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## Chesapeake Puts Lofty Value on Utica Assets

**Eric Rosenbaum**

07/28/11 - 04:49 PM EDT

NEW YORK ([TheStreet](#)) -- **Chesapeake Energy**(CHK) placed a \$15 billion to \$20 billion value on its Utica shale assets Thursday, and the shares may see a boost on the belief that Utica will be the next acreage monetized by the company.

Chesapeake Energy has a history of buying up the largest leaseholds across multiple shale plays and then monetizing those assets through joint ventures and asset sales, and its quarterly updates on the "hot new play" are often more important than the printed earnings numbers. It's not news that the Utica shale could command a high value, however, analysts said that even expecting an announcement like this from Chesapeake, the \$15 billion to \$20 billion figure was notable.



Curtis Trimble, analyst at MKM Partners, said he expects a bump in Chesapeake's stock of 3-to-5% based on the Utica shale valuation.

"As long as the market doesn't tank tomorrow they will get a bump," Trimble said. He said what provides more confidence is that Chesapeake is putting capital behind its Utica valuation call, with the expectation to increase its rig count from 8 rigs from 5 rigs before the end of the year followed by a boost up to 16 rigs to 20 rigs next year.

The market take on the latest inventory data in the oil and gas space could also limit any near-term upside in Chesapeake shares, even if the Utica commentary implies a higher value for the stock.

Trimble said the only negative he saw was that Chesapeake didn't provide details on the production from the existing three Utica wells, and this is a significant issue.

Other analysts agreed that this lack of production data will lead to some skepticism about the value being assigned to the Utica share, since Chesapeake's overriding interest is to see its acreage monetized through a joint venture at the highest asset value possible. There will be questions as to whether Chesapeake can be taken at its word, however, the fact that Chesapeake said the Utica is more economical to drill in than the Eagle Ford shale play in Texas was another positive in the Utica commentary.

Chesapeake shares were up 2% in after-hours trading on Thursday. In the past month, Chesapeake shares have gained 13%.

So far in earnings season for the independent exploration and production companies, [merely turning in a ho-hum profitable](#)

quarter has been met with a yawn from energy stock investors.

Even with huge profits from the integrated oil majors, analysts had said headed into earnings that there was little room for anything but perfection from Big Oil, and the Exxon Mobil disappointment on Thursday was proof of the energy investor sentiment.

Chesapeake Energy shares tend to react less to quarterly numbers that strategic plans to monetize assets and progress on increasing liquids production relative to low-priced natural gas. While Chesapeake took down its 2011 liquids production guidance by 2 million barrels, due to what it said were short-term issues, it guided production up for 2012.

-- Written by Eric Rosenbaum from New York.

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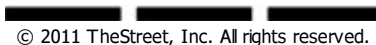
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