AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 15, 2000
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549,

FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CHESAPEAKE ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

OKLAHOMA	1311	73-1395733
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

6100 NORTH WESTERN AVENUE, OKLAHOMA CITY, OKLAHOMA 73118
(405) 848-8000
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

AUBREY K. MCCLENDON
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER
6100 NORTH WESTERN AVENUE
OKLAHOMA CITY, OKLAHOMA 73118
(405) 848-8000
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:
CONNIE S. STAMETS
WINSTEAD SECHREST & MINICK P.C.
5400 RENAISSANCE TOWER
1201 ELM STREET
DALLAS, TEXAS 75270
(214) 745-5400

- ----------
APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, par value $0.01 per share	389,378	(1)	$ 3,017,680	0(2)

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933, based on the average of the high and low prices reported on the New York Stock Exchange on September 13, 2000 of $7.75 per share multiplied by 389,378 shares.

(2) Pursuant to Rule 429(b), the registration fee for the 389,378 shares registered hereby, which would otherwise be $797, is offset in full by the registration fee previously paid by the Registrant in connection with the Registrant's Registration Statement on Form S-1 (File No. 333-41014).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION DATED SEPTEMBER 15, 2000

PROSPECTUS
_____, 2000

CHESAPEAKE ENERGY CORPORATION

389,378 SHARES OF COMMON STOCK

The selling shareholder described in this prospectus may offer and sell from time to time 389,378 shares of our common stock.

We will not receive any proceeds from the sale of shares of common stock by the selling shareholder, but we will bear all of the expenses, other than commissions or discounts of broker-dealers.

On September __, 2000, the last reported sale price of the common stock (symbol "CHK") on the New York Stock Exchange was $_____.

SEE "RISK FACTORS" BEGINNING ON PAGE 4 FOR FACTORS THAT YOU SHOULD CONSIDER BEFORE BUYING SHARES OF OUR COMMON STOCK.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

TABLE OF CONTENTS

THE COMPANY

Chesapeake Energy Corporation is an independent oil and gas company engaged in the development, exploration, acquisition and production of onshore natural gas and oil reserves in the United States and Canada. We began operations in 1989 and completed our initial public offering in 1993. Our common stock trades on the New York Stock Exchange under the symbol CHK. Our principal offices are located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118 (telephone 405/848-8000 and website address of www.chkenergy.com).

At year-end 1999, we owned interests in approximately 4,700 producing oil and gas wells concentrated in three primary operating areas:

- the Mid-Continent region of Oklahoma, western Arkansas, southwestern Kansas and the Texas Panhandle;
- the Gulf Coast region consisting primarily of the Austin Chalk Trend in Texas and Louisiana and the Tuscaloosa Trend in Louisiana; and
- the Helmet area of northeastern British Columbia.

During 1999, we produced 133.5 Bcfe, making Chesapeake one of the 15 largest public independent oil and gas producers in the United States. During the six months ended June 30, 2000, we produced 68.0 Bcfe.

RECENT DEVELOPMENTS

On September 8, 2000, we entered into an Agreement and Plan of Merger to acquire Gothic Energy Corporation (OTC Bulletin Board "GOTH") for 4.0 million shares of common stock. Upon the closing of the transaction, Gothic's shareholders will own approximately 2.5% of Chesapeake's common stock. In addition, in a series of private transactions closing on June 27, 2000 and August 31, 2000, we purchased 99.7% of Gothic's $104 million of 14.125% Series B Senior Secured Discount Notes for total consideration of $80.8 million, comprised of $23.3 million in cash and $57.5 million of Chesapeake common stock (9,858,363 shares valued at $5.825 per share), subject to adjustment. We also purchased $20 million of the $235 million of 11.125% Senior Secured Notes issued by Gothic's operating subsidiary for $22 million of Chesapeake common stock (3,694,939 shares valued at $6.0371 per share, subject to adjustment) in a private transaction that closed on September 1, 2000. The resulting total acquisition cost to Chesapeake will be approximately $345 million, plus transaction expenses.

Gothic's proved reserves, estimated to be 322 Bcfe at June 30, 2000, are 96% natural gas and 86% proved developed, have an average lifting cost of less than $0.20 per Mcfe, are located primarily in Chesapeake's core Mid-Continent operating area, and are unhedged after October 2000. Based on its current production rate of 80,000 Mcfe per day (or 30 Bcfe per year), Gothic has an 11-year reserves-to-production index. In addition, Chesapeake intends to allocate approximately $20 million of the purchase price to Gothic's undeveloped leasehold inventory, 3-D seismic inventory, lease operating telemetry system and other assets. Considering other announced transactions in the industry, we believe Chesapeake will be the 10th largest independent producer of natural gas in the U.S. after the transaction.

The Gothic acquisition is subject to approval by Gothic's shareholders and other closing conditions. Completion of the transaction is expected in January 2001.

BUSINESS STRATEGY

From inception as a start-up in 1989 through today, our business strategy has been to aggressively build and develop one of the largest onshore natural gas resource bases in the U.S. We have executed our strategy through a combination of active drilling and acquisition programs.

RISK FACTORS

Before you invest in our common stock, you should be aware that there are various risks. In addition to other information included in this prospectus and any subsequent prospectus supplement, you should carefully consider the following risk factors before you decide to purchase the common stock offered by this prospectus.

This prospectus contains statements that constitute forward-looking statements. They include statements about the intent, belief or current expectations of Chesapeake, our directors or our officers with respect to the future operating performance of Chesapeake and the proposed business combination with Gothic Energy Corporation. See "Business - Recent Developments." Prospective purchasers of our common stock are cautioned that any such forward-looking statements are not guaranties of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. Information set forth below and elsewhere in this prospectus identifies important factors that could cause such differences. See "Forward-Looking Statements."

SUBSTANTIAL DEBT LEVELS COULD AFFECT OPERATIONS

As of June 30, 2000, we had long-term indebtedness of $983.2 million (which included bank indebtedness of $63.0 million) and stockholders' equity was a deficit of $120.0 million. If our acquisition of Gothic Energy Corporation had been completed as of June 30, 2000, our long-term indebtedness, on a pro forma basis, would have been $1.2 billion. Our ability to meet our debt service requirements throughout the life of our senior notes and, if the acquisition of Gothic Energy Corporation is completed, the senior notes of Gothic's subsidiary and our ability to meet our preferred stock obligations will depend on our future performance, which will be subject to oil and gas prices, our production levels of oil and gas, general economic conditions, and various financial, business and other factors affecting our operations. Our level of indebtedness may have the following effects on future operations:

- a substantial portion of our cash flow from operations may be dedicated to the payment of interest on indebtedness and will not be available for other purposes,
- restrictions in our debt instruments limit our ability to borrow additional funds or to dispose of assets and may affect our flexibility in planning for, and reacting to, changes in the energy industry, and
- our ability to obtain additional capital in the future may be impaired.

THE VOLATILITY OF OIL AND GAS PRICES CREATES UNCERTAINTIES

Our revenues, operating results and future rate of growth are highly dependent on the prices we receive for our oil and gas. Historically, the markets for oil and gas have been volatile and may continue to be volatile in the future. Various factors which are beyond our control will affect prices of oil and gas. These factors include:

- worldwide and domestic supplies of oil and gas,
- weather conditions,
- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls,
- political instability or armed conflict in oil-producing regions,
- the price and level of foreign imports,
- the level of consumer demand,
- the price and availability of alternative fuels,
- the availability of pipeline capacity, and
- domestic and foreign governmental regulations and taxes.

We are unable to predict the long-term effects of these and other conditions on the prices of oil and gas. Lower oil and gas prices may reduce the amount of oil and gas we produce, which may adversely affect our revenues and operating income. Significant reductions in oil and gas prices may require us to reduce our capital expenditures. Reducing drilling will make it more difficult for us to replace the reserves we produce.

WE MUST REPLACE RESERVES TO SUSTAIN PRODUCTION

As is customary in the oil and gas exploration and production industry, our future success depends largely upon our ability to find, develop or acquire additional oil and gas reserves that are economically recoverable.

Unless we replace the reserves we produce through successful development, exploration or acquisition, our proved reserves will decline over time. In addition, approximately 28% by volume, or 20% by value, of our total estimated proved reserves at December 31, 1999 were undeveloped. By their nature, undeveloped reserves are less certain. Recovery of such reserves will require significant capital expenditures and successful drilling operations. We cannot assure you that we can successfully find and produce reserves economically in the future.

SIGNIFICANT CAPITAL EXPENDITURES WILL BE REQUIRED TO EXPLOIT RESERVES

We have made and intend to make substantial capital expenditures in connection with the exploration, development and production of our oil and gas properties. Historically, we have funded our capital expenditures through a combination of internally generated funds, equity issuances and long-term debt financing arrangements and sale of non-core assets. From time to time, we have used short-term bank debt, generally as a working capital facility. Future cash flows are subject to a number of variables, such as the level of production from existing wells, prices of oil and gas, and our success in developing and producing new reserves. If revenue were to decrease as a result of lower oil and gas prices or decreased production, and our access to capital were limited, we would have a reduced ability to replace our reserves. If our cash flow from operations is not sufficient to fund our capital expenditure budget, there can be no assurance that additional debt or equity financing will be available to meet these requirements.

WE MAY HAVE FULL-COST CEILING WRITEDOWNS IF OIL AND GAS PRICES DECLINE OR IF DRILLING RESULTS ARE UNFAVORABLE

We reported full-cost ceiling writedowns of $826 million, $110 million, and $236 million during the year ended December 31, 1998, the six-month transition period ended December 31, 1997, and the year ended June 30, 1997, respectively. These writedowns were caused by significant declines in oil and gas prices during all three periods and by poor drilling results in fiscal 1997 and during the transition period. Additionally, significant declines in prices can cause proved undeveloped reserves to become uneconomic, and long-lived production to become "economically truncated," further reducing proved reserves and increasing any writedown. Our reserve values were calculated using weighted average prices at December 31, 1999 of $24.72 per barrel of oil and $2.25 per Mcf of natural gas. If prices in future periods decline significantly, future impairment charges could be incurred. Although we have taken steps since 1998 to reduce drilling risk, reduce operating costs, and reduce investment in unproved leasehold, these steps may not be sufficient to enhance future economic results or prevent additional leasehold impairment and full-cost ceiling writedowns, which are highly dependent on future oil and gas prices.

DRILLING AND OIL AND GAS OPERATIONS PRESENT UNIQUE RISKS

Drilling activities are subject to many risks, including well blowouts, cratering, uncontrollable flows of oil, natural gas or well fluids, fires, formations with abnormal pressures, pollution, releases of toxic gases and other environmental hazards and risk, any of which could result in substantial losses. In addition, we incur the risk that we will not encounter any commercially productive reservoirs through our drilling operations. We cannot assure you that the new wells we drill will be productive or that we will recover all or any portion of our investment in wells drilled. Drilling for oil and gas may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce enough reserves to return a profit after drilling, operating and other costs.

EXISTING DEBT COVENANTS RESTRICT OUR OPERATIONS

The indentures which govern our senior notes contain covenants which restrict our ability, and the ability of our subsidiaries other than CEMI, to engage in the following activities:

- incurring additional debt,
- creating liens,
- paying dividends and making other restricted payments,
- merging or consolidating with any other entity,
- selling, assigning, transferring, leasing or otherwise disposing of all or substantially all of our assets, and

- guaranteeing indebtedness.

From December 31, 1998 through March 31, 2000, we did not meet the debt incurrence test, and were therefore not able to incur unsecured non-bank debt or pay dividends on our preferred stock. Beginning June 30, 2000, we meet the debt incurrence test, but poor operating results could cause us to fail the test in the future.

CANADIAN OPERATIONS PRESENT THE RISKS ASSOCIATED WITH CONDUCTING BUSINESS OUTSIDE THE U.S.

A portion of our business is conducted in Canada. You may review the amounts of revenue, operating income (loss) and identifiable assets attributable to our Canadian operations in note 8 of the notes to our audited consolidated financial statements included at the end of this prospectus. Also, note 11 of the audited consolidated financial statements provides disclosures about our Canadian oil and gas producing activities. Our operations in Canada are subject to the risks associated with operating outside of the United States. These risks include the following:

- adverse local political or economic developments,
- exchange controls,
- currency fluctuations,
- royalty and tax increases,
- retroactive tax claims,
- negotiations of contracts with governmental entities, and
- import and export regulations.

In addition, in the event of a dispute, we may be required to litigate the dispute in Canadian courts since we may not be able to sue foreign persons in a United States court.

THE LOSS OF EITHER THE CEO OR THE COO COULD ADVERSELY AFFECT OPERATIONS

Our operations are dependent upon our Chief Executive Officer, Aubrey K. McClendon, and our Chief Operating Officer, Tom L. Ward. The unexpected loss of the services of either of these executive officers could have a detrimental effect on our operations. We maintain $20 million key man life insurance policies on the life of each of Messrs. McClendon and Ward.

TRANSACTIONS WITH EXECUTIVE OFFICERS MAY CREATE CONFLICTS OF INTEREST

Messrs. McClendon and Ward have the right to participate in certain wells we drill, subject to certain limitations outlined in their employment contracts. As a result of their participation, they routinely have significant accounts payable to Chesapeake for joint interest billings and other related advances. As of June 30, 2000, Messrs. McClendon and Ward had payables to Chesapeake of $1.5 million and $1.4 million, respectively, in connection with such participation. The rights to participate in wells we drill could present a conflict of interest with respect to Messrs. McClendon and Ward.

THE OWNERSHIP OF A SIGNIFICANT PERCENTAGE OF STOCK BY INSIDERS COULD INFLUENCE THE OUTCOME OF SHAREHOLDER VOTES

At September 1, 2000, our Board of Directors and senior management beneficially owned an aggregate of 25,251,684 shares of common stock (including outstanding vested options), which represented approximately 16% of our outstanding shares. The beneficial ownership of Messrs. McClendon and Ward accounted for 14% of the outstanding common stock. As a result, Messrs. McClendon and Ward, together with other officers and directors of Chesapeake, are in a position to significantly influence matters requiring the vote or consent of our shareholders.

THE PROPOSED ACQUISITION OF GOTHIC ENERGY CORPORATION MAY NOT OCCUR OR COULD BE DELAYED

There are significant conditions to be satisfied before Chesapeake is able to acquire Gothic as contemplated by the Agreement and Plan of Merger they executed on September 8, 2000. These conditions include the following:

- registration under the Securities Act of 1933 of the Chesapeake common stock to be issued in the merger;
- approval of the merger by Gothic's shareholders;
- fulfillment of the conditions contained in the Bear, Stearns & Co. Inc. financing commitment; and
- compliance with the conditions precedent to a merger contained in Gothic's indentures.

We cannot assure you that these conditions will be satisfied or, if they are satisfied, that the terms and timing of each will be as presently contemplated.

THE TWO COMPANIES MAY NOT BE SUCCESSFULLY COMBINED INTO A SINGLE ENTITY

If we cannot successfully combine our operations, we may not realize the anticipated benefits of the merger. Combining two companies that have previously operated separately involves a number of risks and could result in adverse short-term effects on operating results.

We believe opportunities for economies of scale and scope, opportunities for growth and operating efficiencies could result from the merger. Because of difficulties in combining operations, however, we may not be able to achieve the cost savings and other size-related benefits that we hope to achieve after the merger.

FORWARD-LOOKING STATEMENTS

This prospectus includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements regarding oil and gas reserve estimates, planned capital expenditures, expected oil and gas production, Chesapeake's financial position, business strategy and other plans and objectives for future operations, expected future expenses and preferred stock dividend payments, realization of deferred tax assets, the proposed acquisition of Gothic Energy Corporation and the combined entity's future operations. Although we believe that the expectations reflected in these and other forward-looking statements are reasonable, we can give no assurance that our expectations will prove to have been correct. Factors that could cause actual results to differ materially from those expected by Chesapeake, including, without limitation, factors discussed under "Risk Factors," are:

- substantial indebtedness;
- impairment of asset value;
- need to replace reserves;
- substantial capital requirements;
- fluctuations in the prices of oil and gas;
- uncertainties inherent in estimating quantities of oil and gas reserves;
- projecting future rates of production and the timing of development expenditures;
- operating risks;
- restrictions imposed by lenders;
- the effects of governmental and environmental regulation;
- pending litigation;
- importance of our CEO and COO to Chesapeake's operations and shareholder votes and conflicts of interest they may have; and
- uncertainties relating to the proposed business combination with Gothic.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus, and we undertake no obligation to update this information. You are urged to review carefully and consider the various disclosures made by us in this prospectus, in any subsequent prospectus supplement and in our other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business.

USE OF PROCEEDS

We will not receive any proceeds from this offering. We are registering our common stock on behalf of the selling shareholder. If and when the selling shareholder sells its stock, it will receive the proceeds.

DIVIDEND POLICY

We paid quarterly dividends of $0.02 per share of common stock from July 1997 to July 1998. The payment of future cash dividends on common stock, if any, will be reviewed periodically by the Board of Directors and will depend upon, among other things, our financial condition, funds from operations, the level of capital and development expenditures, our future business prospects and any contractual restrictions.

Two of the indentures governing our outstanding senior notes contain restrictions on our ability to declare and pay dividends. Under these indentures, Chesapeake may not pay any cash dividends on its common or preferred stock if

- a default or an event of default has occurred and is continuing at the time of or immediately after giving effect to the dividend payment;
- Chesapeake would not be able to incur at least $1 of additional indebtedness under the terms of the indentures; or
- immediately after giving effect to the dividend payment, the aggregate of all dividends and other restricted payments declared or made after the respective issue dates of the notes exceeds the sum of specified income, proceeds from the issuance of stock and debt by Chesapeake and other amounts from the quarter in which the respective note issuances occurred to the quarter immediately preceding the date of the dividend payment.

From December 31, 1998 through March 31, 2000, we did not meet the debt incurrence tests under these indentures and were not able to pay dividends on our common or preferred stock. We did meet the tests as of June 30, 2000, and are therefore able to incur unsecured non-bank debt and are eligible to resume the payment of dividends on our preferred stock. However, the Board of Directors did not declare a dividend that would have been payable on August 1, 2000.

During the first six months of 2000, we entered into a number of unsolicited transactions whereby we issued approximately 34.2 million shares of common stock, plus cash of $8.3 million, in exchange for 3,039,363 shares of preferred stock. These transactions reduced the number of preferred shares from 4.6 million to 1.6 million, reduced the liquidation amount of preferred stock outstanding by $152.0 million to $77.9 million, and reduced the amount of preferred dividends in arrears by $16.8 million to $9.5 million as of June 30, 2000.

From July 1 to August 16, 2000, we engaged in additional transactions in which 9.2 million shares of common stock were exchanged for 933,000 shares of preferred stock with a liquidation value of $46.7 million plus dividends in arrears of $6.1 million.

MARKET PRICE OF COMMON STOCK

The common stock trades on the New York Stock Exchange under the symbol "CHK". The following table sets forth, for the periods indicated, the high and low sales prices per share of the common stock as reported by the New York Stock Exchange:

	COMMON STOCK	
	HIGH	LOW
Year ended December 31, 1998:		
First Quarter	$ 7.75	$ 5.50
Second Quarter	6.00	3.88
Third Quarter	4.06	1.13
Fourth Quarter	2.63	0.75
Year ended December 31, 1999:		
First Quarter	1.50	0.63
Second Quarter	2.94	1.31
Third Quarter	4.13	2.75
Fourth Quarter	3.88	2.13
Nine months ending September 30, 2000:		
First Quarter	3.31	1.94
Second Quarter	8.00	2.75
Third Quarter (through September 14)	8.25	5.31

At August 23, 2000 there were 1,045 holders of record of common stock and approximately 26,176 beneficial owners.

SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data of Chesapeake for the six months ended June 30, 2000 and 1999, the years ended December 31, 1999, 1998 and 1997, the six-month transition period ended December 31, 1997, the six months ended December 31, 1996 and the two fiscal years ended June 30, 1997. The data are derived from the audited consolidated financial statements of Chesapeake, except for periods for the six months ended June 30, 2000 and 1999, the year ended December 31, 1997 and the six months ended December 31, 1996, which are derived from unaudited consolidated financial statements of Chesapeake. Acquisitions we made during the first and second quarters of 1998 materially affect the comparability of the selected financial data for 1997 and 1998. Each of the acquisitions was accounted for using the purchase method. The table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, including the notes thereto, appearing in this prospectus.

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)	
STATEMENT OF OPERATIONS DATA:		
Revenues:		
Oil and gas sales	$ 187,514	$ 120,078
Oil and gas marketing sales	61,610	26,491
Total revenues	249,124	146,569
Operating costs:		
Production expenses	25,126	25,175
Production taxes	10,933	4,788
General and administrative	6,220	7,292
Oil and gas marketing expenses	59,666	24,958
Oil and gas depreciation, depletion and amortization	49,360	47,386
Depreciation and amortization of other assets	3,702	4,138
Total operating costs	155,007	113,737
Income from operations	94,117	32,832
Other income (expense):		
Interest and other income	2,859	3,840
Interest expense	(42,677)	(40,149)
	(39,818)	(36,309)
Income (loss) before income taxes	54,299	(3,477)
Provision (benefit) for income taxes	1,463	326
Net income (loss)	52,836	(3,803)
Preferred stock dividends	(6,949)	(8,052)
Gain on redemption of preferred stock	11,895	--
Net income (loss) available to common shareholders	$ 57,782	$ (11,855)
Earnings (loss) per common share:		
Basic	$ 0.53	$ (0.12)
Assuming Dilution	$ 0.36	$ (0.12)
Cash dividends declared per common share	$ --	$ --
CASH FLOW DATA:		
Cash provided by operating activities before changes in working capital	$ 107,753	$ 48,145
Cash provided by operating activities	83,870	47,566
Cash used in investing activities	(130,569)	(67,345)
Cash provided by financing activities	20,264	14,187
Effect of exchange rate changes on cash	(204)	3,625
BALANCE SHEET DATA (at end of period):		
Total assets	$ 980,982	N/A
Long-term debt, net of current maturities	983,230	N/A
Stockholders' equity (deficit)	(119,980)	N/A

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED DECEMBER 31,		YEARS ENDED JUNE 30,	
	1999	1998	1997	1997	1996	1997	1996
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)						
STATEMENT OF OPERATIONS DATA:							
Revenues:							
Oil and gas sales	$ 280,445	$ 256,887	$ 198,410	$ 95,657	$ 90,167	$ 192,920	$ 110,849
Oil and gas marketing sales	74,501	121,059	104,394	58,241	30,019	76,172	28,428
Oil and gas service operations	--	--	--	--	--	--	6,314
Total revenues	354,946	377,946	302,804	153,898	120,186	269,092	145,591
Operating costs:							
Production expenses	46,298	51,202	14,737	7,560	4,268	11,445	6,340
Production taxes	13,264	8,295	4,590	2,534	1,606	3,662	1,963
General and administrative	13,477	19,918	10,910	5,847	3,739	8,802	4,828
Oil and gas marketing expenses	71,533	119,008	103,819	58,227	29,548	75,140	27,452
Oil and gas service operations	--	--	--	--	--	--	4,895
Oil and gas depreciation, depletion and amortization	95,044	146,644	127,429	60,408	36,243	103,264	50,899
Depreciation and amortization of other assets	7,810	8,076	4,360	2,414	1,836	3,782	3,157
Impairment of oil and gas properties	--	826,000	346,000	110,000	--	236,000	--
Impairment of other assets	--	55,000	--	--	--	--	--
Total operating costs	247,426	1,234,143	611,845	246,990	77,240	442,095	99,534
Income (loss) from operations	107,520	(856,197)	(309,041)	(93,092)	42,946	(173,003)	46,057
Other income (expense):							
Interest and other income	8,562	3,926	87,673	78,966	2,516	11,223	3,831
Interest expense	(81,052)	(68,249)	(29,782)	(17,448)	(6,216)	(18,550)	(13,679)
	(72,490)	(64,323)	57,891	61,518	(3,700)	(7,327)	(9,848)
Income (loss) before income taxes and extraordinary item	35,030	(920,520)	(251,150)	(31,574)	39,246	(180,330)	36,209
Provision (benefit) for income taxes	1,764	--	(17,898)	--	14,325	(3,573)	12,854
Income (loss) before extraordinary item	33,266	(920,520)	(233,252)	(31,574)	24,921	(176,757)	23,355
Extraordinary item:							
Loss on early extinguishment of debt, net of applicable income taxes	--	(13,334)	(177)	--	(6,443)	(6,620)	--
Net income (loss)	33,266	(933,854)	(233,429)	(31,574)	18,478	(183,377)	23,355
Preferred stock dividends	(16,711)	(12,077)	--	--	--	--	--
Net income (loss) available to common shareholders	$ 16,555	$ (945,931)	$ (233,429)	$ (31,574)	$ 18,478	$ (183,377)	$ 23,355
Earnings (loss) per common share - Basic:							
Income (loss) before extraordinary item	$ 0.17	$ (9.83)	$ (3.30)	$ (0.45)	$ 0.40	$ (2.69)	$ 0.43
Extraordinary item	--	(0.14)	--	--	(0.10)	(0.10)	--
Net income (loss)	$ 0.17	$ (9.97)	$ (3.30)	$ (0.45)	$ 0.30	$ (2.79)	$ 0.43
Earnings (loss) per common share - Assuming dilution:							
Income (loss) before extraordinary item	$ 0.16	$ (9.83)	$ (3.30)	$ (0.45)	$ 0.38	$ (2.69)	$ 0.40
Extraordinary item	--	(0.14)	--	--	(0.10)	(0.10)	--
Net income (loss)	$ 0.16	$ (9.97)	$ (3.30)	$ (0.45)	$ 0.28	$ (2.79)	$ 0.40
Cash dividends declared per common share	$ --	$ 0.04	$ 0.06	$ 0.04	$ --	$ 0.02	$ --
CASH FLOW DATA:							
Cash provided by operating activities before changes in working capital	$ 138,727	$ 117,500	$ 152,196	$ 67,872	$ 76,816	$ 161,140	$ 88,431
Cash provided by operating activities	145,022	94,639	181,345	139,157	41,901	84,089	120,972
Cash used in investing activities	159,773	548,050	476,209	136,504	184,149	523,854	344,389
Cash provided by (used in) financing activities	18,967	363,797	277,985	(2,810)	231,349	512,144	219,520
Effect of exchange rate changes on cash	4,922	(4,726)	--	--	--	--	--
BALANCE SHEET DATA (at end of period):							
Total assets	$ 850,533	$ 812,615	$ 952,784	$ 952,784	$ 860,597	$ 949,068	$ 572,335
Long-term debt, net of current maturities	964,097	919,076	508,992	508,992	220,149	508,950	268,431
Stockholders' equity (deficit)	(217,544)	(248,568)	280,206	280,206	484,062	286,889	177,767

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following table sets forth certain operating data of Chesapeake for the periods presented:

	SIX MONTHS ENDED JUNE 30,		YEARS ENDED DECEMBER 31,		
	2000	1999	1999	1998	1997
NET PRODUCTION DATA:					
Oil (MBbl)	1,655	2,362	4,147	5,976	3,511
Gas (MMcf)	58,086	52,706	108,610	94,421	59,236
Gas equivalent (MMcfe)	68,016	66,878	133,492	130,277	80,302
OIL AND GAS SALES ($ IN 000'S):					
Oil	$ 40,588	$ 31,335	$ 66,413	$ 75,877	$ 68,079
Gas	146,926	88,743	214,032	181,010	130,331
Total oil and gas sales	$ 187,514	$ 120,078	$ 280,445	$ 256,887	$ 198,410
AVERAGE SALES PRICE:					
Oil ($ per Bbl)	$ 24.52	$ 13.27	$ 16.01	$ 12.70	$ 19.39
Gas ($ per Mcf)	$ 2.53	$ 1.68	$ 1.97	$ 1.92	$ 2.20
Gas equivalent ($ per Mcfe)	$ 2.76	$ 1.80	$ 2.10	$ 1.97	$ 2.47
OIL AND GAS COSTS ($ PER MCFE):					
Production expenses and taxes	$ .53	$ .45	$ .45	$ .45	$ .24
General and administrative	$ .09	$ .11	$ .10	$ .15	$ .14
Depreciation, depletion and amortization	$ .73	$ .71	$ .71	$ 1.13	$ 1.59

RESULTS OF OPERATIONS

Three Months Ended June 30, 2000 vs. June 30, 1999

General. For the three months ended June 30, 2000 (the "Current Quarter"), Chesapeake realized net income of $31.6 million, or $0.22 per diluted common share. This compares to net income of $8.1 million, or $0.04 per diluted common share, in the three months ended June 30, 1999 (the "Prior Quarter").

Oil and Gas Sales. During the Current Quarter, oil and gas sales increased 47% to $100.2 million from $68.3 million in the Prior Quarter. For the Current Quarter, Chesapeake produced 34.1 Bcfe, consisting of 0.8 million barrels of oil and 29.3 Bcf of natural gas, compared to 1.1 million barrels of oil and 27.0 Bcf, or 33.6 Bcfe, in the Prior Quarter. Average oil prices realized were $24.46 per barrel of oil in the Current Quarter compared to $16.01 per barrel in the Prior Quarter, an increase of 53%. Average gas prices realized were $2.76 per Mcf in the Current Quarter compared to $1.88 per Mcf in the Prior Quarter, an increase of 47%.

For the Current Quarter, Chesapeake realized an average price of $2.94 per Mcfe, compared to $2.03 per Mcfe in the Prior Quarter. Chesapeake's hedging activities resulted in decreased oil and gas revenues of $11.0 million, or $0.32 per Mcfe, in the Current Quarter, compared to increased oil and gas revenues of $2.9 million, or $0.09 per Mcfe, in the Prior Quarter.

The following table shows Chesapeake's production by region for the Current Quarter and the Prior Quarter:

	FOR THE THREE MONTHS ENDED JUNE 30,			
	2000		1999	
OPERATING AREAS	MMcfe	PERCENT	MMcfe	PERCENT
Mid-Continent	19,265	57%	17,520	52%
Gulf Coast	8,650	25	10,683	32
Canada	3,579	10	3,134	9
Other Areas	2,591	8	2,229	7
Total	34,085	100%	33,566	100%

Natural gas production represented approximately 86% of Chesapeake's total production volume on an equivalent basis in the Current Quarter, compared to 81% in the Prior Quarter.

Oil and Gas Marketing Sales. Chesapeake realized $34.2 million in oil and gas marketing sales to third parties in the Current Quarter, with corresponding oil and gas marketing expenses of $33.1 million, for a margin of $1.1 million. This compares to sales of $12.6 million, expenses of $11.7 million, and a margin of $0.9 million in the Prior Quarter. The increase in marketing sales and cost of sales was due primarily to higher oil and gas prices in the Current Quarter as compared to the Prior Quarter and Chesapeake's initial marketing of oil which began in June 1999.

Production Expenses. Production expenses increased to $12.6 million in the Current Quarter, a $1.4 million increase from the $11.2 million of production expenses incurred in the Prior Quarter. On a unit of production basis, production expenses were $0.37 and $0.33 per Mcfe in the Current and Prior Quarters, respectively. Chesapeake anticipates production expenses will not vary significantly from current levels during the remainder of 2000.

Production Taxes. Production taxes, which consist primarily of wellhead severance taxes, were $5.7 million and $2.8 million in the Current and Prior Quarters, respectively. On a per unit basis, production taxes were $0.17 per Mcfe in the Current Quarter compared to $0.08 per Mcfe in the Prior Quarter. The increase in the Current Quarter is due to higher oil and gas prices. In general, production taxes are calculated using value-based formulas that produce higher per unit costs when oil and gas prices are higher.

Oil and Gas Depreciation, Depletion and Amortization. Depreciation, depletion and amortization of oil and gas properties ("DD&A") for the Current Quarter was $24.9 million, compared to $24.2 million in the Prior Quarter. The DD&A rate per Mcfe increased from $0.72 in the Prior Quarter to $0.73 in the Current Quarter. Chesapeake expects the DD&A rate will increase moderately from current levels during the remainder of 2000 and is expected to increase further upon the completion of the Gothic acquisition.

Depreciation and Amortization of Other Assets. Depreciation and amortization of other assets ("D&A") was $1.8 million in the Current Quarter compared to $2.0 million in the Prior Quarter. Chesapeake anticipates D&A will continue at current levels during the remainder of 2000.

General and Administrative. General and administrative expenses ("G&A"), which are net of capitalized internal payroll and non-payroll expenses, were $3.2 million in the Current Quarter compared to $3.3 million in the Prior Quarter. Chesapeake capitalized $1.5 million of internal costs in the Current Quarter directly related to Chesapeake's oil and gas exploration and development efforts, compared to $0.8 million in the Prior Quarter. The increase in capitalized internal costs is primarily due to the addition of technical employees and other related costs. Chesapeake anticipates that G&A costs during the remainder of 2000 will remain at approximately the same level as the Current Quarter.

Interest and Other Income. Interest and other income for the Current Quarter was $1.7 million compared to $3.0 million in the Prior Quarter. The decrease is due primarily to a $1.5 million gain on the sale of certain marketing assets located in the Mid-Continent in the Prior Quarter.

Interest Expense. Interest expense increased to $21.8 million in the Current Quarter from $20.3 million in the Prior Quarter as a result of lower capitalized interest and higher amounts of indebtedness. In addition to the interest expense reported, Chesapeake capitalized $0.6 million of interest during the Current Quarter compared to $1.0 million capitalized in the Prior Quarter.

Provision for Income Taxes. Chesapeake recorded income tax expense of $1.4 million for the Current Quarter and $0.3 million in the Prior Quarter. The income tax expense recorded in both the Current Quarter and Prior Quarter is related to Chesapeake's Canadian operations. At June 30, 2000, Chesapeake had a U.S. net operating loss carryforward of approximately $640 million for regular federal income taxes which will expire in future years beginning in 2007. Management believes that it cannot be demonstrated at this time that it is more likely than not that the deferred income tax assets, comprised primarily of the U.S. net operating loss carryforwards, will be realized in future years, and therefore a valuation allowance of $424.3 million has been recorded. However, management continues to evaluate the deferred tax assets. If oil and gas prices as well as improvements in Chesapeake's operating performance continue to strengthen and stabilize in future periods, all or a portion of the valuation allowance may be reversed.

Six Months Ended June 30, 2000 vs. June 30, 1999

General. For the six months ended June 30, 2000 (the "Current Period"), Chesapeake realized net income of $52.8 million, or $0.36 per diluted common share. This compares to a net loss of $3.8 million, or a net loss of $0.12 per diluted common share after deducting preferred dividends of $8.1 million, in the six months ended June 30, 1999 (the "Prior Period").

Oil and Gas Sales. During the Current Period, oil and gas sales increased to $187.5 million from $120.1 million, an increase of $67.4 million, or 56%. For the Current Period, Chesapeake produced 1.7 million barrels of oil and 58.1 Bcf, compared to 2.4 million barrels of oil and 52.7 Bcf in the Prior Period. Average oil prices realized were $24.52 per barrel in the Current Period compared to $13.27 per barrel in the Prior Period, an increase of 85%. Average gas prices realized were $2.53 per Mcf in the Current Period compared to $1.68 per Mcf in the Prior Period, an increase of 51%.

