Chesapeake Energy is bold.

Bold enough to spend millions on unusual media campaigns to support the company’s product - natural gas - including a new video Web site about the Barnett Shale. (And bold enough to claim some of those campaigns aren’t about publicity.)

Bold enough to bid hundreds of millions to drill at Dallas/Fort Worth International Airport without knowing how much natural gas was in the ground. That move effectively blocked Big Oil from gaining a foothold in the play.

Bold enough to fund the “Coal is filthy” ad campaign two years ago, helping sink TXU Corp.’s hopes of building 11 coal-fired power plants. Coal and natural gas compete as power generation fuels.

Different attitude

“I think we are bold, I think we are willing to step up to the plate. I think we are willing to realize that when our industry moves from the cow pasture to the country club, it takes a different attitude, and we are willing to exhibit that,” said Julie Wilson, Chesapeake’s head of corporate development.

As the Oklahoma City company drills in urban North Texas, its aggressive, risk-taking nature has helped it grow quickly and boost profit.

But there’s one risk Chesapeake won’t tolerate: unpopularity. It invests lots of money to make sure people in North Texas feel good about Chesapeake, drilling and natural gas.

For an oil and gas company, being unpopular can invite hardship and expense. That’s especially true for companies drilling for natural gas in an urban area, full of homes, schools, offices and malls.

Cities routinely restrict rigs from drilling close to homes and businesses. State legislators are discussing whether to require producers to clean the water they use in drilling. Barnett Shale insiders worry that lawmakers will yank their ability to declare eminent domain to build pipelines anywhere they please.

Public perception

“They seem to me very, very concerned about the public's perception,” said Rep. Phil King, R-Weatherford. “The problem is, they’re in a business that tends to generate a lot of controversy.”

In his Parker County district, trucks hauling drilling equipment and water have been destroying rural roads. Mr. King said he was pleased when Chesapeake responded by trying new methods to move water, such as pipelines.

Other observers haven’t been so impressed.

“Right now, there are certain companies in this town who are acting like they own the town,” said Rep. Lon Burnam, D-Fort Worth.

Mr. Burnam said he isn’t opposed to drilling so long as it’s done safely, and he worries that Chesapeake masks its more calculating intentions with token neighborly acts. He figures Ms. Wilson operates the largest internal public relations group in town, with 30 community relations employees.

Chesapeake, founded in 1989 by chief executive Aubrey McClendon and others, outlines an aggressive “land grab” strategy on its company Web site. The company aims to be among the top three producers in each domestic natural gas field it operates and leases land rapidly to meet that goal.

Chesapeake first entered the Barnett Shale in 2002 with an acquisition that included leaseholds in Johnson County, but the company didn’t begin its land leasing for a couple of years. Now Chesapeake is the No. 3 operator in the play, according to data from the Texas Railroad Commission, with 260,000 acres under lease.

One example of the land grab was Chesapeake’s bid to drill at D/FW Airport: $185 million cash bonus and 25 percent royalty. After word went around the shale that Chesapeake would bid high, every other bidder dropped out.
The airport was the last big chunk of land available for lease in the Barnett Shale. By winning the bid, Chesapeake blocked potential bidders Royal Dutch Shell PLC and Exxon Mobil Corp. from gaining a significant foothold.

The aggressive strategy has worked brilliantly so far. Chesapeake's stock price is 13 times higher than it was when it entered the field in 2002, hitting an all-time high earlier this month of $69.40.

And even though Chesapeake has offered some of the highest bonuses and royalties in the area, the company's profit is 36 times higher than when it entered the Barnett Shale, at $1.5 billion in 2007. Still, rising costs caused profit to decline from 2006's $2 billion.

Among the biggest beneficiaries of the company's success is the chief executive. Mr. McClendon, more of a charismatic entrepreneur than a hired executive, is Chesapeake's third-largest shareholder, with a 5.7 percent stake in the company.

More recently, Chesapeake launched two unusual media campaigns to support the natural gas industry. In February, Chesapeake announced it would fund a nonprofit group and video Web site called the American Clean Skies Foundation to extol the environmental benefits of natural gas.

**Video Web site**

Last week, the company announced a second video Web site to provide details about the Barnett Shale. Ms. Wilson, a former advertising executive, doesn't want people to think this is a publicity campaign, but an education campaign.

The company has also hired television journalist Tracy Rowlett and actor Tommy Lee Jones for its media initiatives.

Chesapeake is applying the tactics to other fields it enters.

The company has long operated in rural Oklahoma and midcontinent areas. Now, it's working on tying up land in the more populated Marcellus Shale, which stretches from West Virginia through Pennsylvania to southern New York.

"The launch of the Shale.TV program is as much, if not more so, for these other plays than for the Barnett," Ms. Wilson said.

SEE ONE OF Chesapeake Energy's natural gas drilling rigs in action, plus tell us what you think about urban drilling.
dallasnews.com/business

**Caption:** PHOTO(S): (1-2. COURTNEY PERRY/Special Contributor)1. Worker Aaron Allsup walks along drill pipes at Chesapeake Energy's drilling rig at Riverside Parkway and State Highway 360 in Grand Prairie. Chesapeake is going about its image-building campaign the same way it does its business - boldly.2. Chesapeake is hoping to counter concerns about drilling rigs being too close to homes and schools by selling the public on its mission. The company often has to deal with city and state restrictions in conducting business.3. Chesapeake has been drilling for natural gas in the Barnett Shale since 2002 and is now the No. 3 player there. CHART(S): Digital EXTRA MAP(S): (File graphic) Chesapeake increasing its stake/Barnett Shale basin