

Good afternoon, my name is Brian Grove, and I am the director of corporate development for Chesapeake Energy's Eastern Division.

I'd like to thank the committee for the opportunity today to discuss Chesapeake's investment and operations in Pennsylvania, to cover some of the tremendous opportunities that we feel our company and industry as a whole have brought to the Commonwealth, some of the challenges we've faced, and what we've done and are doing to successfully address them.

First - Jobs. Early last year, Chesapeake employed about 215 people in Pennsylvania. Since then, that number has increased to over 1,100 employees and continues to grow as every facet of our operation experiences expansion. This growth has occurred largely here in the northern tier as we've expanded our active rig count from 2 drilling rigs in early 2009 to 17 today. We expect this growth to continue well into the foreseeable future.

This expansion has been tremendous for the local workforce as we are enthusiastically and aggressively recruiting and hiring local talent. We now have about 400 employees who reside in Pennsylvania and are adding to that number every week as we scale up our regional operations.

Beyond direct employment, our operations have supported a broad variety of other businesses throughout the region supporting thousands of other jobs: architecture and

engineering firms, construction companies, environmental consultants, material suppliers, hotels, restaurants, and transportation companies, amongst many, many others.

As a native of northeastern Pennsylvania, I can say that our growth here and our focus on sourcing workers and services locally wherever possible, has created some headlines that I thought were quite unlikely anytime before. Last week's edition of the Wyalusing Rocket-Courier headlined the recently announced fact that "Bradford County Leads State in Job Growth." Let me say that again - "Bradford County Leads State in Job Growth". While I have long been a loyal resident of the region and vocal proponent of it's many great qualities and potential for positive growth, I might have lost a wager if you would have asked me if that headline was even possible five years ago.

According to the Northern Tier Regional Planning & Development Commission, Bradford County – where the majority of Chesapeake's operations in the Marcellus are located – gained 2,000 jobs from March 2009 to March 2010. That represented a 7.2-percent increase, while employment statewide decreased 1.5 percent over that same period, according to the state Department of Labor and Industry.

The commission attributed most of that regional growth to the natural gas industry. In fact, nearly all of the Pennsylvania counties in which Chesapeake operates – many of them rural with years of slow or no growth – now have an unemployment rate below the state average.

Chesapeake has now drilled over 100 wells in the Marcellus, and we expect to drill about 170 more this year, nearly tripling our development of this affordable, abundant, clean and Pennsylvanian energy resource.

Community Investment - In addition to the job creation already mentioned, this development has had a significant economic impact locally and statewide. Since January of last year, we've paid more than \$270 million to Pennsylvania companies for work on Pennsylvania natural-gas wells. Since January 2008, we've paid nearly \$1.1 billion to Pennsylvania landowners in lease bonus payments and royalties.

Some of these dollars have been used to preserve agricultural land, to reduce consumer debt, to stimulate local economies through consumer spending, to reinvest in local businesses and to support local charities and nonprofits.

A Wyoming County couple used more than \$4,000 of their lease payment from Chesapeake to donate to a variety of local organizations they found important to the community, from the historic Dietrich Theater in Tunkhannock to a local nursing home and several fire departments.

This dedication to local community organizations has been matched by Chesapeake with our company providing \$1 million dollars in support to local hospitals, social service

groups, economic development organizations, libraries and other regional non-profits over the last 18 months.

As we have grown, there have also been challenges. And all of our employees work every day to ensure we are proactively dealing with issues of concern to the community.

Throughout the spring, Chesapeake employees and many local contractors have been working hard to repair roads that have been impacted by our operations. In just the last three months, we have invested over \$10 million dollars in road maintenance and upgrades throughout Bradford and Susquehanna County. We foresaw these challenges well in advance and have, for the past eighteen months, been entering into Road Use and Maintenance Agreements with local governments across Bradford and surrounding counties (38 municipalities in total so far). These proactive agreements protect taxpayers and assure local boroughs and townships that roads affected by our activity will be maintained and repaired in a reasonable and responsible fashion.

We have a strong and productive partnership with the Pennsylvania Department of Transportation and local township road foreman and we communicate regularly with all parties to ensure proper monitoring, planning, repair, and, in some cases, substantial improvement of roads that have been affected by heavy use - or that will be used in future activity.

A prime example of this work is our current improvement project on North Street (SR 2015) here in Bradford County. Once a “pie-crust” road, which is basically 2-4 inches of asphalt without any substantial base, North Street began to crumble even with a moderate level of activity. North Street is an important artery through several local townships and is being rebuilt into a highway-grade roadway, funded by Chesapeake.

And the public has noticed. Just today, another report from WETM-TV news noted Chesapeake’s responsiveness to road issues. A local resident is quoted, “When they first started coming up, the roads that we had got torn up pretty bad. But they got on them right away. They filled them in and this was almost every other day,” she said, “And actually the roads are better now than they were before.”

Even more importantly, we are going beyond addressing just the short-term issues associated with drilling activity. We are constantly devising better long-term solutions.

Water - Much of these road impacts arise from one source - water transportation.

To address the road impacts and simultaneously tackle the issues of water consumption and disposal, Chesapeake has successfully developed a new program called Aqua Renew. Aqua Renew is a new operating process that we’ve implemented to filter and reuse the wastewater that is generated from all phases of our operations - drilling, completion and natural gas production. This program has been a tremendous success on many fronts. It reduces long-haul truck traffic, it reduces the amount of freshwater

needed for well completions (currently saving about 4.3 million gallons per month), and it dramatically reduces the need for treatment and disposal of wastewater.

We have also implemented a major shift in well completion operations whereby we rely much more on using centralized water impoundments with portable surface water lines, rather than higher impact temporary water staging facilities. This dramatically reduces traffic in the area of the well and reduces overall travel miles for the water.

Additionally, we are taking a very hard look at moving more and more water from permitted source points to these impoundments via underground fresh water pipelines. In the next several months we will be completing an engineering study of our entire operating area and hope to move forward with these plans, where it is feasible, to dramatically cut back on the need to move water over large distances via trucking.

Housing - Recent reports have indicated a housing shortage in Bradford County brought

on by an influx of gas industry workers. Chesapeake is sensitive to this issue and in response; we will begin construction in the next several weeks of a local housing and training facility in Athens Township.

This facility will serve the dual purpose of relieving stress on the housing market and enhancing our ability to bring more and more Pennsylvania workers on board with a local training facility.

Every new operating area presents unique challenges and opportunities. We have been successful in meeting the challenges that have arisen here, and we are dedicated to being a good neighbor and responsible corporate citizen so that all Pennsylvanians can share in the opportunities created by the Marcellus Shale.
