressed, but I do have a few, some of them you may not want to answer. I'll start with the easy ones. A lot of operators are talking about commingling the Haynesville with shallower zones. And you mentioned the shallow is not included in this deal. Should I take from that that you plan on not commingling with the Cotton Valley and others?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Remember, going forward to the extent that we get all rights, PXP gets all rights. We just felt like it was too complicated. We had a lot of shallow production, and a lot of the rights that we picked up were our only deep rights themselves below the base of the Cotton Valley.

It's certainly an option when you have horizontal well in a deep formation to give up whole and make a vertical completion. But it's not something we've done to date and not something we're really focused on, given the enormous productivity of these wells to kind of mess around with Cotton Valley completion. It's just not a high priority for us right now.

Tom Gardner - Simmons & Co. - Analyst

Gotcha, and looking at sort of the distribution of the horizontals drilled to date, a lot of them are centered in -- let's say in a 20,000 acre area or so. What is your confidence of the prospectivity of the acreage away from that core area?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

It's the 70 penetrations of the Haynesville that define kind of four corners, although it's not a square, and so we know -- we knew the signature that we were looking for. We found it on the 70 logs that are in the play. There are hundreds of logs that are outside the play that we also looked at that define areas we did not want to be in. Gave us the boundaries, and we -- again I

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refer back to our experience in the Fayetteville and Woodford and Barnett, Marcellus, Huron, West Texas Barnett, Woodford. We know what shales produce and what shales don't.

And so when our guys say this is the kind of shale they're looking for, and they find it, we have a great deal of confidence that they are capable of knowing those boundaries.

Plus I would really like to emphasize the value of our reservoir technology center. It is the only one in the industry. Steve, we're processing how many feet of shale week now, something like 700, something like -- 700 feet a week of new shale core from all over the country and we have tools for that commercial core laboratories do not have that are specifically built and designed to analyze shale. We can test formation treatments against these shales as well.

So it's a very important competitive advantage. And I think we would not have this confidence if we weren't -- if we did not have the shale experience that we have, and if we didn't have this -- RTC. And one of the key cores here was available to other companies. And a couple of companies looked at it and passed on the play. And some of them consider themselves shale experts. But I think we have an advantage in our experience with developing these plays. So we're pretty comfortable that it goes across the whole 3.5 million acres.

Jim Flores - Plains Exploration - Chairman, President and CEO

This is Jim. Obviously we looked at it and confirmed all this information.

Tom Gardner - Simmons & Co. - Analyst

Jim, you mentioned high porosity. Are we talking in the 10% to 15% range?

Jim Flores - Plains Exploration - Chairman, President and CEO

We're not going to be issuing any kind of reservoir specifics. You have to look to our operator, Chesapeake.

Tom Gardner - Simmons & Co. - Analyst

Well, operator Chesapeake...

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

I've heard those rumors, and there's a lot of good porosity in this rock.

Tom Gardner - Simmons & Co. - Analyst

So I take it from that you're not going to talk about silica or clay content either.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

I can, and I have it in front of me, but I am not going to talk about it. I am going to tell you that we see a porous content, calcite content and clay content in percentages that meet our model for what we're looking for in this particular shale.

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Jim Flores - Plains Exploration - Chairman, President and CEO

Tom, once again, PXP confirmed that information.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

One other thing -- I think we've talked about it, but this -- this cat is probably out of the bag. But this is an overpressured shale. And it's twice as pressured as the Barnett. And so that's another thing you've got to keep in mind when working on gas in place is that reservoir pressure here is twice what it is in Barnett, twice what it is in the Fayetteville, and the Woodford. And for that matter, 50% better than the highest pressures we think we're going to see in the Marcellus.

Tom Gardner - Simmons & Co. - Analyst

Do you think there might be a change when you draw the pressure down more than normal pressure? In Colombia there was this [au pain] field at the fractures closed when they produced it, because it was geopressured. Does that add an additional risk, and if so, how have you thought through that?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

This is Steve Dixon

Steve Dixon - Chesapeake Energy Corporation - EVP Operations and COO

With the gas in place, we would recover way more than the EUR's we're talking about just to get to normal pressure.