For the Current Period, Chesapeake realized an average price of $2.76 per Mcfe, compared to $1.80 per Mcfe in the Prior Period. Chesapeake's hedging activities resulted in decreased oil and gas revenues of $13.2 million, or $0.19 per Mcfe, in the Current Period, compared to increased oil and gas revenues of $3.2 million in the Prior Period.

The following table shows Chesapeake's production by region for the Current Period and the Prior Period:

	FOR THE SIX MONTHS ENDED JUNE 30,			
	2000		1999	
OPERATING AREAS	MMcfe	PERCENT	MMcfe	PERCENT
Mid-Continent	38,294	56%	33,828	51%
Gulf Coast	18,832	28	22,086	33
Canada	6,504	10	5,564	8
Other areas	4,386	6	5,400	8
Total	68,016	100%	66,878	100%

Natural gas production represented approximately 85% of Chesapeake's total production volume on an equivalent basis in the Current Period, compared to 79% in the Prior Period.

Oil and Gas Marketing Sales. Chesapeake realized $61.6 million in oil and gas marketing sales to third parties in the Current Period, with corresponding oil and gas marketing expenses of $59.7 million for a margin of $1.9 million. This compares to sales of $26.5 million and expenses of $25.0 million in the Prior Period for a margin of $1.5 million. The increase in marketing sales and cost of sales was due primarily to higher oil and gas prices in the Current Period as compared to the Prior Period and Chesapeake's initial marketing of oil which began in June 1999.

Production Expenses. Production expenses decreased to $25.1 million in the Current Period, a $0.1 million decrease from $25.2 million incurred in the Prior Period. On a production unit basis, production expenses were $0.37 and $0.38 per Mcfe in the Current and Prior Periods, respectively.

Production Taxes. Production taxes, which consist primarily of wellhead severance taxes, were $10.9 million and $4.8 million in the Current and Prior Periods, respectively. This increase was the result of increased natural gas production and higher oil and gas prices. On a per unit basis, production taxes were $0.16 per Mcfe in the Current Period compared to $0.07 per Mcfe in the Prior Period.

Oil and Gas Depreciation, Depletion and Amortization. DD&A for the Current Period was $49.4 million, compared to $47.4 million in the Prior Period. This increase was caused by increased production as well as an increase in the DD&A rate per Mcfe from $0.71 to $0.73 in the Prior and Current Periods, respectively.

Depreciation and Amortization of Other Assets. D&A decreased to $3.7 million in the Current Period compared to $4.1 million in the Prior Period.

General and Administrative. G&A, which is net of capitalized internal payroll and non-payroll expenses, was $6.2 million in the Current Period compared to $7.3 million in the Prior Period. This decrease was primarily due to cost efficiencies that were generated throughout 1999 and an increase in capitalized internal costs between periods. Chesapeake capitalized $3.4 million of internal costs in the Current Period directly related to Chesapeake's oil and gas exploration and development efforts, compared to $2.0 million in the Prior Period. The increase in capitalized internal costs is primarily due to the addition of technical employees and other related costs.

Interest and Other Income. Interest and other income for the Current Period was $2.9 million compared to $3.8 million in the Prior Period. This decrease is due primarily to a $1.5 million gain on the sale of certain marketing assets located in the Mid-Continent in the Prior Period.

Interest. Interest expense increased to $42.7 million in the Current Period from $40.1 million in the Prior Period as a result of lower capitalized interest and higher amounts of indebtedness. Chesapeake capitalized $1.3 million of interest during the Current Period compared to $2.2 million capitalized in the Prior Period.

Provision for Income Taxes. Chesapeake recorded income tax expense of $1.5 million for the Current Period, compared to $0.3 million in the Prior Period. The income tax expense in both Periods is entirely related to Chesapeake's operations in Canada. Management believes that it cannot be demonstrated that it is more likely than not that its domestic deferred income tax assets will be realizable in future years, and therefore a valuation allowance of $424.3 million has been recorded. However, management continues to evaluate the deferred tax assets. If oil and gas prices as well as improvements in Chesapeake's operating performance continue to strengthen and stabilize in future periods, all or a portion of the valuation allowance may be reversed.

Years Ended December 31, 1999, 1998 and 1997

General. In 1999, Chesapeake had net income of $33.3 million, or $0.16 per diluted common share, on total revenues of $354.9 million. This compares to a net loss of $933.9 million, or a loss of $9.97 per diluted common share, on total revenues of $377.9 million during the year ended December 31, 1998, and a net loss of $233.4 million, or a loss of $3.30 per diluted common share, on total revenues of $302.8 million during the year ended December 31, 1997. The loss in 1998 was caused primarily by an $826.0 million oil and gas property writedown recorded under the full-cost method of accounting and a $55.0 million writedown of other assets. The loss in 1997 was caused primarily by a $346 million oil and gas property writedown. See "Impairment of Oil and Gas Properties" and "Impairment of Other Assets".

Oil and Gas Sales. During 1999, oil and gas sales increased to $280.4 million versus $256.9 million in 1998 and $198.4 million in 1997. In 1999, Chesapeake produced 133.5 Bcfe at a weighted average price of $2.10 per Mcfe, compared to 130.3 Bcfe produced in 1998 at a weighted average price of $1.97 per Mcfe, and 80.3 Bcfe produced in 1997 at a weighted average price of $2.47 per Mcfe.

The following table shows Chesapeake's production by region for 1999, 1998 and 1997:

	FOR THE YEARS ENDED DECEMBER 31,					
	1999		1998		1997	
OPERATING AREAS	MMcfe	PERCENT	MMcfe	PERCENT	MMcfe	PERCENT
Mid-Continent	69,946	52%	61,930	48%	17,685	22%
Gulf Coast	44,822	34	52,793	40	60,662	76
Canada	11,737	9	7,746	6	--	--
All other areas	6,987	5	7,808	6	1,955	2
Total production	133,492	100%	130,277	100%	80,302	100%

Natural gas production represented approximately 81% of Chesapeake's total production volume on an equivalent basis in 1999, compared to 72% in 1998 and 74% in 1997.

For 1999, Chesapeake realized an average price per barrel of oil of $16.01, compared to $12.70 in 1998 and $19.39 in 1997. Gas price realizations fluctuated from an average of $1.92 per Mcf in 1998 and $2.20 in 1997 to $1.97 per Mcf in 1999. Chesapeake's hedging activities resulted in a decrease in oil and gas revenues of $1.7 million in 1999, an increase in oil and gas revenues of $11.3 million in 1998, and a decrease in oil and gas revenues of $4.6 million in 1997.

Oil and Gas Marketing Sales. Chesapeake realized $74.5 million in oil and gas marketing sales for third parties in 1999, with corresponding oil and gas marketing expenses of $71.5 million, for a net margin of $3.0 million. This compares to sales of $121.1 million and $104.4 million, expenses of $119.0 million and $103.8 million, and a margin of $2.1 million and $0.6 million in 1998 and 1997, respectively.

Production Expenses and Taxes. Production expenses and taxes, which include lifting costs, production taxes and ad valorem taxes, were $59.6 million in 1999, compared to $59.5 million and $19.3 million in 1998 and 1997, respectively. On a unit of production basis, production expenses and taxes were $0.45 per Mcfe in 1999 and 1998, and $0.24 per Mcfe in 1997.

Impairment of Oil and Gas Properties. Chesapeake utilizes the full-cost method to account for its investment in oil and gas properties. Under this method, all costs of acquisition, exploration and development of oil and gas reserves (including such costs as leasehold acquisition costs, geological and geophysical expenditures, certain capitalized internal costs, dry hole costs and tangible and intangible development costs) are capitalized as incurred. These oil and gas property costs, along with the estimated future capital expenditures to develop proved undeveloped reserves, are depleted and charged to operations using the unit-of-production method based on the ratio of current production to proved oil and gas reserves as estimated by Chesapeake's independent engineering consultants and Chesapeake's engineers. Costs directly associated with the acquisition and evaluation of unproved properties are excluded from the amortization computation until it is determined whether or not proved reserves can be assigned to the property or whether impairment has occurred. The excess of capitalized costs of oil and gas properties, net of accumulated depreciation, depletion and amortization and related deferred income taxes, over the discounted future net revenues of proved oil and gas properties is charged to operations.

Chesapeake incurred an impairment of oil and gas properties charge of $826 million in 1998. No such charge was incurred in 1999. The 1998 writedown was caused by a combination of several factors, including the acquisitions completed by Chesapeake during 1998, which were accounted for using the purchase method, and the significant decreases in oil and gas prices throughout 1998. Oil and gas prices used to value Chesapeake's proved reserves decreased from $17.62 per Bbl of oil and $2.29 per Mcf of gas at December 31, 1997, to $10.48 per Bbl of oil and $1.68 per Mcf of gas at December 31, 1998. Higher drilling and completion costs and the evaluation of certain leasehold, seismic and other exploration-related costs that were previously unevaluated were the remaining factors which contributed to the writedown in 1998.

Chesapeake incurred an impairment of oil and gas properties charge of $346 million during 1997. The writedown in 1997 was caused by several factors, including declining oil and gas prices during the year, escalating drilling and completion costs, and poor drilling results primarily in Louisiana.

Impairment of Other Assets. Chesapeake incurred a $55 million impairment charge during 1998. Of this amount, $30 million related to Chesapeake's investment in preferred stock of Gothic Energy Corporation, and the remainder was related to certain of Chesapeake's gas processing and transportation assets located in Louisiana. No such charge was recorded in 1999 or 1997.

Oil and Gas Depreciation, Depletion and Amortization. DD&A of oil and gas properties was $95.0 million, $146.6 million and $127.4 million during 1999, 1998 and 1997, respectively. The average DD&A rate per Mcfe, which is a function of capitalized costs, future development costs, and the related underlying reserves in the periods presented, was $0.71 ($0.73 in U.S. and $0.52 in Canada), $1.13 ($1.17 in U.S. and $0.43 in Canada) and $1.59 in 1999, 1998 and 1997, respectively. Chesapeake did not have operations in Canada prior to 1998.

Depreciation and Amortization of Other Assets. D&A of other assets was $7.8 million in 1999, compared to $8.1 million in 1998 and $4.4 million in 1997. The increase in 1998 compared to 1997 was caused by increased investments in depreciable buildings and equipment and increased amortization of debt issuance costs as a result of the issuance of senior notes in April 1998.

General and Administrative. G&A expenses, which are net of capitalized internal payroll and non-payroll expenses (see note 11 of the notes to our audited consolidated financial statements included at the end of this prospectus), were $13.5 million in 1999, $19.9 million in 1998 and $10.9 million in 1997. The decrease in 1999 compared to 1998 was due primarily to various actions taken to lower corporate overhead, including staff reductions and office closings which occurred in late 1998 and early 1999. The increase in 1998 compared to 1997 is due primarily to increased personnel expenses required by Chesapeake's growth and industry wage inflation. Chesapeake capitalized $2.7 million, $5.3 million and $5.3 million of internal costs in 1999, 1998 and 1997, respectively, directly related to Chesapeake's oil and gas exploration and development efforts.

Interest and Other Income. Interest and other income for 1999 was $8.6 million compared to $3.9 million in 1998, and $87.7 million in 1997. The increase from 1998 to 1999 was due primarily to gains on sales of various non-core assets during 1999. During 1997, Chesapeake realized a gain on the sale of its Bayard common stock of $73.8 million, the most significant component of interest and other income.

Interest Expense. Interest expense increased to $81.1 million in 1999, compared to $68.2 million in 1998 and $29.8 million in 1997. The increase in 1999 is due primarily to a full year of interest on Chesapeake's $500 million senior notes. The increase in 1998 compared to 1997 was due primarily to the issuance of $500 million of senior notes in April 1998. In addition to the interest expense reported, Chesapeake capitalized $3.5 million of interest during 1999, compared to $6.5 million capitalized in 1998, and $10.4 million capitalized in 1997. Chesapeake anticipates that capitalized interest for 2000 will be between $3 million and $4 million.

Provision (Benefit) for Income Taxes. Chesapeake recorded income taxes of $1.8 million in 1999 compared to $0 in 1998 and an income tax benefit of $17.9 million in 1997. The income tax expense recorded in 1999 is related entirely to Chesapeake's Canadian operations.

At December 31, 1999, Chesapeake had a U.S. net operating loss carryforward of approximately $613 million for regular federal income taxes which will expire in future years beginning in 2007. Management believes that it cannot be demonstrated at this time that it is more likely than not that the deferred income tax assets, comprised primarily of the net operating loss carryforwards generated for U.S. purposes, will be realizable in future years, and therefore a valuation allowance of $442 million was recorded.

RISK MANAGEMENT ACTIVITIES

See "Quantitative and Qualitative Disclosures About Market Risk."

LIQUIDITY AND CAPITAL RESOURCES

Chesapeake had working capital of $2.3 million at June 30, 2000 and a cash balance (including restricted cash) of $16.8 million. Chesapeake has a $100 million revolving bank credit facility, which matures in July 2002, with a committed borrowing base of $100 million. As of June 30, 2000, Chesapeake had borrowed $63.0 million under this facility. Borrowings under the facility are secured by certain producing oil and gas properties and bear interest at variable rates, which averaged 10.0% per annum as of June 30, 2000. On August 1, 2000, the borrowing base increased to $100 million from $75 million.

In a series of private transactions closing on June 27, 2000 and August 31, 2000, we purchased 99.7% of Gothic's $104 million of 14.125% Series B Senior Secured Discount Notes for total consideration of $80.8 million, comprised of $23.3 million in cash and $57.5 million of Chesapeake common stock (9,858,363 million shares valued at $5.825 per share), subject to adjustment. The discount notes accrete at a rate per annum of 14.125%, compounded semiannually to an aggregate principal amount of $103.7 million at May 1, 2002. Thereafter, the discount notes accrue interest at the rate of 14.125% per annum, payable in cash semiannually in arrears on May 1 and November 1 of each year commencing November 1, 2002. The discount notes mature on May 1, 2006 and are secured by the stock of Gothic's operating subsidiary.

On September 1, 2000, we purchased $20 million of the $235 million of 11.125% Senior Secured Notes issued by Gothic's operating subsidiary for $22 million of Chesapeake common stock (3,694,939 shares valued at $6.0371 per share, subject to adjustment) in a private transaction. The senior secured notes mature on May 1, 2005, bear interest at the rate of 11.125% per annum, payable semiannually in cash on May 1 and November 1 of each year and are secured by oil and gas interests owned by the issuer.

On September 8, 2000, Chesapeake entered into an Agreement and Plan of Merger to acquire the common stock of Gothic for 4.0 million shares of Chesapeake common stock. Upon the closing of the transaction, Gothic's shareholders will own approximately 2.5% of Chesapeake's common stock. The total acquisition cost to Chesapeake, including the Gothic notes described above, will be approximately $345 million, plus transaction expenses. The Gothic acquisition is subject to approval by Gothic's shareholders and other closing conditions. Completion of the transaction is expected in January 2001.

At June 30, 2000, Chesapeake's senior notes represented $919.2 million of its $999.5 million of long-term liabilities. Debt ratings for the senior notes are B2 by Moody's Investors Service and B by Standard & Poor's Corporation as of August 1, 2000. On July 5, 2000, Standard & Poor's Corporation placed its ratings on Chesapeake on credit watch with positive implications. There are no scheduled principal payments required on any of the senior notes until March 2004, when $150 million is due.

The senior note indentures restrict the ability of Chesapeake and its restricted subsidiaries to incur additional indebtedness. This restriction does not affect Chesapeake's ability to borrow under or expand its secured commercial bank facility. As of June 30, 2000, Chesapeake estimates that secured commercial bank indebtedness of $152.2 million could have been incurred under the indentures. The indenture restrictions do not apply to borrowings incurred by CEMI, an unrestricted subsidiary.

The senior note indentures also limit Chesapeake's ability to make restricted payments (as defined), including the payment of preferred stock dividends, unless certain tests are met. From December 31, 1998 through March 31, 2000, Chesapeake was unable to meet the requirements to incur additional unsecured indebtedness, and consequently was not able to pay cash dividends on its 7% cumulative convertible preferred stock. Chesapeake had accumulated dividends in arrears of $9.5 million related to its preferred stock as of June 30, 2000. Chesapeake was unable to pay a dividend on the preferred stock on May 1, 2000, the sixth consecutive dividend payment date on which dividends had not been paid. As a result of Chesapeake's failure to pay dividends for six quarterly periods, the holders of preferred stock are entitled to elect two new directors to the Board. Based on the Current Quarter financial results, Chesapeake was able to pay a dividend on the preferred stock on August 1, 2000, although the Board of Directors did not declare a dividend that would have been payable on that date.

Between April 1, 2000 and June 30, 2000, Chesapeake engaged in unsolicited transactions in which a total of 24.7 million shares of common stock (newly issued shares), plus a cash payment of $8.3 million, were exchanged for 2,364,363 shares of its issued and outstanding preferred stock with a liquidation value of $118.2 million plus dividends in arrears of $13.6 million. A total of 34.2 million shares of common stock, plus a cash payment of $8.3 million, have been exchanged for 3,039,363 shares of preferred stock between January 1, 2000 and June 30, 2000. These transactions have reduced (i) the number of preferred shares from 4.6 million to 1.6 million, (ii) the liquidation value of the preferred stock from $229.8 million to $77.9 million, and (iii) dividends in arrears by $16.8 million to $9.5 million. A gain on redemption of all preferred shares exchanged through June 30, 2000 of $11.9 million ($1.5 million related to the quarter ended June 30, 2000) is reflected in net income available to common shareholders in determining basic earnings per share.

Between July 1 and August 16, 2000, Chesapeake engaged in additional transactions in which 9.2 million shares of common stock (newly issued shares) were exchanged for 933,000 shares of its issued and outstanding preferred stock with a liquidation value of $46.7 million plus dividends in arrears of $6.1 million. A $5.3 million loss on the redemption of these preferred shares will be reflected in net income available to common shareholders in determining earnings per share in the third quarter.

Chesapeake believes it has adequate resources, including cash on hand and budgeted cash flow from operations, to fund its capital expenditure budget for exploration and development activities during 2000, which are currently estimated to be approximately $160 million. However, low oil and gas prices or unfavorable drilling results could cause Chesapeake to reduce its drilling program, which is largely discretionary. Based on current oil and gas prices, Chesapeake expects to generate excess cash flow that will be available to fund acquisitions, reduce debt, make preferred stock dividend payments, acquire Gothic debt securities or a combination of the above.

If the Gothic merger is completed, holders of the 11.125% Senior Secured Notes issued by Gothic's operating subsidiary will have the right, but not the obligation, to require Chesapeake to repurchase their senior secured notes at a purchase price equal to 101% of the principal amount of the senior secured notes, plus accrued and unpaid interest to the date of repurchase. Chesapeake presently holds $20 million of the $235 million principal amount of senior secured notes outstanding.

Bear, Stearns & Co. Inc. has agreed to provide a $275 million standby commitment, consisting of a $175 million term credit facility and $100 million revolving credit facility. The term credit facility may be used to repurchase any 11.125% Senior Secured Notes tendered to Chesapeake. If used, the revolving credit facility will replace Chesapeake's existing revolving credit facility.

Six Months Ended June 30, 2000 and 1999

Cash Flows From Operating Activities. Chesapeake's cash provided by operating activities increased 76% to $83.9 million during the Current Period compared to $47.6 million during the Prior Period. The increase was due primarily to higher oil and gas prices realized during the Current Period.

Cash Flows From Investing Activities. Cash used in investing activities increased to $130.6 million during the Current Period from $67.3 million in the Prior Period. During the Current Period Chesapeake expended approximately $68.3 million to initiate drilling on 66 gross (35.6 net) wells and invested approximately $10.6 million in leasehold acquisitions. This compares to $68.3 million to initiate drilling on 80 gross (48.9 net) wells and $11.1 million to purchase leasehold in the Prior Period. During the Current Period, Chesapeake had acquisitions of oil and gas properties of $25.0 million, divestitures of oil and gas properties of $1.4 million, and a cash payment of $22.4 million related to the acquisition of the Gothic Discount Notes. This compares to acquisitions of $6.5 million and divestitures of $17.4 million in the Prior Period.

Cash Flows From Financing Activities. There was $20.3 million of cash provided by financing activities in the Current Period, compared to $14.2 million in the Prior Period. The activity in the Current Period and the Prior Period reflects the net increase in borrowings under Chesapeake's commercial bank credit facility of $19.5 million and $14.0 million in the Current and Prior Periods, respectively, and cash received through the exercise of stock options.

Years Ended December 31, 1999, 1998 and 1997

Cash Flows from Operating Activities. Cash provided by operating activities (inclusive of changes in working capital) was $145.0 million in 1999, compared to $94.6 million in 1998 and $181.3 million in 1997. The increase of $50.4 million from 1998 to 1999 was due primarily to increased oil and gas revenues. The decrease of $86.7 million from 1997 to 1998 was due primarily to reduced operating income resulting from significant decreases in average oil and gas prices between periods, as well as significant increases in G&A expenses and interest expense.

Cash Flows from Investing Activities. Cash used in investing activities decreased to $159.8 million in 1999, compared to $548.1 million in 1998 and $476.2 million in 1997. During 1999, Chesapeake invested $153.3 million for exploration and development drilling, $49.9 million for the acquisition of oil and gas properties, and received $45.6 million related to divestitures of oil and gas properties. During 1998, $279.9 million was used to acquire certain oil and gas properties and companies with oil and gas reserves. However, the increase in cash used

to acquire oil and gas properties was partially offset by reduced expenditures during 1998 for exploratory and developmental drilling. During 1998 and 1997, Chesapeake invested $259.7 million and $471.0 million, respectively, for exploratory and developmental drilling. Also during 1998, Chesapeake sold its 19.9% stake in Pan East Petroleum Corp. to Poco Petroleums, Ltd. for approximately $21.2 million. During 1997, Chesapeake received net proceeds from the sale of its investment in Bayard common stock of approximately $90.4 million.

Cash Flows from Financing Activities. Cash provided by financing activities decreased to $19.0 million in 1999, compared to $363.8 million in 1998, and $278.0 million in 1997. During 1999, Chesapeake made additional borrowings under its commercial bank credit facility of $116.5 million, and had payments under this facility of $98.0 million. During 1998, Chesapeake retired $85 million of debt assumed at the completion of the DLB Oil & Gas, Inc. acquisition, $120 million of debt assumed at the completion of the Hugoton Energy Corporation acquisition, $90 million of senior notes, and $170 million of borrowings made under its commercial bank credit facilities. Also during 1998, Chesapeake issued $500 million in senior notes and $230 million in preferred stock. During 1997, Chesapeake issued $300 million of senior notes.

RECENTLY ISSUED ACCOUNTING STANDARDS

On June 15, 1998, the Financial Accounting Standards Board issued FAS No. 133, Accounting for Derivative Instruments and Hedging Activities. FAS 133 establishes a new model for accounting for derivatives and hedging activities and supersedes and amends a number of existing standards. FAS 133 (as amended by FAS 137 and FAS 138) is effective for all fiscal quarters of fiscal years beginning after June 15, 2000.

FAS 133 standardizes the accounting for derivative instruments by requiring that all derivatives be recognized as assets and liabilities and measured at fair value. The accounting for changes in the fair value of derivatives (gains and losses) depends on (i) whether the derivative is designated and qualifies as a hedge, and (ii) the type of hedging relationship that exists. Changes in the fair value of derivatives that are not designated as hedges or that do not meet the hedge accounting criteria in FAS 133 are required to be reported in earnings. In addition, all hedging relationships must be designated, reassessed and documented pursuant to the provisions of FAS 133. Chesapeake has not yet determined the impact that adoption of FAS 133 will have on the financial statements. However, Chesapeake believes that its commodity derivatives will be designated as hedges in accordance with the relevant accounting criteria.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

COMMODITY PRICE RISK

Chesapeake's results of operations are highly dependent upon the prices received for oil and natural gas production.

COMMODITY HEDGING ACTIVITIES

Periodically Chesapeake utilizes hedging strategies to hedge the price of a portion of its future oil and gas production. These strategies include:

(i) swap arrangements that establish an index-related price above which Chesapeake pays the counterparty and below which Chesapeake is paid by the counterparty,
(ii) the purchase of index-related puts that provide for a "floor" price below which the counterparty pays Chesapeake the amount by which the price of the commodity is below the contracted floor,
(iii) the sale of index-related calls that provide for a "ceiling" price above which Chesapeake pays the counterparty the amount by which the price of the commodity is above the contracted ceiling, and

(iv) basis protection swaps, which are arrangements that guarantee the price differential of oil or gas from a specified delivery point or points.

Results from commodity hedging transactions are reflected in oil and gas sales to the extent related to Chesapeake's oil and gas production. Chesapeake only enters into commodity hedging transactions related to Chesapeake's oil and gas production volumes or CEMI's physical purchase or sale commitments. Gains or losses on crude oil and natural gas hedging transactions are recognized as price adjustments in the months of related production.

As of June 30, 2000, Chesapeake had the following open natural gas swap arrangements designed to hedge a portion of Chesapeake's domestic gas production for periods after June 2000:

MONTHS	VOLUME (MMBtu)	NYMEX-INDEX STRIKE PRICE (PER MMBtu)
July 2000	2,790,000	3.03
August 2000	2,790,000	3.03
September 2000	2,100,000	3.07
October 2000	1,240,000	2.55

If the swap arrangements listed above had been settled on June 30, 2000, Chesapeake would have incurred a loss of $13.2 million. Subsequent to June 30, 2000, Chesapeake settled the July 2000 natural gas swaps for a loss of $4.5 million, which will be recognized as a price adjustment in July. Additionally, Chesapeake has closed hedges on 920,000 MMBtu of the August through October swaps which resulted in a loss of $0.6 million. This loss will be recognized as price adjustments from August through October 2000.

On June 2, 2000, Chesapeake entered into a natural gas basis protection swap transaction for 13,500,000 MMBtu for the period of January 2001 through March 2001. This transaction requires that the counterparty pay Chesapeake if the NYMEX price exceeds the Houston Ship Channel Beaumont/Texas Index by more than $0.0675 for each of the related months of production. If the NYMEX price less $0.0675 does not exceed the Houston Ship Channel Beaumont/Texas Index for each month, Chesapeake will pay the counterparty. Gains or losses on basis swap transactions are recognized as price adjustments in the month of related production.

As of June 30, 2000, Chesapeake had the following open crude oil swap arrangements designed to hedge a portion of Chesapeake's domestic crude oil production for periods after June 2000:

MONTHS	MONTHLY VOLUME (Bbls)	NYMEX-INDEX STRIKE PRICE (per Bbl)
July 2000	125,000	$28.420
August 2000	125,000	28.420
September 2000	125,000	28.420
October 2000	125,000	28.420
November 2000	125,000	28.420
December 2000	125,000	28.420

If the swap arrangements listed above had been settled on June 30, 2000, Chesapeake would have incurred a loss of $1.9 million.

Chesapeake has also closed transactions designed to hedge a portion of Chesapeake's domestic oil and natural gas production as of June 30, 2000. The net unrecognized losses resulting from these transactions, $1.4 million as of June 30, 2000, will be recognized as price adjustments in the months of related production. These hedging losses are set forth below ($ in thousands):

	HEDGING GAINS (LOSSES)		
MONTHS	GAS	OIL	TOTAL
July 2000	$ (422)	$ (231)	$ (653)
August 2000	(432)	--	(432)
September 2000	(149)	--	(149)
October 2000	(196)	--	(196)
	$ (1,199)	$ (231)	$ (1,430)

In addition to commodity hedging transactions related to Chesapeake's oil and gas production, CEMI periodically enters into various hedging transactions designed to hedge against physical purchase and sale commitments made by CEMI. Gains or losses on these transactions are recorded as adjustments to oil and gas marketing sales in the consolidated statements of operations and are not considered by management to be material.

INTEREST RATE RISK

Chesapeake also utilizes hedging strategies to manage fixed-interest rate exposure. Through the use of a swap arrangement, Chesapeake has reduced its interest expense by $2.7 million from May 1998 through June 2000. During the Current Quarter, Chesapeake's interest rate swap resulted in a $36,000 increase of interest expense. The terms of the swap agreement are as follows:

Months	Notional Amount	Fixed Rate	Floating Rate
May 1998 - April 2001	$230,000,000	7%	Average of three-month Swiss Franc LIBOR, Deutsche Mark and Australian Dollar plus 300 basis points
May 2001 - April 2008	$230,000,000	7%	Three-month LIBOR (USD) plus 300 basis points

If the floating rate is less than the fixed rate, the counterparty will pay Chesapeake accordingly. If the floating rate exceeds the fixed rate, Chesapeake will pay the counterparty. The interest rate swap agreement contains a "knockout provision" whereby the agreement will terminate on or after May 1, 2001 if the average closing price for the previous twenty business days for the shares of Chesapeake's common stock is greater than or equal to $7.50 per share. The agreement also provides for a maximum floating rate of 8.5% from May 2001 through April 2008.

As of June 30, 2000, based upon prevailing interest rates, the present value of Chesapeake's estimated future payments under the interest rate swap agreement, without ascribing any value to the knock-out provision, was $17.7 million. However, because of the knock-out provision discussed above and the volatility of interest rates, Chesapeake does not believe that this worst-case scenario is a fair measure of the market value of the swap agreement and, therefore, would not pay this amount to cancel the transaction. Results from interest rate hedging transactions are reflected as adjustments to interest expense in the corresponding months covered by the swap agreement.

The table below presents principal cash flows and related weighted average interest rates by expected maturity dates. The fair value of the long-term debt has been estimated based on quoted market prices.

	JUNE 30, 2000							
	YEARS OF MATURITY							
	2000	2001	2002	2003	2004	THEREAFTER	TOTAL	FAIR VALUE
LIABILITIES:	($ IN MILLIONS)							
Long-term debt, including current portion - fixed rate	$ 0.4	$ 0.8	$ 0.6	$ --	$ 150.0	$ 770.0	$ 921.8	$ 867.7
Average interest rate	9.1%	9.1%	9.1%	--	7.9%	9.3%	9.1%	--
Long-term debt - variable rate	$ --	$ --	$ 63.0	$ --	$ --	$ --	$ 63.0	$ 63.0
Average interest rate	--	--	10.0%	--	--	--	10.0%	--

BUSINESS

GENERAL

Chesapeake Energy Corporation is an independent oil and gas company engaged in the development, exploration, acquisition and production of onshore natural gas and oil reserves in the United States and Canada. We began operations in 1989 and completed our initial public offering in 1993. Our common stock trades on the New York Stock Exchange under the symbol CHK. Chesapeake's principal offices are located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118 (telephone 405/848-8000 and website address of www.chkenergy.com).

At year-end 1999, Chesapeake owned interests in approximately 4,700 producing oil and gas wells concentrated in three primary operating areas:

- the Mid-Continent region of Oklahoma, western Arkansas, southwestern Kansas and the Texas Panhandle;
- the Gulf Coast region consisting primarily of the Austin Chalk Trend in Texas and Louisiana and the Tuscaloosa Trend in Louisiana; and
- the Helmet area of northeastern British Columbia.

During 1999, we produced 133.5 Bcfe, making Chesapeake one of the 15 largest public independent oil and gas producers in the United States. We participated in 211 gross (119.7 net) wells, 135 of which were operated by Chesapeake. A summary of Chesapeake's 1999 drilling activities, capital expenditures and property sales by primary operating area is as follows ($ in thousands):

			CAPITAL EXPENDITURES - OIL AND GAS PROPERTIES					
	GROSS WELLS DRILLED	NET WELLS DRILLED	DRILLING	LEASEHOLD	SUB-TOTAL	ACQUISITIONS	SALE OF PROPERTIES	TOTAL
Mid-Continent	169	95.3	$ 55,670	$ 12,478	$ 68,148	$ 47,364	$ (36,702)	$ 78,810
Gulf Coast	10	3.7	22,049	8,288	30,337	629	(2,628)	28,338
Canada	12	7.5	27,380	1,982	29,362	4,100	(813)	32,649
All other areas	20	13.2	24,106	1,315	25,421	--	(5,492)	19,929
Total	211	119.7	$ 129,205	$ 24,063	$ 153,268	$ 52,093	$ (45,635)	$ 159,726

Chesapeake's proved reserves increased 11% to an estimated 1,206 Bcfe at December 31, 1999, compared to 1,091 Bcfe of estimated proved reserves at December 31, 1998 (see note 11 of the notes to our audited consolidated financial statements included at the end of this prospectus).

For 2000, we have established a capital expenditure budget of $200-$210 million, including approximately $160 million allocated to drilling, acreage acquisition, seismic and related capitalized internal costs, and $40-$50 million for acquisitions, debt repayment and general corporate purposes, excluding the pending acquisition of Gothic described below. This budget is subject to adjustment based on drilling results, oil and gas prices, and other factors.

RECENT DEVELOPMENTS

On September 8, 2000, we entered into an Agreement and Plan of Merger to acquire Gothic Energy Corporation (OTC Bulletin Board "GOTH") for 4.0 million shares of common stock. Following the transaction, Gothic's shareholders will own approximately 2.5% of Chesapeake's common stock. In addition, in a series of private transactions closing on June 27, 2000 and August 31, 2000, we purchased 99.7% of Gothic's $104 million of 14.125% Series B Senior Secured Discount Notes for total consideration of $80.8 million, comprised of $23.3 million in cash and $57.5 million of Chesapeake common stock (9,858,363 shares valued at $5.825 per share), subject to adjustment. We also purchased $20 million of the $235 million of 11.125% Senior Secured Notes issued by Gothic's operating subsidiary for $22 million of Chesapeake common stock (3,694,939 shares valued at $6.0371 per share, subject to adjustment) in a private transaction that closed on September 1, 2000. The resulting total acquisition cost to Chesapeake will be approximately $345 million, plus transaction expenses.

Gothic's proved reserves, estimated to be 322 Bcfe at June 30, 2000, are 96% natural gas and 86% proved developed, have an average lifting cost of less than $0.20 per Mcfe, are located primarily in Chesapeake's core Mid-Continent operating area, and are unhedged after October 2000. Based on its current production rate of 80,000 Mcfe per day (or 30 Bcfe per year), Gothic has an 11-year reserves-to-production index. In addition, Chesapeake intends to allocate approximately $20 million of the purchase price to Gothic's undeveloped leasehold inventory, 3-D seismic inventory, lease operating telemetry system and other assets.

Gothic's previously announced plan of restructuring, which contemplated the redemption of Chesapeake's holdings of Gothic's preferred and common stock for oil and gas properties and other considerations, the exchange of the $104 million senior discount note issue for 94% of Gothic's equity and an equity rights offering of $15 million, has been terminated in anticipation of this transaction.

Gothic presently has approximately 23.3 million common shares outstanding. Of the outstanding shares, Chesapeake owns 2.4 million shares and will not participate in the exchange for the 4.0 million Chesapeake common shares to be received by Gothic's other shareholders. Gothic's management and directors have agreed to vote in favor of the agreement.

The Gothic acquisition is subject to approval by Gothic's shareholders and other closing conditions. Completion of the transaction is expected in January 2001. Chesapeake will record the transaction using purchase accounting. Gothic has agreed to provide Chesapeake with a $10 million break-up fee in the event the transaction is not completed. Bear, Stearns & Co., Inc. advised Chesapeake and CIBC World Markets advised Gothic.

PRIMARY OPERATING AREAS

Mid-Continent Region

Chesapeake's Mid-Continent proved reserves of 758 Bcfe represented 63% of Chesapeake's total proved reserves as of December 31, 1999 and this area produced 70 Bcfe, or 52% of Chesapeake's 1999 production. During 1999, Chesapeake invested approximately $56 million to drill 169 gross (95.3 net) wells in the Mid-Continent.

