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**VIA FACSIMILE AND
FIRST CLASS MAIL**

SEP Comments
NYSERDA
17 Columbia Circle
Albany, New York 12203-6399

Re: Comments on Draft Scope of 2009 New York State Energy Plan

On behalf of Chesapeake Appalachia, LLC, a wholly owned subsidiary of Chesapeake Energy Corporation ("Chesapeake"), we submit this letter is in response to the New York State Energy Planning Board's ("Board") May 30, 2008 solicitation of public comments relative to its Draft Scope of the 2009 New York State Energy Plan ("Draft Scope"). The purpose of this letter is to provide suggestions for the Board's work in preparing the required State Energy Plan ("SEP").

I. About Chesapeake

Chesapeake, which specializes in drilling and completing horizontal shale wells, is the second-largest independent producer (quickly catching ground on the largest) and third-largest overall producer of natural gas in the United States. Headquartered in Oklahoma City, with its Eastern Division having offices in upstate New York, the company's operations are focused on exploratory and developmental drilling and corporate and property acquisitions in the Appalachian Basin as well as numerous other regions of the United States.

Chesapeake practices and promotes a strong sense of corporate responsibility and genuine environmentalism, part of which includes its strong belief that clean burning natural gas must be a bigger part of the solution for our energy crisis. Chesapeake's commitment to environmental stewardship is evident not only in the drilling and operating of its oil and natural gas assets but also in the composition of these assets, approximately 93% of which are the most

environmentally friendly hydrocarbon energy source – natural gas, which burns more cleanly than any other hydrocarbon and its impact on the environment when extracted and consumed is minimal when compared to the impact of coal and imported oil. Chesapeake was recently named the Best Managed Oil and Gas Company (Forbes 2007) and one of the 100 Best Companies to Work For (Fortune 2008).

Chesapeake's presence in New York commenced in 2005 when it acquired Columbia Natural Resources, which had a strong historical presence in New York. Today, Chesapeake is an active natural gas producer in New York State and is currently in the process of expanding its New York State operations, with leasehold acreage ownership in excess of 1 million acres in New York. Chesapeake is also the first company to seek a permit application to drill Marcellus shale and is poised to start drilling in the near future.

II. New York's Natural Gas Industry

According to the New York State Department of Environmental Conservation's ("NYSDEC") most recent data, there were over 6,200 active natural gas wells in New York in 2006. Total gas production in the State was 55.342 billion cubic feet ("bcf"), just above 2005's record total of 55.156 bcf and equal to a market value of almost \$400 million. As a result, the State's natural gas industry produces approximately five percent (5%) of New York's annual natural gas consumption.

New York's natural gas industry also provides significant economic benefits to New York, most of which occurs in rural, upstate areas, where economic benefits are needed. This includes:

- State revenues in the form of royalties from wells draining State land as well as additional revenues from State leasing (in 2006, approximately \$3.1 million in royalties from wells draining State land as well as additional revenues of \$0.2 million from State leasing).
- Landowner revenues through lease payments, royalty revenues and the potential for participation rights (in 2006, royalties alone exceeded \$50 million).
- Local tax benefits through the taxation of producing wells (local, county and school taxes totaling over \$12 million in 2006).
- Direct and indirect economic impact from employment and the industries servicing the oil and gas business.

Historic and existing natural gas exploration has focused on a variety of geological formations (e.g., Oriskany and Trenton Black River). While exploration and development of these formations is expected to continue, of great importance today is the highly anticipated Marcellus shale play. Marcellus shale, also referred to as the Marcellus Formation, is a Devonian-age black, carbonaceous (organic rich) shale that occurs in the subsurface beneath much of Ohio, West Virginia, Pennsylvania and New York. With respect to the Marcellus shale

in New York, it is expected to exist primarily in the Southern Tier of the State. The presence of an enormous volume of potentially recoverable gas in the eastern United States has a great economic significance. Recent scientific advancements and economic considerations have made this play both more attractive and scientifically feasible to companies like Chesapeake. Accordingly, should Marcellus Shale expectations prove fruitful, the economic benefits to New York, especially the Upstate economy, could be staggering.

Natural gas development in New York is regulated on many fronts by the DEC. As part of this, the DEC ensures that no drilling permit application is granted until a thorough technical review for compliance with all pertinent state regulations is completed to its satisfaction. This includes application of rigorous well construction standards to ensure that the State's surface and ground water resources are fully protected. DEC also reviews all drilling permit applications under the State Environmental Quality Review Act ("SEQRA") to make certain that a full environmental review is undertaken and that the proposed drilling will not result in any significant, adverse environmental impacts. This detailed level of environmental and technical review more than adequately protects the environment and, in the end, evidences that natural gas drilling is environmentally benign.

III. Scoping Comments

Chesapeake fully supports Executive Order No. 2, issued April 9, 2008, and the Board's efforts regarding the development of a SEP. In particular, Chesapeake wishes to encourage the following elements of the SEP already identified in the Draft Scope:

- Consideration of the State's natural resources as part of a statement on long-range energy policy objectives and strategies to increase the State's energy supply (§ III(A)(a)(vi)).
- Consideration of policy objectives and strategies to maintain reliable natural gas systems (§ III(A)(a)(x)).
- An assessment of the State's environmental policies and programs which impact the State's development and implementation of energy policies and programs (§ III(A)(h)).
- State energy policies and programs intended to support economic growth in the State, including those intended to develop a clean energy economy (§ III(A)(k)).

Additionally, Chesapeake highly encourages the Board to thoroughly address natural gas as an element of the State Energy Plan and as a means to increase energy supplies, provide economic growth and, do so in an environmentally friendly manner. Chesapeake further submits that the SEP should evaluate ways to facilitate and encourage the exploration, development and production of indigenous energy sources such as natural gas through mechanisms, including but not limited to, economic incentives. Indeed, through sound policies supporting indigenous energy exploration and development (specifically, natural gas), the State can expect to alleviate to some degree its current energy crisis, as well as greater economic benefits for mineral rights

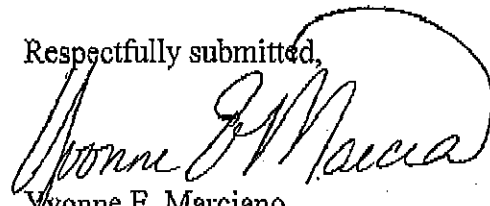
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owners, local municipalities and the State. Last, but certainly not least, as a clean fuel, natural gas should be a central part of the SEP as a means to reduce greenhouse gas emissions.

We trust that the information provided in this letter highlights the importance of natural gas exploration and development in the State. Chesapeake also is available to meet with the Board at any time during the development of the SEP to provide greater information on its activities in the State and, more generally, why natural gas should be encouraged and at the forefront of the State's energy policies and programs.

As always, thank you for your time and attention to this matter.

Respectfully submitted,



Yvonne E. Marciano

cc: Governor David Paterson (via first class mail)
Chesapeake Appalachia, LLC