

LISA PHELPS, Vice President of Human Resources for Chesapeake Energy Corporation

TESTIMONY OF LISA PHELPS

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Before

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Thank you, Senator Brown, for the opportunity today to discuss the employment needs and opportunities for our nation's veterans. As a member of the Senate Veterans Affairs Committee, we appreciate your efforts and leadership on this issue in Congress. I am Lisa Phelps, vice president of Human Resources for Chesapeake Energy Corporation. Chesapeake is the nation's second-largest producer of natural gas and a top 15 producer of oil and natural gas liquids. Our company is also a very proud top employer of veterans.

Chesapeake employs more than 12,400 direct employees across the country. We have operations in approximately 17 different states, including Ohio with a new oil-and-natural gas play called the Utica Shale. We are excited about the potential of this play – both for domestic energy production, as well as the stimulation it will provide for the Ohio economy and jobs. Unlike many industries, the oil and natural gas industry has experienced growth during this recessionary period, and the outlook for jobs only looks brighter in the future. In fact, Chesapeake has experienced a significant hiring boom to keep up with the industry's demands, increasing headcount by nearly 30% since this time last year.

I am here to speak to you today because Chesapeake is proud to be a top employer of U.S. military veterans, and our veterans' recruitment and hiring program continues to grow since its inception in 2008. In fact, Chesapeake was honored by the U.S. Chamber of Commerce just last month as one of the top 25 American companies to hire veterans. We also serve on the U.S. Chamber's new Veteran Employment Advisory Council (VEAC) and were a finalist for the Post-9/11 Veteran Employment and Internship Award. G.I. JOBS magazine designated Chesapeake as a 2011 "Top 100 Military-Friendly Employer," and Civilian.jobs.com named Chesapeake a "2011 Most Valuable Employer for Military".

Our efforts to recruit military servicemen and servicewomen began in 2008. Veteran recruiting originally started as a small component of our recruiting efforts, and was intended to show our appreciation for the veterans who served our country. Instead, we quickly discovered that Chesapeake reaped the benefits as these highly trained individuals joined our work force, sharing their skills and showing us what a great fit their experiences are for the oil and natural gas industry.

In the past three years, our targeted recruiting outreach has resulted in the employment of more than 420 former military personnel in positions ranging from rig hands to engineers. Moreover, approximately 7% – more than 800 – have self-identified as veterans. The average annual salary of these veterans at Chesapeake is \$68,000.

Initially, our company recruited only junior military officers (JMOs), lieutenants and captains retiring from service, for specialized positions within the company. But in the past two years, Chesapeake has expanded efforts to include hiring former enlisted personnel to work in the

field. As part of this, we attend military recruiting job fairs and partner with several recruiting firms.

It is worth sharing more details of each of our targeted efforts. As I said, the company began by recruiting JMOs with strong engineering backgrounds, such as mechanical, electrical and systems engineering. These individuals have proven to make excellent field production/operations employees; they have adapted well to the industry and make great leaders.

Chesapeake's second recruiting focus is aimed at hiring entry-level drilling service employees. Until now, we have partnered with an organization called Troops Transition to help with this effort. Through Troops Transition, we have hired former military candidates and placed them on our drilling rigs. It is hard work, but we have found that military recruits make great righands as they are used to working outdoors and in safety-sensitive environments.

Chesapeake's partnership with Troops Transition has proven to be an invaluable resource for obtaining a steady influx of high-quality drilling service employees. Unfortunately, we learned just last week that Troops Transition's federal funding has been eliminated, and the program will no longer continue. We are now considering how to deal with this new development and address the loss of Troops Transition as we go forward.

Finally, a recent addition to our recruiting resources is a company called Air Streams. This organization identifies and trains personnel during a two-week course to work in the oil and gas industry. While Troop Transition focused on personnel still in the military, Air Streams has a branch that focuses on those who have been in the work force for a period of time. Often these are veterans who may have a mechanical background but are looking for a company that values their past service. Chesapeake actively recruits from this program to primarily assist with our well-stimulation company, Performance Technologies, which has a goal of staffing 50% of its work force from various disciplines in the military.

The result of the continued success of our program is that today we plan to add military veterans in locations across the country, including Ohio, Oklahoma, Texas, Pennsylvania and Louisiana in positions like field engineers, Environmental Health & Safety (EH&S) representatives, pumpers, equipment operators, business analysts and righands.

In your state, we currently have about 100 open positions ready to fill with military candidates, and hiring rates are projected to significantly increase in 2012 as we ramp up drilling activity in the Utica Shale. As one example of our Ohio efforts, we participated in a "Hire- A-Vet Career Fair" on November 9 in North Canton.

All in all, our veterans' recruitment and hiring program has turned out to be a win-win for Chesapeake, and the reasons that veterans make great employees for our industry are worth noting.

First, experienced military professionals excel in our field operations and drilling services because their military experience has accustomed them to similar working conditions. The military has taught the individuals to be team oriented, detail oriented, disciplined, dedicated, and creative problem solvers – all characteristics that we seek in employees. Furthermore,

veterans have an unmatched work ethic. While any industry wants hard-working employees, ours demands it.

Additionally, military men and women learn leadership skills that enable them to make team-oriented decisions in stressful situations. Teamwork is key in the military, and often the team's safety depends on everyone working together. The same can be said for our industry,

particularly for our team members working on drilling rigs. The military also prepares them with technical training, which allows many veterans to advance more quickly in our industry.

Finally, veterans understand our country's need for energy independence. In particular, those who served overseas saw firsthand the danger of our country's dependence on foreign oil. Many of our veterans remarked that after service they wanted a civilian job that made a difference. By working to produce domestic energy resources and reduce OPEC oil imports, they are extending their mission to protect national security while growing their careers.

I am proud to see the oil and natural gas industry growing and creating so many needed jobs for our country. Early reports suggest an estimated 30,000 military personnel will return from service in the next 18 months. Not only will these men and women face the often difficult transition to civilian life, but most will experience higher unemployment rates than non-veterans. As such, we believe our veterans hiring program has positioned us to not only help provide a solution for these servicemen and women, but while we thought our company should and could help these brave men and woman, we have proven to be the real beneficiary with these hard-working employees.

Mr. Chairman, thank you for the opportunity to be here with you today. Again, we appreciate your efforts and leadership as a member of the Senate Veterans Affairs Committee. I look forward to answering any questions.