Gulf Coast

Chesapeake's Gulf Coast proved reserves, consisting of the Austin Chalk Trend in Texas and Louisiana, the Wharton County area in Texas, and the Tuscaloosa Trend in Louisiana, represented 190 Bcfe, or 15% of Chesapeake's total proved reserves as of December 31, 1999. During 1999, the Gulf Coast assets produced 45 Bcfe, or 34% of Chesapeake's total production. During 1999, Chesapeake invested approximately $22 million to drill 10 gross (3.7 net) wells in the Gulf Coast.

Helmet Area

Chesapeake's Canadian proved reserves of 178 Bcfe represented 15% of Chesapeake's total proved reserves at December 31, 1999. During 1999, production from Canada was 12 Bcfe, or 9% of Chesapeake's total production. During 1999, Chesapeake invested approximately $27 million to drill 12 gross (7.5 net) wells, install various pipelines and compressors, and to perform capital workovers in Canada.

OTHER OPERATING AREAS

In addition to the primary operating areas described above which are focused on natural gas properties, Chesapeake maintains operations in the Permian Basin in New Mexico and the Williston Basin in North Dakota, Montana and Saskatchewan, Canada, which are focused on developing oil properties. In 1999, these areas contributed 7 Bcfe, or 5% of Chesapeake's total production.

OIL AND GAS RESERVES

The tables below set forth information as of December 31, 1999 with respect to Chesapeake's estimated proved reserves, the estimated future net revenue therefrom and the present value thereof at such date. Williamson Petroleum Consultants, Inc. evaluated 50% and Ryder Scott Company L.P. evaluated 16% of Chesapeake's combined discounted future net revenues from Chesapeake's estimated proved reserves at December 31, 1999. The

remaining properties were evaluated internally by Chesapeake's engineers. All estimates were prepared based upon a review of production histories and other geologic, economic, ownership and engineering data developed by Chesapeake. The present value of estimated future net revenue shown is not intended to represent the current market value of the estimated oil and gas reserves owned by Chesapeake.

ESTIMATED PROVED RESERVES AS OF DECEMBER 31, 1999	OIL (MBbl)	GAS (MMcf)	TOTAL (MMcfe)
Proved developed	17,750	763,323	869,823
Proved undeveloped	7,045	293,503	335,772
Total proved	24,795	1,056,826	1,205,595

ESTIMATED FUTURE NET REVENUE AS OF DECEMBER 31, 1999(a)	PROVED DEVELOPED	PROVED UNDEVELOPED	TOTAL PROVED
		($ IN THOUSANDS)	
Estimated future net revenue	$ 1,470,297	$ 420,878	$1,891,175
Present value of future net revenue	$ 867,985	$ 221,511	$1,089,496

- ----------

(a) Estimated future net revenue represents estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and future development costs, using prices and costs in effect at December 31, 1999. The amounts shown do not give effect to non-property related expenses, such as general and administrative expenses, debt service and future income tax expense or to depreciation, depletion and amortization. The prices used in the external and internal reports yield weighted average prices of $24.72 per barrel of oil and $2.25 per Mcf of gas.

The future net revenue attributable to Chesapeake's estimated proved undeveloped reserves of $420.9 million at December 31, 1999, and the $221.5 million present value thereof, have been calculated assuming that Chesapeake will expend approximately $212.5 million to develop these reserves. The amount and timing of these expenditures will depend on a number of factors, including actual drilling results, product prices and the availability of capital.

No estimates of proved reserves comparable to those included herein have been included in reports to any federal agency other than the Securities and Exchange Commission.

Chesapeake's ownership interest used in calculating proved reserves and the estimated future net revenue therefrom was determined after giving effect to the assumed maximum participation by other parties to Chesapeake's farmout and participation agreements. The prices used in calculating the estimated future net revenue attributable to proved reserves do not reflect market prices for oil and gas production sold subsequent to December 31, 1999. There can be no assurance that all of the estimated proved reserves will be produced and sold at the assumed prices or that existing contracts will be honored or judicially enforced.

There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the control of Chesapeake. The reserve data set forth herein represent only estimates. Reserve engineering is a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact way, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates made by different engineers often vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revision of such estimates, and such revisions may be material. Accordingly, reserve estimates are often different from the actual quantities of oil and gas that are ultimately recovered. Furthermore, the estimated future net revenue from proved reserves and the present value thereof are based upon certain assumptions, including prices, future production levels and cost, that may not prove correct. Predictions about prices and future production levels are subject to great uncertainty, and the foregoing uncertainties are particularly true as to proved undeveloped reserves, which are inherently less certain than proved developed reserves and which comprise a significant portion of Chesapeake's proved reserves.

The following table sets forth Chesapeake's estimated proved reserves by area and the related present value (discounted at 10%) of the proved reserves (based on weighted average prices at December 31, 1999 of $24.72 per barrel of oil and $2.25 per Mcf of gas):

OPERATING AREAS	OIL (MBbl)	GAS (MMcf)	GAS EQUIVALENT (MMcfe)	PERCENT OF PROVED RESERVES	PRESENT VALUE (DISC. @ 10%) ($ IN 000'S)
Mid-Continent	12,230	684,178	757,559	63%	$ 663,993
Gulf Coast	4,169	164,693	189,708	15	211,348
Canada	--	178,242	178,242	15	97,749
Other areas	8,396	29,713	80,086	7	116,406
Total	24,795	1,056,826	1,205,595	100%	$ 1,089,496

During 1999, Chesapeake increased its proved developed reserve percentage to 80% by present value and 72% by volume, and natural gas reserves accounted for 88% of proved reserves at December 31, 1999. See note 11 of the notes to our audited consolidated financial statements included at the end of this prospectus for other disclosures about Chesapeake's oil and gas producing activities.

DRILLING ACTIVITY

The following table sets forth the wells drilled by Chesapeake during the periods indicated. In the table, "gross" refers to the total wells in which Chesapeake has a working interest and "net" refers to gross wells multiplied by Chesapeake's working interest therein.

	YEARS ENDED DECEMBER 31,				SIX MONTHS ENDED DECEMBER 31,		YEAR ENDED JUNE 30,	
	1999		1998		1997		1997	
	GROSS	NET	GROSS	NET	GROSS	NET	GROSS	NET
United States								
Development:								
Productive	167	93.3	158	93.9	55	24.4	90	55.0
Non-productive	17	10.6	9	4.7	1	0.3	2	0.2
Total	184	103.9	167	98.6	56	24.7	92	55.2
Exploratory:								
Productive	9	3.7	46	23.4	28	15.5	71	46.1
Non-productive	6	4.6	9	6.8	2	0.9	8	5.7
Total	15	8.3	55	30.2	30	16.4	79	51.8
Canada								
Development:								
Productive	11	7.3	11	3.6				
Non-productive	1	0.2	1	0.4				
Total	12	7.5	12	4.0				
Exploratory:								
Productive	--	--	1	0.3				
Non-productive	--	--	7	2.1				
Total	--	--	8	2.4				

WELL DATA

At December 31, 1999, Chesapeake had interests in 4,719 (2,235.1 net) producing wells, of which 238 (104.6 net) were classified as primarily oil producing wells and 4,481 (2,130.5 net) were classified as primarily gas producing wells.

VOLUMES, REVENUE, PRICES AND PRODUCTION COSTS

The following table sets forth certain information regarding the production volumes, revenue, average prices received and average production costs associated with Chesapeake's sale of oil and gas for the periods indicated:

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
NET PRODUCTION:				
Oil (MBbl)	4,147	5,976	1,857	2,770
Gas (MMcf)	108,610	94,421	27,326	62,005
Gas equivalent (MMcfe)	133,492	130,277	38,468	78,625
OIL AND GAS SALES ($ IN 000'S):				
Oil	$ 66,413	$ 75,877	$ 34,523	$ 57,974
Gas	214,032	181,010	61,134	134,946
Total oil and gas sales	$ 280,445	$ 256,887	$ 95,657	$ 192,920
AVERAGE SALES PRICE:				
Oil ($ per Bbl)	$ 16.01	$ 12.70	$ 18.59	$ 20.93
Gas ($ per Mcf)	$ 1.97	$ 1.92	$ 2.24	$ 2.18
Gas equivalent ($ per Mcfe)	$ 2.10	$ 1.97	$ 2.49	$ 2.45
OIL AND GAS COSTS ($ PER MCFE):				
Production expenses	$ .35	$ .39	$ .20	$ .14
Production taxes	$ .10	$ .06	$ .07	$ .05
General and administrative	$ .10	$ .15	$ .15	$ .11
Depreciation, depletion and amortization	$ .71	$ 1.13	$ 1.57	$ 1.31

Included in the above table are the results of Canadian operations during 1999 and 1998. The average sales price for Chesapeake's Canadian gas production was $1.19 and $1.03 during 1999 and 1998, respectively, and the Canadian production expenses were $0.18 and $0.24 per Mcfe, respectively.

DEVELOPMENT, EXPLORATION AND ACQUISITION EXPENDITURES

The following table sets forth certain information regarding the costs incurred by Chesapeake in its development, exploration and acquisition activities during the periods indicated:

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS)			
Development and leasehold costs	$ 126,865	$ 176,610	$ 144,283	$ 324,989
Exploration costs	23,693	68,672	40,534	136,473
Acquisition costs	52,093	740,280	39,245	--
Sales of oil and gas properties	(45,635)	(15,712)	--	--
Capitalized internal costs	2,710	5,262	2,435	3,905
Total	$ 159,726	$ 975,112	$ 226,497	$ 465,367

ACREAGE

The following table sets forth as of December 31, 1999 the gross and net acres of both developed and undeveloped oil and gas leases which Chesapeake holds. "Gross" acres are the total number of acres in which Chesapeake owns a working interest. "Net" acres refer to gross acres multiplied by Chesapeake's fractional working interest. Acreage numbers are stated in thousands and do not include options for additional leasehold held by Chesapeake, but not yet exercised.

	DEVELOPED		UNDEVELOPED		TOTAL DEVELOPED AND UNDEVELOPED	
	GROSS	NET	GROSS	NET	GROSS	NET
Mid-Continent	1,439	563	848	306	2,287	869
Gulf Coast	230	156	766	666	996	822
Canada	100	50	641	305	741	355
Other areas	40	21	639	421	679	442
Total	1,809	790	2,894	1,698	4,703	2,488

MARKETING

Chesapeake's oil production is sold under market sensitive or spot price contracts. Chesapeake's natural gas production is sold to purchasers under varying percentage-of-proceeds and percentage-of-index contracts or by direct marketing to end users or aggregators. By the terms of the percentage-of-proceeds contracts, Chesapeake receives a percentage of the resale price received by the purchaser for sales of residue gas and natural gas liquids recovered after gathering and processing Chesapeake's gas. The residue gas and natural gas liquids sold by these purchasers are sold primarily based on spot market prices. The revenue received by Chesapeake from the sale of natural gas liquids is included in natural gas sales. During 1999, only sales to Aquila Southwest Pipeline Corporation of $31.5 million accounted for more than 10% of Chesapeake's total oil and gas sales. Management believes that the loss of this customer would not have a material adverse effect on Chesapeake's results of operations or its financial position.

Sales to individual customers constituting 10% or more of total oil and gas sales were as follows from July 1, 1996 to December 31, 1999:

YEAR ENDED DECEMBER 31,		AMOUNT	PERCENT OF OIL AND GAS SALES
		($ IN THOUSANDS)	
1999	Aquila Southwest Pipeline Corporation	$31,505	11%
1998	Koch Oil Company	$30,564	12%
	Aquila Southwest Pipeline Corporation	28,946	11
SIX MONTHS ENDED DECEMBER 31,			
1997	Aquila Southwest Pipeline Corporation	$20,138	21%
	Koch Oil Company	18,594	19
	GPM Gas Corporation	12,610	13
FISCAL YEAR ENDED JUNE 30,			
1997	Aquila Southwest Pipeline Corporation	$53,885	28%
	Koch Oil Company	29,580	15
	GPM Gas Corporation	27,682	14

Chesapeake Energy Marketing, Inc. ("CEMI"), a wholly-owned subsidiary, provides oil and natural gas marketing services, including commodity price structuring, contract administration and nomination services for Chesapeake, its partners and other oil and natural gas producers in certain geographical areas in which Chesapeake is active.

HEDGING ACTIVITIES

Periodically Chesapeake utilizes hedging strategies to hedge the price of a portion of its future oil and gas production and to manage fixed interest rate exposure. See "Quantitative and Qualitative Disclosures About Market Risk."

REGULATION

General

Numerous departments and agencies, federal, state and local, issue rules and regulations binding on the oil and gas industry, some of which carry substantial penalties for failure to comply. The regulatory burden on the oil and gas industry increases Chesapeake's cost of doing business and, consequently, affects its profitability.

Exploration and Production

Chesapeake's operations are subject to various types of regulation at the federal, state and local levels. Such regulation includes requiring permits for the drilling of wells, maintaining bonding requirements in order to drill or operate wells and regulating the location of wells, the method of drilling and casing wells, the surface use

and restoration of properties upon which wells are drilled, the plugging and abandoning of wells and the disposal of fluids used or obtained in connection with operations. Chesapeake's operations are also subject to various conservation regulations. These include the regulation of the size of drilling and spacing units and the density of wells which may be drilled and the unitization or pooling of oil and gas properties. In this regard, some states (such as Oklahoma) allow the forced pooling or integration of tracts to facilitate exploration while other states (such as Texas) rely on voluntary pooling of lands and leases. In areas where pooling is voluntary, it may be more difficult to form units and, therefore, more difficult to develop a prospect if the operator owns less than 100% of the leasehold. In addition, state conservation laws establish maximum rates of production from oil and gas wells, generally prohibit the venting or flaring of gas and impose certain requirements regarding the ratability of production. The effect of these regulations is to limit the amount of oil and gas Chesapeake can produce from its wells and to limit the number of wells or the locations at which Chesapeake can drill. The extent of any impact on Chesapeake of such restrictions cannot be predicted.

Environmental and Occupational Regulation

General. Chesapeake's activities are subject to existing federal, state and local laws and regulations governing environmental quality and pollution control. It is anticipated that, absent the occurrence of an extraordinary event, compliance with existing federal, state and local laws, rules and regulations concerning the protection of the environment and human health will not have a material effect upon the operations, capital expenditures, earnings or the competitive position of Chesapeake. Chesapeake cannot predict what effect additional regulation or legislation, enforcement policies thereunder and claims for damages for injuries to property, employees, other persons and the environment resulting from Chesapeake's operations could have on its activities.

Activities of Chesapeake with respect to the exploration, development and production of oil and natural gas are subject to stringent environmental regulation by state and federal authorities including the United States Environmental Protection Agency ("EPA"). Such regulation has increased the cost of planning, designing, drilling, operating and in some instances, abandoning wells. In most instances, the regulatory requirements relate to the handling and disposal of drilling and production waste products and waste created by water and air pollution control procedures. Although Chesapeake believes that compliance with environmental regulations will not have a material adverse effect on operations or earnings, risks of substantial costs and liabilities are inherent in oil and gas operations, and there can be no assurance that significant costs and liabilities, including criminal penalties, will not be incurred. Moreover, it is possible that other developments, such as stricter environmental laws and regulations, and claims for damages for injuries to property or persons resulting from Chesapeake's operations could result in substantial costs and liabilities.

Waste Disposal. Chesapeake currently owns or leases, and has in the past owned or leased, numerous properties that for many years have been used for the exploration and production of oil and gas. Although Chesapeake has utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by Chesapeake or on or under other locations where such wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under Chesapeake's control. State and federal laws applicable to oil and natural gas wastes and properties have gradually become more strict. Under such laws, Chesapeake could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators) or property contamination (including groundwater contamination) or to perform remedial plugging operations to prevent future contamination.

Chesapeake generates wastes, including hazardous wastes, that are subject to the federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. The EPA and various state agencies have limited the disposal options for certain hazardous and nonhazardous wastes and are considering the adoption of stricter disposal standards for nonhazardous wastes. Furthermore, certain wastes generated by Chesapeake's oil and natural gas operations that are currently exempt from treatment as hazardous wastes may in the future be designated as hazardous wastes, and therefore be subject to considerably more rigorous and costly operating and disposal requirements.

Superfund. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons with respect to the release of a "hazardous substance" into the environment. These persons include the owner and operator of a site and persons that disposed of or arranged for the disposal of the hazardous substances found at a site. CERCLA also authorizes the EPA and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from responsible classes of persons the costs of such action. In the course of its operations, Chesapeake may have generated and may generate wastes that fall within CERCLA's definition of "hazardous substances". Chesapeake may also be or have been an owner of sites on which "hazardous substances" have been released. Chesapeake may be responsible under CERCLA for all or part of the costs to clean up sites at which such wastes have been released. To date, however, neither Chesapeake nor, to its knowledge, its predecessors or successors have been named a potentially responsible party under CERCLA or similar state superfund laws affecting property owned or leased by Chesapeake.

Air Emissions. The operations of Chesapeake are subject to local, state and federal regulations for the control of emissions of air pollution. Legal and regulatory requirements in this area are increasing, and there can be no assurance that significant costs and liabilities will not be incurred in the future as a result of new regulatory developments. In particular, regulations promulgated under the Clean Air Act Amendments of 1990 may impose additional compliance requirements that could affect Chesapeake's operations. However, it is impossible to predict accurately the effect, if any, of the Clean Air Act Amendments on Chesapeake at this time. Chesapeake may in the future be subject to civil or administrative enforcement actions for failure to comply strictly with air regulations or permits. These enforcement actions are generally resolved by payment of monetary fines and correction of any identified deficiencies. Alternatively, regulatory agencies could require Chesapeake to forego construction or operation of certain air emission sources.

OSHA. Chesapeake is subject to the requirements of the federal Occupational Safety and Health Act ("OSHA") and comparable state statutes. The OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and similar state statutes require Chesapeake to organize information about hazardous materials used, released or produced in its operations. Certain of this information must be provided to employees, state and local governmental authorities and local citizens. Chesapeake is also subject to the requirements and reporting set forth in OSHA workplace standards. Chesapeake provides safety training and personal protective equipment to its employees.

OPA and Clean Water Act. Federal regulations require certain owners or operators of facilities that store or otherwise handle oil, such as Chesapeake, to prepare and implement spill prevention control plans, countermeasure plans and facilities response plans relating to the possible discharge of oil into surface waters. The Oil Pollution Act of 1990 ("OPA") amends certain provisions of the federal Water Pollution Control Act of 1972, commonly referred to as the Clean Water Act ("CWA"), and other statutes as they pertain to the prevention of and response to oil spills into navigable waters. The OPA subjects owners of facilities to strict joint and several liability for all containment and cleanup costs and certain other damages arising from a spill, including, but not limited to, the costs of responding to a release of oil to surface waters. The CWA provides penalties for any discharges of petroleum product in reportable quantities and imposes substantial liability for the costs of removing a spill. State laws for the control of water pollution also provide varying civil and criminal penalties and liabilities in the case of releases of petroleum or its derivatives into surface waters or into the ground. Regulations are currently being developed under OPA and state laws concerning oil pollution prevention and other matters that may impose additional regulatory burdens on Chesapeake. In addition, the CWA and analogous state laws require permits to be obtained to authorize discharges into surface waters or to construct facilities in wetland areas. With respect to certain of its operations, Chesapeake is required to maintain such permits or meet general permit requirements. The EPA has adopted regulations concerning discharges of storm water runoff. This program requires covered facilities to obtain individual permits, participate in a group permit or seek coverage under an EPA general permit. Chesapeake believes that with respect to existing properties it has obtained, or is included under, such permits and with respect to future operations it will be able to obtain, or be included under, such permits, where necessary. Compliance with such permits is not expected to have a material effect on Chesapeake.

NORM. Oil and gas exploration and production activities have been identified as generators of concentrations of low-level naturally-occurring radioactive materials ("NORM"). NORM regulations have recently

been adopted in several states. Chesapeake is unable to estimate the effect of these regulations, although based upon Chesapeake's preliminary analysis to date, Chesapeake does not believe that its compliance with such regulations will have a material adverse effect on its operations or financial condition.

Safe Drinking Water Act. Chesapeake's operations involve the disposal of produced saltwater and other nonhazardous oilfield wastes by reinjection into the subsurface. Under the Safe Drinking Water Act ("SDWA"), oil and gas operators, such as Chesapeake, must obtain a permit for the construction and operation of underground Class II injection wells. To protect against contamination of drinking water, periodic mechanical integrity tests are often required to be performed by the well operator. Chesapeake has obtained such permits for the Class II wells it operates. Chesapeake also has disposed of wastes in facilities other than those owned by Chesapeake which are commercial Class II injection wells.

Toxic Substances Control Act. The Toxic Substances Control Act ("TSCA") was enacted to control the adverse effects of newly manufactured and existing chemical substances. Under the TSCA, the EPA has issued specific rules and regulations governing the use, labeling, maintenance, removal from service and disposal of PCB items, such as transformers and capacitors used by oil and gas companies. Chesapeake may own such PCB items but does not believe compliance with TSCA has had or will have a material adverse effect on Chesapeake's operations or financial condition.

TITLE TO PROPERTIES

Title to properties is subject to royalty, overriding royalty, carried, net profits, working and other similar interests and contractual arrangements customary in the oil and gas industry, to liens for current taxes not yet due and to other encumbrances. As is customary in the industry in the case of undeveloped properties, only cursory investigation of record title is made at the time of acquisition. Drilling title opinions are usually prepared before commencement of drilling operations. From time to time, Chesapeake's title to oil and gas properties is challenged through legal proceedings. Chesapeake is routinely involved in litigation involving title to certain of its oil and gas properties, some of which management believes could be adverse to Chesapeake, individually or in the aggregate.

OPERATING HAZARDS AND INSURANCE

The oil and gas business involves a variety of operating risks, including the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as oil spills, gas leaks, ruptures or discharges of toxic gases, the occurrence of any of which could result in substantial losses to Chesapeake due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Chesapeake's horizontal and deep drilling activities involve greater risk of mechanical problems than vertical and shallow drilling operations.

Chesapeake maintains a $50 million oil and gas lease operator policy that insures Chesapeake against certain sudden and accidental risks associated with drilling, completing and operating its wells. There can be no assurance that this insurance will be adequate to cover any losses or exposure to liability. Chesapeake also carries comprehensive general liability policies and a $75 million umbrella policy. Chesapeake and its subsidiaries carry workers' compensation insurance in all states in which they operate and a $75 million employment practice liability policy. While Chesapeake believes these policies are customary in the industry, they do not provide complete coverage against all operating risks.

EMPLOYEES

Chesapeake had 427 full-time employees as of June 30, 2000. No employees are represented by organized labor unions. Chesapeake considers its employee relations to be good.

FACILITIES

Chesapeake owns an office building complex in Oklahoma City totaling approximately 86,500 square feet and nine acres of land that comprise its headquarters' offices. Chesapeake also owns field offices in Lindsay and

Waynoka, Oklahoma and Garden City, Kansas. Chesapeake leases office space in Oklahoma City and Weatherford, Oklahoma; Fritch and Navasota, Texas; and Dickinson, North Dakota. Chesapeake also has leased office space in College Station, Texas; Wichita, Kansas; and Calgary, Alberta, Canada, which has been sub-leased.

LEGAL PROCEEDINGS

Chesapeake is subject to ordinary routine litigation incidental to its business. In addition, the following matters are pending or were recently terminated:

Securities Litigation

On March 3, 2000, the U.S. District Court for the Western District of Oklahoma dismissed a consolidated class action complaint styled In re Chesapeake Energy Corporation Securities Litigation. The complaint, which consolidated twelve purported class action suits filed in August and September 1997, alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by Chesapeake and certain of its officers and directors. The action was brought on behalf of purchasers of Chesapeake's common stock and common stock options between January 25, 1996 and June 27, 1997. The complaint alleged that the defendants made material misrepresentations and failed to disclose material facts about Chesapeake's exploration and drilling activities in the Louisiana Trend. The Court ruled that Chesapeake had disclosed the precise risks of its Louisiana Trend activities. Plaintiffs have filed a motion to amend their consolidated complaint but no appeal has been filed.

Bayard Drilling Technologies, Inc.

On July 30, 1998, the plaintiffs in Yuan, et al. v. Bayard, et al. filed an amended class action complaint in the U.S. District Court for the Western District of Oklahoma alleging violations of Sections 11 and 12 of the Securities Act of 1933 and Section 408 of the Oklahoma Securities Act by Chesapeake and others. The action, originally filed in February 1998, was brought purportedly on behalf of investors who purchased Bayard common stock in, or traceable to, Bayard's initial public offering in November 1997. The defendants include officers and directors of Bayard who signed the registration statement, selling shareholders (including Chesapeake) and underwriters of the offering. Total proceeds of the offering were $254 million, of which Chesapeake received net proceeds of $90 million.

Plaintiffs allege that Chesapeake, which owned 30.1% of Bayard's outstanding common stock prior to the offering, was a controlling person of Bayard. Plaintiffs also allege that Chesapeake had established an interlocking financial relationship with Bayard and was a customer of Bayard's drilling services under allegedly below-market terms. Plaintiffs assert that the Bayard prospectus contained material omissions and misstatements relating to (i) Chesapeake's financial "problems" and their impact on Bayard's operating results, (ii) increased costs associated with Bayard's growth strategy, (iii) undisclosed pending related-party transactions between Bayard and third parties other than Chesapeake, (iv) Bayard's planned use of offering proceeds and (v) Bayard's capital expenditures and liquidity. The alleged defective disclosures are claimed to have resulted in a decline in Bayard's share price following the public offering. Plaintiffs seek a determination that the suit is a proper class action and damages in an unspecified amount or rescission, together with interest and costs of litigation, including attorneys' fees.

On August 24, 1999, the District Court entered an order granting in part and denying in part defendants' motion to dismiss the action. The court dismissed plaintiffs' claims against Chesapeake under Section 15 of the Securities Act of 1933 alleging that Chesapeake was a "controlling person" of Bayard. The Court denied that portion of defendants' motion seeking dismissal of plaintiffs' claims under Sections 11 and 12(a)(2) of the Securities Act of 1933 and Section 408 of the Oklahoma Securities Act. Of these, only the Section 11 claim and the Section 408 claim are asserted against Chesapeake. Discovery is proceeding in the case and trial is presently scheduled to be held in May 2001.

Chesapeake believes that it has meritorious defenses to these claims and intends to defend this action vigorously. No estimate of loss or range of estimate of loss, if any, can be made at this time. Bayard, which was acquired by Nabors Industries, Inc. in April 1999, has been reimbursing Chesapeake for its costs of defense as incurred.

Patent Litigation

In Union Pacific Resources Company v. Chesapeake, et al., filed in October 1996 in the U.S. District Court for the Northern District of Texas, Fort Worth Division, UPRC asserted that Chesapeake had infringed UPRC's patent covering a "geosteering" method utilized in drilling horizontal wells. Following a trial to the court in June 1999, the court ruled on September 21, 1999 that the patent was invalid. Because the patent was declared invalid, the court held that Chesapeake could not have infringed the patent, dismissed all of UPRC's claims with prejudice and assessed court costs against UPRC. The court concluded that the UPRC patent was invalid for failure to definitively describe the patented method in the patent claims and for failure to provide sufficient disclosure in the patent to enable one of ordinary skill in the art to practice the patented method. Appeals of the judgment by both Chesapeake and UPRC are pending in the Federal Circuit Court of Appeals. Management is unable to predict the outcome of these appeals but believes the invalidity of the patent will be upheld on appeal. Chesapeake has appealed the trial court's ruling denying Chesapeake's request for attorneys' fees.

West Panhandle Field Cessation Cases

A subsidiary of Chesapeake, Chesapeake Panhandle Limited Partnership ("CP") (f/k/a MC Panhandle, Inc.), and two subsidiaries of Kinder Morgan, Inc. are defendants in 13 lawsuits filed between June 1997 and January 1999 by royalty owners seeking the cancellation of oil and gas leases in the West Panhandle Field in Texas. MC Panhandle, Inc., which Chesapeake acquired in April 1998, has owned the leases since January 1, 1997. The co-defendants are prior lessees.

Plaintiffs claim the leases terminated upon the cessation of production for various periods primarily during the 1960s. In addition, plaintiffs seek to recover conversion damages, exemplary damages, attorneys' fees and interest. Defendants assert that any cessation of production was excused and have pled affirmative defenses of limitations, waiver, temporary estoppel, laches and title by adverse possession. Four of the 13 cases have been tried; no trial dates have been set for the other cases.

Following are the cases pending or tried in the District Court of Moore County, Texas, 69th Judicial District:

Lois Law, et al. v. NGPL, et al., No. 97-70, filed December 22, 1997, jury trial in June 1999, verdict for Chesapeake and co-defendants. The jury found plaintiffs' claims were barred by adverse possession, laches and revivor. On January 19, 2000, the court granted plaintiffs' motion for judgment notwithstanding verdict and entered judgment in favor of plaintiffs. In addition to quieting title to the lease (including existing gas wells and all attached equipment) in plaintiffs, the court awarded actual damages against CP in the amount of $716,400 and exemplary damages in the amount of $25,000. The court further awarded, jointly and severally from all defendants, $160,000 in attorneys' fees and interest and court costs. CP and the other defendants have appealed and posted supersedeas bonds.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-30, first filed December 17, 1997, refiled May 11, 1998, jury trial in June 1999, verdict for Chesapeake and co-defendants. The jury found plaintiffs' claims were barred by laches and adverse possession. On September 28, 1999, the court granted plaintiffs' motion for judgment notwithstanding verdict and entered judgment in favor of plaintiffs. In addition to quieting title to the lease (including existing gas wells and all attached equipment) in plaintiffs, the court awarded actual damages as of June 28, 1999 of $545,000 from CP and $235,000 jointly and severally from the other two defendants. The court further awarded, jointly and severally from all defendants, $77,500 of attorneys' fees in the event of an appeal, $1,900 of sanctions, interest and court costs. CP and the other two defendants filed an appeal of the judgment in the Court of Appeals for the Seventh District of Texas in Amarillo on October 12, 1999, and they have each posted a supersedeas bond.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-36, first filed February 2, 1998, refiled May 20, 1998, jury trial in July 1999, verdict for plaintiffs. The jury found that the defendants were bad-faith trespassers and produced gas from the leases as a result of fraud. On September 28, 1999, the court entered final judgment for plaintiffs terminating the lease, quieting title to the lease (including existing gas wells and all attached equipment)

in plaintiffs as of June 1, 1999 and awarding actual damages of $1.5 million, attorneys' fees of $97,500 in the event of an appeal, interest and court costs. CP's liability for this award is joint and several with the other two defendants. The court also awarded exemplary damages of $1.2 million against each of CP and the other two defendants. CP and the other two defendants filed an appeal of the judgment in the Court of Appeals for the Seventh District of Texas in Amarillo on October 12, 1999, and they have each posted a supersedeas bond.

A. C. Smith, et al. v. NGPL, et al., No. 98-47, first filed January 26, 1998, refiled May 29, 1998. On June 18, 1999, the court granted plaintiffs' motion for summary judgment in part, finding that the lease had terminated due to the cessation of production, subject to the defendants' affirmative defenses.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-35, first filed February 2, 1998, refiled May 20, 1998. On December 3, 1999, the Court entered a partial summary judgment finding the lease had terminated and that defendants' affirmative defenses all failed as a matter of law except with respect to the defense of revivor against certain of the plaintiffs. CP and the other defendants filed a motion to reconsider on December 22, 1999.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-49, first filed March 10, 1998, refiled May 29, 1998.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-50, first filed March 18, 1998, refiled May 29, 1998.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-51, first filed December 2, 1997, refiled May 29, 1998.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-48, first filed February 2, 1998, refiled May 29, 1998.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-70, first filed March 23, 1998, refiled October 22, 1998.

The Pool cases listed above were first filed in the U.S. District Court, Northern District of Texas, Amarillo Division. Other related cases pending are the following:

Phillip Thompson, et al. v. NGPL, et al, U.S. District Court, Northern District of Texas, Amarillo Division, Nos. 2:98-CV-012 and 2:98-CV-106, filed January 8, 1998 and March 18, 1998, respectively (actions consolidated), jury trial in May 1999, verdict for Chesapeake and co-defendants. The jury found plaintiffs' claims were barred by the payment of shut-in royalties, laches, and revivor. Plaintiffs have filed a motion for a new trial.

Craig Fuller, et al. v. NGPL, et al., District Court of Carson County, Texas, 100th Judicial District, No. 8456, filed June 23, 1997, cross motions for summary judgment pending.

Pace v. NGPL et al., U.S. District Court, Northern District of Texas, Amarillo Division, filed January 29, 1999. Defendants' motion for summary judgment pending.

Chesapeake has previously established an accrued liability that management believes will be sufficient to cover the estimated costs of litigation for each of these cases. Because of the inconsistent verdicts reached by the juries in the four cases tried to date and because the amount of damages sought is not specified in all of the other cases, the outcome of the remaining trials and the amount of damages that might ultimately be awarded could differ from management's estimates. Management believes, however, that the leases are valid, there is no basis for exemplary damages and that any findings of fraud or bad faith will be overturned on appeal. CP and the other defendants intend to vigorously defend against the plaintiffs' claims.

MANAGEMENT

INFORMATION REGARDING DIRECTORS

Aubrey K. McClendon, age 41, has served as Chairman of the Board, Chief Executive Officer and a director since co-founding Chesapeake in 1989. From 1982 to 1989, Mr. McClendon was an independent producer of oil and gas in affiliation with Tom L. Ward, Chesapeake's President and Chief Operating Officer. Mr. McClendon is a member of the Board of Visitors of the Fuqua School of Business at Duke University. Mr. McClendon is a 1981 graduate of Duke University.

Tom L. Ward, age 41, has served as President, Chief Operating Officer and a director of Chesapeake since co-founding Chesapeake in 1989. From 1982 to 1989, Mr. Ward was an independent producer of oil and gas in affiliation with Aubrey K. McClendon, Chesapeake's Chairman and Chief Executive Officer. Mr. Ward is a member of the Board of Trustees of Anderson University in Anderson, Indiana. Mr. Ward graduated from the University of Oklahoma in 1981.

Breene M. Kerr, age 71, has been a director of Chesapeake since 1993. He is President of Brookside Company, Easton, Maryland. In 1969, Mr. Kerr founded Kerr Consolidated, Inc., which was sold in 1996. In 1969, Mr. Kerr co-founded the Resource Analysis and Management Group and remained its senior partner until 1982. From 1967 to 1969, he was Vice President of Kerr-McGee Chemical Corporation. From 1951 through 1967, Mr. Kerr worked for Kerr-McGee Corporation as a geologist and land manager. Mr. Kerr has served as chairman of the Investment Committee for the Massachusetts Institute of Technology and is a life member of the Corporation (Board of Trustees) of that university. He served as a director of Kerr-McGee Corporation from 1957 to 1981. Mr. Kerr currently is a trustee of the Brookings Institution in Washington, D.C., and has been an associate director since 1987 of Aven Gas & Oil, Inc., an oil and gas property management company located in Oklahoma City. Mr. Kerr graduated from the Massachusetts Institute of Technology in 1951.

