

At a Glance

Chesapeake

Barnett Shale development

Basic steps to production:

Site selection and preparation:

3-D seismic testing, road and padsite construction on two to five acres of land.

Drilling: Each well takes three to four weeks to drill in an around-the-clock operation. Average vertical depth is 1.5 miles and the horizontal reach from the vertical well bore can be nearly a mile.

Completing the well: Hydraulic fracturing, or “frac,” begins a process that takes several days. Water mixed with sand is pumped under high pressure, creating fractures in the rock enabling the release of natural gas. After well completion, production equipment is installed, including tank batteries for produced water, meters, pumps and safety equipment. This process takes about a week.

Marketing the gas: Small-diameter gathering pipelines are installed, very similar to utility lines, which allow gas to be transported and sold at market. Eventually the gas is delivered to your home via gas utility companies.

Reclaiming the site: Site is restored, landscaped, fenced and regularly monitored.

Major elements of a mineral lease agreement:

- **Length of lease**
Initial lease term is typically three to five years, which means drilling activities must begin within that time frame. Lease expires when drilling does not occur by end of term. After drilling, lease is held for the life of the well – which could be 30 years or more.
- **Surface-use agreement**
Determines compensation and term for using the surface to access the minerals below.
- **Bonus payment**
A per-lot or per-acre, one-time payment made up front to secure the lease. Many factors determine bonus offers, including availability and cost of a well site, proximity to pipeline, geological risk, offset production and existing competition.
- **Royalty payment**
Payments are based on the percentage of natural gas produced and sold that is shared among the mineral owners in a pooled unit.

Payments vary, based on market price of natural gas and volumes produced.

Payments usually decline by 50 percent after the first year, reflecting normal production decline.

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