

CHESAPEAKE ENERGY CORP

Form 10-Q

November 09, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended September 30, 2012

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File No. 1-13726

Chesapeake Energy Corporation

(Exact name of registrant as specified in its charter)

Oklahoma

73-1395733

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer Identification No.)

6100 North Western Avenue

Oklahoma City, Oklahoma

73118

(Address of principal executive offices)

(Zip Code)

(405) 848-8000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 2, 2012, there were 664,655,404 shares of our common stock, \$0.01 par value, outstanding.

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CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

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 CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	September 30, 2012	December 31, 2011
	(\$ in millions)	
CURRENT ASSETS:		
Cash and cash equivalents (\$1 and \$1 attributable to our VIEs)	\$ 142	\$ 351
Restricted cash	156	44
Accounts receivable	2,291	2,505
Short-term derivative assets	31	13
Deferred income tax asset	692	139
Other current assets	188	125
Current assets held for sale (\$14 and \$0 attributable to our VIEs)	111	—
Total Current Assets	3,611	3,177
PROPERTY AND EQUIPMENT:		
Natural gas and oil properties, at cost based on full cost accounting:		
Evaluated natural gas and oil properties (\$488 and \$498 attributable to our VIEs)	51,014	41,723
Unevaluated properties	15,254	16,685
Natural gas gathering systems and treating plants	—	1,455
Oilfield services equipment	1,972	1,611
Other property and equipment	3,629	3,555
Total Property and Equipment, at Cost	71,869	65,029
Less: accumulated depreciation, depletion and amortization (((\$43) and (\$6) attributable to our VIEs)	(33,573) (28,290
Property and equipment held for sale, net (\$121 and \$0 attributable to our VIEs)	2,307	—
Total Property and Equipment, Net	40,603	36,739
LONG-TERM ASSETS:		
Investments	647	1,531
Long-term derivative assets	6	—
Other long-term assets	681	388
Long-term assets held for sale	123	—
TOTAL ASSETS	\$45,671	\$41,835
CURRENT LIABILITIES:		
Accounts payable	\$2,357	\$3,311
Short-term derivative liabilities (\$5 and \$9 attributable to our VIEs)	150	191
Accrued interest	213	183
Current maturities of long-term debt, net	463	—
Other current liabilities (\$20 and \$23 attributable to our VIEs)	3,097	3,397
Current liabilities held for sale (\$31 and \$0 attributable to our VIEs)	176	—
Total Current Liabilities	6,456	7,082
LONG-TERM LIABILITIES:		
Long-term debt, net	15,755	10,626
Deferred income tax liabilities	3,418	3,484
Long-term derivative liabilities (\$3 and \$10 attributable to our VIEs)	999	1,541
Asset retirement obligations	353	323
Other long-term liabilities	997	818
Long-term liabilities held for sale	2	—

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Total Long-Term Liabilities	21,524	16,792
CONTINGENCIES AND COMMITMENTS (Note 4)		
EQUITY:		
Chesapeake Stockholders' Equity:		
Preferred stock, \$0.01 par value, 20,000,000 shares authorized:		
7,251,515 shares outstanding	3,062	3,062
Common stock, \$0.01 par value, 1,000,000,000 shares authorized:		
666,955,284 and 660,888,159 shares issued	7	7
Paid-in capital	12,246	12,146
Retained earnings	241	1,608
Accumulated other comprehensive income (loss)	(188) (166)
Less: treasury stock, at cost; 1,860,507 and 1,552,533 common shares	(41) (33)
Total Chesapeake Stockholders' Equity	15,327	16,624
Noncontrolling interests	2,364	1,337
Total Equity	17,691	17,961
TOTAL LIABILITIES AND EQUITY	\$45,671	\$41,835

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	(\$ in millions, except per share data)			
REVENUES:				
Natural gas, oil and NGL			\$1,437	