Edgar F. Heizer, Jr., age 70, has been a director of Chesapeake since 1993. From 1985 to the present, Mr. Heizer has been a private venture capitalist. He founded Heizer Corporation, a publicly traded business development company, in 1969 and served as Chairman and Chief Executive Officer from 1969 until 1986, when Heizer Corporation was reorganized into a number of public and private companies. Mr. Heizer was Assistant Treasurer of the Allstate Insurance Company from 1962 to 1969 in charge of Allstate's venture capital operations. He was employed by Booz, Allen and Hamilton from 1958 to 1962, Kidder, Peabody & Co. from 1956 to 1958, and Arthur Andersen & Co. from 1954 to 1956. He serves on the advisory board of the Kellogg School of Management at Northwestern University. Mr. Heizer is a director of Material Science Corporation, a New York Stock Exchange listed company in Elk Grove, Illinois, and several private companies. Mr. Heizer graduated from Northwestern University in 1951 and from Yale University Law School in 1954.

Frederick B. Whittemore, age 69, has been a director of Chesapeake since 1993. Mr. Whittemore has been an advisory director of Morgan Stanley Dean Witter & Co. since 1989 and was a managing director or partner of the predecessor firms of Morgan Stanley Dean Witter & Co. from 1967 to 1989. He was Vice-Chairman of the American Stock Exchange from 1982 to 1984. Mr. Whittemore is a director of Partner Reinsurance Company, Bermuda; Maxcor Financial Group Inc., New York; SunLife of New York, New York; KOS Pharmaceuticals, Inc., Miami, Florida; and Southern Pacific Petroleum, Australia, NL. Mr. Whittemore graduated from Dartmouth College in 1953 and from the Amos Tuck School of Business Administration in 1954.

Shannon T. Self, age 43, has been a director of Chesapeake since 1993. He is a shareholder in the law firm of Self, Giddens & Lees, Inc., a professional corporation, in Oklahoma City, which he co-founded in 1991. Mr. Self was an associate and shareholder in the law firm of Hastie and Kirschner, Oklahoma City, from 1984 to 1991 and was employed by Arthur Young & Co. from 1979 to 1980. Mr. Self is a member of the Visiting Committee of Northwestern University School of Law and for part of 1999 was a director of The Rock Island Group, a private computer firm in Oklahoma City. Mr. Self is a Certified Public Accountant. He graduated from the University of Oklahoma in 1979 and from Northwestern University Law School in 1984.

INFORMATION REGARDING OFFICERS

Executive Officers

In addition to Messrs. McClendon and Ward, the following are also executive officers of Chesapeake.

Marcus C. Rowland, age 47, was appointed Executive Vice President in March 1998 and has been Chesapeake's Chief Financial Officer since 1993. He served as Senior Vice President from September 1997 to March 1998 and as Vice President - Finance from 1993 until 1997. From 1990 until his association with Chesapeake, Mr. Rowland was Chief Operating Officer of Anglo-Suisse, L.P. assigned to the White Nights Russian Enterprise, a joint venture of Anglo-Suisse, L.P. and Phibro Energy Corporation, a major foreign operation which was granted the right to engage in oil and gas operations in Russia. Prior to his association with White Nights Russian Enterprise, Mr. Rowland owned and managed his own oil and gas company and prior to that was Chief Financial Officer of a private exploration company in Oklahoma City from 1981 to 1985. Mr. Rowland is a Certified Public Accountant. Mr. Rowland graduated from Wichita State University in 1975.

Steven C. Dixon, age 42, has been Senior Vice President - Operations since 1995 and served as Vice President - Exploration from 1991 to 1995. Mr. Dixon was a self-employed geological consultant in Wichita, Kansas from 1983 through 1990. He was employed by Beren Corporation in Wichita, Kansas from 1980 to 1983 as a geologist. Mr. Dixon graduated from the University of Kansas in 1980.

J. Mark Lester, age 47, has been Senior Vice President - Exploration since 1995 and served as Vice President - Exploration from 1989 to 1995. From 1986 to 1989, Mr. Lester was self-employed and acted as a consultant to Messrs. McClendon and Ward. He was employed by various independent oil companies in Oklahoma City from 1980 to 1986, and was employed by Union Oil Company of California from 1977 to 1980 as a geophysicist. Mr. Lester graduated from Purdue University in 1975 and in 1977.

Henry J. Hood, age 40, was appointed Senior Vice President - Land and Legal in 1997 and served as Vice President - Land and Legal from 1995 to 1997. Mr. Hood was retained as a consultant to Chesapeake during the two years prior to his joining Chesapeake, and he was associated with the law firm of White, Coffey, Galt & Fite from 1992 to 1995. Mr. Hood was associated with or a partner of the law firm of Watson & McKenzie from 1987 to 1992. Mr. Hood is a member of the Oklahoma and Texas Bar Associations. Mr. Hood graduated from Duke University in 1982 and from the University of Oklahoma College of Law in 1985.

Martha A. Burger, age 47, has served as Treasurer since 1995, as Senior Vice President - Human Resources since March 2000 and as Secretary since November 1999. She was Chesapeake's Vice President - Human Resources from 1998 until March 2000 and Human Resources Manager from 1996 to 1998. From 1994 to 1995, she served in various accounting positions with Chesapeake including Assistant Controller - Operations. From 1989 to 1993, Ms. Burger was employed by Hadson Corporation as Assistant Treasurer and from 1993 to 1994 served as Vice President and Controller of Hadson Corporation. Prior to joining Hadson Corporation, Ms. Burger was employed by The Phoenix Resource Companies, Inc. as Assistant Treasurer and by Arthur Andersen & Co. Ms. Burger is a Certified Public Accountant and graduated from the University of Central Oklahoma in 1982 and from Oklahoma City University in 1992.

Michael A. Johnson, age 35, has served as Senior Vice President - Accounting since March 2000. He served as Vice President of Accounting and Financial Reporting from March 1998 to March 2000 and as Assistant Controller to Chesapeake from 1993 to 1998. From 1991 to 1993 Mr. Johnson served as Project Manager for Phibro Energy Production, Inc., a Russian joint venture. From 1987 to 1991 he served as audit manager for Arthur Andersen & Co. Mr. Johnson is a Certified Public Accountant and graduated from the University of Texas at Austin in 1987.

Other Officers

Thomas L. Winton, age 53, has served as Senior Vice President - Information Technology and Chief Information Officer since July 1998. From 1985 until his association with Chesapeake, Mr. Winton served as the Director, Information Services Department, at Union Pacific Resources Company. Prior to that period Mr. Winton

held the positions of Regional Manager - Information Services from 1984 until 1985 and Manager - Technical Applications Planning and Development from 1980 until 1984 with UPRC. Mr. Winton also served as an analyst and supervisor in the Operations Research Division, Conoco Inc., from 1973 until 1980. Mr. Winton graduated from Oklahoma Christian University in 1969, Creighton University in 1973 and the University of Houston in 1980. Mr. Winton also completed the Tuck Executive Program, Amos Tuck School of Business, Dartmouth College in 1987.

Douglas J. Jacobson, age 46, has served as Senior Vice President - Acquisitions & Divestitures since August 1999. Prior to joining Chesapeake, Mr. Jacobson was employed by Samson Investment Company from 1980 until August 1999, where he served as Senior Vice President - Project Development and Marketing from 1996 until 1999. Mr. Jacobson has served on various Oklahoma legislative commissions intended to address issues in the oil and gas industry, including the Commission of Oil and Gas Production Practices and the Natural Gas Policy Commission. Mr. Jacobson is a Certified Public Accountant and graduated from John Brown University in 1976 and from the University of Arkansas in 1977.

Thomas S. Price, Jr., age 48, has served as Senior Vice President - Corporate Development since March 2000, as Vice President - Corporate Development since 1992 and was a consultant to Chesapeake during the prior two years. He was employed by Kerr-McGee Corporation, Oklahoma City, from 1988 to 1990 and by Flag-Redfern Oil Company from 1984 to 1988. Mr. Price is Vice Chairman of the Mid-Continent Oil and Gas Association and a member of the Petroleum Investor Relations Association and the National Investor Relations Institute. Mr. Price graduated from the University of Central Oklahoma in 1983, from the University of Oklahoma in 1989 and from the American Graduate School of International Management in 1992.

James C. Johnson, age 42, was appointed President of Chesapeake Energy Marketing, Inc., a wholly-owned subsidiary of Chesapeake Energy Corporation, in January 2000. He served as Vice President - Contract Administration for Chesapeake from 1997 to January 2000 and as Manager - Contract Administration from 1996 to 1997. From 1980 to 1996, Mr. Johnson held various gas marketing and land positions with Enogex, Inc., Delhi Gas Pipeline Corporation, TXO Production Corp. and Gulf Oil Corporation. Mr. Johnson is a member of the Natural Gas Association of Oklahoma and graduated from the University of Oklahoma in 1980.

Stephen W. Miller, age 43, has served as Vice President - Operations since 1996 and served as District Manager - College Station District from 1994 to 1996. Mr. Miller held various engineering positions in the oil and gas industry from 1980 to 1993. Mr. Miller is a registered Professional Engineer in Texas, is a member of the Society of Petroleum Engineers and graduated from Texas A & M University in 1980.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

In 1997 Chesapeake changed its fiscal year end to December 31 from June 30. The following table sets forth for the fiscal years ended December 31, 1999 and 1998, the transition period for the six months ended December 31, 1997 and the fiscal year ended June 30, 1997 the compensation earned in each period by (i) Chesapeake's chief executive officer, and (ii) the four other most highly compensated executive officers:

		ANNUAL COMPENSATION				
NAME AND PRINCIPAL POSITION	PERIOD ENDING	SALARY	BONUS	OTHER ANNUAL COMPENSATION(a)	SECURITIES UNDERLYING OPTION AWARDS (# OF SHARES)(b)	ALL OTHER COMPENSATION(c)
Aubrey K. McClendon Chairman of the Board and Chief Executive Officer	12/31/99	$ 350,000	$300,000	$ 137,029	500,000	$ 19,500
	12/31/98	$ 350,000	$325,000	$ 115,429	1,505,808 (d)	$ 10,000
	12/31/97	$ 150,000	$200,000	$ 92,625	457,800 (d)	$ --
	6/30/97	$ 250,000	$310,000	$ 76,950	463,000 (d)	$ 11,050
Tom L. Ward President and Chief Operating Officer	12/31/99	$ 350,000	$300,000	$ 113,331	500,000	$ 20,000
	12/31/98	$ 350,000	$325,000	$ 115,977	1,505,808 (d)	$ 10,000
	12/31/97	$ 150,000	$200,000	$ 93,026	457,800 (d)	$ --
	6/30/97	$ 250,000	$310,000	$ 77,908	463,000 (d)	$ 13,700
Marcus C. Rowland Executive Vice President and Chief Financial Officer	12/31/99	$ 262,500	$110,000	$ 41,428	125,000	$ 6,000
	12/31/98	$ 250,000	$175,000	(e)	397,476 (d)	$ 10,000
	12/31/97	$ 112,500	$100,000	(e)	131,600 (d)	$ --
	6/30/97	$ 185,000	$155,000	(e)	36,000 (d)	$ 9,500
Steven C. Dixon Senior Vice President - Operations	12/31/99	$ 190,000	$ 55,000	(e)	40,000	$ 11,500
	12/31/98	$ 190,000	$110,000	(e)	206,120 (d)	$ 10,000
	12/31/97	$ 87,500	$ 50,000	(e)	92,000 (d)	$ --
	6/30/97	$ 145,000	$105,000	(e)	30,000 (d)	$ 11,500
J. Mark Lester Senior Vice President - Exploration	12/31/99	$ 177,500	$ 55,000	(e)	40,000	$ 11,980
	12/31/98	$ 175,000	$100,000	(e)	153,691 (d)	$ 10,000
	12/31/97	$ 80,000	$ 40,000	(e)	69,700 (d)	$ 2,660
	6/30/97	$ 132,500	$ 70,000	(e)	19,500 (d)	$ 10,400

- ----------

(a) Represents the cost of personal benefits provided by Chesapeake, including for fiscal year 1999 personal accounting support ($65,175 for Messrs. McClendon and Ward), personal vehicle ($18,000 for Messrs. McClendon and Ward and $12,000 for Mr. Rowland), travel allowance ($50,000 for Mr. McClendon, $25,904 for Mr. Ward and $25,000 for Mr. Rowland) and country club membership dues ($3,854 for Mr. McClendon, $4,252 for Mr. Ward and $4,428 for Mr. Rowland).

(b) No awards of restricted stock or payments under long-term incentive plans were made by Chesapeake to any of the named executives in any period covered by the table.

(c) Represents Chesapeake's matching contributions to the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan.

(d) Includes both (i) option grants which were canceled and (ii) replacement options which were granted at 60% of the original number of options granted.

(e) Other annual compensation did not exceed the lesser of $50,000 ($25,000 for the transition period) or 10% of the executive officer's salary and bonus during the period.

STOCK OPTIONS GRANTED DURING 1999

The following table sets forth information concerning options to purchase common stock granted during 1999 to the executive officers named in the Summary Compensation Table. Amounts represent stock options granted under Chesapeake's 1994 and 1999 stock option plans and include both incentive and non-qualified stock options. One-fourth of each option grant becomes exercisable on each of the first four grant date anniversaries. The exercise price of each option represents the market price of the common stock on the date of grant.

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATE OF STOCK PRICE APPRECIATION FOR OPTION TERM(a)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN YEAR ENDED 12/31/99	EXERCISE PRICE PER SHARE	EXPIRATION DATE	5%	10%
Aubrey K. McClendon	500,000	17.9%	$0.94	3/5/09	$ 295,580	$ 749,059
Tom L. Ward	500,000	17.9%	$0.94	3/5/09	$ 295,580	$ 749,059
Marcus C. Rowland	125,000	4.5%	$0.94	3/5/09	$ 73,895	$ 187,265
Steven C. Dixon	40,000	1.4%	$0.94	3/5/09	$ 23,646	$ 59,925
J. Mark Lester	40,000	1.4%	$0.94	3/5/09	$ 23,646	$ 59,925

(a) The assumed annual rates of stock price appreciation of 5% and 10% are set by the Securities and Exchange Commission and are not intended as a forecast of possible future appreciation in stock prices.

AGGREGATED OPTION EXERCISES IN 1999 AND DECEMBER 31, 1999 OPTION VALUES

The following table sets forth information about options exercised by the named executive officers during 1999 and the unexercised options to purchase common stock held by them at December 31, 1999.

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED(b)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/99		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 12/31/99(a)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Aubrey K. McClendon	--	$ --	722,953	1,629,355	$ 585,434	$ 2,131,694
Tom L. Ward	315,000	$ 329,544	722,953	1,629,355	$ 585,434	$ 2,131,694
Marcus C. Rowland	139,871	$ 305,642	--	423,105	$ --	$ 552,631
Steven C. Dixon	--	$ --	416,434	194,586	$ 504,871	$ 250,833
J. Mark Lester	--	$ --	115,827	155,264	$ 151,094	$ 201,680

- ----------

(a) At December 31, 1999, the closing price of the common stock on the New York Stock Exchange was $2.38. "In-the-money options" are stock options with respect to which the market value of the underlying shares of common stock exceeded the exercise price at December 31, 1999. The values shown were determined by subtracting the aggregate exercise price of such options from the aggregate market value of the underlying shares of common stock on December 31, 1999.

(b) Represents amounts determined by subtracting the aggregate exercise price of such options from the aggregate market value of the underlying shares of common stock on the exercise date.

EMPLOYMENT AGREEMENTS

Chesapeake has employment agreements with Messrs. McClendon and Ward, each of which provides, among other things, for an annual base salary of not less than $350,000, bonuses at the discretion of the Board of Directors, eligibility for stock options and benefits, including an automobile and travel allowance, club membership and personal accounting support. Each agreement has a term of five years commencing July 1, 1998, which term is automatically extended for one additional year on each June 30 unless one of the parties provides 30 days prior notice of non-extension. In addition, for each calendar year during which the employment agreements are in effect, Messrs. McClendon and Ward each agree to hold shares of Chesapeake's common stock having an aggregate investment value equal to 500% of his annual base salary and bonus.

Under the employment agreements, Messrs. McClendon and Ward are permitted to participate in all of the wells spudded by or on behalf of Chesapeake during each calendar quarter. In order to participate, at least 30 days prior to the beginning of a calendar quarter the executive must notify the disinterested members of the Compensation Committee whether the executive elects to participate and, if so, the percentage working interest the executive will take in each well spudded by or on behalf of Chesapeake during such quarter. The participation election by Messrs. McClendon or Ward may not exceed a 2.5% working interest in a well and is not effective for any well where Chesapeake's working interest after elections by Messrs. McClendon and Ward to participate would be reduced to below 12.5%. Once an executive elects to participate, the percentage cannot be adjusted during the calendar quarter without the prior written consent of the disinterested directors, and no such adjustment has ever been requested or granted. For each well in which the executive participates, Chesapeake bills to the executive an amount equal to the executive's participation percentage multiplied by the costs of drilling and operating incurred in drilling the well, together with leasehold costs in an amount determined by Chesapeake to approximate what third parties pay for similar leasehold in the area of the well. Payment is due within 150 days for invoices received

prior to June 30, 2000 and within 90 days for invoices received subsequent to such date. The executive also receives a proportionate share of revenue from the well less certain charges by Chesapeake for marketing the production. As a result of marketing arrangements with other participants in Chesapeake's wells to correct the timing of the receipt of revenues, Chesapeake has advanced to the executives an amount equal to two months production on each of the wells based on a six-month trailing average of production revenue. As a result of fluctuations in the price and volume of oil and natural gas from the wells, such advance now exceeds two months production. Chesapeake and the executives have agreed that such amount will bear interest, and have also agreed to a payment schedule to reduce such advance to equal one month's production by December 31, 2000. In the event an executive is not in compliance with the foregoing payment obligations, the right to participate in Chesapeake's wells automatically is suspended until the executive is in compliance.

Messrs. McClendon and Ward have agreed that they will not engage in oil and gas operations individually except pursuant to the aforementioned participation in Chesapeake wells and as a result of subsequent operations on properties owned by them or their affiliates as of July 1, 1995. Messrs. McClendon and Ward participated in all wells drilled by Chesapeake from its initial public offering in February 1993 through December 1998 with either a 1.0%, 1.25% or 1.5% working interest. Messrs. McClendon and Ward did not participate in Chesapeake's wells during 1999 or the first quarter of 2000. However, both resumed participation in Chesapeake's wells on April 1, 2000.

Chesapeake and Mr. Rowland have agreed to the following terms of his employment effective August 1, 2000: a 35-month contract term which can be terminated by either party, an initial minimum annual base salary of $250,000 increasing to $275,000 on January 1, 2001, and a reduced work schedule. Mr. Rowland's employment agreement requires him to hold 5,000 shares of Chesapeake's common stock throughout the term of the agreement. Under his employment agreement, Mr. Rowland is permitted to continue to conduct oil and gas activities individually and through various related or family-owned entities, but he may not, after August 1, 2000, acquire, attempt to acquire or aid another person in acquiring an interest in any oil and gas exploration, development or production activities within five miles of any operations or ownership interests of Chesapeake or its affiliates.

Chesapeake also has employment agreements with Messrs. Dixon and Lester. These agreements have a term of three years from July 1, 2000, with minimum annual base salaries of $205,000. The agreements require each of them to acquire and continue to hold at least 1,000 shares of Chesapeake's common stock throughout the term of their contract.

Chesapeake may terminate any of the employment agreements with its executive officers at any time without cause; however, upon such termination Messrs. McClendon and Ward are entitled to continue to receive salary and benefits for the balance of the contract term. Mr. Rowland would be entitled to receive six months compensation and benefits if terminated without cause by Chesapeake. Messrs. Dixon and Lester are entitled to three months compensation and benefits if their employment is terminated without cause. Each of the employment agreements for Messrs. McClendon, Ward, Rowland, Dixon and Lester further state that if, during the term of the agreement, there is a change of control and (a) within one year the agreement expires and is not extended, (b) within one year the executive officer resigns as a result of (i) a reduction in the executive officer's compensation, or (ii) a required relocation more than 25 miles from the executive officer's then current place of employment or (c) within two years from the effective date of the change of control (one year for Messrs. Rowland, Dixon and Lester) the executive officer is terminated other than for cause, death or incapacity, then the executive officer will be entitled to a severance payment in an amount equal to 60 months of base compensation (as that term is defined in the agreements) for Messrs. McClendon and Ward and 6 months for Messrs. Rowland, Dixon and Lester. Change of control is defined in Messrs. McClendon and Ward's agreements to include (x) an event which results in a person acquiring beneficial ownership of securities having 35% or more of the voting power of Chesapeake's outstanding voting securities, or (y) within two years of a tender offer or exchange offer for the voting stock of Chesapeake or as a result of a merger, consolidation, sale of assets or contested election, a majority of the members of Chesapeake's Board of Directors is replaced by directors who were not nominated and approved

by the Board of Directors. In Messrs. Dixon, Lester and Rowland's agreements, change of control is defined to include (i) the direct or indirect acquisition by any person of beneficial ownership of the right to vote, or securities of Chesapeake representing the right to vote, 51% or more of the combined voting power of Chesapeake's then outstanding securities having the right to vote for the election of directors, or (2) a merger, consolidation, sale of assets or contested election or (3) any combination of (1) and (2) which results in a majority of the members of Chesapeake's board of directors being replaced by directors who were not nominated and approved by the existing board of directors.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is composed of Messrs. Heizer and Whittemore. Messrs. McClendon and Ward served on the Compensation Committee until September 1999. Mr. McClendon is Chairman of the Board and Chief Executive Officer of Chesapeake and Mr. Ward is Chesapeake's President and Chief Operating Officer. Messrs. McClendon and Ward administer Chesapeake's 1992 stock option plans. The 1992 Incentive Stock Option Plan was terminated in December 1994 except with respect to the administration of outstanding options. The only options issued under the 1992 NSO Plan during the year ended December 31, 1999 were those to Chesapeake's non-employee directors pursuant to a formula award provision. See "-Directors' Compensation." Messrs. McClendon and Ward also serve on committees which administer Chesapeake's other stock option plans with respect to employee participants who are not executive officers. Messrs. Heizer and Whittemore serve on committees which administer these plans with respect to employee participants who are executive officers. Messrs. McClendon and Ward participate as working interest owners in Chesapeake's oil and gas wells pursuant to the terms of their employment agreements with Chesapeake. See "-Employment Agreements." Accounts receivable from Messrs. McClendon and Ward are generated by joint interest billings relating to such participation and as a result of miscellaneous expenses paid on their behalf by Chesapeake. A subsidiary of Chesapeake extended loans of $5.0 million each to Messrs. McClendon and Ward in 1998 which were paid in full in late 1999. See "Certain Transactions."

DIRECTORS' COMPENSATION

During 1999, directors who were not employees of Chesapeake ("non-employee directors") received cash compensation of $25,000, comprised of an annual retainer of $5,000, payable in quarterly installments of $1,250, and $5,000 for each meeting of the Board attended, not to exceed $20,000 per year for Board meetings attended. Directors are reimbursed for travel and other expenses. Officers who also serve as directors do not receive fees for serving as directors. Under a formula award provision in the 1992 NSO Plan, non-employee directors were granted ten-year non-qualified options to purchase 6,250 shares of common stock at an exercise price equal to the market price on the first business day of each quarter of 1999 and the first quarter of 2000. Commencing with the second quarter in 2000, the quarterly option grant to non-employee directors increased to 7,500 shares. The options are immediately exercisable upon grant.

CERTAIN TRANSACTIONS

Legal Counsel. Shannon T. Self, a director of Chesapeake, is a shareholder in the law firm of Self, Giddens & Lees, Inc., which provides legal services to Chesapeake. During 1997, 1998 and 1999, the firm billed Chesapeake approximately $414,314, $493,000 and $398,000, respectively for such legal services.

Oil and Gas Operations. Prior to 1989, Messrs. McClendon and Ward and their affiliates, as independent oil producers, acquired various leasehold and working interests. In 1989, Chesapeake Operating, Inc., a wholly-owned subsidiary of Chesapeake, was formed to drill and operate wells in which Messrs. McClendon and Ward or their affiliates owned working interests. Chesapeake Operating entered into joint operating agreements with Messrs. McClendon and Ward and other working interest owners and billed each for their respective shares of expenses and fees. Chesapeake Operating continues to operate wells in which directors, executive officers and related parties own working interests. In addition, directors, executive officers and related parties have in the past acquired working interests directly and indirectly from Chesapeake and participated in wells drilled by Chesapeake Operating. Chesapeake's non-employee directors have not acquired from Chesapeake interests in any new wells drilled by Chesapeake since their election as directors in 1993 and have no present intention to acquire from Chesapeake interests in any new wells of Chesapeake.

The table below presents information about drilling, completion, equipping and operating costs billed to the persons named in 1997, 1998 and 1999, the largest amount owed by them during those periods and the balances owed by them at December 31, 1999, 1998, 1997 and 1996. No interest is charged on amounts owing for such costs. The amounts for all other directors and executive officers who are joint working interest owners in Chesapeake wells were insignificant.

	AUBREY K. MCCLENDON	TOM L. WARD	MARCUS C. ROWLAND
		(in 000's)	
Amount billed in 1999	$ 1,421	$ 1,366	$ 68
Largest outstanding balance in 1999 (month end)	$ 1,503	$ 1,718	$ 29
Balance at December 31, 1999	$ 1,426	$ 868	$ 16
Amount billed in 1998	$ 3,950	$ 3,902	$ 106
Largest outstanding balance in 1998 (month end)	$ 2,581	$ 3,291	$ 62
Balance at December 31, 1998	$ 1,541	$ 1,444	$ 18
Amount billed in 1997	$ 6,784	$ 6,759	$ 142
Largest outstanding balance in 1997 (month end)	$ 4,745	$ 4,190	$ 60
Balance at December 31, 1997	$ 68	$ 2,203	$ 36
Balance at December 31, 1996	$ 1,224	$ 1,272	$ 35

The amounts advanced to the executive officers during 1998 and 1999 to correct the timing of the receipt of oil and gas revenues on the wells in which the executive officers participated, including accrued interest, equaled $984,000 and $959,208, respectively for Mr. McClendon, $958,000 and $932,223, respectively for Mr. Ward and $29,060 and $25,000, respectively for Mr. Rowland. The amount of these advances in excess of revenue received by Chesapeake and not disbursed bears interest at 9.125%.

Loans to Executives. In June 1998, Chesapeake extended loans of $5.0 million each to Messrs. McClendon and Ward to pay a portion of the margin debt incurred by them in connection with their purchase of 730,750 shares each of Chesapeake common stock in the open market in February 1997 at an approximate average price of $20.24 per share. Each loan initially had a maturity date of December 31, 1998, which was extended to December 31, 1999. In each case the terms of the loan and the documentation evidencing the loan were negotiated by a committee of independent directors in conjunction with separate legal counsel. Interest accrued on each of the loans at an annual rate of 9.125% and was payable quarterly. Each of the loans was secured by collateral with an indicated fair market value greater than 150% of the unpaid principal balance of the loan. In November 1999, the borrowers repaid the loans in full by surrendering shares of Chesapeake's common stock having a market value equal to the respective amounts owed (principal amount of $3,847,000 for Mr. McClendon and $3,688,000 for Mr. Ward).

Purchase of Oil and Gas Assets from Executive. In January 2000, Chesapeake purchased Mr. Rowland's interests in the oil and gas wells in which he participated pursuant to his employment agreement. The purchase price for the oil and gas assets was $465,000 and was determined using a methodology similar to that used for

similar acquisitions of assets from disinterested third parties. See "Executive Compensation - Employment Agreements."

Miscellaneous. From time to time, Chesapeake has paid various expenses incurred on behalf of Messrs. McClendon and Ward and their affiliates, creating accounts receivable of Chesapeake. During 1997, 1998 and 1999 additions to accounts receivable (excluding joint interest billings, which are described above) from Messrs. McClendon and Ward and their affiliates were insignificant.

SECURITY OWNERSHIP

The table below sets forth (i) the name and address of each person known by management to own beneficially more than 5% of Chesapeake's outstanding common stock, the number of shares beneficially owned by each such shareholder and the percentage of outstanding shares owned, and (ii) the number and percentage of outstanding shares of common stock beneficially owned by each of Chesapeake's directors and executive officers listed in the Summary Compensation Table in "Executive Compensation" and by all directors and executive officers of Chesapeake as a group. Unless otherwise noted, information is given as of September 1, 2000 and the persons named below have sole voting and/or investment power with respect to such shares.

	COMMON STOCK			
BENEFICIAL OWNER	OUTSTANDING SHARES	OPTION SHARES(a)	TOTAL OWNERSHIP	PERCENT OF CLASS
Tom L. Ward(1)(2)..... 6100 North Western Avenue Oklahoma City, OK 73118	10,084,552(b)(c)	1,224,406	11,308,958	7.3%
Aubrey K. McClendon(1)(2)..... 6100 North Western Avenue Oklahoma City, OK 73118	8,776,847(c)(d)	1,224,406	10,001,253	6.5%
Franklin Advisers, Inc..... 777 Mariners Island Boulevard San Mateo, CA 94404	10,760,100	--	10,760,100	7.0%
Loomis, Sayles & Company, L.P..... One Financial Center Boston, MA 02111	8,157,070	386,318(e)	8,543,388(e)	5.6%
Edgar F. Heizer, Jr.(1).....	709,650	413,500	1,123,150	(3)
Breene M. Kerr(1).....	423,250(f)	190,000(g)	613,250	(3)
Shannon T. Self(1).....	31,458(h)	428,166	459,624	(3)
Frederick B. Whittemore(1).....	481,800(i)	1,192,750(g)	1,674,550	1.1%
Steven C. Dixon(2).....	13,716(c)	462,964	476,680	(3)
J. Mark Lester(2).....	49,845(c)	109,352	159,197	(3)
Marcus C. Rowland(2).....	32,548(c)	99,369	131,917	(3)
All directors and executive officers as a group.....	19,808,121	5,443,563	25,251,684	16.0%

- ----------

(1) Director

(2) Executive officer

(3) Less than 1%

(a) Represents shares of common stock which can be acquired on September 1, 2000 or 60 days thereafter through the exercise of options or conversion of Chesapeake's convertible preferred stock.

(b) Includes 1,444,860 shares held by TLW Investments, Inc., an Oklahoma corporation of which Mr. Ward is sole shareholder and chief executive officer; 1,098,600 shares held by the Aubrey K. McClendon Children's Trust of which Mr. Ward is Trustee; and 21,435 shares held by Mr. Ward's immediate family sharing the same household. Excluded are the shares of common stock beneficially owned by Mr. McClendon which may be attributed to Mr. Ward based on a jointly filed Schedule 13D. Mr. Ward disclaims such ownership.

(c) Includes shares purchased on behalf of the executive officer in the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan (Tom L. Ward, 34,042 shares; Aubrey K. McClendon, 81,123 shares; Steven C. Dixon, 13,716 shares; J. Mark Lester, 13,345 shares; and Marcus C. Rowland, 16,403 shares).

(d) Includes 13,560 shares held by Chesapeake Investments, an Oklahoma limited partnership of which Mr. McClendon is sole general partner. Excluded are the shares beneficially owned by Mr. Ward which may be attributed to Mr. McClendon based on a jointly filed Schedule 13D. Mr. McClendon disclaims such ownership.

(e) Represents shares of Chesapeake's preferred stock which is convertible into 386,318 shares of Chesapeake's common stock. Excludes any shares that might be issuable with respect to accrued and unpaid dividends.

(f) Includes 250,000 shares held by Talbot Fairfield II Limited Partnership, of which Mr. Kerr is a general partner.

(g) Includes options to purchase shares of Chesapeake's common stock owned by Messrs. Ward and McClendon issued to Messrs. Kerr, and Whittemore (Breene M. Kerr, 93,750 shares from Aubrey K. McClendon; Frederick B. Whittemore, 394,688 shares from Aubrey K. McClendon and 355,312 shares from Tom L. Ward).

(h) Consists of 12,382 shares held by Pearson Street Limited Partnership, an Oklahoma limited partnership of which Mr. Self is sole general partner and the remaining partner is Mr. Self's spouse.

(i) Includes 41,750 shares held by Mr. Whittemore as trustee of the Whittemore Foundation.

SELLING SHAREHOLDER

The selling shareholder, Paribas North America, Inc., beneficially owned as of September 6, 2000, and is offering pursuant to this prospectus, 389,378 shares of Chesapeake common stock. The selling shareholder does not have, nor within the past three years has it had, any position, office or other material relationship with Chesapeake or any of its predecessors or affiliates.

Because the selling shareholder, which term includes any donee, pledgee, transferee or other successor in interest of the selling shareholder, may offer all or some portion of the above shares pursuant to this prospectus or otherwise, no estimate can be given as to the amount or percentage of such securities that will be held by the selling shareholder upon termination of any such sale. In addition, the selling shareholder may have sold, transferred or otherwise disposed of all or a portion of such securities since the date indicated in transactions exempt from the registration requirements of the Securities Act. The selling shareholder may sell all, part or none of the shares listed above.

We agreed with the selling shareholder to file a registration statement under the Securities Act to register the resale of the shares it received in an exchange transaction on August 31, 2000. The purchase agreement for this transaction has an adjustment provision which requires the selling shareholder to pay us, in cash or shares of our common stock, the difference between the average of the closing prices for the shares during the 30-day period following the date of this prospectus and $5.825 per share. The shares covered by this prospectus will be reduced by any shares used to make this adjustment. We are obligated to make a corresponding adjustment in cash only if the 30-day average price is less than $5.825.

We agreed to prepare and file all necessary amendments and supplements to the registration statement to keep it effective until August 31, 2002 or such time as all of the shares covered by this prospectus have been sold by the selling shareholder.

DESCRIPTION OF THE CAPITAL STOCK

The description of our capital stock set forth below is not complete and is qualified by reference to our Certificate of Incorporation and Bylaws. Copies of the Certificate of Incorporation and Bylaws are available from Chesapeake upon request and both documents have been filed with the Securities and Exchange Commission.

AUTHORIZED CAPITAL STOCK

Our authorized capital stock consists of 250,000,000 shares of common stock, par value $.01 per share, and 10,000,000 shares of preferred stock, par value $.01 per share, of which 624,037 shares are designated the 7% Cumulative Convertible Preferred Stock and 250,000 shares are designated the Series A Junior Participating Preferred Stock. As of September 1, 2000, our issued and outstanding capital stock consisted of 152,875,248 shares of common stock and 624,037 shares of convertible preferred stock. No shares of Series A preferred stock are currently outstanding. Also, an additional 16,748,828 shares of common stock were reserved for issuance upon the exercise of outstanding options granted under our stock option plans.

COMMON STOCK

The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available for dividends. In the event of a liquidation or dissolution of Chesapeake, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any outstanding preferred stock.

Holders of common stock have no preemptive rights and have no rights to convert their common stock into any other securities. All of the outstanding shares of common stock are duly authorized, validly issued, fully paid and nonassessable.

PREFERRED STOCK

Our convertible preferred stock is described below under "7% Cumulative Convertible Preferred Stock." The Series A preferred stock is described below under "- Anti-Takeover Provisions - Share Rights Plan."

We have 8,442,963 shares of authorized preferred stock which are undesignated. The Board of Directors has the authority, without further shareholder approval, to issue shares of preferred stock from time to time in one or more new series and to fix the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges of each series, including dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences and conversion rights.

