

Chesapeake's big move

Gas-drilling company raises its profile with purchase of prominent downtown office tower



STAR-TELEGRAM/RODGER MALLISON

The Pier 1 building, shown looking west on Belknap Street in downtown Fort Worth, opened in fall 2004. Chesapeake Energy will take ownership of it by June 1.

By **JIM FUQUAY**

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FORT WORTH — Chesapeake Energy Corp. will pay \$104 million for the Pier 1 Imports building on the western edge of downtown Fort Worth to house several hundred employees in its Barnett Shale operations, the companies said Monday.

Chesapeake, which now has 115 workers on two floors in the D.R. Horton building downtown, intends to move 300 to 400 workers into the top seven floors of the 20-story tower, spokeswoman Julie Wilson said. She said the Oklahoma City-based company should have room for up to about 600 workers on those floors.

Pier 1, which moved into the signature property at Belknap Street and Forest Park Boulevard in the fall of 2004, will lease back 10 floors for its corporate headquarters. Pier 1 paid \$90 million to build the 460,000-square-foot building and acquire the 14.7 acres it occupies. It revealed the Chesapeake sales price in a regulatory filing.

Wilson said that Chesapeake will put its name on the building's ground-level signage and suggested that it might also place a prominent sign higher up on the building. In deference to Pier 1's continued occupancy, however, it might not seek to change the building's street address of 100 Pier 1 Place, she said.

Pier 1 President Alex Smith, in a statement released Monday, said the deal culminates a yearlong evaluation of the struggling retailer's options on its headquarters. Smith said the company's goals were to recoup its investment in the property, minimize its costs and strike a lease with "a quality business partner."

Although Smith did not directly address Pier 1's gain on the sale, he said it will boost the company's earnings.

In a statement Monday, Fort Worth Mayor Mike Moncrief



STAR-TELEGRAM/M.I. GRAY

Chesapeake wells like this one near the Trinity River have drawn criticism in some quarters.

called the deal "a win-win for both companies. It's also a win for Fort Worth." Moncrief also mentioned that Pier 1's "well-known beacon of light from this beautiful structure will continue to illuminate our skyline for many years to come."

Pier 1, in a cost-saving move last summer, turned off the powerful floodlights atop the tower that had beamed skyward for three years. Wilson broadly hinted that Chesapeake will restore them, telling residents to "keep your eyes on the skies" for developments in that regard.

Lights or no lights, Chesapeake's local visibility has steadily mounted since it entered the Barnett Shale field in late 2004 with its purchase of Hallwood Energy's Johnson County operations. It is the most active driller and one of the biggest producers in the Barnett Shale, operating about 800 natural gas

wells in the vast field and producing about 450 million cubic feet of gas a day.

Its profile further rose 18 months ago, when it paid a \$185 million signing bonus for the drilling and mineral-rights leasing at Dallas/Fort Worth Airport.

Chesapeake's North Texas work force, which was about a dozen after it purchased Hallwood's wells, has grown to 500 to 700 in various operations, Wilson said. It recently opened a Cleburne office to house its Johnson County operations and plans a 20,000-square-foot office on Fort Worth's east side to handle operations there.

"The purchase of this architecturally significant building in downtown Fort Worth clearly demonstrates Chesapeake's commitment to a very long-term presence in the Barnett Shale play," Wilson said. "This building will allow us to provide much needed office space to support our rapidly growing Barnett Shale activities and will give our employees the space, amenities and resources they need."

The mineral rights on the property haven't yet leased, either.

"We will be producing that gas ourselves," Wilson said.

Chesapeake said it expects to close the deal by June 1 and start moving in a few weeks later.

Todd Burnette and David Walters of The Staubach Co.'s Fort Worth office negotiated the deal.

BARNETT EFFECT

Chesapeake Energy isn't the only energy company expanding in downtown Fort Worth.

XTO Energy

Acquired and updated three downtown office buildings, a warehouse and the historic Swift & Co. Building in the Stockyards.

Range Resources

First tenant of Two City Place, taking 80,000 square feet last year at the former Tandy Center.

EOG Resources

Committed to nearly 160,000 square feet in The Carnegie building at Third and Taylor streets.

Klabzuba Oil & Gas

Building One Hundred Lexington, a four-story, 63,000-square-foot building at Weatherford and Lexington streets.

Wagner Oil Co.

Expected to expand into the Caceria building at Fifth and Commerce streets.

Staff writer Sandra Baker contributed to this report.

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Chesapeake Energy suggested that that it might place a prominent sign high on its new office tower and turn the upward-facing lights back on.