Steven C. Dixon
Executive Vice President - Operations
Chief Operating Officer

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Attention: Nancy M. Morris, Secretary

Re: Proposed Rule Changes to Modernize Oil and Gas Reporting Requirements

Ladies and Gentlemen:

Chesapeake Energy Corporation submits this letter in response to the Securities and Exchange Commission's request for comments on proposed rule revisions of the disclosure requirements relating to oil and natural gas reserves. Chesapeake commends the Commission for producing a significantly modernized and principles-based oil and gas reporting regime, one that should be capable of adapting to industry changes and new technologies in the years ahead.

Chesapeake welcomes this opportunity to comment on elements of the proposed rules that we believe should be considered further. As the largest producer of natural gas in the United States and the most active driller of new wells, we have focused these comments on our areas of greatest interest, especially the reporting of natural gas reserves. Our comments are first presented in short form immediately below and then in more detail in the numbered sections following the first portion of this letter.

1. The proposal to use 12-month average prices for calculating oil and natural gas reserves is a decided improvement over the current single-day, fiscal year-end pricing method. However, we propose that the first day, instead of the last day, of each month be used for pricing as a way to provide additional time to filers. Also, we strongly believe the pricing method used for accounting purposes should be changed to conform to the proposed pricing method for reserve estimate disclosures outside the financial statements.

2. We believe that requiring a PUD to be drilled within five years of its initial booking is an unreasonably short timeframe given the goal of presenting more transparent information about the potential size of continuous accumulation reservoirs. Instead, we would recommend that if the Commission believes some time deadline is necessary, then we would suggest a ten year deadline. We would note that this will still lead to the understatement of the size of continuous accumulation reservoirs given that formations such as the Barnett, Fayetteville, Haynesville and Marcellus Shales will take decades to fully develop. In addition, we believe disclosure of historical data regarding the drilling and conversion of PUDs will be useful information for investors, but believe mandating disclosure of forward-looking information regarding PUD

Chesapeake Energy Corporation
P.O. Box 18496 • Oklahoma City, OK 73154-0496 • 6100 N. Western Avenue • Oklahoma City, OK 73118
405.879.9111 • fax 405.843.5419 • steve.dixon@chk.com

development plans and drilling schedules would lead to unnecessary shareholder litigation and would require disclosure of too much information to a company's competitors.

3. We support the optional reporting of "probable" and "possible" reserves as proposed, but we believe additional guidance as to the level of documentation and support required for such reserve estimates is needed.

4. The proposed definitions of "conventional" and "continuous" accumulations are acceptable, but we believe the disclosure of reserve, well and acreage information, divided between such accumulations, should be optional and not mandatory.

5. The proposed "reliable technology" definition/standard should be reconsidered. Requiring 90% accuracy for any single tool or set of data to be considered reliable technology is in our experience and opinion beyond reasonable certainty, and reliable technology should be defined in terms of the combination of all technology and data available to produce reasonable certainty. We also oppose the proposed requirement that companies disclose the technologies used in making material additions to proved reserves.

6. An oversight board should be established to recommend updated guidance and to propose rule changes to the Commission in response to new technologies.

Each of these points is discussed in more detail below.

1. PRICING OF RESERVES

12-Month Average Prices. In our comment letter on the Concept Release, we observed that using a single-day spot price to calculate oil and natural gas reserves does not yield a fair representation of reserve quantities or reserve base value. We support the proposed change to Regulation S-X Rule 4-10 to require the use of an average price over a 12-month period. While not necessarily predictive of future prices, it will alleviate many of the valuation issues created by commodity price volatility.

While we believe that using an average of the price on one day of each of the preceding 12 months is a fair way to determine a one-year average price, we propose that the Commission modify its proposal to use the first day, instead of the last day, of each month in the 12-month pricing period. This would give preparers an additional 30 days to complete reserve estimates. We believe this lag should be sufficient to address the compressed time frame of accelerated filing deadlines and at the same time would provide a reasonable approximation of current pricing.

Optional Sensitivity Case Analysis. Chesapeake supports the option to disclose oil and natural gas reserves using an alternative pricing scenario. We believe information based on such alternative pricing scenarios would provide investors a better view of management's analysis of future prices.

Prices Used for Accounting Purposes. We do not support, and strongly disagree with, the proposal to delink the methods of pricing future reserves for accounting purposes and for other required reserve disclosures. As proposed, a company would disclose proved reserves using a value based on average historical prices over a 12-month period pursuant to Item 102 of Regulation S-K, i.e., in Item 2 of Form 10-K. The unaudited reserve disclosures required by SFAS 69 would use the same pricing methodology and would be consistent with the disclosures required in Item 2. The financial statements, however, would continue to use single-day, period-end pricing to calculate unit-of-production depreciation and depletion rates and, for full-cost companies, to apply the ceiling test to determine the limitation on capitalized costs.