While providing desirable flexibility for possible acquisitions and other corporate purposes, and eliminating delays associated with a shareholder vote on specific issuances, the issuance of preferred stock could adversely affect the voting power of holders of common stock, as well as dividend and liquidation payments on common stock. It also could have the effect of delaying, deferring or preventing a change in control.

7% Cumulative Convertible Preferred Stock

The Certificate of Designation for the 7% Cumulative Convertible Preferred Stock authorizes the issuance of 624,037 shares, all of which are issued and outstanding. The convertible preferred stock is, and any common stock issued upon the conversion or exchange of convertible preferred stock will be, fully paid and nonassessable. The convertible preferred stock was issued on April 22, 1998.

Ranking. The convertible preferred stock ranks:

- senior to all classes of our common stock and to each other class of capital stock or series of preferred stock that does not expressly provide that it ranks senior to or on a parity with the convertible preferred stock as to dividend distributions and distributions upon liquidation, winding-up and dissolution;
- on a parity with any class of capital stock or series of preferred stock issued by Chesapeake that expressly provides that it ranks on a parity with the convertible preferred stock as to dividend distributions and distributions upon liquidation, winding-up and dissolution; and
- junior to each class of capital stock or series of preferred stock issued by Chesapeake that expressly provides that it ranks senior to the convertible preferred stock as to dividend distributions and distributions upon liquidation, winding-up and dissolution.

Dividends. Holders of convertible preferred stock are entitled to receive cumulative annual cash dividends of $3.50 per share, payable quarterly in arrears out of assets legally available for dividends, on February 1, May 1, August 1 and November 1 of each year commencing August 1, 1998, when, as and if declared by the Board of Directors. Dividends will accumulate and be cumulative (whether or not declared) from the issue date. Dividends will be payable to holders of record as they appear on our stock register on the record date fixed by the Board for a payment. The record date may not be more than 60 days nor less than 10 days preceding the payment date.

Dividends payable on the convertible preferred stock for each full dividend period will be computed by dividing the annual dividend rate by four. Dividends payable on the convertible preferred stock for any period less than a full dividend period (based upon the number of days elapsed during the period) will be computed on the basis of a 360-day year consisting of twelve 30-day months.

We will not declare and pay any dividends on or redeem or purchase any of our stock ranking junior to or ratably with the convertible preferred stock, unless full cumulative dividends on the convertible preferred stock have been paid or declared and a sum sufficient for the payment of dividends is set apart. However, regardless of whether we have paid full cumulative dividends on the convertible preferred stock, we may do the following:

(1) declare and pay a dividend on junior stock payable solely in shares of junior stock;
(2) redeem or purchase stock ranking junior or ratably with the convertible preferred stock by conversion into or exchange for shares of our stock ranking junior to the convertible preferred stock; and
(3) make cash payments in lieu of fractional shares.

If full dividends have not been declared and paid or set apart on the convertible preferred stock and any other preferred stock ranking ratably with the convertible preferred stock as to dividends, dividends may be declared and paid on the convertible preferred stock and the other ratable preferred stock. In this case, the dividends shall be declared and paid pro rata so that the amounts of dividends declared per share on the convertible preferred stock and the other ratable preferred stock will in all cases bear the same ratio to each other that accrued and unpaid dividends per share on the shares of the convertible preferred stock and the other preferred stock bear to each other. Moreover, if the dividends are paid in cash on the other ratable preferred stock, dividends will also be paid in cash on the convertible preferred stock.

Holders of shares of convertible preferred stock will not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments which may be in arrears.

Our ability to declare and pay cash dividends and make other distributions on our capital stock, including the convertible preferred stock, may be limited by the terms of our indentures and other financing agreements and by Oklahoma law. See "Risk Factors - Existing debt covenants restrict our operations."

Liquidation Preference. Upon any dissolution, liquidation or winding up of Chesapeake, the holders of convertible preferred stock will be entitled to receive a liquidation preference of $50 per share, plus accrued and

unpaid dividends to the date of payment. These amounts will be paid before any payment or distribution is made to holders of common stock or any other stock ranking junior to the convertible preferred stock upon liquidation. The holders of convertible preferred stock and any other shares of stock of Chesapeake that rank on a parity as to liquidation rights with the convertible preferred stock are entitled to share ratably, in accordance with the respective preferential amounts payable on the stock, in any distribution which is not sufficient to pay in full the amounts to which the holders are entitled. After payment in full of the liquidation preference on the convertible preferred stock, the holders of the convertible preferred stock will have no right or claim to any of our remaining assets. The sale of all or part of our assets and the merger or consolidation of our company into or with another company will not be considered a dissolution, liquidation or winding up of Chesapeake unless the sale, merger or consolidation is in connection with the dissolution, liquidation or winding up of Chesapeake.

Optional Redemption. The convertible preferred stock may not be redeemed prior to May 1, 2001. Beginning May 1, 2001, we may redeem the convertible preferred stock for the prices set forth in the Certificate of Designation, plus accumulated and accrued dividends. The redemption price is $52.45 per share during the first year and then declines by $.35 per year until May 1, 2008 when the price is $50.00. We may use cash, our common stock or a combination of cash and common stock to redeem the convertible preferred stock. The number of common shares to be delivered as payment will be determined by the market value of the shares at the time of redemption.

From and after the applicable redemption date, unless we default in the payment of the redemption price, dividends on the shares of convertible preferred stock to be redeemed on the redemption date will cease to accrue, the shares will no longer be deemed to be outstanding, and all rights of the holders of the shares as shareholders will cease, except the right to receive the redemption price.

If any dividends on convertible preferred stock are in arrears, no shares of convertible preferred stock will be redeemed unless all outstanding shares of the convertible preferred stock are simultaneously redeemed.

Voting Rights. The holders of the convertible preferred stock have no voting rights except as set forth below or as required by law. In exercising their voting rights, the holders of convertible preferred stock are entitled to one vote per share.

If the dividends payable on the convertible preferred stock are in arrears for six quarterly periods, the holders of the convertible preferred stock, voting separately as a class with the holders of any other preferred stock or preference securities having similar voting rights, will be entitled at the next regular or special meeting of shareholders of Chesapeake to elect two additional directors. These voting rights and the terms of the directors so elected will continue until the dividend arrearage on the convertible preferred stock has been paid in full.

The affirmative vote or consent of the holders of at least 66 2/3% of the outstanding convertible preferred stock will be required for us to issue any class or series of stock (or security convertible into stock) ranking on a parity or senior to the convertible preferred stock as to dividends, liquidation rights or voting rights and to amend our Certificate of Incorporation so as to affect adversely the rights of holders of the convertible preferred stock, including any increase in the authorized number of shares of preferred stock.

Conversion Rights. The convertible preferred stock is convertible at any time at the option of the holder into that number of whole shares of our common stock as is equal to the liquidation preference, plus accrued and unpaid dividends to the date the shares of convertible preferred stock are surrendered for conversion, divided by an initial conversion price of $6.95, subject to adjustment upon the occurrence of dilutive events described in the Certificate of Designation. A share of convertible preferred stock called for redemption will be convertible into shares of common stock up to and including the close of business on the date fixed for redemption, unless we default in payment of our redemption obligation.

Change of Control. Upon a change of control of Chesapeake, holders of convertible preferred stock will, if the market value of our common stock is less than the conversion price, have a one-time option to convert all of their outstanding shares of convertible preferred stock into shares of common stock at an adjusted conversion price equal to the greater of (1) the market value of our common stock as of the date of the change of control and (2)

$3.66. In lieu of issuing the shares of common stock issuable upon conversion in the event of a change of control, we may, at our option, make a cash payment equal to the market value of the common stock otherwise issuable.

The Certificate of Designation for the convertible preferred stock defines a change of control as any of the following events:

1. the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of our assets to any person or group, other than to permitted holders;
2. the adoption of a plan relating to our liquidation or dissolution;
3. the acquisition, directly or indirectly, by any person or group, other than permitted holders, of beneficial ownership of more than 50% of the aggregate voting power of our voting stock; provided, however, that the permitted holders beneficially own, directly or indirectly, in the aggregate a lesser percentage of the total voting power of the voting stock than such other person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of our Board of Directors; or
4. during any period of two consecutive years, individuals who at the beginning of the period constituted our Board of Directors (together with any new directors whose election by such Board of Directors or whose nomination for election by our shareholders was approved by two-thirds of the directors then still in office who were either directors at the beginning of the period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office. The term "permitted holders" means Aubrey K. McClendon and Tom L. Ward and their respective affiliates.

ANTI-TAKEOVER PROVISIONS

Our Certificate of Incorporation and Bylaws and the Oklahoma General Corporation Act (the "OGCA") include a number of provisions which may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with the board of directors rather than pursue non-negotiated takeover attempts. These provisions include a classified board of directors, authorized blank check preferred stock (described above under "Preferred Stock"), restrictions on business combinations and the availability of authorized but unissued common stock.

Classified Board of Directors

Our Certificate of Incorporation and Bylaws contain provisions for a staggered board of directors with only one-third of the board standing for election each year. Directors can only be removed for cause. A staggered board makes it more difficult for shareholders to change the majority of the directors and instead promotes a continuity of existing management.

Oklahoma Business Combination Statute

Section 1090.3 of the OGCA prevents an "interested shareholder" from engaging in a "business combination" with an Oklahoma corporation for three years following the date the person became an interested shareholder, unless

- prior to the date the person became an interested shareholder, the board of directors of the corporation approved the transaction in which the interested shareholder became an interested shareholder or approved the business combination,
- upon consummation of the transaction that resulted in the interested shareholder becoming an interested shareholder, the interested shareholder owns stock having at least 85% of all voting power of the corporation at the time the transaction commenced, excluding stock held by directors who are also officers of the corporation and stock held by certain employee stock plans, or
- on or subsequent to the date of the transaction in which the person became an interested shareholder, the business combination is approved by the board of directors of the corporation and authorized at a meeting

of shareholders by the affirmative vote of the holders of two-thirds of all voting power not attributable to shares owned by the interested shareholder.

The statute defines a "business combination" to include

- any merger or consolidation involving the corporation and an interested shareholder,
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition to or with an interested shareholder of 10% or more of the assets of the corporation,
- subject to certain exceptions, any transaction which results in the issuance or transfer by the corporation of any stock of the corporation to an interested shareholder,
- any transaction involving the corporation which has the effect of increasing the proportionate share of the stock of any class or series or voting power of the corporation owned by the interested shareholder,
- the receipt by an interested shareholder of any loans, guarantees, pledges or other financial benefits provided by or through the corporation, or
- any share acquisition by the interested shareholder pursuant to Section 1090.1 of the OGCA.

For purposes of Section 1090.3, the term "corporation" also includes the corporation's majority-owned subsidiaries. In addition, Section 1090.3 defines an "interested shareholder," generally, as any person that owns stock having 15% or more of all voting power of the corporation, any person that is an affiliate or associate of the corporation and owned stock having 15% or more of all voting power of the corporation at any time within the three-year period prior to the time of determination of interested shareholder status, and any affiliate or associate of such person.

Stock Purchase Provisions

The Certificate of Incorporation requires the affirmative vote of two-thirds of the votes cast by the holders, voting together as a single class, of all then outstanding shares of capital stock, excluding the votes by an interested shareholder, to approve the purchase of any capital stock of Chesapeake from the interested shareholder at a price in excess of fair market value, unless the purchase is either (1) made on the same terms offered to all holders of the same securities or (2) made on the open market and not the result of a privately negotiated transaction.

Share Rights Plan

The Rights. On July 7, 1998, our Board of Directors declared a dividend distribution of one preferred stock purchase right for each outstanding share of common stock. The distribution was paid on July 27, 1998 to the shareholders of record on that date. Each right entitles the registered holder to purchase from us one one-thousandth of a share of Series A preferred stock at a price of $25.00, subject to adjustment.

The following is a summary of these rights. The full description and terms of the rights are set forth in a Rights Agreement between Chesapeake and UMB Bank, N.A., as rights agent. Copies of the Rights Agreement and the Certificate of Designation for the Series A preferred stock are available free of charge from Chesapeake, and they are filed with the Securities and Exchange Commission. This summary description of the rights and the Series A preferred stock is not complete and is qualified in its entirety by reference to all the provisions of the Rights Agreement and the Certificate of Designation for the Series A preferred stock.

Initially, the rights attached to all certificates representing shares of our outstanding common stock, and no separate rights certificates were distributed. The rights will separate from the common stock and the distribution date will occur upon the earlier of

- 10 days following the date of public announcement that a person or group of persons has become an acquiring person, or
- 10 business days (or a later date set by the Board of Directors prior to the time a person becomes an acquiring person) following the commencement of, or the announcement of an intention to make, a tender

offer or exchange offer upon consummation of which the offeror would, if successful, become an acquiring person. The earlier of these dates is called the "distribution date."

The term "acquiring person" means any person who or which, together with all of its affiliates and associates, is the beneficial owner of 15% or more of our outstanding common stock, but does not include:

- Chesapeake or any subsidiary of Chesapeake or any employee benefit plan of Chesapeake,
- Aubrey K. McClendon, his spouse, lineal descendants and ascendants, heirs, executors or other legal representatives and any trusts established for the benefit of the foregoing or any other person or entity in which the foregoing persons or entities are at the time of determination the direct record and beneficial owners of all outstanding voting securities (each a "McClendon shareholder"),
- Tom L. Ward, his spouse, lineal descendants and ascendants, heirs, executors or other legal representatives and any trusts established for the benefit of the foregoing, or any other person or entity in which the foregoing persons or entities are at the time of determination the direct record and beneficial owners of all outstanding voting securities (each a "Ward shareholder"),
- Morgan Guaranty Trust Company of New York, in its capacity as pledgee of shares beneficially owned by a McClendon or Ward shareholder, or both, under pledge agreement(s) in effect on September 11, 1998, to the extent that upon the exercise by the pledgee of any of its rights or duties as pledgee, other than the exercise of any voting power by the pledgee or the acquisition of ownership by the pledgee, it becomes a beneficial owner of the pledged shares, or
- any person (other than the pledgee just described) that is neither a McClendon nor Ward shareholder, but who or which is the beneficial owner of common stock beneficially owned by a McClendon or Ward shareholder (a "second tier shareholder"), but only if the shares of common stock otherwise beneficially owned by a second tier shareholder ("second tier holder shares") do not exceed the sum of (A) the holder's second tier holder shares held on September 11, 1998 and (B) 1% of the shares of our common stock then outstanding (collectively, "exempt persons").

The Rights Agreement provides that, until the distribution date, the rights will be transferred with and only with the common stock. Until the distribution date or earlier redemption or expiration of the rights, new common stock certificates issued after July 27, 1998, upon transfer or new issuance of common stock, will contain a notation incorporating the Rights Agreement by reference. Until the distribution date or earlier redemption or expiration of the rights, the surrender for transfer of any certificate for common stock outstanding as of July 27, 1998, even without a notation or a copy of a summary of the rights being attached, will also constitute the transfer of the rights associated with the common stock represented by the certificate. As soon as practicable following the distribution date, separate certificates evidencing the rights will be mailed to holders of record of the common stock as of the close of business on the distribution date and these separate rights certificates alone will evidence the rights.

The rights are not exercisable until the distribution date. The rights will expire on July 27, 2008.

The purchase price payable, and the number of one one-thousandths of a share of Series A preferred stock or other securities or property issuable, upon exercise of the rights are subject to adjustment from time to time to prevent dilution:

- in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series A preferred stock;
- upon the grant to holders of the Series A preferred stock of certain rights or warrants to subscribe for or purchase shares of Series A preferred stock at a price, or securities convertible into Series A preferred stock with a conversion price, less than the then current market price of the Series A preferred stock; or
- upon the distribution to holders of the Series A preferred stock of evidences of indebtedness or assets (excluding regular periodic cash dividends paid or dividends payable in Series A preferred stock) or of subscription rights or warrants (other than those referred to above).

The number of outstanding rights and the number of one one-thousandths of a share of Series A preferred stock issuable upon exercise of each right are also subject to adjustment in the event of a stock split of the common

stock or a stock dividend on the common stock payable in the common stock or subdivisions, consolidations or combinations of the common stock occurring, in any such case, prior to the distribution date.

In the event that following a stock acquisition date (the date of public announcement that an acquiring person has become such) Chesapeake is acquired in a merger or other business combination transaction or more than 50% of its consolidated assets or earning power is sold, proper provision will be made so that each holder of a right will thereafter have the right to receive, upon the exercise of the right at the then current exercise price, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the right (the "flip-over right").

In the event that a person, other than an exempt person, becomes an acquiring person, proper provision will be made so that each holder of a right, other than the acquiring person and its affiliates and associates, will thereafter have the right to receive upon exercise that number of shares of common stock (or, if applicable, cash, other equity securities or property of Chesapeake) having a market value equal to two times the purchase price of the rights (the "flip-in right"). Any rights that are or were at any time owned by an acquiring person will then become void.

With certain exceptions, no adjustment in the purchase price will be required until cumulative adjustments require an adjustment of at least 1% in the purchase price. Upon exercise of the rights, no fractional shares of Series A preferred stock will be issued other than fractions which are integral multiples of one one-hundredth of a share of Series A preferred stock. Cash will be paid in lieu of fractional shares of Series A preferred stock that are not integral multiples of one one-hundredth of a share of Series A preferred stock.

At any time prior to the earlier to occur of (1) 5:00 p.m., Oklahoma City, Oklahoma time on the 10th day after the stock acquisition date or (2) the expiration of the rights, we may redeem the rights in whole, but not in part, at a price of $0.01 per right; provided, that (a) if the Board of Directors authorizes redemption on or after the time a person becomes an acquiring person, then the authorization must be by board approval and (b) the period for redemption may, upon board approval, be extended by amending the Rights Agreement. Board approval means the approval of a majority of the directors of Chesapeake. Immediately upon any redemption of the rights described in this paragraph, the right to exercise the rights will terminate and the only right of the holders of rights will be to receive the redemption price.

The terms of the rights may be amended by the Board of Directors without the consent of the holders of the rights at any time and from time to time provided that any amendment does not adversely affect the interests of the holders of the rights. In addition, during any time that the rights are subject to redemption, the terms of the rights may be amended by the approval of a majority of the directors, including an amendment that adversely affects the interests of the holders of the rights, without the consent of the holders of rights.

Until a right is exercised, a holder will have no rights as a shareholder of Chesapeake, including the right to vote or to receive dividends. While the distribution of the rights will not be taxable to shareholders or Chesapeake, shareholders may, depending upon the circumstances, recognize taxable income in the event that the rights become exercisable for Series A preferred stock (or other consideration).

The Series A Preferred Stock. Each one-thousandth of a share of the Series A preferred stock (a "preferred share fraction") that may be acquired upon exercise of the rights will be nonredeemable and junior to any other shares of preferred stock that may be issued by Chesapeake.

Each preferred share fraction will have a minimum preferential quarterly dividend rate of $0.01 per preferred share fraction but will, in any event, be entitled to a dividend equal to the per share dividend declared on the common stock.

In the event of liquidation, the holder of a preferred share fraction will receive a preferred liquidation payment equal to the greater of $0.01 per preferred share fraction or the per share amount paid in respect of a share of common stock.

Each preferred share fraction will have one vote, voting together with the common stock. The holders of preferred share fractions, voting as a separate class, will be entitled to elect two directors if dividends on the Series A preferred stock are in arrears for six fiscal quarters.

In the event of any merger, consolidation or other transaction in which shares of common stock are exchanged, each preferred share fraction will be entitled to receive the per share amount paid in respect of each share of common stock.

The rights of holders of the Series A preferred stock to dividends, liquidation and voting, and in the event of mergers and consolidations, are protected by customary antidilution provisions.

Because of the nature of the Series A preferred stock's dividend, liquidation and voting rights, the economic value of one preferred share fraction that may be acquired upon the exercise of each right should approximate the economic value of one share of our common stock.

SHAREHOLDER ACTION

Except as otherwise provided by law or in our Certificate of Incorporation, the approval of a majority of the shares of common stock present in person or represented by proxy at a meeting and entitled to vote is sufficient to authorize, affirm, ratify or consent to a matter voted on by shareholders. The OGCA requires the approval of the holders of a majority of the outstanding stock entitled to vote for certain extraordinary corporate transactions, such as a merger, sale of substantially all assets, dissolution or amendment of the Certificate of Incorporation. The Certificate of Incorporation provides for a vote of the holders of two-thirds of the issued and outstanding stock having voting power, voting as a single class, to amend, repeal or adopt any provision inconsistent with the provisions of the Certificate of Incorporation limiting director liability and stock purchases by us, and providing for staggered terms of directors and indemnity for directors. The same vote is required for shareholders to amend, repeal or adopt any provision of the Bylaws.

Under Oklahoma law, shareholders may take actions without the holding of a meeting by written consent or consents signed by the holders of a sufficient number of shares to approve the transaction had all of the outstanding shares of capital stock entitled to vote been present at a meeting. If shareholder action is taken by written consent, the rules and regulations of the Securities and Exchange Commission require us to send each shareholder entitled to vote on the matter, but whose consent is not solicited, an information statement containing information substantially similar to that which would have been contained in a proxy statement.

REGISTRATION RIGHTS

In connection with our purchase of Gothic's 14.125% Series B Senior Secured Discount Notes and the 11.125% Senior Secured Notes issued by Gothic's operating subsidiary, we entered into registration rights agreements with the noteholders. Including the shares offered by this prospectus, we have registered for resale 9,858,363 shares of our common stock, and we have agreed to register an additional 3,694,939 shares, pursuant to these registration rights agreements. Registration of shares on behalf of selling shareholders results in those shares becoming freely tradeable without restriction. These sales could cause the market price of our stock to decline.

We are required to bear all of the expenses of registration under these agreements except underwriting discounts and commissions. We may not publicly sell or distribute our common stock or any securities convertible into our common stock during any underwritten offering by the former noteholders of the shares covered by the registration rights agreements for a maximum period of ninety days. If we propose to register shares of common stock under the Securities Act, other than by a registration statement on Form S-8 or Form S-4, the former noteholders have the right to receive notice of and to include the shares covered by the registration rights agreements in such registration, subject to restrictions imposed by the managing underwriter in an underwritten offering.

TRANSFER AGENT AND REGISTRAR

UMB Bank, N.A. is the transfer agent and registrar for the common stock and the preferred stock.

PLAN OF DISTRIBUTION

The sale or distribution of the shares of common stock offered by this prospectus may be effected directly to purchasers by the selling shareholder (including its respective donees, pledgees, transferees or other successors in interest) as principal or through one or more underwriters, brokers, dealers or agents from time to time in one or more transactions (which may involve crosses or block transactions).

- on any national securities exchange or quotation service on which the shares may be listed or quoted at the time of sale or in the over-the-counter market,
- in transactions otherwise than on such an exchange or service or in the over-the-counter market or
- through the writing of options (whether such options are listed on an options exchange or otherwise) on, or settlement of short sales of the shares.

Any of such transactions may be effected at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at varying prices determined at the time of sale or at negotiated or fixed prices, in each case as determined by the selling shareholder or by agreement between the selling shareholder and underwriters, brokers, dealers or agents, or purchasers. In connection with sales of the shares or otherwise, the selling shareholder may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the shares in the course of hedging the positions they assume. The selling shareholder may also sell shares short and deliver shares to close out such short positions, or loan or pledge shares to broker-dealers that in turn may sell such shares. The selling shareholder has advised us that it has not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of its securities, nor is there any underwriter or coordinating broker acting in connection with the proposed sale of shares by the selling shareholder.

If the selling shareholder effects such transactions by selling shares to or through underwriters, brokers, dealers or agents, such underwriters, brokers, dealers or agents may receive compensation in the form of discounts, concessions or commissions from the selling shareholder or commissions from purchasers of shares for whom they may act as agent (which discounts, concessions or commissions as to particular underwriters, brokers, dealers or agents may be in excess of those customary in the types of transactions involved). The selling shareholder and any brokers, dealers or agents that participate in the distribution of the shares may be deemed to be underwriters, and any profit on the sale of shares by them and any discounts, concessions or commission received by any such underwriters, brokers, dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act. In addition, the anti-manipulation provisions of Regulation M under the Securities Exchange Act of 1934 may apply to sales by the selling shareholder.

Under the securities laws of certain states, the securities may be sold in such states only through registered or licensed brokers or dealers. In addition, in certain states the shares may not be sold unless the shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

Chesapeake will pay all of the expenses incident to the registration, offering and sale of the shares to the public hereunder other than commissions, fees and discounts of underwriters, brokers, dealers and agents. Chesapeake has agreed to indemnify the selling shareholder and any underwriters against certain liabilities, including liabilities under the Securities Act. Chesapeake will not receive any of the proceeds from the sale of any of the shares by the selling shareholder.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution. We will make copies of this prospectus, as amended or supplemented, available to the selling shareholder and have informed the selling shareholder of the need for delivery of the prospectus to purchasers at or prior to the time of any sale of its shares.

LEGAL MATTERS

The legality of the common stock offered hereby has been passed upon for Chesapeake by Winstead Sechrest & Minick P.C., Dallas, Texas.

EXPERTS

The consolidated financial statements of Chesapeake as of December 31 1999 and 1998, and for the years ended December 31, 1999 and 1998, the six months ended December 31, 1997 and the year ended June 30, 1997, included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in accounting and auditing.

Certain estimates of oil and gas reserves included in this prospectus were based upon reserve reports, dated December 31, 1999, prepared by Williamson Petroleum Consultants, Inc. and Ryder Scott Company L.P., independent petroleum engineers. These estimates are included in reliance on the authority of each such firm as experts in such matters.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the Securities and Exchange Commission relating to the shares of common stock offered by this prospectus. As allowed by the rules of the SEC, this prospectus does not contain all of the information that can be found in the registration statement or in the exhibits to the registration statement. You should read the registration statement and its exhibits for a complete understanding of all of the information included in the registration statement.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy the registration statement, including exhibits, any reports, statements or other information that we file at the SEC's public reference room at 450 Fifth Street N.W., Washington, D.C. 20549 or at its regional public reference rooms in New York, New York and Chicago, Illinois. You may call the SEC at 1-800-SEC-0330 for further information on the operations and locations of the public reference rooms. The public filings of Chesapeake are also available from commercial document retrieval services and at the Web site maintained by the SEC at www.sec.gov and at our Web site at www.chkenergy.com. Reports, proxy statements and other information concerning Chesapeake may also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

You should rely only on the information included in this prospectus or any prospectus supplement. We have not authorized anyone to provide you with any other information. The shares of common stock offered in this prospectus may only be offered in states where the offer is permitted, and the selling shareholder is not making an offer of the shares in any state where the offer is not permitted. You should not assume the information in this prospectus or any prospectus supplement is accurate as of any date other than the dates on the front of those documents unless the information specifically indicates that another date applies.

GLOSSARY

The terms defined in this section are used throughout this prospectus.

Bcf. Billion cubic feet.

Bcfe. Billion cubic feet of gas equivalent.

Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume, used herein in reference to crude oil or other liquid hydrocarbons.

Btu. British thermal unit, which is the heat required to raise the temperature of a one-pound mass of water from 58.5 to 59.5 degrees Fahrenheit.

Commercial Well; Commercially Productive Well. An oil and gas well which produces oil and gas in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

Developed Acreage. The number of acres which are allocated or assignable to producing wells or wells capable of production.

Development Well. A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry Hole; Dry Well. A well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

Exploratory Well. A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir or to extend a known reservoir.

Farmout. An assignment of an interest in a drilling location and related acreage conditional upon the drilling of a well on that location.

Formation. A succession of sedimentary beds that were deposited under the same general geologic conditions.

Full-Cost Pool. The full-cost pool consists of all costs associated with property acquisition, exploration, and development activities for a company using the full-cost method of accounting. Additionally, any internal costs that can be directly identified with acquisition, exploration and development activities are included. Any costs related to production, general corporate overhead or similar activities are not included.

Gross Acres or Gross Wells. The total acres or wells, as the case may be, in which a working interest is owned.

Horizontal Wells. Wells which are drilled at angles greater than 70 from vertical.

MBbl. One thousand barrels of crude oil or other liquid hydrocarbons.

MBtu. One thousand Btus.

Mcf. One thousand cubic feet.

Mcfe. One thousand cubic feet of gas equivalent.

MMBbl. One million barrels of crude oil or other liquid hydrocarbons.

MMBtu. One million Btus.

MMcf. One million cubic feet.

MMcfe. One million cubic feet of gas equivalent.

Net Acres or Net Wells. The sum of the fractional working interest owned in gross acres or gross wells.

Present Value. When used with respect to oil and gas reserves, present value means the estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and future development costs, using prices and costs in effect at the determination date, without giving effect to non-property related expenses such as general and administrative expenses, debt service and future income tax expense or to depreciation, depletion and amortization, discounted using an annual discount rate of 10%.

Productive Well. A well that is producing oil or gas or that is capable of production.

Proved Developed Reserves. Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved Reserves. The estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved Undeveloped Location. A site on which a development well can be drilled consistent with spacing rules for purposes of recovering proved undeveloped reserves.

Proved Undeveloped Reserves. Reserves that are expected to be recovered from new wells drilled to known reservoir on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

Royalty Interest. An interest in an oil and gas property entitling the owner to a share of oil or gas production free of costs of production.

Tcf. One trillion cubic feet.

Tcfe. One trillion cubic feet of gas equivalent.

Undeveloped Acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether such acreage contains proved reserves.

Working Interest. The operating interest which gives the owner the right to drill, produce and conduct operating activities on the property and a share of production.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	JUNE 30, 2000	DECEMBER 31, 1999
	($ IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,019	$ 38,658
Restricted cash	4,754	192
Accounts receivable:		
Oil and gas sales	33,380	17,045
Oil and gas marketing sales	29,141	18,199
Joint interest and other, net of allowances of $1,714,000 and $3,218,000, respectively	14,399	11,247
Related parties	3,455	4,574
Inventory	3,596	4,582
Other	3,025	3,049
Total current assets	103,769	97,546
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full-cost accounting:		
Evaluated oil and gas properties	2,422,373	2,315,348
Unevaluated properties	32,146	40,008
Less: accumulated depreciation, depletion and amortization	(1,719,259)	(1,670,542)
	735,260	684,814
Other property and equipment	70,155	67,712
Less: accumulated depreciation and amortization	(35,099)	(33,429)
Total property and equipment	770,316	719,097
INVESTMENT IN GOTHIC ENERGY CORPORATION	87,509	10,000
OTHER ASSETS	19,388	23,890
TOTAL ASSETS	$ 980,982	$ 850,533
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 799	$ 763
Accounts payable	23,768	24,822
Accrued liabilities and other	43,103	34,713
Revenues and royalties due others	33,753	27,888
Total current liabilities	101,423	88,186
LONG-TERM DEBT, NET	983,230	964,097
REVENUES AND ROYALTIES DUE OTHERS	8,405	9,310
DEFERRED INCOME TAXES	7,904	6,484
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred Stock, $.01 par value, 10,000,000 shares authorized; 1,557,037 and 4,596,400 shares of 7% cumulative convertible stock issued and outstanding at June 30, 2000 and December 31, 1999, respectively, entitled in liquidation (including dividends in arrears) to $87.4 million and $249.1 million, respectively	77,852	229,820
Common Stock, par value of $.01, 250,000,000 shares authorized; 143,297,346 and 105,858,580 shares issued at June 30, 2000 and December 31, 1999, respectively	1,433	1,059
Paid-in capital	862,230	682,905
Accumulated earnings (deficit)	(1,045,984)	(1,093,929)
Accumulated other comprehensive income (loss)	(2,757)	196
Less: treasury stock, at cost; 3,806,185 and 10,856,185 common shares at June 30, 2000 and December 31, 1999, respectively	(12,754)	(37,595)
Total stockholders' equity (deficit)	(119,980)	(217,544)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 980,982	$ 850,533

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
REVENUES:				
Oil and gas sales	$ 100,221	$ 68,272	$ 187,514	$ 120,078
Oil and gas marketing sales	34,242	12,620	61,610	26,491
Total revenues	134,463	80,892	249,124	146,569
OPERATING COSTS:				
Production expenses	12,581	11,183	25,126	25,175
Production taxes	5,717	2,798	10,933	4,788
General and administrative	3,188	3,268	6,220	7,292
Oil and gas marketing expenses	33,122	11,673	59,666	24,958
Oil and gas depreciation, depletion and amortization	24,877	24,233	49,360	47,386
Depreciation and amortization of other assets	1,836	1,972	3,702	4,138
Total operating costs	81,321	55,127	155,007	113,737
INCOME FROM OPERATIONS	53,142	25,765	94,117	32,832
OTHER INCOME (EXPENSE):				
Interest and other income	1,667	2,967	2,859	3,840
Interest expense	(21,813)	(20,259)	(42,677)	(40,149)
Total other income (expense)	(20,146)	(17,292)	(39,818)	(36,309)
INCOME (LOSS) BEFORE INCOME TAXES	32,996	8,473	54,299	(3,477)
INCOME TAX EXPENSE	1,362	326	1,463	326
NET INCOME (LOSS)	31,634	8,147	52,836	(3,803)
Preferred stock dividends	(2,907)	(4,026)	(6,949)	(8,052)
Gain on redemption of preferred stock	1,481	--	11,895	--
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 30,208	$ 4,121	$ 57,782	$ (11,855)
EARNINGS (LOSS) PER COMMON SHARE:				
Basic	$ 0.26	$ 0.04	$ 0.53	$ (0.12)
Assuming Dilution	$ 0.22	$ 0.04	$ 0.36	$ (0.12)
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING:				
Basic	116,466	97,049	108,196	97,049
Assuming dilution	146,113	101,450	146,285	97,049

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
	($ IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 52,836	$ (3,803)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	51,258	49,923
Amortization of loan costs	1,804	1,601
Amortization of bond discount	42	35
(Gain) loss on sale of fixed assets and other	(1)	98
Equity in losses (earnings) of equity investees	131	(35)
Bad debt expense	256	--
Other	(36)	--
Deferred income taxes	1,463	326
Cash provided by operating activities before changes in current assets and liabilities	107,753	48,145
Changes in current assets and liabilities	(23,883)	(579)
Cash provided by operating activities	83,870	47,566
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration and development of oil and gas properties	(78,947)	(79,303)
Purchases of oil and gas properties	(24,981)	(6,484)
Sales of oil and gas properties	1,368	17,387
Sales of non-oil and gas assets	835	1,306
Additions to other property and equipment	(3,390)	(65)
Long-term loans made to third parties	--	(511)
Long-term investments	(2,000)	--
Investment in Gothic senior discount notes	(22,352)	--
Other	(1,102)	325
Cash used in investing activities	(130,569)	(67,345)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	113,000	14,000
Payments on long-term borrowings	(93,500)	--
Purchase of treasury stock	--	(53)
Cash received from exercise of stock options	764	240
Cash provided by financing activities	20,264	14,187
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH	(204)	3,625
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,639)	(1,967)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	38,658	29,520
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 12,019	$ 27,553

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
	($ in thousands)			
Net income (loss)	$ 31,634	$ 8,147	$ 52,836	$ (3,803)
Other comprehensive income (loss) - foreign currency translation adjustments	(2,475)	2,813	(2,953)	3,625
Comprehensive income (loss)	$ 29,159	$ 10,960	$ 49,883	$ (178)

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIAIRES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. ACCOUNTING PRINCIPLES

The accompanying unaudited consolidated financial statements of Chesapeake Energy Corporation and Subsidiaries ("Chesapeake") have been prepared in accordance with the instructions to Form 10-Q as prescribed by the Securities and Exchange Commission. All material adjustments (consisting solely of normal recurring adjustments) which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods have been reflected. The results for the three and six months ended June 30, 2000 are not necessarily indicative of the results to be expected for the full year.

