

[» Print](#)

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to colleagues, clients or customers, use the Reprints tool at the top of any article or visit: www.reutersreprints.com.

UPDATE 3-Chesapeake mulling service options, shrs soar

Wed, Feb 23 2011

- * Mulls building its own hydraulic fracturing business
- * Also looks at spinning off its service operations
- * Shares close up 7.2 pct
- * Shares hit highest level in more than 2 yrs (Adds BREAKINGVIEWS link, closing stock price)

By [Anna Driver](#)

HOUSTON, Feb 23 (Reuters) - Chesapeake Energy Corp (CHK.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) said it is mulling ways to wring value from its oilfield service operations, including building its own hydraulic fracturing business or spinning off its service operations.

On Wednesday, a day after the company reported Wall Street earnings that topped expectations, shares rose more than 7 percent as investors embraced the plan to transform.

"People are starting to believe in the company's ability to better allocate capital," said Phil Weiss, analyst at Argus Research.

Chesapeake, which has been criticized for overspending on acreage, has promised to reduce debt and slow spending this year and next, moves some speculate may have been sparked by Carl Icahn. Icahn more than doubled his stake in the oil and gas company in December, saying at the time the company's shares were undervalued.

For a BREAKINGVIEWS column on Chesapeake, click on [ID:nN23294519].

Apart from selling acreage and executing joint ventures in its vast oil and gas fields, Chesapeake said it is also entertaining ways to unlock value in its rig, trucking and compression businesses.

"The obvious kind of void in our vertical integration story is in hydraulic fracturing, which we have filled I guess synthetically through owning 26 percent of Frac Tech," Chief Executive Aubrey McClendon told analysts on a conference call.

"So in addition to looking at ways to monetize that investment in this year, we are also building our own in-house capacity to hydraulically fracture wells," he said.

Earlier this month, Chesapeake said it would sell its equity investment in Frac Tech. [ID:nN07210610]

Chesapeake spun off its midstream operations into Chesapeake Midstream Partners LP (CHKM.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and is contemplating a similar move for its rig oilfield services businesses, the company told analysts.

Since Icahn took an interest, shares of Chesapeake have climbed 36 percent.

Mark Hanson, analyst at Morningstar, said he believes the stock is fully valued at current prices.

"I think the stock has run a little bit ahead of expectations," the analyst said. But anytime you have a name like Carl Icahn, it gets people interested."

Shares of Chesapeake ended 7.2 percent higher at \$34.33 on the New York Stock Exchange. (Reporting by Anna Driver in Houston; editing by John Wallace, [Bernard Orr](#))

© Thomson Reuters 2011. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to colleagues, clients or customers, use the Reprints tool at the top of any article or visit: www.reutersreprints.com.

