

Asian funds buy shares in Chesapeake Energy

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BEIJING—U.S. natural-gas company **Chesapeake Energy Corp.** said it has sold \$900 million in preferred stock to a group of private investors, including Asian sovereign-wealth funds, cashing in on heightened interest in onshore energy following the **BP PLC** offshore drilling disaster.

This follows Chesapeake's sale of \$1.7 billion worth of preferred stock last month.

In a placement that closed Friday, Chesapeake sold shares to sovereign-wealth funds **China Investment Corp. Corp.**, **Korea Investment Corp.** and **Temasek Holdings**, the New York-listed firm said Monday. Other investors were Chinese private-equity fund **Hopu Investment Management Co.** and a charitable foundation established by Hong Kong tycoon **Li Ka-shing**, Chesapeake said.

According to a person familiar with the deal, **Abu Dhabi Investment Council**, Abu Dhabi's sovereign-wealth fund, and Japan's **Daiwa Securities** also invested in the deal.

The person also said Hopu and Temasek, Singapore's sovereign-wealth fund, which had previously bought a combined \$600 million in Chesapeake stock in the May round, added to their total, buying roughly a combined \$150 million in the latest deal. "After the offshore drilling problems of BP, investors are starting to look more onshore," the person said.

The unusual grouping of sovereign-wealth funds from China, Singapore, South Korea and the Middle East in a single deal comes as investor interest in natural-gas assets

mounts around the world, particularly in Asia, where governments are looking for cleaner energy to fuel economic growth.

In April, Indian conglomerate **Reliance Industries Ltd.** agreed to pay \$1.7 billion to **Atlas Energy Inc.** for a big stake in the Marcellus Shale, a massive natural-gas-rich rock formation underlying Pennsylvania, New York and other states. And in February, **Mitsui & Co.** said it would invest about \$1.4 billion in the Marcellus, buying nearly a third of the interest held by Houston-based **Anadarko Petroleum Corp.**

Chesapeake focuses on discovering and developing onshore natural-gas and oil fields and has played a role in pioneering natural-gas production from shale—a process that involves drilling horizontally through dense rock formations and breaking them apart to release gas trapped inside.

KIC, South Korea's sovereign-wealth fund, said in a statement Monday it will invest \$200 million in Chesapeake. "At a time when various sovereign funds are strengthening strategic investments, investment in a natural-gas producer will play a part in securing energy resources," KIC said.

KIC said it expects natural-gas prices to rise as a result of inflation and the possibility of reduced drilling after the BP oil spill in the Gulf of Mexico. The outlook for natural gas is bright because it is environmentally friendly, the company said.

The nonvoting preference shares carry a 5.75% yield and are convertible at \$27 per share. Chesapeake's shares closed in New York on Friday at \$24.61.



Chesapeake Energy's natural-gas drilling site in Bradford County, Pa.