The accompanying unaudited consolidated financial statements relate to the three and six months ended June 30, 2000 (the "Current Quarter" and "Current Period," respectively) and June 30, 1999 (the "Prior Quarter" and "Prior Period," respectively).

2. LEGAL PROCEEDINGS

Bayard Securities Litigation

This putative class action alleging violations of the Securities Act of 1933 and the Oklahoma Securities Act was first filed in February 1998 against Chesapeake and others on behalf of investors who purchased common stock of Bayard Drilling Technologies, Inc. in, or traceable to, its initial public offering in November 1997. Total proceeds of the offering were $254 million, of which Chesapeake received net proceeds of $90 million as a selling shareholder. Plaintiffs allege that Chesapeake, a major customer of Bayard's drilling services and the owner of 30.1% of Bayard's common stock outstanding prior to the offering, was a controlling person of Bayard. Alleged defective disclosures are claimed to have resulted in a decline in Bayard's share price following the public offering. Plaintiffs seek a determination that the suit is a proper class action and damages in an unspecified amount or rescission, together with interest and costs of litigation, including attorneys' fees.

On August 24, 1999, the court dismissed plaintiffs' claims against Chesapeake under Section 15 of the Securities Act of 1933 alleging that Chesapeake was a "controlling person" of Bayard. Claims under Section 11 of the Securities Act of 1933 and Section 408 of the Oklahoma Securities Act continue to be asserted against Chesapeake. Chesapeake believes that it has meritorious defenses to these claims and intends to defend this action vigorously. No estimate of loss or range of estimate of loss, if any, can be made at this time. Bayard, which was acquired by Nabors Industries, Inc. in April 1999, has been reimbursing Chesapeake for its costs of defense as incurred.

Patent Litigation

On September 21, 1999, judgment was entered in favor of Chesapeake in a patent infringement lawsuit tried to the U.S. District Court for the Northern District of Texas, Fort Worth Division. Filed in October 1996, the lawsuit asserted that Chesapeake had infringed a patent belonging to Union Pacific Resources Company. The court declared the patent invalid, held that Chesapeake could not have infringed the patent, dismissed all of UPRC's claims with prejudice and assessed court costs against UPRC. Appeals of the judgment by both Chesapeake and UPRC are pending in the Federal Circuit Court of Appeals. Chesapeake has appealed the trial court's ruling denying Chesapeake's request for attorneys' fees. Management is unable to predict the outcome of these appeals, but believes the invalidity of the patent will be upheld on appeal.

West Panhandle Field Cessation Cases

A subsidiary of Chesapeake, Chesapeake Panhandle Limited Partnership ("CP") (f/k/a MC Panhandle, Inc.), and two subsidiaries of Kinder Morgan, Inc. are defendants in 13 lawsuits filed between June 1997 and January 1999 by royalty owners seeking the cancellation of oil and gas leases in the West Panhandle Field in Texas. Chesapeake acquired MC Panhandle, Inc. on April 28, 1998. MC Panhandle, Inc. has owned the leases

since January 1, 1997, and the co-defendants are prior lessees. Plaintiffs claim the leases terminated upon the cessation of production for various periods occurring primarily during the 1960s. In addition, plaintiffs seek to recover conversion damages, exemplary damages, attorneys' fees and interest. Defendants assert that any cessation of production was excused and have pled affirmative defenses of limitations, waiver, temporary estoppel, laches and title by adverse possession. Four of the 13 cases have been tried, no trial dates have been set for the other cases.

Of the ten cases filed in the District Court of Moore County, Texas, 69th Judicial District, three have been tried to a jury. Judgment has been entered against CP and its co-defendants in all three cases, although there was initially a jury verdict in two of the cases in favor of defendants. Chesapeake's aggregate liability for these judgments is $1.3 million of actual damages and $1.2 million of exemplary damages, and jointly and severally with the other two defendants, $1.5 million of actual damages and $337,000 of attorneys' fees in the event of an appeal, sanctions, interest and court costs. The court also quieted title to the leases in dispute in plaintiffs. CP and the other defendants have each appealed the judgments and posted supersedeas bonds in all of these cases. There are three related cases pending in other courts. One was tried in the U.S. District Court, Northern District of Texas, Amarillo Division, and resulted in a jury verdict for CP and its co-defendants. Judgment has not yet been entered in that case.

Chesapeake has previously established an accrued liability that management believes will be sufficient to cover the estimated costs of litigation for each of these cases. Because of the inconsistent verdicts reached by the juries in the four cases tried to date and because the amount of damages sought is not specified in all of the other cases, the outcome of the remaining trials and the amount of damages that might ultimately be awarded could differ from management's estimates. Management believes, however, that the leases are valid, there is no basis for exemplary damages and that any findings of fraud or bad faith will be overturned on appeal. CP and the other defendants intend to vigorously defend against the plaintiffs' claims.

Chesapeake is currently involved in various other routine disputes incidental to its business operations. While it is not possible to determine the ultimate disposition of these matters, management, after consultation with legal counsel, is of the opinion that the final resolution of all such currently pending or threatened litigation is not likely to have a material adverse effect on the consolidated financial position or results of operations of Chesapeake.

3. NET INCOME (LOSS) PER SHARE

Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS 128") requires presentation of "basic" and "diluted" earnings per share, as defined, on the face of the statements of operations for all entities with complex capital structures. SFAS 128 requires a reconciliation of the numerator and denominators of the basic and diluted EPS computations.

The following weighted securities were not included in the calculation of diluted earnings per share, as the effect was antidilutive:

- In the Prior Period, options to purchase 12.8 million shares of common stock at a weighted average exercise price of $1.77 and the assumed conversion of the outstanding preferred stock (convertible into 33.1 million common shares) were antidilutive as a result of Chesapeake's loss for the period.
- For the Prior Quarter, outstanding options to purchase 2.3 million shares of common stock at a weighted average exercise price of $5.02 were antidilutive because the exercise prices of the options were greater than the average market price of Chesapeake's common stock. Additionally, the assumed conversion of the outstanding preferred stock (convertible into 33.1 million common shares) was not included.
- In the Current Quarter and the Current Period, outstanding options to purchase 0.7 million and 1.6 million shares of common stock, respectively, at a weighted average exercise price of $10.57 and $6.76, respectively, were antidilutive because the exercise prices of the options were greater than the average market price of Chesapeake's common stock.

A reconciliation for the Current Quarter, Prior Quarter and Current Period is as follows:

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
		(in thousands)	
FOR THE QUARTER ENDED JUNE 30, 2000:			
BASIC EPS			
Income available to common stockholders	$ 30,208	116,466	$ 0.26
EFFECT OF DILUTIVE SECURITIES			
Assumed conversion of preferred stock at beginning of period	2,907	21,797	
Gain on redemption of preferred stock	(1,481)	--	
Employee stock options	--	7,850	
DILUTED EPS			
Income available to common stockholders and assumed conversions	$ 31,634	146,113	$ 0.22
FOR THE QUARTER ENDED JUNE 30, 1999:			
BASIC EPS			
Income available to common stockholders	$ 4,121	97,049	$ 0.04
EFFECT OF DILUTIVE SECURITIES			
Employee stock options	--	4,401	
DILUTED EPS			
Income available to common stockholders and assumed conversions	$ 4,121	101,450	$ 0.04
FOR THE SIX MONTHS ENDED JUNE 30, 2000:			
BASIC EPS			
Income available to common stockholders	$ 57,782	108,196	$ 0.53
EFFECT OF DILUTIVE SECURITIES			
Assumed conversion of preferred stock at beginning of period	6,949	31,158	
Gain on redemption of preferred stock	(11,895)	--	
Employee stock options	--	6,931	
DILUTED EPS			
Income available to common stockholders and assumed conversions	$ 52,836	146,285	$ 0.36

In the Current Quarter, Chesapeake engaged in a number of unsolicited stock exchange transactions with institutional investors. Chesapeake exchanged a total of 24.7 million shares of common stock (newly issued shares), plus a cash payment of $8.3 million, for 2,364,363 shares of its issued and outstanding preferred stock with a liquidation value of $118.2 million plus dividends in arrears of $13.6 million. All preferred shares acquired in these transactions were cancelled and retired and have the status of authorized but unissued shares of undesignated preferred stock. A gain on redemption of the preferred shares equal to $1.5 million was recognized as an increase to net income available to common shareholders in the Current Quarter in determining basic earnings per share. The gain represented the excess of (i) the liquidation value of the preferred shares that were retired plus dividends in arrears which had reduced prior EPS over (ii) the market value of the common stock issued, and the cash payment made, in exchange for the preferred shares.

In the Current Period, a total of 34.2 million shares of common stock, plus a cash payment of $8.3 million, were exchanged for 3,039,363 shares of preferred stock. These transactions reduced (i) the number of preferred shares from 4.6 million to 1.6 million, (ii) the liquidation value of the preferred stock from $229.8 million to $77.9 million, and (iii) dividends in arrears by $16.8 million to $9.5 million. A gain on redemption of all preferred shares exchanged through June 30, 2000 of $11.9 million ($1.5 million related to the Current Quarter) is reflected in net income available to common shareholders in determining basic earnings per share.

Subsequent to June 30, 2000, Chesapeake engaged in additional transactions in which 9.2 million shares of common stock (newly issued shares) were exchanged for 933,000 shares of its issued and outstanding preferred stock with a liquidation value of $46.7 million plus dividends in arrears of $6.1 million. A $5.3 million loss on the redemption of these preferred shares will be reflected in net income available to common shareholders in determining earnings per share in the third quarter.

Chesapeake may acquire additional shares of preferred stock in the future through negotiations with individual holders and, beginning May 1, 2001, it may redeem outstanding shares of preferred stock for $52.45 per share plus accumulated and unpaid dividends in cash and/or common stock.

4. SENIOR NOTES

9.625% Notes

Chesapeake has outstanding $500 million in aggregate principal amount of 9.625% Senior Notes which mature May 1, 2005. The 9.625% Notes bear interest at the rate of 9.625%, payable semiannually on each May 1 and November 1. The 9.625% Notes are senior, unsecured obligations of Chesapeake and are fully and unconditionally guaranteed, jointly and severally, by the Guarantor Subsidiaries.

9.125% Notes

Chesapeake has outstanding $120 million in aggregate principal amount of 9.125% Senior Notes which mature April 15, 2006. The 9.125% Notes bear interest at an annual rate of 9.125%, payable semiannually on each April 15 and October 15. The 9.125% Notes are senior, unsecured obligations of Chesapeake and are fully and unconditionally guaranteed, jointly and severally, by the Guarantor Subsidiaries.

7.875% Notes

Chesapeake has outstanding $150 million in aggregate principal amount of 7.875% Senior Notes which mature March 15, 2004. The 7.875% Notes bear interest at the rate of 7.875%, payable semiannually on each March 15 and September 15. The 7.875% Notes are senior, unsecured obligations of Chesapeake and are fully and unconditionally guaranteed, jointly and severally, by the Guarantor Subsidiaries.

8.5% Notes

Chesapeake has outstanding $150 million in aggregate principal amount of 8.5% Senior Notes which mature March 15, 2012. The 8.5% Notes bear interest at the rate of 8.5%, payable semiannually on each March 15 and September 15. The 8.5% Notes are senior, unsecured obligations of Chesapeake and are fully and unconditionally guaranteed, jointly and severally, by the Guarantor Subsidiaries.

Chesapeake is a holding company and owns no operating assets and has no significant operations independent of its subsidiaries. Chesapeake's obligations under its Senior Notes have been fully and unconditionally guaranteed, on a joint and several basis, by each of Chesapeake's "Restricted Subsidiaries" (as defined in the respective indentures governing the Senior Notes) (collectively, the "Guarantor Subsidiaries"). Each of the Guarantor Subsidiaries is a direct or indirect wholly-owned subsidiary of Chesapeake.

The Senior Note Indentures contain certain covenants, including covenants limiting Chesapeake and the Guarantor Subsidiaries with respect to asset sales, restricted payments, the incurrence of additional indebtedness and the issuance of preferred stock, liens, sale and leaseback transactions, lines of business, dividend and other payment restrictions affecting Guarantor Subsidiaries, mergers or consolidations, and transactions with affiliates. Chesapeake is obligated to repurchase the 9.625% and 9.125% Senior Notes in the event of a change of control or certain asset sales.

These senior note indentures also limit Chesapeake's ability to make restricted payments (as defined), including the payment of preferred stock dividends, unless certain tests are met. From December 31, 1998 through March 31, 2000, Chesapeake was unable to meet the requirements to incur additional unsecured indebtedness, and consequently was not able to pay cash dividends on its 7% cumulative convertible preferred stock. Chesapeake had accumulated dividends in arrears of $9.5 million related to its preferred stock as of June 30, 2000. This restriction does not affect Chesapeake's ability to borrow under or expand its secured commercial bank facility. Chesapeake was unable to pay a dividend on the preferred stock on May 1, 2000, the sixth consecutive dividend payment date on which dividends had not been paid. As a result of Chesapeake's failure to pay dividends for six quarterly periods, the holders of preferred stock are entitled to elect two new directors to the Board. Based on the Current Quarter financial results, Chesapeake was able to pay a dividend on the preferred stock on August 1, 2000, although the Board of Directors did not declare a dividend that would have been payable on that date.

Set forth below are condensed consolidating financial statements of the Guarantor Subsidiaries, Chesapeake's subsidiaries which are not guarantors of the Senior Notes (the "Non-Guarantor Subsidiaries") and Chesapeake. Separate financial statements of each Guarantor Subsidiary have not been provided because management has determined that they are not material to investors.

Chesapeake Energy Marketing, Inc. ("CEMI") was the only Non-Guarantor Subsidiary for all periods presented. All of Chesapeake's other subsidiaries were Guarantor Subsidiaries during all periods presented.

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF JUNE 30, 2000
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (9,048)	$ 5,057	$ 20,764	$ --	$ 16,773
Accounts receivable, net	68,523	29,041	--	(17,189)	80,375
Inventory	3,375	221	--	--	3,596
Other	2,456	28	541	--	3,025
Total current assets	65,306	34,347	21,305	(17,189)	103,769
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,422,373	--	--	--	2,422,373
Unevaluated leasehold	32,146	--	--	--	32,146
Other property and equipment	29,899	20,568	19,688	--	70,155
Less: accumulated depreciation, depletion and amortization	(1,734,280)	(17,974)	(2,104)	--	(1,754,358)
Net property and equipment	750,138	2,594	17,584	--	770,316
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	922,163	--	432,912	(1,355,075)	--
INVESTMENT IN GOTHIC ENERGY CORPORATION	10,000	--	77,509	--	87,509
OTHER ASSETS	1,438	8,496	17,266	(7,812)	19,388
TOTAL ASSETS	$ 1,749,045	$ 45,437	$ 566,576	$ (1,380,076)	$ 980,982

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 799	$ --	$ --	$ --	$ 799
Accounts payable and other	61,540	30,312	26,087	(17,315)	100,624
Total current liabilities	62,339	30,312	26,087	(17,315)	101,423
LONG-TERM DEBT, NET	64,028	--	919,202	--	983,230
REVENUES AND ROYALTIES DUE OTHERS	8,405	--	--	--	8,405
DEFERRED INCOME TAXES	7,904	--	--	--	7,904
INTERCOMPANY PAYABLES	1,473,601	(1,531)	(1,472,070)	--	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Common stock	26	1	1,424	(18)	1,433
Other	132,742	16,655	1,091,933	(1,362,743)	(121,413)
	132,768	16,656	1,093,357	(1,362,761)	(119,980)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,749,045	$ 45,437	$ 566,576	$ (1,380,076)	$ 980,982

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 1999
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (6,964)	$ 20,409	$ 25,405	$ --	$ 38,850
Accounts receivable	45,170	18,297	73	(12,475)	51,065
Inventory	4,183	399	--	--	4,582
Other	1,997	700	352	--	3,049
Total current assets	44,386	39,805	25,830	(12,475)	97,546
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,311,633	3,715	--	--	2,315,348
Unevaluated leasehold	40,008	--	--	--	40,008
Other property and equipment	29,088	20,521	18,103	--	67,712
Less: accumulated depreciation, depletion and amortization	(1,683,890)	(18,205)	(1,876)	--	(1,703,971)
Net property and equipment	696,839	6,031	16,227	--	719,097
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	806,180	--	493,738	(1,299,918)	--
INVESTMENT IN GOTHIC ENERGY CORPORATION	10,000	--	--	--	10,000
OTHER ASSETS	6,402	8,409	16,765	(7,686)	23,890
TOTAL ASSETS	$ 1,563,807	$ 54,245	$ 552,560	$ (1,320,079)	$ 850,533

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ --	$ 763	$ --	$ --	$ 763
Accounts payable and other	63,194	19,265	17,466	(12,502)	87,423
Total current liabilities	63,194	20,028	17,466	(12,502)	88,186
LONG-TERM DEBT, NET	43,500	1,437	919,160	--	964,097
REVENUES AND ROYALTIES DUE OTHERS	9,310	--	--	--	9,310
DEFERRED INCOME TAXES	6,484	--	--	--	6,484
INTERCOMPANY PAYABLES	1,356,466	(2,450)	(1,354,043)	27	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Common stock	27	1	1,048	(17)	1,059
Other	84,826	35,229	968,929	(1,307,587)	(218,603)
	84,853	35,230	969,977	(1,307,604)	(217,544)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,563,807	$ 54,245	$ 552,560	$ (1,320,079)	$ 850,533

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE THREE MONTHS ENDED JUNE 30, 2000					
REVENUES:					
Oil and gas sales	$ 100,221	$ --	$ --	$ --	$ 100,221
Oil and gas marketing sales	--	79,973	--	(45,731)	34,242
Total revenues	100,221	79,973	--	(45,731)	134,463
OPERATING COSTS:					
Production expenses and taxes	18,298	--	--	--	18,298
General and administrative	2,841	299	48	--	3,188
Oil and gas marketing expenses	--	78,853	--	(45,731)	33,122
Oil and gas depreciation, depletion and amortization	24,876	1	--	--	24,877
Other depreciation and amortization	1,008	20	808	--	1,836
Total operating costs	47,023	79,173	856	(45,731)	81,321
INCOME (LOSS) FROM OPERATIONS	53,198	800	(856)	--	53,142
OTHER INCOME (EXPENSE):					
Interest and other income	1,165	467	20,945	(20,910)	1,667
Interest expense	(21,484)	--	(21,239)	20,910	(21,813)
	(20,319)	467	(294)	--	(20,146)
INCOME (LOSS) BEFORE INCOME TAXES	32,879	1,267	(1,150)	--	32,996
INCOME TAX EXPENSE	1,362	--	--	--	1,362
NET INCOME (LOSS)	$ 31,517	$ 1,267	$ (1,150)	$ --	$ 31,634
FOR THE THREE MONTHS ENDED JUNE 30, 1999					
REVENUES:					
Oil and gas sales	$ 68,272	$ --	$ --	$ --	$ 68,272
Oil and gas marketing sales	--	38,420	--	(25,800)	12,620
Total revenues	68,272	38,420	--	(25,800)	80,892
OPERATING COSTS:					
Production expenses and taxes	13,981	--	--	--	13,981
General and administrative	2,942	324	2	--	3,268
Oil and gas marketing expenses	--	37,473	--	(25,800)	11,673
Oil and gas depreciation, depletion and amortization	24,233	--	--	--	24,233
Other depreciation and amortization	1,138	20	814	--	1,972
Total operating costs	42,294	37,817	816	(25,800)	55,127
INCOME (LOSS) FROM OPERATIONS	25,978	603	(816)	--	25,765
OTHER INCOME (EXPENSE):					
Interest and other income	440	2,408	29,188	(29,069)	2,967
Interest expense	(29,009)	--	(20,319)	29,069	(20,259)
	(28,569)	2,408	8,869	--	(17,292)
INCOME (LOSS) BEFORE INCOME TAXES	(2,591)	3,011	8,053	--	8,473
INCOME TAX EXPENSE	326	--	--	--	326
NET INCOME (LOSS)	$ (2,917)	$ 3,011	$ 8,053	$ --	$ 8,147

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE SIX MONTHS ENDED JUNE 30, 2000					
REVENUES:					
Oil and gas sales	$ 187,167	$ 347	$ --	$ --	$ 187,514
Oil and gas marketing sales	--	149,098	--	(87,488)	61,610
Total revenues	187,167	149,445	--	(87,488)	249,124
OPERATING COSTS:					
Production expenses and taxes	35,979	80	--	--	36,059
General and administrative	5,561	590	69	--	6,220
Oil and gas marketing expenses	--	147,154	--	(87,488)	59,666
Oil and gas depreciation, depletion and amortization	49,259	101	--	--	49,360
Other depreciation and amortization	2,034	40	1,628	--	3,702
Total operating costs	92,833	147,965	1,697	(87,488)	155,007
INCOME (LOSS) FROM OPERATIONS	94,334	1,480	(1,697)	--	94,117
OTHER INCOME (EXPENSE):					
Interest and other income	1,963	803	41,912	(41,819)	2,859
Interest expense	(42,439)	(34)	(42,023)	41,819	(42,677)
	(40,476)	769	(111)	--	(39,818)
INCOME (LOSS) BEFORE INCOME TAXES	53,858	2,249	(1,808)	--	54,299
INCOME TAX EXPENSE	1,463	--	--	--	1,463
NET INCOME (LOSS)	$ 52,395	$ 2,249	$ (1,808)	$ --	$ 52,836
FOR THE SIX MONTHS ENDED JUNE 30, 1999					
REVENUES:					
Oil and gas sales	$ 120,078	$ --	$ --	$ --	$ 120,078
Oil and gas marketing sales	--	73,258	--	(46,767)	26,491
Total revenues	120,078	73,258	--	(46,767)	146,569
OPERATING COSTS:					
Production expenses and taxes	29,963	--	--	--	29,963
General and administrative	6,464	781	47	--	7,292
Oil and gas marketing expenses	--	71,725	--	(46,767)	24,958
Oil and gas depreciation, depletion and amortization	47,386	--	--	--	47,386
Other depreciation and amortization	2,476	40	1,622	--	4,138
Total operating costs	86,289	72,546	1,669	(46,767)	113,737
INCOME (LOSS) FROM OPERATIONS	33,789	712	(1,669)	--	32,832
OTHER INCOME (EXPENSE):					
Interest and other income	707	2,845	58,328	(58,040)	3,840
Interest expense	(57,415)	--	(40,774)	58,040	(40,149)
	(56,708)	2,845	17,554	--	(36,309)
INCOME (LOSS) BEFORE INCOME TAXES	(22,919)	3,557	15,885	--	(3,477)
INCOME TAX EXPENSE	326	--	--	--	326
NET INCOME (LOSS)	$ (23,245)	$ 3,557	$ 15,885	$ --	$ (3,803)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE SIX MONTHS ENDED JUNE 30, 2000					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 88,395	$ (4,753)	$ 228	$ --	$ 83,870
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(104,075)	1,515	--	--	(102,560)
Proceeds from sale of assets	835	--	--	--	835
Investment in Gothic senior discount notes	--	(22,352)	--	--	(22,352)
Other investments	--	--	(2,000)	--	(2,000)
Other additions	(2,570)	(46)	(1,876)	--	(4,492)
	(105,810)	(20,883)	(3,876)	--	(130,569)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	113,000	--	--	--	113,000
Payments on borrowings	(93,500)	--	--	--	(93,500)
Cash received from exercise of stock options	--	--	764	--	764
Intercompany advances, net	(8,527)	10,284	(1,757)	--	--
	10,973	10,284	(993)	--	20,264
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(204)	--	--	--	(204)
Net increase (decrease) in cash	(6,646)	(15,352)	(4,641)	--	(26,639)
Cash, beginning of period	(7,156)	20,409	25,405	--	38,658
Cash, end of period	$ (13,802)	$ 5,057	$ 20,764	$ --	$ 12,019
FOR THE SIX MONTHS ENDED JUNE 30, 1999					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 22,128	$ 8,119	$ 17,319	$ --	$ 47,566
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(68,400)	--	--	--	(68,400)
Proceeds from sale of other assets	1,306	--	--	--	1,306
Other additions	427	308	(986)	--	(251)
	(66,667)	308	(986)	--	(67,345)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	14,000	--	--	--	14,000
Cash paid for purchase of treasury stock	--	(53)	--	--	(53)
Cash received from exercise of stock options	--	--	240	--	240
Intercompany advances, net	33,665	2,217	(35,882)	--	--
	47,665	2,164	(35,642)	--	14,187
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3,625	--	--	--	3,625
Net increase (decrease) in cash	6,751	10,591	(19,309)	--	(1,967)
Cash, beginning of period	(17,319)	7,000	39,839	--	29,520
Cash, end of period	$ (10,568)	$ 17,591	$ 20,530	$ --	$ 27,553

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE THREE MONTHS ENDED JUNE 30, 2000:					
Net income (loss)	$ 31,517	$ 1,267	$ (1,150)	$ --	$ 31,634
Other comprehensive income (loss) - foreign currency translation	(2,475)	--	--	--	(2,475)
Comprehensive income	$ 29,042	$ 1,267	$ (1,150)	$ --	$ 29,159
FOR THE THREE MONTHS ENDED JUNE 30, 1999:					
Net income (loss)	$ (2,917)	$ 3,011	$ 8,053	$ --	$ 8,147
Other comprehensive income (loss) - foreign currency translation	2,813	--	--	--	2,813
Comprehensive income (loss)	$ (104)	$ 3,011	$ 8,053	$ --	$ 10,960
FOR THE SIX MONTHS ENDED JUNE 30, 2000:					
Net income (loss)	$ 52,395	$ 2,249	$ (1,808)	$ --	$ 52,836
Other comprehensive income (loss) - foreign currency translation	(2,953)	--	--	--	(2,953)
Comprehensive income	$ 49,442	$ 2,249	$ (1,808)	$ --	$ 49,883
FOR THE SIX MONTHS ENDED JUNE 30, 1999:					
Net income (loss)	$ (23,245)	$ 3,557	$ 15,885	$ --	$ (3,803)
Other comprehensive income (loss) - foreign currency translation	3,625	--	--	--	3,625
Comprehensive income (loss)	$ (19,620)	$ 3,557	$ 15,885	$ --	$ (178)

5. INVESTMENT IN GOTHIC ENERGY CORPORATION ("GOTHIC")

On June 27, 2000, CEMI purchased in a series of private transactions 96% of Gothic's $104 million of 14.125% Series B Senior Secured Discount Notes for consideration of $77.5 million, comprised of $22.4 million in cash and $55.2 million of Chesapeake common stock (9,468,985 shares valued at $5.825 per share), subject to adjustment. The acquired discount notes accrete at a rate per annum of 14.125%, compounded semi-annually to an aggregate principal amount of $99.7 million at May 1, 2002. Thereafter, the discount notes accrue interest at the rate of 14.125% per annum, payable in cash semi-annually in arrears on May 1 and November 1 of each year commencing November 1, 2002. The discount notes mature on May 1, 2006.

On June 30, 2000, Chesapeake entered into a letter of intent to acquire the common stock of Gothic for 4.0 million shares of Chesapeake common stock. Upon the closing of the transaction, Gothic's shareholders will own approximately 2.7% of Chesapeake's common stock. The total acquisition cost to Chesapeake will be approximately $345 million, including $235 million of Senior Secured Notes issued by Gothic's operating subsidiary. The Gothic acquisition is subject to the completion of definitive documentation and approval by Gothic's shareholders. Completion of the transaction is expected by year-end 2000.

Also included in Chesapeake's investment in Gothic is Chesapeake's April 1998 investment in Gothic's 12% Preferred Stock with a carrying value of $10.0 million.

6. REVOLVING CREDIT FACILITY

At June 30, 2000, Chesapeake had a $75 million revolving bank credit facility, maturing in July 2002, with a committed borrowing base of $75 million. As of June 30, 2000, Chesapeake had borrowed $63.0 million under this facility. Borrowings under the facility are secured by certain producing oil and gas properties and bear interest at variable rates, which averaged 10.0% per annum as of June 30, 2000. On August 1, 2000, the revolving bank credit facility and the borrowing base were increased to $100 million.

7. RECENTLY ISSUED ACCOUNTING STANDARDS

On June 15, 1998, the Financial Accounting Standards Board issued FAS No. 133, Accounting for Derivative Instruments and Hedging Activities. FAS 133 establishes a new model for accounting for derivatives and hedging activities and supersedes and amends a number of existing standards. FAS 133 (as amended by FAS 137 and FAS 138) is effective for all fiscal quarters of fiscal years beginning after June 15, 2000.

FAS 133 standardizes the accounting for derivative instruments by requiring that all derivatives be recognized as assets and liabilities and measured at fair value. The accounting for changes in the fair value of derivatives (gains and losses) depends on (i) whether the derivative is designated and qualifies as a hedge, and (ii) the type of hedging relationship that exists. Changes in the fair value of derivatives that are not designated as hedges or that do not meet the hedge accounting criteria in FAS 133 are required to be reported in earnings. In addition, all hedging relationships must be designated, reassessed and documented pursuant to the provisions of FAS 133. Chesapeake has not yet determined the impact that adoption of FAS 133 will have on the financial statements. However, Chesapeake believes that its commodity derivatives will be designated as hedges in accordance with the relevant accounting criteria.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Chesapeake Energy Corporation

In our opinion, the consolidated financial statements as of December 31, 1999 and 1998, for the years ended December 31, 1999 and 1998 and June 30, 1997 and the six months ended December 31, 1997 present fairly, in all material respects, the financial position of Chesapeake Energy Corporation and its subsidiaries ("Chesapeake") at December 31, 1999 and 1998, and the results of their operations and their cash flows for the years ended December 31, 1999 and 1998, the six months ended December 31, 1997, and the year ended June 30, 1997, in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of Chesapeake's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP
Oklahoma City, Oklahoma
March 24, 2000

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	DECEMBER 31, 1999	DECEMBER 31, 1998
	($ IN THOUSANDS)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 38,658	$ 29,520
Restricted cash	192	5,754
Accounts receivable:		
Oil and gas sales	17,045	13,835
Oil and gas marketing sales	18,199	19,636
Joint interest and other, net of allowances of $3,218,000 and $3,209,000, respectively	11,247	27,373
Related parties	4,574	15,455
Inventory	4,582	5,325
Other	3,049	1,101
Total Current Assets	97,546	117,999
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full-cost accounting:		
Evaluated oil and gas properties	2,315,348	2,142,943
Unevaluated properties	40,008	52,687
Less: accumulated depreciation, depletion and amortization	(1,670,542)	(1,574,282)
	684,814	621,348
Other property and equipment	67,712	79,718
Less: accumulated depreciation and amortization	(33,429)	(37,075)
Total Property and Equipment	719,097	663,991
OTHER ASSETS	33,890	30,625
TOTAL ASSETS	$ 850,533	$ 812,615

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 763	$ 25,000
Accounts payable	24,822	36,854
Accrued liabilities and other	34,713	46,572
Revenues and royalties due others	27,888	22,858
Total Current Liabilities	88,186	131,284
LONG-TERM DEBT, NET	964,097	919,076
REVENUES AND ROYALTIES DUE OTHERS	9,310	10,823
DEFERRED INCOME TAXES	6,484	--
CONTINGENCIES AND COMMITMENTS (NOTE 4)		
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred Stock, $.01 par value, 10,000,000 shares authorized; 4,596,400 and 4,600,000 shares of 7% cumulative convertible stock issued and outstanding at December 31, 1999 and 1998, respectively, entitled in liquidation to $229.8 million and 230.0 million, respectively	229,820	230,000
Common Stock, par value of $.01, 250,000,000 shares authorized; 105,858,580 and 105,213,750 shares issued at December 31, 1999 and 1998, respectively	1,059	1,052
Paid-in capital	682,905	682,263
Accumulated earnings (deficit)	(1,093,929)	(1,127,195)
Accumulated other comprehensive income (loss)	196	(4,726)
Less: treasury stock, at cost; 10,856,185 and 8,503,300 common shares at December 31, 1999 and 1998, respectively	(37,595)	(29,962)
Total Stockholders' Equity (Deficit)	(217,544)	(248,568)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 850,533	$ 812,615

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)			
REVENUES:				
Oil and gas sales	$ 280,445	$ 256,887	$ 95,657	$ 192,920
Oil and gas marketing sales	74,501	121,059	58,241	76,172
Total Revenues	354,946	377,946	153,898	269,092
OPERATING COSTS:				
Production expenses	46,298	51,202	7,560	11,445
Production taxes	13,264	8,295	2,534	3,662
General and administrative	13,477	19,918	5,847	8,802
Oil and gas marketing expenses	71,533	119,008	58,227	75,140
Oil and gas depreciation, depletion and amortization	95,044	146,644	60,408	103,264
Depreciation and amortization of other assets	7,810	8,076	2,414	3,782
Impairment of oil and gas properties	--	826,000	110,000	236,000
Impairment of other assets	--	55,000	--	--
Total Operating Costs	247,426	1,234,143	246,990	442,095
INCOME (LOSS) FROM OPERATIONS	107,520	(856,197)	(93,092)	(173,003)
OTHER INCOME (EXPENSE):				
Interest and other income	8,562	3,926	78,966	11,223
Interest expense	(81,052)	(68,249)	(17,448)	(18,550)
	(72,490)	(64,323)	61,518	(7,327)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	35,030	(920,520)	(31,574)	(180,330)
PROVISION (BENEFIT) FOR INCOME TAXES	1,764	--	--	(3,573)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	33,266	(920,520)	(31,574)	(176,757)
EXTRAORDINARY ITEM:				
Loss on early extinguishment of debt, net of applicable income tax of $0 and $3,804,000, respectively	--	(13,334)	--	(6,620)
NET INCOME (LOSS)	33,266	(933,854)	(31,574)	(183,377)
PREFERRED STOCK DIVIDENDS	(16,711)	(12,077)	--	--
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 16,555	$ (945,931)	$ (31,574)	$ (183,377)
EARNINGS (LOSS) PER COMMON SHARE:				
EARNINGS (LOSS) PER COMMON SHARE-BASIC:				
Income (loss) before extraordinary item	$ 0.17	$ (9.83)	$ (0.45)	$ (2.69)
Extraordinary item	--	(0.14)	--	(0.10)
Net income (loss)	$ 0.17	$ (9.97)	$ (0.45)	$ (2.79)
EARNINGS (LOSS) PER COMMON SHARE-ASSUMING DILUTION:				
Income (loss) before extraordinary item	$ 0.16	$ (9.83)	$ (0.45)	$ (2.69)
Extraordinary item	--	(0.14)	--	(0.10)
Net income (loss)	$ 0.16	$ (9.97)	$ (0.45)	$ (2.79)
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (IN 000'S):				
Basic	97,077	94,911	70,835	65,767
Assuming dilution	102,038	94,911	70,835	65,767

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
NET INCOME (LOSS)	$ 33,266	$ (933,854)	$ (31,574)	$ (183,377)
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation, depletion and amortization	99,516	152,204	62,028	105,591
Impairment of oil and gas assets	--	826,000	110,000	236,000
Impairment of other assets	--	55,000	--	--
Deferred taxes	1,764	--	--	(3,573)
Amortization of loan costs	3,338	2,516	794	1,455
Amortization of bond discount	84	98	41	217
Bad debt expense	9	1,589	40	299
Gain on sale of Bayard stock	--	--	(73,840)	--
Gain on sale of fixed assets	(459)	(90)	(209)	(1,593)
Extraordinary loss	--	13,334	--	6,620
Equity in (earnings) losses from investments and other	1,209	703	592	(499)
Cash provided by operating activities before changes in current assets and liabilities	138,727	117,500	67,872	161,140
CHANGES IN ASSETS AND LIABILITIES:				
(Increase) decrease in short-term investments	--	12,027	92,127	(102,858)
(Increase) decrease in accounts receivable	17,592	12,191	(7,173)	(19,987)
(Increase) decrease in inventory	743	168	(1,584)	(1,467)
(Increase) decrease in other current assets	3,614	7,637	(1,519)	1,466
Increase (decrease) in accounts payable, accrued liabilities and other	(23,891)	(46,785)	(11,044)	48,085
Increase (decrease) in current and non-current revenues and royalties due others	3,517	(8,099)	478	(2,290)
Increase (decrease) in deferred income taxes	4,720	--	--	--
Changes in assets and liabilities	6,295	(22,861)	71,285	(77,051)
Cash provided by operating activities	145,022	94,639	139,157	84,089
CASH FLOWS FROM INVESTING ACTIVITIES:				
Exploration and development of oil and gas properties	(153,268)	(259,710)	(187,252)	(465,367)
Acquisitions of oil and gas companies and properties, net of cash acquired	(49,893)	(279,924)	--	--
Divestitures of oil and gas properties	45,635	15,712	--	--
Investment in preferred stock of Gothic Energy Corporation	--	(39,500)	--	--
Net proceeds from sale of Bayard stock	--	--	90,380	--
Repayment of note receivable	--	2,000	18,000	--
Proceeds from sale of investment in PanEast	--	21,245	--	--
Other proceeds from sales	5,530	3,600	17	6,428
Long-term loans made to third parties	--	--	--	(20,000)
Investment in oil field service company	--	--	(200)	(3,048)
Increase in deferred charges	(5,865)	--	--	--
Other investments	(730)	--	(30,434)	(8,000)
Other property and equipment additions	(1,182)	(11,473)	(27,015)	(33,867)
Cash used in investing activities	(159,773)	(548,050)	(136,504)	(523,854)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of common stock	--	--	--	288,091
Proceeds from long-term borrowings	116,500	658,750	--	342,626
Payments on long-term borrowings	(98,000)	(474,166)	--	(119,581)
Dividends paid on common stock	--	(5,592)	(2,810)	--
Dividends paid on preferred stock	--	(8,050)	--	--
Proceeds from issuance of preferred stock	--	222,663	--	--
Purchase of treasury stock and preferred stock	(53)	(29,962)	--	--
Cash received from exercise of stock options	520	154	322	1,387
Other financing	--	--	(322)	(379)
Cash provided by (used in) financing activities	18,967	363,797	(2,810)	512,144
EFFECT OF EXCHANGE RATE CHANGES ON CASH	4,922	(4,726)	--	--
Net increase (decrease) in cash and cash equivalents	9,138	(94,340)	(157)	72,379
Cash and cash equivalents, beginning of period	29,520	123,860	124,017	51,638
Cash and cash equivalents, end of period	$ 38,658	$ 29,520	$ 123,860	$ 124,017

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS -- (CONTINUED)

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS)			
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
CASH PAYMENTS FOR:				
Interest, net of capitalized interest	$ 80,684	$ 59,881	$ 17,367	$ 12,919
Income taxes	$ --	$ --	$ 500	$ --
DETAILS OF ACQUISITION OF ANSON PRODUCTION CORPORATION:				
Fair value of assets acquired	$ --	$ --	$ 43,000	$ --
Accrued liability for estimated cash consideration	$ --	$ --	$ (15,500)	$ --
Stock issued (3,792,724 shares)	$ --	$ --	$ (27,500)	$ --
DETAILS OF ACQUISITION OF DLB OIL & GAS, INC.:				
Fair value of assets acquired	$ --	$ 136,500	$ --	$ --
Cash consideration	$ --	$ (17,500)	$ --	$ --
Stock issued (5,000,000 shares)	$ --	$ (30,000)	$ --	$ --
Debt assumed	$ --	$ (85,000)	$ --	$ --
Acquisition costs paid	$ --	$ (4,000)	$ --	$ --
DETAILS OF ACQUISITION OF HUGOTON ENERGY CORPORATION:				
Fair value of assets acquired	$ --	$ 343,371	$ --	$ --
Stock options granted	$ --	$ (2,050)	$ --	$ --
Stock issued (25,790,146 shares)	$ --	$ (206,321)	$ --	$ --
Debt assumed	$ --	$ (120,000)	$ --	$ --
Acquisition costs paid	$ --	$ (15,000)	$ --	$ --

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

In November 1999, the Chief Executive Officer and Chief Operating Officer of Chesapeake tendered to Chesapeake Energy Marketing, Inc. ("CEMI") 2,320,107 shares of Chesapeake common stock in full satisfaction of two notes payable to CEMI with a combined outstanding balance of $7.6 million.

