

Letter of Comment No: 7
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Financial Accounting Standards Board 401 Merritt 7, P.O. Box 5116 Norwalk, Connecticut 06856-5116

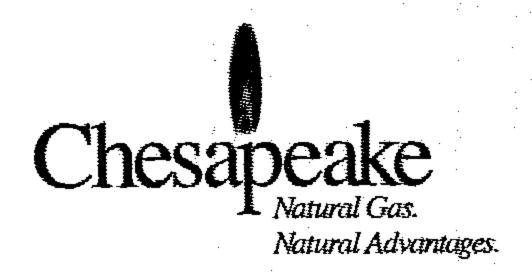
## Dear FASB:

I am writing this on behalf of Chesapeake Energy Corporation to comment on the position of the FASB staff regarding the definition of the term "grant date" in Appendix E of SFAS 123(R). We understand that the FASB staff has advised the major U.S. accounting firms that, for purposes of SFAS 123(R), the grant date of a share-based payment award is not established (and the fair value is not fixed) until the key terms of the award have been communicated to the employee. It is also understood that the definition of "grant date" is when the employer and the employee have a "mutual understanding" of the key terms and conditions of a share-based payment award.

We believe that "mutual understanding" does not affect the terms or conditions of the grant. Our employees do not negotiate the terms and conditions of the grant; therefore, there is not need to reach a mutual understanding on the grant approval date. The key terms are set when the committee approves the grant, locking in the grant price, which is considered by the company to be the award's grant date. If the FASB has concerns that companies are not communicating the key terms of share-based payment awards to their employees within a reasonable period of time, then we propose that FASB clarifies that "reasonable time" following approval means that such communication must occur within no less than two weeks from the committee's approval.

The staff's decision will require a number of policy changes for all companies. It has been customary for our company, along with many others, to communicate the key terms of share-based awards to the employee through a one-on-one meeting between the employee and his or her supervisor. During this meeting the supervisor would discuss the performance of the employee and also the employee's compensation and share-based payment awards. These meetings will take place with each employee; however, due to the nature of our business, it is impossible to communicate this information to each employee on the same date. Implementing the FASB staff's decision would no longer allow for this type of review, the change would create a more impersonal corporate environment.





Many companies, including Chesapeake Energy, do not grant shares-based payment awards until the close of market for each specific grant. In the case of a company wide grant, communicating the terms to such a large number of employees on the actual grant date would be virtually impossible. Further, to the extent that email or web applications were created to handle this process, the grant price/valuation amounts first will need to be loaded into the application and then send out. What happens if an error occurs with the email or web based application? Should companies be penalized for such error when given such a limited timeframe to complete the task?

For the reasons stated above, we believe that the FASB staff's advice with respect to the grant date of shares-based payment awards is unnecessary and contrary to good employee relations and standard corporate practices. We strongly encourage FASB to consider reversing the staff's advice and allow companies to continue the practice of using the committee's approval as the measurement date, provided the key terms of the grant are communicated to the employee within a "reasonable period." Thank you for your time and consideration regarding this matter.

Sincerely,

Ryan S. Turner

Stock Plan Administrator

Chesapeake Energy Corporation