Tom Gardner - Simmons & Co. - Analyst

I got you. That's good news. And one last question. On your initial rates, over what time period are you taking these, and what would be a 30 day equivalent IP?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Let's see. We're not going to give you that information again for roadmap purposes, but we have stayed away from kind of instantaneous spot rates. And so over time, you will be able to pick averages up by just by looking at state data. Some of that data is getting in Louisiana, and so just -- you can -- there are a lot of curves out there. If we tell you that the first year decline rate here is 73%, and you kind of work with different B factors, you can kind of figure that out. Again, I would like to leave some aspects to the roadmap a little mysterious for now.

Tom Gardner - Simmons & Co. - Analyst

I understand, thanks guys.

Operator

Bob Morris, Outpost Investment Group

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Bob Morris - Outpost Investment Group - Analyst

Good morning Aubrey and Jim. Two quick questions. You talked about the Core Area, that encompassing about 3.5 million acres in the four corners. I'm just looking at a map here, all the counties or parishes in Texas and Louisiana in this play. How do you define that core area? In other words, what parts of what counties or parishes does that encompass by your definition?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

I'll just email you a map. I'm kidding. That would be pretty valuable information I think for another company to have, so we won't be publishing that anytime real soon.

Bob Morris - Outpost Investment Group - Analyst

As a follow-up to that, how do you define what then becomes non-core? In other words, beyond what you defined as the core area and becoming non-core, is it the thickness of the shale itself? Is it the natural fracturing? Or what is it that makes, beyond the core area, something you wouldn't consider buying or viable for your --

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Just differences in the rock. And again, I would rather not specify what we're not looking for, because then I'll have told you what we are looking for. I'll just remind you that the Barnett was -- a lot of people are talking about it was 20 some-odd million acre play over 17 counties. And it turned out that basically, with the exception of Mitchell acreage in Wise and Denton County that the new core is in Tarrant and Johnson, and a little bit of Western Dallas and a little bit of Eastern Parker. But everything else is -- has developed into some pretty marginal stuff.

There will be hundreds if not thousands of wells drilled that are outside the core area, and we're not saying they will be dry holes. We're just saying they will not be the kind of wells that we're going to drill and of course it will depend on what gas prices are as to whether or not those guys make any money. But you can map the Haynesville in or over more than 3.5 million acres but not 3.5 million that we want to be in, and that's all we want to be in.

Bob Morris - Outpost Investment Group - Analyst

Great, thank you and congratulations. Look forward to continued results.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Thanks Bob, appreciate it.

Operator

Scott Hanold, RBC Capital Markets.

Scott Hanold - RBC Capital Markets - Analyst

Thanks. Could you just kind of talk about as you ramp up your drilling program and such, kind of what you're seeing right now in terms of how long it's taking to drill these wells, and what the prospects are of efficiencies such as pad drilling kind of cutting down the drilling time, and where that is going?

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Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

We're about 45 days now, probably about 45 to 50. This play will be -- will develop in a way where we're going to be out drilling probably one well per section for a long time to hold acreage. And so we will have some kind of extended supply lines, if you will, and the first -- I don't know if it's 200 wells or 500 wells or even 1000 wells will not be our most efficient because we're going to be out HBPing this acreage.

By way of comparison in the Barnett we have 45 rigs running right now. 30 are working on HBPing acreage, and only 15 are kind of drilling the second, third, fourth, fifth wells per section. So it's another reason why shale plays get better over time; once you have held the sections by production, once you have built the gathering lines, once you have built the water distribution system, and kind of got all your supply lines squared away. Then you really start to make a bunch more money by coming back in and leaving a rig on a location and drilling 3, 4, 5 wells at a time on it.

Scott Hanold - RBC Capital Markets - Analyst

So if you're looking -- I'll pick a year, 2010 -- that 45 to 50 days and where on average do you think you're going to be?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

For right now, I wouldn't go further than 10%. I think that's plenty in the Barnett. Three years ago we were at 30 days, today we're down to 18, 17, something like that. It doesn't mean in three more years we'll be a nine or ten days, so there is -- we do kind of get into a hyperbolic decline curve in terms of what your efficiencies can be. But I'd like to think it would not be too hard to wring out 10% efficiencies here. When we get those, we'll knock it down a little more. We're still doing a fair amount of science in this project, and we'll continue doing that down the road.