During 1999, Chesapeake issued a $2.2 million note payable as consideration for the acquisition of certain oil and gas properties.

Chesapeake had a financing arrangement with a vendor to supply certain oil and gas equipment inventory, which was terminated during the Transition Period. The total amount owed at June 30, 1997 was $1,380,000. No cash consideration is exchanged for inventory under this financing arrangement until actual draws on the inventory are made.

In fiscal 1997, Chesapeake recognized income tax benefits of $4,808,000 related to the disposition of stock options by directors and employees of Chesapeake. The tax benefits were recorded as an adjustment to deferred income taxes and paid-in capital.

Proceeds from the issuance of $500 million of 9.625% senior notes in April 1998 and $300 million of senior notes ($150 million of 7.875% senior notes and $150 million of 8.5% senior notes) in March 1997, are net of $11.7 million and $6.4 million, respectively, in offering fees and expenses which were deducted from the actual cash received.

On December 22, 1997, Chesapeake declared a dividend of $0.02 per common share, or $1,486,000, which was paid on January 15, 1998. On June 13, 1997 Chesapeake declared a dividend of $0.02 per common share, or $1,405,000, which was paid on July 15, 1997.

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) AND COMPREHENSIVE INCOME (LOSS)

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS)			
PREFERRED STOCK:				
Balance, beginning of period	$ 230,000	$ --	$ --	$ --
Purchase of preferred stock	(180)	--	--	--
Issuance of preferred stock	--	230,000	--	--
Balance, end of period	229,820	230,000	--	--
COMMON STOCK:				
Balance, beginning of period	1,052	743	703	3,008
Issuance of 8,972,000 shares of common stock	--	--	--	90
Exercise of stock options and warrants	6	--	2	12
Issuance of 3,792,724 shares of common stock to AnSon Production Corporation	--	--	38	--
Issuance of 25,790,146 shares of common stock to Hugoton Energy Corporation	--	258	--	--
Issuance of 5,000,000 shares of common stock to DLB Oil and Gas, Inc.	--	50	--	--
Change in par value and other	1	1	--	(2,407)
Balance, end of period	1,059	1,052	743	703
PAID-IN CAPITAL:				
Balance, beginning of period	682,263	460,770	432,991	136,782
Exercise of stock options and warrants	514	153	320	1,375
Issuance of common stock	--	236,013	27,459	301,593
Offering expenses and other	1	(16,723)	--	(13,974)
Stock options issued in Hugoton purchase	--	2,050	--	--
Purchase of preferred stock at discount	127	--	--	--
Tax benefit from exercise of stock options	--	--	--	4,808
Change in par value	--	--	--	2,407
Balance, end of period	682,905	682,263	460,770	432,991
ACCUMULATED EARNINGS (DEFICIT):				
Balance, beginning of period	(1,127,195)	(181,270)	(146,805)	37,977
Net income (loss)	33,266	(933,854)	(31,574)	(183,377)
Dividends on common stock	--	(4,021)	(2,891)	(1,405)
Dividends on preferred stock	--	(8,050)	--	--
Balance, end of period	(1,093,929)	(1,127,195)	(181,270)	(146,805)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):				
Balance, beginning of period	(4,726)	(37)	--	--
Foreign currency translation adjustments	4,922	(4,689)	(37)	--
Balance, end of period	196	(4,726)	(37)	--
TREASURY STOCK - COMMON:				
Balance, beginning of period	(29,962)	--	--	--
Exchange of notes receivable for common stock from related parties	(7,633)	(29,962)	--	--
Balance, end of period	(37,595)	(29,962)	--	--
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	$ (217,544)	$ (248,568)	$ 280,206	$ 286,889
COMPREHENSIVE INCOME (LOSS):				
Net income (loss)	$ 33,266	$ (933,854)	$ (31,574)	$ (183,377)
Other comprehensive income (loss) - foreign currency translation adjustments	4,922	(4,689)	(37)	--
Comprehensive income (loss)	$ 38,188	$ (938,543)	$ (31,611)	$ (183,377)

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Company

Chesapeake is an oil and natural gas exploration and production company engaged in the acquisition, exploration, and development of properties for the production of crude oil and natural gas from underground reservoirs. Chesapeake's properties are located in Oklahoma, Texas, Arkansas, Louisiana, Kansas, Montana, Colorado, North Dakota, New Mexico and British Columbia and Saskatchewan, Canada.

These consolidated financial statements relate to the years ended December 31, 1999 ("1999"), December 31, 1998 ("1998") and June 30, 1997 ("fiscal 1997"). Chesapeake changed its fiscal year end from June 30 to December 31 in 1997. Chesapeake's results of operations and cash flows for the six months ended December 31, 1997 (the "Transition Period") are also included in these consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements of Chesapeake Energy Corporation include the accounts of its direct and indirect wholly-owned subsidiaries ("Chesapeake"). All significant intercompany accounts and transactions have been eliminated. Investments in companies and partnerships which give Chesapeake significant influence, but not control, over the investee are accounted for using the equity method.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the consolidated financial statements, Chesapeake considers investments in all highly liquid debt instruments with maturities of three months or less at date of purchase to be cash equivalents.

Investments in Securities

Chesapeake invests in various equity securities and short-term debt instruments including corporate bonds and auction preferreds, commercial paper and government agency notes. Chesapeake has classified all of its short-term investments in equity and debt instruments as trading securities, which are carried at fair value with unrealized holding gains and losses included in earnings. Investments in equity securities and limited partnerships that do not have readily determinable fair values are stated at cost and are included in noncurrent other assets. In determining realized gains and losses, the cost of securities sold is based on the average cost method.

Inventory

Inventory consists primarily of tubular goods and other lease and well equipment which Chesapeake plans to utilize in its ongoing exploration and development activities and is carried at the lower of cost or market using the specific identification method.

Oil and Gas Properties

Chesapeake follows the full-cost method of accounting under which all costs associated with property acquisition, exploration and development activities are capitalized. Chesapeake capitalizes internal costs that can be directly identified with its acquisition, exploration and development activities and does not include any costs related to production, general corporate overhead or similar activities (see Note 11). Capitalized costs are amortized on a composite unit-of-production method based on proved oil and gas reserves. As of December 31, 1999, approximately 66% of Chesapeake's proved reserve value (based on SEC PV10%) was evaluated by independent petroleum engineers, with the balance evaluated by Chesapeake's engineers. In addition, Chesapeake's engineers evaluate all properties quarterly. The average composite rates used for depreciation, depletion and amortization were $0.71 ($0.73 in U.S. and $0.52 in Canada) per equivalent Mcf in 1999, $1.13 ($1.17 in U.S. and $0.43 in Canada) per equivalent Mcf in 1998, $1.57 per equivalent Mcf in the Transition Period and $1.31 per equivalent Mcf in fiscal 1997. Chesapeake did not have operations in Canada prior to 1998.

Proceeds from the sale of properties are accounted for as reductions to capitalized costs unless such sales involve a significant change in the relationship between costs and the value of proved reserves or the underlying value of unproved properties, in which case a gain or loss is recognized. The costs of unproved properties are excluded from amortization until the properties are evaluated. Chesapeake reviews all of its unevaluated properties quarterly to determine whether or not and to what extent proved reserves have been assigned to the properties, and otherwise if impairment has occurred. Unevaluated properties are grouped by major producing area where individual property costs are not significant, and assessed individually when individual costs are significant.

Chesapeake reviews the carrying value of its oil and gas properties under the full-cost accounting rules of the Securities and Exchange Commission on a quarterly basis. Under these rules, capitalized costs, less accumulated amortization and related deferred income taxes, may not exceed an amount equal to the sum of the present value of estimated future net revenues less estimated future expenditures to be incurred in developing and producing the proved reserves, less any related income tax effects. During 1998, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues from Chesapeake's proved reserves, net of related income tax considerations, resulting in writedowns in the carrying value of oil and gas properties of $826 million. During the Transition Period, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues from Chesapeake's proved reserves, net of related income tax considerations, resulting in a writedown in the carrying value of oil and gas properties of $110 million. During fiscal 1997, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues from Chesapeake's proved reserves, net of related income tax considerations, resulting in a writedown in the carrying value of oil and gas properties of $236 million.

Other Property and Equipment

Other property and equipment consists primarily of gas gathering and processing facilities, vehicles, land, office buildings and equipment, and software. Major renewals and betterments are capitalized while the costs of repairs and maintenance are charged to expense as incurred. The costs of assets retired or otherwise disposed of and the applicable accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in operations. Other property and equipment costs are depreciated on both straight-line and accelerated methods. Buildings are depreciated on a straight-line basis over 31.5 years. All other property and equipment are depreciated over the estimated useful lives of the assets, which range from five to seven years.

Capitalized Interest

During 1999, 1998, the Transition Period and fiscal 1997, interest of approximately $3.5 million, $6.5 million, $5.1 million and $12.9 million, respectively, was capitalized on significant investments in unproved properties that were not being currently depreciated, depleted, or amortized and on which exploration activities were in progress.

Income Taxes

Chesapeake has adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("SFAS 109"). SFAS 109 requires deferred tax liabilities or assets to be recognized for the anticipated future tax effects of temporary differences that arise as a result of the differences in the carrying amounts and the tax bases of assets and liabilities.

Net Income (Loss) Per Share

Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS 128") requires presentation of "basic" and "diluted" earnings per share, as defined, on the face of the statement of operations for all entities with complex capital structures. SFAS 128 requires a reconciliation of the numerator and denominator of the basic and diluted EPS computations. For 1998, the Transition Period and fiscal 1997, there was no difference between actual weighted average shares outstanding, which are used in computing basic EPS, and diluted weighted average shares, which are used in computing diluted EPS. Options to purchase 12.9 million, 11.3 million, 8.3 million and 7.9 million shares of common stock at weighted average exercise prices of $1.76, $1.86, $5.49 and $7.09 were outstanding during 1999, 1998, the Transition Period and fiscal 1997 but were not included in the computation of diluted EPS in 1998, the Transition Period and fiscal 1997 because the effect of these outstanding options would be antidilutive. Also, the convertible preferred stock was not included in the 1999 and 1998 calculation because the effect was antidilutive. A reconciliation for 1999 is as follows:

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
FOR THE YEAR ENDED DECEMBER 31, 1999:			
BASIC EPS			
Income available to common stockholders..	$ 16,555	97,077	$ 0.17
EFFECT OF DILUTIVE SECURITIES			
Employee stock options.....	--	4,961	
DILUTED EPS			
Income available to common stockholders and assumed conversions.....	$ 16,555	102,038	$ 0.16

Gas Imbalances -- Revenue Recognition

Revenues from the sale of oil and gas production are recognized when title passes, net of royalties. Chesapeake follows the "sales method" of accounting for its gas revenue whereby Chesapeake recognizes sales revenue on all gas sold to its purchasers, regardless of whether the sales are proportionate to Chesapeake's ownership in the property. A liability is recognized only to the extent that Chesapeake has a net imbalance in excess of the remaining gas reserves on the underlying properties. Chesapeake's net imbalance positions at December 31, 1999 and 1998 were not material.

Hedging

Chesapeake periodically uses certain instruments to hedge its exposure to price fluctuations on oil and natural gas transactions and interest rates. Recognized gains and losses on hedge contracts are reported as a component of the related transaction. Results of oil and gas hedging transactions are reflected in oil and gas sales to the extent related to Chesapeake's oil and gas production, in oil and gas marketing sales to the extent related to Chesapeake's marketing activities, and in interest expense to the extent so related.

Debt Issue Costs

Included in other assets are costs associated with the issuance of the senior notes. The remaining unamortized costs on these issuances of senior notes at December 31, 1999 totaled $16.6 million and are being amortized over the life of the senior notes.

Comprehensive Income

In 1998, Chesapeake adopted SFAS No. 130, Reporting Comprehensive Income. This statement establishes rules for the reporting of comprehensive income and its components. Comprehensive income consists of net income and foreign currency translation adjustments and is presented in the Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Income (Loss). The adoption of SFAS 130 had no impact on total stockholders' equity. Prior year financial statements have been reclassified to conform to the SFAS 130 requirements. All balance sheet accounts of foreign operations are translated into U.S. dollars at the year-end rate of exchange and statement of operations items are translated at the weighted average exchange rates for the year.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements for 1998, the Transition Period, and fiscal 1997 to conform to the presentation used for the 1999 consolidated financial statements.

2. SENIOR NOTES

On April 22, 1998, Chesapeake issued $500 million principal amount of 9.625% Senior Notes due 2005 ("9.625% Senior Notes"). The 9.625% Senior Notes are redeemable at the option of Chesapeake at any time on or after May 1, 2002 at the redemption prices set forth in the indenture or at the make-whole prices, as set forth in the indenture, if redeemed prior to May 1, 2002. Chesapeake may also redeem at its option up to $167 million of the 9.625% Senior Notes at 109.625% of their principal amount with the proceeds of an equity offering completed prior to May 1, 2001.

On March 17, 1997, Chesapeake issued $150 million principal amount of 7.875% Senior Notes due 2004 ("7.875% Senior Notes"). The 7.875% Senior Notes are redeemable at the option of Chesapeake at any time prior to March 15, 2004 at the make-whole prices determined in accordance with the indenture.

Also on March 17, 1997, Chesapeake issued $150 million principal amount of 8.5% Senior Notes due 2012 ("8.5% Senior Notes"). The 8.5% Senior Notes are redeemable at the option of Chesapeake at any time prior to March 15, 2004 at the make-whole prices determined in accordance with the indenture and, on or after March 15, 2004 at the redemption prices set forth therein.

On April 9, 1996, Chesapeake issued $120 million principal amount of 9.125% Senior Notes due 2006 ("9.125% Senior Notes"). The 9.125% Senior Notes are redeemable at the option of Chesapeake at any time prior to April 15, 2001 at the make-whole prices determined in accordance with the indenture and, on or after April 15, 2001 at the redemption prices set forth therein.

On May 25, 1995, Chesapeake issued $90 million principal amount of 10.5% Senior Notes due 2002 ("10.5% Senior Notes"). In April 1998, Chesapeake purchased all of its 10.5% Senior Notes for approximately $99 million. The early retirement of these notes resulted in an extraordinary charge of $13.3 million.

Chesapeake is a holding company and owns no operating assets and has no significant operations independent of its subsidiaries. Chesapeake's obligations under the 9.625% Senior Notes, the 9.125% Senior Notes, the 7.875% Senior Notes and the 8.5% Senior Notes have been fully and unconditionally guaranteed, on a joint and several basis, by each of Chesapeake's "Restricted Subsidiaries" (as defined in the respective indentures governing the Senior Notes) (collectively, the "Guarantor Subsidiaries"). Each of the Guarantor Subsidiaries is a direct or indirect wholly-owned subsidiary of Chesapeake.

The senior note indentures contain certain covenants, including covenants limiting Chesapeake and the Guarantor Subsidiaries with respect to asset sales; restricted payments; the incurrence of additional indebtedness and the issuance of preferred stock; liens; sale and leaseback transactions; lines of business; dividend and other payment restrictions affecting Guarantor Subsidiaries; mergers or consolidations; and transactions with affiliates. Chesapeake is obligated to repurchase the 9.625% and 9.125% Senior Notes in the event of a change of control or certain asset sales.

The senior note indentures also limit Chesapeake's ability to make restricted payments (as defined), including the payment of preferred stock dividends, unless certain tests are met. From December 31, 1998 through

December 31, 1999, Chesapeake was unable to meet the requirements to incur additional unsecured indebtedness, and consequently was not able to pay cash dividends on its 7% cumulative convertible preferred stock. Chesapeake had accumulated dividends in arrears of $19.3 million related to its preferred stock as of February 29, 2000. Subsequent payments will be subject to the same restrictions and are dependent upon variables that are beyond Chesapeake's ability to predict. This restriction does not affect Chesapeake's ability to borrow under or expand its secured commercial bank facility. If Chesapeake fails to pay dividends for six quarterly periods, the holders of preferred stock will be entitled to elect two new directors to the Board. Based on current projections of cash flow and fixed charges, Chesapeake does not expect to be able to pay a dividend on the preferred stock on May 1, 2000, which would be the sixth consecutive dividend payment date on which dividends have not been paid.

Set forth below are condensed consolidating financial statements of the Guarantor Subsidiaries, Chesapeake's subsidiaries which are not guarantors of the Senior Notes (the "Non-Guarantor Subsidiaries") and Chesapeake. Separate audited financial statements of each Guarantor Subsidiary have not been provided because management has determined that they are not material to investors.

Chesapeake Energy Marketing, Inc. ("CEMI") was a Non-Guarantor Subsidiary for all periods presented. The following were additional Non-Guarantor Subsidiaries: Chesapeake Acquisition Corporation during the Transition Period and Chesapeake Canada Corporation during fiscal 1997. All of Chesapeake's other subsidiaries were Guarantor Subsidiaries during all periods presented.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 1999
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (6,964)	$ 20,409	$ 25,405	$ --	$ 38,850
Accounts receivable	45,170	18,297	73	(12,475)	51,065
Inventory	4,183	399	--	--	4,582
Other	1,997	700	352	--	3,049
Total Current Assets	44,386	39,805	25,830	(12,475)	97,546
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,311,633	3,715	--	--	2,315,348
Unevaluated leasehold	40,008	--	--	--	40,008
Other property and equipment	29,088	20,521	18,103	--	67,712
Less: accumulated depreciation, depletion and amortization	(1,683,890)	(18,205)	(1,876)	--	(1,703,971)
Net Property and Equipment	696,839	6,031	16,227	--	719,097
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	806,180	--	493,738	(1,299,918)	--
OTHER ASSETS	16,402	8,409	16,765	(7,686)	33,890
TOTAL ASSETS	$ 1,563,807	$ 54,245	$ 552,560	$ (1,320,079)	$ 850,533

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ --	$ 763	$ --	$ --	$ 763
Accounts payable and other	63,194	19,265	17,466	(12,502)	87,423
Total Current Liabilities	63,194	20,028	17,466	(12,502)	88,186
LONG-TERM DEBT	43,500	1,437	919,160	--	964,097
REVENUES AND ROYALTIES DUE OTHERS	9,310	--	--	--	9,310
DEFERRED INCOME TAXES	6,484	--	--	--	6,484
INTERCOMPANY PAYABLES	1,356,466	(2,450)	(1,354,043)	27	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Common Stock	27	1	1,048	(17)	1,059
Other	84,826	35,229	968,929	(1,307,587)	(218,603)
	84,853	35,230	969,977	(1,307,604)	(217,544)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,563,807	$ 54,245	$ 552,560	$ (1,320,079)	$ 850,533

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 1998
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (11,565)	$ 7,000	$ 39,839	$ --	$ 35,274
Accounts receivable	54,384	29,641	270	(7,996)	76,299
Inventory	4,919	406	--	--	5,325
Other	721	15	365	--	1,101
Total Current Assets	48,459	37,062	40,474	(7,996)	117,999
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,142,943	--	--	--	2,142,943
Unevaluated leasehold	52,687	--	--	--	52,687
Other property and equipment	47,628	15,109	16,981	--	79,718
Less: accumulated depreciation, depletion and amortization	(1,601,931)	(8,036)	(1,390)	--	(1,611,357)
Net Property and Equipment	641,327	7,073	15,591	--	663,991
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	473,578	--	481,150	(954,728)	--
OTHER ASSETS	10,610	560	19,455	--	30,625
TOTAL ASSETS	$ 1,173,974	$ 44,695	$ 556,670	$ (962,724)	$ 812,615

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 25,000	$ --	$ --	$ --	$ 25,000
Accounts payable and other	80,786	15,992	17,529	(8,023)	106,284
Total Current Liabilities	105,786	15,992	17,529	(8,023)	131,284
LONG-TERM DEBT	--	--	919,076	--	919,076
REVENUES AND ROYALTIES DUE OTHERS	10,823	--	--	--	10,823
DEFERRED INCOME TAXES	--	--	--	--	--
INTERCOMPANY PAYABLES	1,338,948	11,376	(1,350,351)	27	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Common Stock	26	1	1,042	(17)	1,052
Other	(281,609)	17,326	969,374	(954,711)	(249,620)
	(281,583)	17,327	970,416	(954,728)	(248,568)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,173,974	$ 44,695	$ 556,670	$ (962,724)	$ 812,615

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1999:					
REVENUES:					
Oil and gas sales	$ 279,740	$ --	$ --	$ 705	$ 280,445
Oil and gas marketing sales	--	194,605	--	(120,104)	74,501
Total Revenues	279,740	194,605	--	(119,399)	354,946
OPERATING COSTS:					
Production expenses and taxes	59,158	404	--	--	59,562
Oil and gas marketing expenses	--	190,932	--	(119,399)	71,533
Impairment of oil and gas properties	--	--	--	--	--
Impairment of other assets	--	--	--	--	--
Oil and gas depreciation, depletion and amortization	94,649	395	--	--	95,044
Other depreciation and amortization	4,474	80	3,256	--	7,810
General and administrative	12,143	1,251	83	--	13,477
Total Operating Costs	170,424	193,062	3,339	(119,399)	247,426
INCOME (LOSS) FROM OPERATIONS	109,316	1,543	(3,339)	--	107,520
OTHER INCOME (EXPENSE):					
Interest and other income	3,257	4,823	84,120	(83,638)	8,562
Interest expense	(82,852)	(96)	(81,742)	83,638	(81,052)
	(79,595)	4,727	2,378	--	(72,490)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	29,721	6,270	(961)	--	35,030
INCOME TAX EXPENSE (BENEFIT)	1,764	--	--	--	1,764
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	27,957	6,270	(961)	--	33,266
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	--	--	--	--	--
NET INCOME (LOSS)	$ 27,957	$ 6,270	$ (961)	$ --	$ 33,266

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1998:					
REVENUES:					
Oil and gas sales	$ 254,541	$ --	$ --	$ 2,346	$ 256,887
Oil and gas marketing sales	--	225,195	--	(104,136)	121,059
Total Revenues	254,541	225,195	--	(101,790)	377,946
OPERATING COSTS:					
Production expenses and taxes	59,497	--	--	--	59,497
Oil and gas marketing expenses	--	220,798	--	(101,790)	119,008
Impairment of oil and gas properties	826,000	--	--	--	826,000
Impairment of other assets	47,000	8,000	--	--	55,000
Oil and gas depreciation, depletion and amortization	146,644	--	--	--	146,644
Other depreciation and amortization	5,204	126	2,746	--	8,076
General and administrative	18,081	1,766	71	--	19,918
Total Operating Costs	1,102,426	230,690	2,817	(101,790)	1,234,143
INCOME (LOSS) FROM OPERATIONS	(847,885)	(5,495)	(2,817)	--	(856,197)
OTHER INCOME (EXPENSE):					
Interest and other income	649	2,259	100,886	(99,868)	3,926
Interest expense	(96,214)	(382)	(71,521)	99,868	(68,249)
	(95,565)	1,877	29,365	--	(64,323)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(943,450)	(3,618)	26,548	--	(920,520)
INCOME TAX EXPENSE (BENEFIT)	--	--	--	--	--
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(943,450)	(3,618)	26,548	--	(920,520)
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	(2,164)	--	(11,170)	--	(13,334)

NET INCOME (LOSS)	$ (945,614)	$ (3,618)	$ 15,378	$ --	$ (933,854)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE SIX MONTHS ENDED DECEMBER 31, 1997:					
REVENUES:					
Oil and gas sales	$ 93,384	$ 1,199	$ --	$ 1,074	$ 95,657
Oil and gas marketing sales	--	101,689	--	(43,448)	58,241
Total Revenues	93,384	102,888	--	(42,374)	153,898
OPERATING COSTS:					
Production expenses and taxes	9,905	189	--	--	10,094
Oil and gas marketing expenses	--	100,601	--	(42,374)	58,227
Impairment of oil and gas properties	96,000	14,000	--	--	110,000
Oil and gas depreciation, depletion and amortization	59,758	650	--	--	60,408
Other depreciation and amortization	1,383	40	991	--	2,414
General and administrative	4,598	1,132	117	--	5,847
Total Operating Costs	171,644	116,612	1,108	(42,374)	246,990
INCOME (LOSS) FROM OPERATIONS	(78,260)	(13,724)	(1,108)	--	(93,092)
OTHER INCOME (EXPENSE):					
Interest and other income	515	192	110,751	(32,492)	78,966
Interest expense	(27,481)	(39)	(22,420)	32,492	(17,448)
	(26,966)	153	88,331	--	61,518
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(105,226)	(13,571)	87,223	--	(31,574)
INCOME TAX EXPENSE (BENEFIT)	--	--	--	--	--
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(105,226)	(13,571)	87,223	--	(31,574)
EXTRAORDINARY ITEM	--	--	--	--	--
NET INCOME (LOSS)	$ (105,226)	$ (13,571)	$ 87,223	$ --	$ (31,574)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 1997:					
REVENUES:					
Oil and gas sales	$ 191,303	$ --	$ --	$ 1,617	$ 192,920
Oil and gas marketing sales	--	145,942	--	(69,770)	76,172
Total Revenues	191,303	145,942	--	(68,153)	269,092
OPERATING COSTS:					
Production expenses and taxes	15,107	--	--	--	15,107
Oil and gas marketing expenses	--	143,293	--	(68,153)	75,140
Impairment of oil and gas properties	236,000	--	--	--	236,000
Oil and gas depreciation, depletion and amortization	103,264	--	--	--	103,264
Other depreciation and amortization	2,152	80	1,550	--	3,782
General and administrative	6,313	921	1,568	--	8,802
Total Operating Costs	362,836	144,294	3,118	(68,153)	442,095
INCOME (LOSS) FROM OPERATIONS	(171,533)	1,648	(3,118)	--	(173,003)
OTHER INCOME (EXPENSE):					
Interest and other income	778	749	49,224	(39,528)	11,223
Interest expense	(37,644)	(10)	(20,424)	39,528	(18,550)
	(36,866)	739	28,800	--	(7,327)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(208,399)	2,387	25,682	--	(180,330)
INCOME TAX EXPENSE (BENEFIT)	(4,129)	47	509	--	(3,573)
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(204,270)	2,340	25,173	--	(176,757)
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	(769)	--	(5,851)	--	(6,620)
NET INCOME (LOSS)	$ (205,039)	$ 2,340	$ 19,322	$ --	$ (183,377)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1999:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 135,303	$ 7,193	$ 2,526	$ --	$ 145,022
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties, net	(159,888)	2,362	--	--	(157,526)
Proceeds from sale of assets	2,082	3,448	--	--	5,530
Other investments	(480)	(250)	--	--	(730)
Other additions	(5,777)	(72)	(1,198)	--	(7,047)
	(164,063)	5,488	(1,198)	--	(159,773)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term borrowings	116,500	--	--	--	116,500
Payments on long-term borrowings	(98,000)	--	--	--	(98,000)
Cash paid for purchase of preferred stock	--	(53)	--	--	(53)
Exercise of stock options	--	--	520	--	520
Intercompany advances, net	15,501	781	(16,282)	--	--
	34,001	728	(15,762)	--	18,967
EFFECT OF EXCHANGE RATE CHANGES ON CASH	4,922	--	--	--	4,922
Net increase (decrease) in cash and cash equivalents	10,163	13,409	(14,434)	--	9,138
Cash, beginning of period	(17,319)	7,000	39,839	--	29,520
Cash, end of period	$ (7,156)	$ 20,409	$ 25,405	$ --	$ 38,658

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1998:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 66,960	$ (13,137)	$ 40,816	$ --	$ 94,639
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(523,922)	--	--	--	(523,922)
Proceeds from sale of assets	--	--	3,600	--	3,600
Investment in preferred stock of Gothic Energy Corporation	(39,500)	--	--	--	(39,500)
Repayment of note receivable	2,000	--	--	--	2,000
Proceeds from sale of PanEast Petroleum Corporation	--	--	21,245	--	21,245
Other additions	(2,510)	8,408	(17,371)	--	(11,473)
	(563,932)	8,408	7,474	--	(548,050)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term borrowings	--	--	658,750	--	658,750
Payments on long-term borrowings	--	--	(474,166)	--	(474,166)
Cash received from issuance of preferred stock	--	--	222,663	--	222,663
Cash paid for purchase of treasury stock	--	--	(29,962)	--	(29,962)
Dividends paid on common stock and preferred stock	--	--	(13,642)	--	(13,642)
Exercise of stock options	--	--	154	--	154
Intercompany advances, net	476,663	6,035	(482,698)	--	--
	476,663	6,035	(118,901)	--	363,797
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(4,726)	--	--	--	(4,726)
Net increase (decrease) in cash and cash equivalents	(25,035)	1,306	(70,611)	--	(94,340)
Cash, beginning of period	(284)	13,694	110,450	--	123,860
Cash, end of period	$ (25,319)	$ 15,000	$ 39,839	$ --	$ 29,520

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE SIX MONTHS ENDED DECEMBER 31, 1997:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 28,598	$ (10,842)	$ 121,401	$ --	$ 139,157
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(187,252)	--	--	--	(187,252)
Investment in service operations	(200)	--	--	--	(200)
Other investments	(26,472)	--	99,380	--	72,908
Other additions	(22,864)	1,357	(453)	--	(21,960)
	(236,788)	1,357	98,927	--	(136,504)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividends paid on common stock	--	--	(2,810)	--	(2,810)
Exercise of stock options	--	--	322	--	322
Other financing	--	(322)	--	--	(322)
Intercompany advances, net	214,135	19,443	(233,578)	--	--
	214,135	19,121	(236,066)	--	(2,810)
Net increase (decrease) in cash and cash equivalents	5,945	9,636	(15,738)	--	(157)
Cash, beginning of period	(6,534)	4,363	126,188	--	124,017
Cash, end of period	$ (589)	$ 13,999	$ 110,450	$ --	$ 123,860

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 1997:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 165,850	$ (11,008)	$ (70,753)	$ --	$ 84,089
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(465,424)	57	--	--	(465,367)
Proceeds from sale of assets	6,428	--	--	--	6,428
Investment in service operations	(3,048)	--	--	--	(3,048)
Long-term loans to third parties	(2,000)	--	(18,000)	--	(20,000)
Other investments	--	--	(8,000)	--	(8,000)
Other additions	(24,318)	(1,999)	(7,550)	--	(33,867)
	(488,362)	(1,942)	(33,550)	--	(523,854)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	50,000	--	292,626	--	342,626
Payments on borrowings	(118,901)	--	(680)	--	(119,581)
Exercise of stock options	--	--	1,387	--	1,387
Issuance of common stock	--	--	288,091	--	288,091
Other financing	--	--	(379)	--	(379)
Intercompany advances, net	380,735	14,645	(395,380)	--	--
	311,834	14,645	185,665	--	512,144
Net increase (decrease) in cash and cash equivalents	(10,678)	1,695	81,362	--	72,379
Cash, beginning of period	4,144	2,668	44,826	--	51,638
Cash, end of period	$ (6,534)	$ 4,363	$ 126,188	$ --	$ 124,017

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1999:					
Net income (loss)	$ 27,957	$ 6,270	$ (961)	$ --	$ 33,266
Other comprehensive income (loss) - foreign currency translation	4,922	--	--	--	4,922
Comprehensive income	$ 32,879	$ 6,270	$ (961)	$ --	$ 38,188
FOR THE YEAR ENDED DECEMBER 31, 1998:					
Net income (loss)	$ (945,614)	$ (3,618)	$ 15,378	$ --	$ (933,854)
Other comprehensive income (loss) - foreign currency translation	(4,689)	--	--	--	(4,689)
Comprehensive income (loss)	$ (950,303)	$ (3,618)	$ 15,378	$ --	$ (938,543)
FOR THE SIX MONTHS ENDED DECEMBER 31, 1997:					
Net income (loss)	$ (105,226)	$ (13,571)	$ 87,223	$ --	$ (31,574)
Other comprehensive income (loss) - foreign currency translation	(37)	--	--	--	(37)
Comprehensive income (loss)	$ (105,263)	$ (13,571)	$ 87,223	$ --	$ (31,611)
FOR THE YEAR ENDED JUNE 30, 1997:					
Net income (loss)	$ (205,039)	$ 2,340	$ 19,322	$ --	$ (183,377)
Other comprehensive income (loss) - foreign currency translation	--	--	--	--	--
Comprehensive income (loss)	$ (205,039)	$ 2,340	$ 19,322	$ --	$ (183,377)

3. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

	DECEMBER 31,	
	1999	1998
	($ IN THOUSANDS)	
7.875% Senior Notes (see Note 2)	$ 150,000	$ 150,000
Discount on 7.875% Senior Notes	(73)	(90)
8.5% Senior Notes (see Note 2)	150,000	150,000
Discount on 8.5% Senior Notes	(715)	(774)
9.125% Senior Notes (see Note 2)	120,000	120,000
Discount on 9.125% Senior Notes	(52)	(60)
9.625% Senior Notes (see Note 2)	500,000	500,000
Note payable	2,200	--
Other collateralized	43,500	25,000
Total notes payable and long-term debt	964,860	944,076
Less-- current maturities	(763)	(25,000)
Notes payable and long-term debt, net of current maturities	$ 964,097	$ 919,076

The aggregate scheduled maturities of notes payable and long-term debt for the next five fiscal years ending December 31, 2004 and thereafter were as follows as of December 31, 1999 (in thousands of dollars):

2000	$ 763
2001	44,336
2002	601
2003	--
2004	149,927
After 2004	769,233
	$ 964,860

4. CONTINGENCIES AND COMMITMENTS

Bayard Securities Litigation

A purported class action alleging violations of the Securities Act of 1933 and the Oklahoma Securities Act was first filed in February 1998 against Chesapeake and others on behalf of investors who purchased common stock of Bayard Drilling Technologies, Inc. ("Bayard") in, or traceable to, its initial public offering in November 1997. Total proceeds of the offering were $254 million, of which Chesapeake received net proceeds of $90 million as a selling shareholder. Plaintiffs allege that Chesapeake, a major customer of Bayard's drilling services and the owner of 30.1% of Bayard's common stock outstanding prior to the offering, was a controlling person of Bayard. Alleged defective disclosures are claimed to have resulted in a decline in Bayard's share price following the public offering. Plaintiffs seek a determination that the suit is a proper class action and damages in an unspecified amount or rescission, together with interest and costs of litigation, including attorneys' fees.

