

## Chesapeake 4Q profits more than double

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Aubrey McClendon, CEO of Chesapeake Energy, speaks at the inaugural Chesapeake Energy Lecture at Tulsa University in 2008. (File Photo by Rip Stell)

OKLAHOMA CITY – Chesapeake Energy Corp. on Tuesday reported a more than twofold rise in fourth-quarter profits from a year earlier on hedging gains from natural gas and natural gas liquids.

Profits for the Oklahoma City-based independent oil and gas company rose to \$472 million, compared to \$223 million in the same quarter a year earlier. Earnings per share also more than doubled to 63 cents compared to 28 cents a share a year earlier.

Chesapeake reported hedging gains of \$315 million in the quarter. For the year, the company reported hedging gains of \$1.554 billion.

Excluding one-time items, adjusted net income for the quarter was \$394 million, or 58 cents a share.

Fourth-quarter revenue rose 38 percent in the quarter to \$2.73 billion, up from \$1.98 billion.

On Jan. 23, Chesapeake said it would cut back production by 1 billion cubic feet per day, or 1.5 percent, of natural gas production in the Lower 48 states. The company reported that the cutbacks would be mainly in the Haynesville and Barnett shale plays.

Chesapeake had a tough quarter, and a tough start for the year, said M. "Jake" Dollarhide, CEO of Tulsa-based Longbow Asset Management.

Natural gas futures prices have lingered near 10-year lows as companies like Chesapeake produced far more gas than the country can use, he said.

"Chesapeake had adjusted its focus toward oil, but they are still one of the biggest natural gas producers in the country," Dollarhide said. "The flat market for natural gas prices has hurt Chesapeake; it has hurt Devon and a lot of companies that historically have been over-weighted in gas."

The U.S. Department of Energy reported that natural gas supplies are above the five-year average.

Recently Chesapeake began selling gas fields to foreign investors in favor of oil as the company has focused on areas like the Bakken Shale, Dollarhide said.

"But it cannot turn on a dime," he said.

Chesapeake said in its earnings report that production curtailments and reduced drilling will bring natural gas production in 2012 down 4 percent to 2.6 billion cubic feet per day, compared to the 2011 average of 2.75 billion cubic feet per day.

For the year, Chesapeake earned profits of \$1.57 billion, or \$2.32 a share, compared to year-earlier earnings of \$1.66 billion or \$2.51 per share. The company reported revenues of \$11.6 billion, compared to \$9.4 billion a year earlier.

Shares of Chesapeake dipped 9 cents, or 0.36 percent, to \$24.62 on the New York Stock

Exchange.

For the quarter, 82 percent of Chesapeake's production was in natural gas – down from 88 percent a year earlier – with the balance in oil and natural gas liquids. For the year, 84 percent of Chesapeake's production was natural gas, down from 89 percent at the end of 2010.

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