Scott Hanold - RBC Capital Markets - Analyst

And when you look at -- and you did give some color on where you're going to source some of these rigs for and -- I don't know if you can kind of talk in part is what you see in the industry as a whole, but do you anticipate pulling rigs from other areas yourselves? Or do you see that happening in industry to sort ramp it up in the Haynesville due to the economics there?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

We modeled this ramp up to occur inside what we think our capabilities are. We're going to build rigs. We're going to hire rigs from third parties, and we may move some rigs around from time to time. Steve, the horse power here we're going to use --

Steve Dixon - Chesapeake Energy Corporation - EVP Operations and COO

1000s and 1500s.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

That's what -- we've kind of known this play was going to be successful for a while, so we ordered these 27 rigs months ago. So we're going to start -- it's not like today we kind of realized the play was going to work, so we're out ahead in terms of trying to anticipate being ready for the growth.

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Scott Hanold - RBC Capital Markets - Analyst

Will you say who you ordered the rigs from?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

I don't think I did say, but we do a lot of business with National Oilwell.

Scott Hanold - RBC Capital Markets - Analyst

One last question, just a point of clarification on -- I think it was the first question. When you look at that 3.5 million acres you're calling the core right now, in your 550,000 acres the JV has, that covers both East Texas and North Louisiana, is that correct? Basically are you looking at the North Louisiana Haynesville and the equivalent in East Texas?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Yes, we do not distinguish -- we don't let the state line get in the way of our geological map. We have more acreage on the Louisiana side because so much of the East Texas acreage that we believe is prospective is has been held by production for as many as 70 years.

Scott Hanold - RBC Capital Markets - Analyst

Would you be willing to say what that percentage is?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

No, not just yet.

Scott Hanold - RBC Capital Markets - Analyst

Ok. I appreciate it, and congratulations.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Thank you.

Operator

Daniel Loeb, Third Point.

Daniel Loeb - Third Point - Analyst

Jim, you did it again. Congratulations. I've been following your progress over the years, and people underestimated you when you made the Three-Tech acquisition and the Nuevo acquisition, and I think this is another transformative acquisition. I congratulate you and Aubrey as well for having you as a partner.

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Most of my questions have been asked, just a couple more general questions. What do you see the potential for -- what's your appetite for additional acreage in Haynesville, given how much you have on your plate right now? And the second question is -- I know these aren't all apples-to-apples comparisons, but where are you seeing other deals being made over the last few weeks on a dollar per acre basis? I've heard numbers even higher than the prices paid for this -- in this transaction.

Jim Flores - Plains Exploration - Chairman, President and CEO

Dan, it's good to hear from you. There have been certainly acreage deals higher than \$15,000 an acre, between \$15,000 and \$25,000 an acre in this area and so forth. The first part of your question, Aubrey help out.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

That's right. I think just what's your appetite for more acreage. Actually the first part was a statement about how people underestimated you, and of course relative to that underestimation of me, maybe we're in a league together. But at any rate, these land men are not done, and we think this acreage has a great deal of value, and we're going to continue to stay on the trail and try to find some more.

Jim Flores - Plains Exploration - Chairman, President and CEO

The interesting part about that Dan, is when Aubrey went back to the rig acceleration. If Chesapeake's capabilities to drill this acreage that we bought, or drill incremental acreage that we bought wanes or that type of thing, then we opt to slowdown leasing activity. But as long as we're capturing 6.5 Bcf per 80 acres, this is the best acreage we can buy by far anywhere in the world. We're going to be highly focused on being a good partner here and continue to acquire acreage.

Now with the big rush that Chesapeake has just done and basically doubled our acreage holdings in the last 45 days, I -- we'll see how much.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

It will slow down.

