



ENERGY & ENVIRONMENT

Aubrey McClendon, Chesapeake Energy Ex-Chief, Dies Day After Indictment

By **CLIFFORD KRAUSS** MARCH 2, 2016

HOUSTON — Aubrey McClendon was the face of the nation’s natural gas boom, a swashbuckling innovator who pioneered a shale revolution.

He built a fortune as head of Chesapeake Energy, whose embrace of new production techniques unlocked previously untapped deposits and helped wean the United States from ever-increasing dependence on imports.

But late Tuesday, he was indicted on federal bid-rigging charges accusing him of conspiring to suppress prices for oil and natural gas leases. And on Wednesday morning, he died in a crash in Oklahoma City after his car hit a bridge at high speed. Mr. McClendon, 56, was to have appeared in court later in the day.

“He was charismatic and a true American entrepreneur,” said T. Boone Pickens, a legendary oilman himself, who knew Mr. McClendon for 25 years. “No individual is without flaws, but his impact on American energy will be long-lasting.”

Even in a business known for bigger-than-life executives, Mr. McClendon was a mythical character. His interests went far beyond the oil patch, including part ownerships of the Oklahoma City Thunder professional basketball team and a winery in Bordeaux, France. He bragged about his \$12 million antique map collection.

In his years at Chesapeake, which he co-founded in 1989, it would become the second-biggest natural gas producer in the United States. Only Exxon Mobil produces more.

But his spectacular rise was followed by an equally stunning fall with his ouster in 2013.

And his indictment this week cast a dark shadow over his career. It was served by the Justice Department late Tuesday, accusing Mr. McClendon of orchestrating a conspiracy in which two unidentified companies colluded not to bid against each other for the purchase of several oil and gas leases in northwest Oklahoma between late 2007 and early 2012.

Under Mr. McClendon's leadership, Chesapeake was a darling of Wall Street as he acquired leases across the country and liberally employed hydraulic fracturing to unlock vast amounts of natural gas in Texas, Oklahoma, Ohio and Pennsylvania.

But Chesapeake and a handful of other companies released so much gas that they glutted the market. Natural gas prices collapsed, pulling down the value of Chesapeake's shares over the last five years.

The company's problems were compounded by revelations that Mr. McClendon had taken a personal stake in Chesapeake wells and then used those investments as collateral for up to \$1.1 billion in loans, used mostly to pay his share of the cost of drilling those wells.

Those revelations ignited a revolt by Chesapeake's board, and he was forced to leave the company three years ago.

When Mr. McClendon began quietly acquiring leases around 2005, most energy analysts thought the United States faced a future of gas shortages. Billions of dollars were invested in import terminals that would receive liquefied natural gas from Qatar and other gas-producing countries. But Mr. McClendon's explorations were so successful that there was no longer any need for imports, and the terminals quickly became virtually unusable.

Now, in a once-unthinkable turnabout, some are being converted to export liquefied natural gas.

Mr. McClendon's corporate pursuits reflected his eclectic interests. As the company grew from its origins in 1989, he developed a corporate campus in

Oklahoma City that looked more like an Ivy League school than a piece of the oil patch, with a cafeteria that served international fare and a gymnasium outfitted like a spa.

Mr. McClendon dabbled in politics and personally appeared in television commercials promoting the benefits of natural gas as a replacement of coal burning for power. He unsuccessfully pushed for natural gas-fueled cars.

Aubrey Kerr McClendon, the son of Joe and Carole Kerr McClendon, was born July 14, 1959, in Oklahoma City into a family steeped in the oil industry. His father was a petroleum products salesman. Aubrey McClendon's lineage also included Oklahoma notables, among them Robert S. Kerr, a former Oklahoma governor and senator and an oilman himself.

Classmates at Duke University remembered Mr. McClendon, who studied history, for his expansive appetite for reading and for having copies of Businessweek magazine strewn around his room. He graduated in 1981 with a bachelor of arts in history.

It was in college that he met his future financier, Ralph Eads III, an investment banker with Jefferies. Mr. McClendon married his college girlfriend, Kathleen Upton Byrns. In addition to his wife, he is survived by two sons, Will and Jack; a daughter, Callie; and a grandchild.

As a businessman, he had a reputation for aggressive practices.

He was once fined \$250,000 by the National Basketball Association for bragging that he and his partners did not buy the Seattle SuperSonics to keep the team in Seattle — a statement that was at odds with the N.B.A. commissioner's intentions. The Sonics moved to Oklahoma City anyway — a far smaller market — for the 2008-9 season. They play in Chesapeake Energy Arena.

While the indictment did not identify the two companies, most energy experts believe they are Chesapeake and SandRidge Energy, also based in Oklahoma City and formerly led by a onetime partner of Mr. McClendon. The two companies previously disclosed in regulatory documents that they were being investigated by

the Justice Department's Antitrust Division. SandRidge had yet to comment on the indictment, while Chesapeake said it was cooperating with the investigation and did not expect to face criminal penalties.

According to the Antitrust Division, the companies secretly decided who would win leases, and the winning bidder allotted an interest in the leases to the other company. The indictment said that Mr. McClendon instructed his subordinates to conspire with others from the second company to allocate leases among themselves.

"His actions put company profits ahead of the interests of leaseholders entitled to competitive bids for oil and gas rights on their land," said William J. Baer, assistant attorney general in the Antitrust Division. "Executives who abuse their positions as leaders of major corporations to organize criminal activity must be held accountable for their actions."

The indictment on Tuesday was filed in the Federal District Court for the Western District of Oklahoma. The Justice Department said this was the first case resulting from a federal antitrust investigation into price-fixing, bid-rigging and other anticompetitive conduct in the oil and natural gas industry.

At first, Mr. McClendon and his lawyers expressed indignant disagreement with the indictment, although Mr. McClendon did not expressly deny that there had been discussions with a competitor.

"The charge that has been filed against me today is wrong and unprecedented," Mr. McClendon said in statement released Tuesday night. "I have been singled out as the only person in the oil and gas industry in over 110 years since the Sherman Act became law to have been accused of this crime in relation to joint bidding on leasehold."

Under the federal Sherman antitrust statute, violations carry a maximum penalty of 10 years in prison and a \$1 million fine.

The indictment followed a four-year federal investigation that began after Reuters revealed in 2012 that Chesapeake had discussed with Encana, a rival Canadian energy giant, how to suppress land lease prices in Michigan. Last year,

Chesapeake settled by agreeing to pay \$25 million as compensation to landowners with leases.

While the police did not characterize the death as a suicide, Capt. Paco Balderrama of the Oklahoma City police said that Mr. McClendon drove “through a grassy area right before colliding into the embankment.” He added, “There was plenty of opportunity for him to correct and get back on the roadway, and that didn’t occur.” Mr. McClendon was not wearing a seatbelt.

The state medical examiner’s office will determine the cause of death, the police said.

After his ouster from Chesapeake in 2013, Mr. McClendon quickly turned his attention to his next venture, co-founding American Energy Partners, a private oil company. His goal was to take the fracking revolution worldwide.

“He was always looking for worlds to conquer,” said Melvin Moran, an Oklahoma oil executive who knew Mr. McClendon for years. “And he did that.”

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