To provide for more clarity and less confusion, we believe companies should be required to use the same prices for accounting purposes as for disclosure outside of the financial statements. Maintaining separate reserve books using different prices would be burdensome for a company's reserve engineering and accounting staff without any counterbalancing benefit to investors. We also believe that any changes to the full-cost accounting rules which would be necessary to accommodate the new pricing methodology can be achieved without significant controversy or delay. We believe the proposal would suffer further if the Commission were to impose different pricing methods on full-cost and successful-efforts companies, a possibility raised in the following request for comment: "Should we require, or allow, a company using the successful efforts accounting method to use an average price but require companies using the full cost accounting method to use a single-day year-end price?" We see no basis for such a difference.

If proved reserves were calculated using average prices for accounting purposes, we would expect to see less volatility in depreciation rates, and, more importantly, full-cost companies such as Chesapeake would be less exposed to ceiling-test write-downs resulting from temporary volatility in commodity prices. Under current rules, an anomalous commodity price decline on a single day can result in the write-down of long-term oil and natural gas assets that have suffered no substantive decline in value. For example, during the recent 12-month period ending June 30, 2008, our depreciation rates and ceiling test calculations were based on end-of-period, single-day prices for natural gas and oil prices that increased more than 90% from June 30, 2007.

	Natural Gas	Oil
6/30/07	$ 6.80	$ 70.33
9/30/07	$ 6.38	$ 81.56
12/31/07	$ 6.80	$ 96.01
3/31/08	$ 9.37	$101.60
6/30/08	$13.10	$140.02

Subsequent to June 30, 2008, the price of natural gas has now fallen by almost 50% and the price of oil by more than 30%, highlighting the tremendous volatility associated

with current oil and natural gas prices. We believe average pricing would help dampen this extreme volatility in commodity prices and its unpredictable results on full-cost companies' financial statements.

If the final rules adopted maintain the proposed dichotomy in pricing methods, we believe companies should be allowed, but not required, to explain the difference and disclose the impact on the calculation of depreciation and any ceiling write-down.

2. PROVED UNDEVELOPED RESERVES

Chesapeake strongly supports the effort to bring consistency to proved reserves definitions. In particular, we believe it is appropriate to amend the definition of "proved undeveloped reserves" to replace the requirement that productivity be "certain" for areas beyond the immediate area of known proved reserves with a "reasonably certain" requirement. Elimination of the arbitrary rule that a PUD location can only exist in the immediately adjacent offsetting unit is consistent with advancements in technologies and is especially applicable in continuous accumulations. PUDs should in fact be determined based upon the totality of data available to the evaluator and not governed by narrow rules made obsolete by new technology.

The Five-Year Rule. In a principles-based reporting regime, however, the Commission's proposed "five-year rule" for PUDs is overly restrictive. The proposal would prohibit a company from assigning proved status to undrilled locations if the locations are not scheduled to be drilled within five years, absent unusual circumstances. This arbitrary limitation on PUDs seems to be driven by the suspicion that some companies are booking PUDs they never intend to drill. Without commenting on the existence or extent of this perceived abuse, we know this limitation would penalize our company and other companies similarly situated with large leasehold inventories and expansive drilling programs focused on continuous accumulation reservoirs. We have made substantial investments in leasehold acreage for a number of years, and under the proposed rules we anticipate that we would have more proved locations than we can drill in five years, even though we are the most active driller of new wells in the U.S. To the investment community, our drilling backlog is one of the best indicators of the strength of our company. The five-year rule applied to Chesapeake and our peer group of companies strikes us an unreasonably short given the decades that it will take to develop reservoirs such as the Barnett, Fayetteville, Haynesville and Marcellus Shales. The exception for unusual circumstances that justify a longer time, such as particularly complex projects in remote areas, would not seem to apply to a substantial portion of our PUDs.

All companies with substantial continuous accumulation PUDs will likely be constrained by the five-year rule. Continuous accumulations cover vast areas that can be classified as proved reserves through appropriate data collection. These accumulations typically require intensive drilling with tight spacing due to small drainage areas. Limiting booking of proved undeveloped locations to five years in these accumulations simply has no basis in science and is inappropriate. No such time frame is applied to reserve

reporting in the mining industry. When coupled with the limited potential for drainage from offset drilling regardless of producing time and volume, a PUD within these accumulations remains valid over an extremely long time.

Additionally, astute investors do not look at reserve volume alone when evaluating a company. They also look at the discounted value of the future net revenue of those reserves. We believe the requirement to present value PUDs largely eliminates the need for an arbitrary cutoff such as five years. If the Commission must require some time frame to show drilling development intention, then we suggest ten years.