Jim Flores - Plains Exploration - Chairman, President and CEO

So that aspect. But we've got acreage dollars put in our budget here -- going forward, and we're going to be funding out of cash flow that is sufficient to fill in the gaps and plug all holes of our existing leasehold.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Daniel, one thing I will say, I think is important to drive home. A lot of the kind of big profile acreage blocks -- the 10 to 15, 20, 25,000 blocks that have been owned by some private players, maybe some timber companies, some professional mineral companies, all that stuff has pretty much gone down in the last 60 to 90 days. And what you have left are the companies, the public companies that are in the play, a couple majors with some leasehold positions.

But now we're moving into a part of the play where I think we really sell as much as we do in getting the big blocks, which is with this army of land men going out and finding the 5, 10, 15 and 20 acre pieces of land. And that's -- that guy who owns ten acres is not going to call six of our competitors and have a bid Friday afternoon. If he owns 10,000 acres, he would. We hope to

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be the only game in town for a lot of owners of smaller tracts of land out there. And that's what we're focused on now is really kind of beating the bushes there for these smaller blocks.

Jim Flores - Plains Exploration - Chairman, President and CEO

On a different note, your question, I just got an e-mail question. Are you going to issue equity from that standpoint? Let me address that. PXP has no plans to issue equity. We have a lot -- we have two big deepwater projects being developed right now this summer, plus our California offshore deal is moving along. We expect resolution between the end -- by the end of the summer. We want to see the Haynesville ramp up. And with our strong cash flow we're not going to issue any equity.

We're going to be on the road next week Monday and Tuesday and Wednesday in Boston and New York, seeing existing holders, and also any other holders that are interested in participating with PXP going forward. But I want to clear that air from our standpoint. We're going to cash flow this exciting play and enjoy the fruits of it for our existing 101 million shares.

Daniel Loeb - Third Point - Analyst

Two other very quick questions. Given -- given the prospects in the Haynesville, do you see this impacting the price of natural gas significantly several years out? Given the amount of supply that's going to come on from this?

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

If that's directed to Jim, I'll -- he is preoccupied, just a minute.

Jim Flores - Plains Exploration - Chairman, President and CEO

107. What did I say, 701? 101. We have 107.

Aubrey McClendon - Chesapeake Energy Corporation - Chairman and CEO

Executive stock grant was overlooked. Anyway, I think there's that possibility, and that's why at Chesapeake we're very focused on developing additional markets. And you'll see those markets develop on electricity side, but we need to move our transportation grid over to natural gas as well. And I'd like us to be able to be exporting some gas as well.

I guess yesterday we had the winter strip in Europe was over \$21, and the winter strip here is \$14. So it would be nice to be able to have the US fully integrated into the world grid. It's just fuel that trades at a significant discount to oil, but in many respects is better than oil as a product.

Jim Flores - Plains Exploration - Chairman, President and CEO

Dan, let me give another side to that. I'm sitting here in Chesapeake land with all the rigs and capabilities and deployment. There is not another outfit on the planet that I think has the capabilities to ramp up from here. Everybody's people-wise running full tilt and so forth. The capabilities and capacity here is quite unique. So as bullish as these guys are on production, and we are too, which tends to point toward an overcapacity in the marketplace, we don't see the rest of the industry responding as much as these guys and as we will be in the Haynesville.

I think it still going to be a struggle to build the rigs, man them, deploy them in impact plays. Now the Haynesville obviously is going to be an impact play, but it usually has an effect of backing out marginal production that's going to put pressure on things

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like the Gulf of Mexico shelf and other areas like that, further pressure because they won't be able to get to market. So you see more of a reallocation over time.

Now I may be wrong and Aubrey may be right from a standpoint it may just beat everybody sees the same vision and we're going to put 1000 rigs to work here in five years. I just don't see anybody else that has Chesapeake's capabilities at this point.

Aubrey McClendon - *Chesapeake Energy Corporation - Chairman and CEO*

We appreciate that, Dan, do you have anything else?

Daniel Loeb - *Third Point - Analyst*

That's it, thanks very much.

Aubrey McClendon - *Chesapeake Energy Corporation - Chairman and CEO*

I think it that wraps it up for us. I think we had over 400 folks on board today. We appreciate your time, attention and your questions, and appreciate your support of our transaction. We look forward to giving you more information as the weeks and months roll on. Thank you very much, take care.

Operator

That does conclude our conference call today. Thank you all for your participation.

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