Expanded Reporting of PUDs. The proposal calls for disclosure that would demonstrate clearly a company's record of converting PUDs to proved developed reserves. Proposed Item 1203 requires disclosure of the quantity of such converted reserves and the investment made in PUD conversion for the past five years. We believe this historical information would be useful to the Commission staff and investors in assessing a company's PUD classification. Disclosure should go a long way toward exposing abuse and, unlike the five-year cutoff, would not punish companies whose legitimate development horizons are longer than five years. While we generally support the expanded historical information on PUDs proposed, we are wary of the proposed requirements for forward-looking information, particularly the requirement in Item 1203 to disclose plans to develop PUDs and to further develop proved reserves and in Item 1209 to disclose anticipated capital expenditures directed to specific development purposes (conversion of PUDs to proved developed, probable to proved, and possible to probable or proved) and anticipated exploratory activities, well drilling and production. We believe that mandating such detailed disclosures for all registrants is not practical and may expose companies to the expense of defending lawsuits when future results differ materially from disclosed plans and also provides too much information to a company's competitors. We would propose that the Commission make such disclosures optional, using them as examples of information that may be appropriate in discussing known trends, demands, commitments, etc.

3. PROBABLE AND POSSIBLE RESERVES REPORTING

Perhaps never before in our nation's history has it been more important to understand our energy reserves, resources and options for the future. We applaud and support the Commission's proposal to allow companies to disclose reserve volumes beyond proved. More complete and thorough disclosure of the volume and geographic location of natural gas and oil controlled by companies will increase the understanding of the total energy supply. This understanding will lead to better decisions by policy makers and stakeholders in regard to our nation's energy choices in the future.

Chesapeake supports the Commission's proposal not to make the disclosure of probable and possible reserves mandatory for all companies. We would, however, urge the Commission to provide guidance as to the level of documentation and support required for reporting probable and possible reserve estimates. The backup for proved reserves has evolved over many years and is generally well understood in the industry. We expect less is required for documentation of unproved reserves, but companies may

be reluctant to disclose unproved reserves, especially in filed reports, without knowing the underlying evidentiary standards that will apply. Further, without this guidance at the outset, it may take a number of years before there is reasonable comparability in the reporting of unproved reserves.

4. CONVENTIONAL AND CONTINUOUS ACCUMULATIONS

We question the usefulness to readers of our Commission reports of separately disclosing reserves, wells and acreage by conventional and continuous accumulations. We believe this fragmented manner of reporting should be eliminated or, for companies that want to highlight the split of their properties between conventional and continuous accumulations, be made optional. Since the same proposed rules govern reserve estimations in both types of accumulations, we believe that tracking and disclosing them separately is unnecessarily burdensome to filers and has minimal benefit to readers.

5. RELIABLE TECHNOLOGY

Standards for Single Technology. As defined, reliable technology is technology that has been proved empirically to lead to correct conclusions in 90% or more of its applications. We believe this is an unreasonably high bar for a single technology involving interpretation of data in our industry. Further, under the proposed definition, reliable technology must also be widely accepted in the oil and gas industry. This requirement would seem to exclude proprietary techniques that are not generally known or used, even though they have been field tested by a company or contractor and have demonstrated consistency and repeatability in the formation being evaluated or in an analogous formation. If wide industry acceptance is a criterion for reliable technology, companies will need to choose between the competitive advantage an innovative, internally developed technology provides and new reserves that might be booked if the technology were made public.

6. FUTURE REVISIONS AND UPDATES

The Concept Release asked for industry input in regard to future oversight and rule-making procedures, yet the proposed rules are silent on this issue. Our industry will continue to evolve. We are producing today from reservoirs not envisioned as productive just a few years ago. Predicting how technology and increased knowledge will alter our industry is difficult if not impossible. The proposed rules would seem to leave ample room for change and growth in our knowledge and still provide complete and accurate disclosures. There is a risk, however, that this flexibility will be eroded over time in the same way existing rules have become inappropriate for technological advances introduced over the past 30 years.

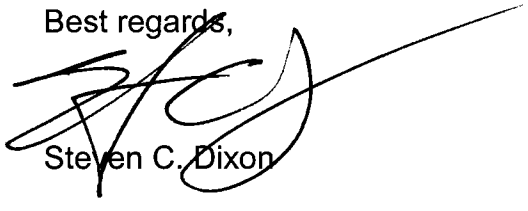
Chesapeake supports and advocates the formation of an oversight board to monitor the appropriateness of oil and natural gas disclosure rules. The board would accept continuous industry feedback and input, filter that input and make recommendations for change, if warranted, to the Commission. We believe a formal oversight board would be an important enhancement to the refinements expected to continue through

occasional guidance documents and comment letters issued by the Commission and staff. The mission of the oversight board would be to ensure that the principles-based rules now being proposed are not diluted through narrow and rigid interpretations.

7. CONCLUSION

Overall, Chesapeake applauds these long needed and appropriate changes and enhancements proposed by the Commission. The rules proposed are largely principles-based and contain enough flexibility to be responsive to future technological innovation in our industry in the years ahead. We believe the Commission has done well in listening to industry voices and developing several compromises that benefit all stakeholders. Please accept these comments and consider them closely as we sincerely believe they would enhance the proposed rules.

Best regards,



Steven C. Dixon

Chief Operating Officer