On August 24, 1999, the court dismissed plaintiffs' claims against Chesapeake under Section 15 of the Securities Act of 1933 alleging that Chesapeake was a "controlling person" of Bayard. Claims under Section 11 of the Securities Act of 1933 and Section 408 of the Oklahoma Securities Act continue to be asserted against Chesapeake. Chesapeake believes that it has meritorious defenses to these claims and intends to defend this action vigorously. No estimate of loss or range of estimate of loss, if any, can be made at this time. Bayard, which was acquired by Nabors Industries, Inc. in April 1999, has been reimbursing Chesapeake for its costs of defense as incurred.

Patent Litigation

On September 21, 1999, judgment was entered in favor of Chesapeake in a patent infringement lawsuit tried to the U.S. District Court for the Northern District of Texas, Fort Worth Division. Filed in October 1996, the lawsuit asserted that Chesapeake had infringed a patent belonging to Union Pacific Resources Company. The court declared the patent invalid, held that Chesapeake could not have infringed the patent, dismissed all of UPRC's claims with prejudice and assessed court costs against UPRC. Appeals of the judgment by both Chesapeake and UPRC are pending in the Federal Circuit Court of Appeals. Chesapeake has appealed the trial

court's ruling denying Chesapeake's request for attorneys' fees. Management is unable to predict the outcome of these appeals but believes the invalidity of the patent will be upheld on appeal.

West Panhandle Field Cessation Cases

A subsidiary of Chesapeake, Chesapeake Panhandle Limited Partnership ("CP") (f/k/a MC Panhandle, Inc.), and two subsidiaries of Kinder Morgan, Inc. are defendants in 13 lawsuits filed between June 1997 and January 1999 by royalty owners seeking the cancellation of oil and gas leases in the West Panhandle Field in Texas. Chesapeake acquired MC Panhandle, Inc. on April 28, 1998. MC Panhandle, Inc. has owned the leases since January 1, 1997, and the co-defendants are prior lessees. Plaintiffs claim the leases terminated upon the cessation of production for various periods primarily during the 1960s. In addition, plaintiffs seek to recover conversion damages, exemplary damages, attorneys' fees and interest. Defendants assert that any cessation of production was excused and have pled affirmative defenses of limitations, waiver, temporary estoppel, laches and title by adverse possession.

Of the ten cases filed in the District Court of Moore County, Texas, 69th Judicial District, three have been tried to a jury. Judgment has been entered against CP and its co-defendants in all three cases, although there was a jury verdict in two of the cases in favor of defendants. Chesapeake's aggregate liability for these judgments is $1.3 million of actual damages and $1.2 million of exemplary damages and, jointly and severally with the other two defendants, $1.5 million of actual damages and $337,000 of attorneys' fees in the event of an appeal, sanctions, interest and court costs. The court also quieted title to the leases in dispute in plaintiffs. CP and the other defendants have each appealed the judgments and posted supersedeas bonds in two of these cases and post-trial motions are pending in the other one. One of the other Moore County, Texas cases has been set for trial in May 2000. There are three related cases pending in other courts. One is set for trial in June 2000, and another, in the U.S. District Court, Northern District of Texas, Amarillo Division, resulted in a jury verdict for CP and its co-defendants. Judgment has not yet been entered in this case.

Chesapeake has previously established an accrued liability that management believes will be sufficient to cover the estimated costs of litigation for each of these cases. Because of the inconsistent verdicts reached by the juries in the four cases tried to date and because the amount of damages sought is not specified in all of the other cases, the outcome of the remaining trials and the amount of damages that might ultimately be awarded could differ from management's estimates. Management believes, however, that the leases are valid, there is no basis for exemplary damages and that any findings of fraud or bad faith will be overturned on appeal. CP and the other defendants intend to vigorously defend against the plaintiffs' claims.

Chesapeake is currently involved in various other routine disputes incidental to its business operations. While it is not possible to determine the ultimate disposition of these matters, management, after consultation with legal counsel, is of the opinion that the final resolution of all such currently pending or threatened litigation is not likely to have a material adverse effect on the consolidated financial position or results of operations of Chesapeake.

Chesapeake has employment contracts with its two principal shareholders and its chief financial officer and various other senior management personnel which provide for annual base salaries, bonus compensation and various benefits. The contracts provide for the continuation of salary and benefits for varying terms in the event of termination of employment without cause. These agreements expire at various times from June 30, 2000 through June 30, 2003.

Due to the nature of the oil and gas business, Chesapeake and its subsidiaries are exposed to possible environmental risks. Chesapeake has implemented various policies and procedures to avoid environmental contamination and risks from environmental contamination. Chesapeake is not aware of any potential material environmental issues or claims.

5. INCOME TAXES

The components of the income tax provision (benefit) for each of the periods are as follows:

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS)			
Current	$ --	$ --	$ --	$ --
Deferred	1,764	--	--	(3,573)
Total	$ 1,764	$ --	$ --	$ (3,573)

The effective income tax expense (benefit) differed from the computed "expected" federal income tax expense (benefit) on earnings before income taxes for the following reasons:

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS)			
Computed "expected" income tax provision (benefit)	$ 12,720	$ (322,182)	$ (11,051)	$ (63,116)
Tax percentage depletion	(240)	(430)	(48)	(294)
Change in valuation allowance	(10,956)	380,969	13,818	64,116
State income taxes and other	240	(58,357)	(2,719)	(4,279)
	$ 1,764	$ --	$ --	$ (3,573)

Deferred income taxes are provided to reflect temporary differences in the basis of net assets for income tax and financial reporting purposes. The tax effected temporary differences and tax loss carryforwards which comprise deferred taxes are as follows:

	YEARS ENDED DECEMBER 31,	
	1999	1998
	($ IN THOUSANDS)	
Deferred tax liabilities:		
Acquisition, exploration and development costs and related depreciation, depletion and amortization	$ (13,251)	$ --
Deferred tax assets:		
Acquisition, exploration and development costs and related depreciation, depletion and amortization	218,728	242,765
Net operating loss carryforwards	228,279	214,602
Percentage depletion carryforward	1,776	1,536
	448,783	458,903
Net deferred tax asset (liability)	435,532	458,903
Less: Valuation allowance	(442,016)	(458,903)
Total deferred tax asset (liability)	$ (6,484)	$ --

SFAS 109 requires that Chesapeake record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In 1998, Chesapeake recorded an $826 million writedown related to the impairment of oil and gas properties. The writedown and significant tax net operating loss carryforwards (caused primarily by expensing intangible drilling costs for tax purposes) resulted in a net deferred tax asset at December 31, 1999 and 1998. Chesapeake expects to generate future U.S. tax net operating losses for the foreseeable future. Management has determined that it is more likely than not that the net U.S. deferred tax assets will not be realized and has recorded a valuation allowance equal to the net U.S. deferred tax asset.

At December 31, 1998, $5.7 million of the valuation allowance was

related to Chesapeake's Canadian deferred tax assets. During 1999, this valuation allowance was eliminated as part of a purchase price reallocation related to a 1998 acquisition.

At December 31, 1999, Chesapeake had a U.S. regular tax net operating loss carryforward of approximately $613 million and a U.S. alternative minimum tax net operating loss carryforward of approximately $267 million. The U.S. loss carryforward amounts will expire during the years 2007 through 2019. Chesapeake

also had a U.S. percentage depletion carryforward of approximately $5 million at December 31, 1999, which is available to offset future U.S. federal income taxes payable and has no expiration date.

In accordance with certain provisions of the Tax Reform Act of 1986, a change of greater than 50% of the beneficial ownership of Chesapeake within a three-year period (an "Ownership Change") would place an annual limitation on Chesapeake's ability to utilize its existing tax carryforwards. Under regulations issued by the Internal Revenue Service, Chesapeake has had two Ownership Changes. However, these ownership changes have not resulted in a significant limitation of the tax carryforwards.

6. RELATED PARTY TRANSACTIONS

Certain directors, shareholders and employees of Chesapeake have acquired working interests in certain of Chesapeake's oil and gas properties. The owners of such working interests are required to pay their proportionate share of all costs. As of December 31, 1999 and 1998, Chesapeake had accounts receivable from related parties, primarily related to such participation, of $4.6 million and $5.6 million, respectively.

As of December 31, 1998, the Chief Executive Officer and Chief Operating Officer of Chesapeake had notes payable to CEMI in the principal amount of $9.9 million. In November 1999, the Chief Executive Officer and the Chief Operating Officer tendered to CEMI 2,320,107 shares of Chesapeake common stock in full satisfaction of the notes payable to CEMI with a combined outstanding balance of $7.6 million. The common stock was valued at $3.29 per share, which was the market value of the stock at the time of the transaction.

During 1999, 1998, the Transition Period and fiscal 1997, Chesapeake incurred legal expenses of $398,000, $493,000, $388,000 and $207,000, respectively, for legal services provided by a law firm of which a director is a member.

7. EMPLOYEE BENEFIT PLANS

Chesapeake maintains the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan, a 401(k) profit sharing plan. Eligible employees may make voluntary contributions to the plan which are matched by Chesapeake for up to 10% of the employee's annual salary with Chesapeake's common stock purchased in the open-market. The amount of employee contribution is limited as specified in the plan. Chesapeake may, at its discretion, make additional contributions to the plan. Chesapeake contributed $1,163,000, $1,359,000, $418,000 and $603,000 to the plan during 1999, 1998, the Transition Period and fiscal 1997, respectively.

8. MAJOR CUSTOMERS AND SEGMENT INFORMATION

Sales to individual customers constituting 10% or more of total oil and gas sales were as follows:

YEAR ENDED DECEMBER 31,		AMOUNT	PERCENT OF OIL AND GAS SALES
		($ IN THOUSANDS)	
1999	Aquila Southwest Pipeline Corporation	$ 31,505	11%
1998	Koch Oil Company	$ 30,564	12%
	Aquila Southwest Pipeline Corporation	28,946	11
SIX MONTHS ENDED DECEMBER 31,			
1997	Aquila Southwest Pipeline Corporation	$ 20,138	21%
	Koch Oil Company	18,594	19
	GPM Gas Corporation	12,610	13
FISCAL YEAR ENDED JUNE 30,			
1997	Aquila Southwest Pipeline Corporation	$ 53,885	28%
	Koch Oil Company	29,580	15
	GPM Gas Corporation	27,682	14

Management believes that the loss of any of the above customers would not have a material impact on Chesapeake's results of operations or its financial position.

Chesapeake believes all of its material operations are part of the oil and gas industry, and therefore reports as a single industry segment. Beginning in 1998, Chesapeake began foreign operations in Canada. The geographic distribution of Chesapeake's revenue, operating income and identifiable assets are summarized below ($ in thousands):

	UNITED STATES	CANADA	CONSOLIDATED
1999:			
Revenue	$ 340,969	$ 13,977	$ 354,946
Operating income (loss)	103,188	4,332	107,520
Identifiable assets	735,320	115,213	850,533
1998:			
Revenue	$ 369,968	$ 7,978	$ 377,946
Operating income (loss)	(842,798)	(13,399)	(856,197)
Identifiable assets	724,713	87,902	812,615

9. STOCKHOLDERS' EQUITY AND STOCK BASED COMPENSATION

In November 1999, the Chief Executive Officer and the Chief Operating Officer of Chesapeake tendered to CEMI 2,320,107 shares of Chesapeake common stock in full satisfaction of two notes payable to CEMI with a combined outstanding balance of $7.6 million. See Note 6.

During 1998, Chesapeake's Board of Directors approved the expenditure of up to $30 million to purchase outstanding Company common stock. As of August 25, 1998, Chesapeake had purchased approximately 8.5 million shares of common stock for an aggregate amount of $30 million pursuant to such authorization.

On April 28, 1998, Chesapeake acquired by merger the Mid-Continent operations of DLB Oil & Gas, Inc. ("DLB") for $17.5 million in cash, 5 million shares of Chesapeake's common stock, and the assumption of $90 million in outstanding debt and working capital obligations.

On April 22, 1998, Chesapeake issued $230 million (4.6 million shares) of its 7% Cumulative Convertible Preferred Stock, $50 per share liquidation preference, resulting in net proceeds to Chesapeake of $223 million.

On March 10, 1998, Chesapeake acquired Hugoton Energy Corporation ("Hugoton") pursuant to a merger by issuing approximately 25.8 million shares of Chesapeake's common stock in exchange for 100% of Hugoton's common stock.

On December 16, 1997, Chesapeake acquired AnSon Production Corporation. Consideration for this merger was approximately $43 million consisting of the issuance of approximately 3.8 million shares of Company common stock and cash consideration in accordance with the terms of the merger agreement.

On December 2, 1996, Chesapeake completed a public offering of approximately 9.0 million shares of common stock at a price of $33.63 per share, resulting in net proceeds to Chesapeake of approximately $288.1 million.

A 2-for-1 stock split of the common stock in December 1996 has been given retroactive effect in these financial statements.

Stock Option Plans

Chesapeake's 1992 Incentive Stock Option Plan (the "ISO Plan") terminated on December 16, 1994. Until then, Chesapeake granted incentive stock options to purchase common stock under the ISO Plan to employees. Subject to any adjustment as provided by the ISO Plan, the aggregate number of shares which may be issued and sold may not exceed 3,762,000 shares. The maximum period for exercise of an option may not be more than 10 years (or five years for an optionee who owns more than 10% of the common stock) from the date of grant,

and the exercise price may not be less than the fair market value of the shares underlying the options on the date of grant (or 110% of such value for an optionee who owns more than 10% of the common stock). Options granted become exercisable at dates determined by the Stock Option Committee of the Board of Directors.

Under Chesapeake's 1992 Nonstatutory Stock Option Plan (the "NSO Plan"), non-qualified options to purchase common stock may be granted only to directors and consultants of Chesapeake. Subject to any adjustment as provided by the NSO Plan, the aggregate number of shares which may be issued and sold may not exceed 3,132,000 shares. The maximum period for exercise of an option may not be more than 10 years from the date of grant, and the exercise price may not be less than the fair market value of the shares underlying the options on the date of grant. Options granted become exercisable at dates determined by the Stock Option Committee of the Board of Directors. The NSO Plan also contains a formula award provision pursuant to which each director who is not an executive officer receives every quarter a ten-year immediately exercisable option to purchase 6,250 shares of common stock at an option price equal to the fair market value of the shares on the date of grant. The amount of the award was changed from 20,000 shares (post-split) to 15,000 shares per year in 1998 and to 25,000 shares per year in 1999. No options can be granted under the NSO Plan after December 10, 2002.

Under Chesapeake's 1994 Stock Option Plan (the "1994 Plan"), and its 1996 Stock Option Plan (the "1996 Plan"), incentive and nonqualified stock options to purchase Common Stock may be granted to employees and consultants of Chesapeake and its subsidiaries. Subject to any adjustment as provided by the respective plans, the aggregate number of shares which may be issued and sold may not exceed 4,886,910 shares under the 1994 Plan and 6,000,000 shares under the 1996 Plan. The maximum period for exercise of an option may not be more than 10 years from the date of grant and the exercise price of nonqualified stock options may not be less than par value and, under the 1996 Plan, 85% of the fair market value of the shares underlying the options on the date of grant. Options granted become exercisable at dates determined by the Stock Option Committee of the Board of Directors. No options can be granted under the 1994 Plan after October 17, 2004 or under the 1996 Plan after October 14, 2006.

Under Chesapeake's 1999 Stock Option Plan (the "1999 Plan"), nonqualified stock options to purchase Common Stock may be granted to employees and consultants of Chesapeake and its subsidiaries. Subject to any adjustment as provided by the plan, the aggregate number of shares which may be issued and sold may not exceed 3,000,000 shares. The maximum period for exercise of an option may not be more than 10 years from the date of grant and the exercise price may not be less than the fair market value of the shares underlying the options on the date of grant; provided, however, nonqualified stock options not exceeding 10% of the options issuable under the 1999 Plan may be granted at an exercise price which is not less than 85% of the grant date fair market value. Options granted become exercisable at dates determined by the Stock Option Committee of the Board of Directors. No options can be granted under the 1999 Plan after March 4, 2009.

Chesapeake has elected to follow APB No. 25, Accounting for Stock Issued to Employees and related interpretations in accounting for its employee stock options. Under APB No. 25, compensation expense is recognized for the difference between the option price and market value on the measurement date. No compensation expense has been recognized because the exercise price of the stock options granted under the plans equaled the market price of the underlying stock on the date of grant.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123 and has been determined as if Chesapeake had accounted for its employee stock options under the fair value method of the statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1999, 1998, the Transition Period and fiscal 1997, respectively: interest rates (zero-coupon U.S. government issues with a remaining life equal to the expected term of the options) of 5.88%, 5.20%, 6.45% and 6.74%; dividend yields of 0.0%, 0.0%, 0.9% and 0.9%; volatility factors of the expected market price of Chesapeake's common stock of .82, .96, .67 and .60; and weighted-average expected life of the options of five years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because Chesapeake's employee stock options have characteristics significantly different from those of traded options, and because

changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Chesapeake's pro forma information follows:

	YEARS ENDED DECEMBER 31, 1999	YEARS ENDED DECEMBER 31, 1998	SIX MONTHS ENDED DECEMBER 31, 1997	YEAR ENDED JUNE 30, 1997
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Net Income (Loss)				
As reported	$ 33,266	$ (933,854)	$ (31,574)	$(183,377)
Pro forma	24,802	(948,014)	(35,084)	(190,160)
Basic Earnings (Loss) per Share				
As reported	$ 0.17	$ (9.97)	$ (0.45)	$ (2.79)
Pro forma	0.08	(10.12)	(0.50)	(2.89)
Diluted Earnings (Loss) per Share				
As reported	$ 0.16	$ (9.97)	$ (0.45)	$ (2.79)
Pro forma	0.08	(10.12)	(0.50)	(2.89)

For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period, which is four years. Because Chesapeake's stock options vest over four years and additional awards are typically made each year, the above pro forma disclosures are not likely to be representative of the effects on pro forma net income for future years. A summary of Chesapeake's stock option activity and related information follows:

	YEARS ENDED DECEMBER 31, 1999		YEARS ENDED DECEMBER 31, 1998		SIX MONTHS ENDED DECEMBER 31, 1997	
	OPTIONS	WEIGHTED-AVG EXERCISE PRICE	OPTIONS	WEIGHTED-AVG EXERCISE PRICE	OPTIONS	WEIGHTED-AVG EXERCISE PRICE
Outstanding Beginning of Period	11,260,375	$ 1.86	8,330,381	$ 5.49	7,903,659	$ 7.09
Granted	3,210,493	1.11	14,580,063	2.78	3,362,207	8.29
Exercised	(622,120)	0.99	(108,761)	1.35	(219,349)	3.13
Cancelled/Forfeited	(990,319)	1.87	(11,541,308)	5.64	(2,716,136)	13.87
Outstanding End of Period	12,858,429	$ 1.76	11,260,375	$ 1.86	8,330,381	$ 5.49
Exercisable End of Period	5,040,302		3,535,126		3,838,869	
Shares Authorized for Future Grants	2,560,687		1,761,359		4,585,973	
Fair Value of Options Granted During the Period		$ 0.77		$ 2.34		$ 4.98

	YEAR ENDED JUNE 30, 1997	
	OPTIONS	WEIGHTED-AVG EXERCISE PRICE
Outstanding Beginning of Year	7,602,884	$ 4.66
Granted	3,564,884	19.35
Exercised	(1,197,998)	1.95
Cancelled/Forfeited	(2,066,111)	22.26
Outstanding End of Year	7,903,659	$ 7.09
Exercisable End of Year	3,323,824	
Shares Authorized for Future Grants	5,212,056	
Fair Value of Options Granted During the Year		$ 7.51

The following table summarizes information about stock options outstanding at December 31, 1999:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING @ 12/31/99	WEIGHTED-AVG. REMAINING CONTRACTUAL LIFE	WEIGHTED-AVG. EXERCISE PRICE	NUMBER EXERCISABLE @ 12/31/99	WEIGHTED-AVG. EXERCISE PRICE
$0.08 - $0.78	897,982	4.02	$ 0.62	897,982	$ 0.62
$0.94 - $0.94	2,538,000	9.04	0.94	42,500	0.94
$1.00 - $1.00	31,250	9.01	1.00	31,250	1.00
$1.13 - $1.13	6,679,130	8.68	1.13	1,627,898	1.13
$1.33 - $2.25	1,320,204	4.34	2.00	1,320,204	2.00
$2.38 - $10.69	1,263,300	6.74	4.75	1,005,405	4.97
$14.25 - $14.25	27,000	7.32	14.25	13,500	14.25
$17.67 - $17.67	938	0.08	17.67	938	17.67
$25.88 - $25.88	625	0.08	25.88	625	25.88
$30.63 - $30.63	100,000	6.77	30.63	100,000	30.63
$0.08 - $30.63	12,858,429	7.77	$ 1.76	5,040,302	$ 2.66

The exercise of certain stock options results in state and federal income tax benefits to Chesapeake related to the difference between the market price of the common stock at the date of disposition and the option price. During fiscal 1997, $4,808,000 was recorded as an adjustment to additional paid-in capital and deferred income taxes with respect to such tax benefits. During 1999, 1998 and the Transition Period, Chesapeake did not recognize any such tax benefits.

10. FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Chesapeake has only limited involvement with derivative financial instruments, as defined in Statement of Financial Accounting Standards No. 119 "Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments," and does not use them for trading purposes. Chesapeake's primary objective is to hedge a portion of its exposure to price volatility from producing crude oil and natural gas. These arrangements may expose Chesapeake to credit risk from its counterparties and to basis risk. Chesapeake does not expect that the counterparties will fail to meet their obligations given their high credit ratings.

Hedging Activities

Periodically Chesapeake utilizes hedging strategies to hedge the price of a portion of its future oil and gas production. These strategies include:

(i) swap arrangements that establish an index-related price above which Chesapeake pays the counterparty and below which Chesapeake is paid by the counterparty,

(ii) the purchase of index-related puts that provide for a "floor" price below which the counterparty pays Chesapeake the amount by which the price of the commodity is below the contracted floor,

(iii) the sale of index-related calls that provide for a "ceiling" price above which Chesapeake pays the counterparty the amount by which the price of the commodity is above the contracted ceiling, and

(iv) basis protection swaps, which are arrangements that guarantee the price differential of oil or gas from a specified delivery point or points.

Results from commodity hedging transactions are reflected in oil and gas sales to the extent related to Chesapeake's oil and gas production. Chesapeake only enters into commodity hedging transactions related to Chesapeake's oil and gas production volumes or CEMI's physical purchase or sale commitments. Gains or losses on crude oil and natural gas hedging transactions are recognized as price adjustments in the months of related production.

As of December 31, 1999, Chesapeake had the following open natural gas swap arrangements designed to hedge a portion of Chesapeake's domestic gas production for periods after December 1999:

MONTHS	VOLUME (MMBtu)	NYMEX-INDEX STRIKE PRICE (PER MMBtu)
April 2000	600,000	$ 2.50
May 2000	620,000	2.50
June 2000	600,000	2.50
July 2000	620,000	2.50
August 2000	620,000	2.50
September 2000	600,000	2.50
October 2000	620,000	2.50

If the swap arrangements listed above had been settled on December 31, 1999, Chesapeake would have incurred a gain of $0.5 million.

As of December 31, 1999, Chesapeake had no open oil swap arrangements.

Chesapeake has also closed transactions designed to hedge a portion of Chesapeake's domestic oil and natural gas production. The net unrecognized losses resulting from these transactions, $3.9 million as of December 31, 1999, will be recognized as price adjustments in the months of related production. These hedging gains and losses are set forth below ($ in thousands):

	HEDGING GAINS (LOSSES)		
MONTH	GAS	OIL	TOTAL
January 2000	$ --	$ (995)	$ (995)
February 2000	--	(1,061)	(1,061)
March 2000	689	(851)	(162)
April 2000	71	(647)	(576)
May 2000	73	(668)	(595)
June 2000	71	(647)	(576)
July 2000	73	(231)	(158)
August 2000	73	--	73
September 2000	71	--	71
October 2000	73	--	73
	$ 1,194	$(5,100)	$ (3,906)

Subsequent to December 31, 1999, Chesapeake entered into the following natural gas swap arrangements designed to hedge a portion of Chesapeake's domestic gas production for periods after December 1999:

MONTHS	VOLUME (MMBtu)	NYMEX - INDEX STRIKE PRICE (PER MMBtu)
April 2000	8,900,000	$2.593
May 2000	3,410,000	2.737
June 2000	3,300,000	2.737
July 2000	3,410,000	2.741
August 2000	3,410,000	2.741
September 2000	2,100,000	2.696
October 2000	2,170,000	2.696

Subsequent to December 31, 1999, Chesapeake entered into the following crude oil swap arrangements designed to hedge a portion of Chesapeake's domestic crude oil production for periods after December 1999:

MONTHS	MONTHLY VOLUME (Bbls)	NYMEX-INDEX STRIKE PRICE (PER Bbl)
March 2000	183,000	$27.512
April 2000	89,000	27.251

In addition to commodity hedging transactions related to Chesapeake's oil and gas production, CEMI periodically enters into various hedging transactions designed to hedge against physical purchase and sale commitments made by CEMI. Gains or losses on these transactions are recorded as adjustments to oil and gas marketing sales in the consolidated statements of operations and are not considered by management to be material.

Interest Rate Risk

Chesapeake also utilizes hedging strategies to manage fixed-interest rate exposure. Through the use of a swap arrangement, Chesapeake believes it can benefit from stable or falling interest rates and reduce its current

interest expense. During 1999, Chesapeake's interest rate swap resulted in a $2.0 million reduction of interest expense. The terms of the swap agreement are as follows:

Months	Notional Amount	Fixed Rate	Floating Rate
May 1998 - April 2001	$230,000,000	7%	Average of three-month Swiss Franc LIBOR, Deutsche Mark and Australian Dollar plus 300 basis points
May 2001 - April 2008	$230,000,000	7%	U.S. three-month LIBOR plus 300 basis points

If the floating rate is less than the fixed rate, the counterparty will pay Chesapeake accordingly. If the floating rate exceeds the fixed rate, Chesapeake will pay the counterparty. The interest rate swap agreement contains a "knock-out provision" whereby the agreement will terminate on or after May 1, 2001 if the average closing price for the previous twenty business days for the shares of Chesapeake's common stock is greater than or equal to $7.50 per share. The agreement also provides for a maximum floating rate of 8.5% from May 2001 through April 2008.

If the interest rate swap agreement had been settled on December 31, 1999, Chesapeake would have been required to pay the counterparty approximately $16.7 million. However, because of the knock-out provision discussed above and the volatility of interest rates, Chesapeake does not believe that this worst-case scenario is a fair measure of the market value of the swap agreement and, therefore, would not pay this amount to cancel the transaction. Results from interest rate hedging transactions are reflected as adjustments to interest expense in the corresponding months covered by the swap agreement.

The table below presents principal cash flows and related weighted average interest rates by expected maturity dates. The fair value of the long-term debt has been estimated based on quoted market prices.

	DECEMBER 31, 1999							
	YEARS OF MATURITY							
	2000	2001	2002	2003	2004	THEREAFTER	TOTAL	FAIR VALUE
	($ IN MILLIONS)							
LIABILITIES:								
Long-term debt, including current portion - fixed rate	$ 0.8	$ 0.8	$ 0.6	$ --	$ 150.0	$ 770.0	$922.2	$ 838.7
Average interest rate	9.1%	9.1%	9.1%	--	7.9%	9.3%	9.1%	--
Long-term debt - variable rate	$ --	$ 43.5	$ --	$ --	$ --	$ --	$ 43.5	$ 43.5
Average interest rate	--	9.75%	--	--	--	--	9.75%	--

Concentration of Credit Risk

Other financial instruments which potentially subject Chesapeake to concentrations of credit risk consist principally of cash, short-term investments in debt instruments and trade receivables. Chesapeake's accounts receivable are primarily from purchasers of oil and natural gas products and exploration and production companies which own interests in properties operated by Chesapeake. The industry concentration has the potential to impact Chesapeake's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. Chesapeake generally requires letters of credit for receivables from customers which are judged to have sub-standard credit, unless the credit risk can otherwise be mitigated. The cash and cash equivalents are deposited with major banks or institutions with high credit ratings.

Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments." The estimated fair value amounts have been determined by Chesapeake using available market information and valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying values of items comprising current assets and current liabilities approximate fair values due to the short-term maturities of these instruments. Chesapeake estimates the fair value of its long-term (including current maturities), fixed-rate debt using primarily quoted market prices. Chesapeake's carrying amount for such debt at December 31, 1999 and 1998 was $921.4 million and $919.1 million, respectively, compared to approximate fair values of $838.7 million and $654.7 million, respectively. The carrying value of other long-term debt approximates its fair value as interest rates are primarily variable, based on prevailing market rates. Chesapeake estimates the fair value of its convertible preferred stock, which was issued in April 1998, using quoted market prices. Chesapeake's carrying amount for such preferred stock at December 31, 1999 and 1998 was $229.8 million and $230.0 million, compared to an approximate fair value of $119.0 million and $48.9 million, respectively.

11. DISCLOSURES ABOUT OIL AND GAS PRODUCING ACTIVITIES

Net Capitalized Costs

Evaluated and unevaluated capitalized costs related to Chesapeake's oil and gas producing activities are summarized as follows:

DECEMBER 31, 1999

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Oil and gas properties:			
Proved	$2,193,492	$ 121,856	$2,315,348
Unproved	36,225	3,783	40,008
Total	2,229,717	125,639	2,355,356
Less accumulated depreciation, depletion and amortization	(1,645,185)	(25,357)	(1,670,542)
Net capitalized costs	$ 584,532	$ 100,282	$ 684,814

DECEMBER 31, 1998

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Oil and gas properties:			
Proved	$2,060,076	$ 82,867	$2,142,943
Unproved	44,780	7,907	52,687
Total	2,104,856	90,774	2,195,630
Less accumulated depreciation, depletion and amortization	(1,556,284)	(17,998)	(1,574,282)
Net capitalized costs	$ 548,572	$ 72,776	$ 621,348

Unproved properties not subject to amortization at December 31, 1999 and 1998 consisted mainly of lease acquisition costs. Chesapeake capitalized approximately $3.5 million, $6.5 million, $5.1 million and $12.9 million of interest during 1999, 1998, the Transition Period and fiscal 1997, respectively, on significant investments in unproved properties that were not yet included in the amortization base of the full-cost pool. Chesapeake will continue to evaluate its unevaluated properties; however, the timing of the ultimate evaluation and disposition of the properties has not been determined.

Costs Incurred in Oil and Gas Acquisition, Exploration and Development

Costs incurred in oil and gas property acquisition, exploration and development activities which have been capitalized are summarized as follows:

YEAR ENDED DECEMBER 31, 1999

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Development and leasehold costs	$ 95,329	$ 31,536	$ 126,865
Exploration costs	23,651	42	23,693
Acquisition costs	47,993	4,100	52,093
Sales of oil and gas properties	(44,822)	(813)	(45,635)
Capitalized internal costs	2,710	--	2,710
Total	$ 124,861	$ 34,865	$ 159,726

YEAR ENDED DECEMBER 31, 1998

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Development and leasehold costs	$ 169,491	$ 7,119	$ 176,610
Exploration costs	63,245	5,427	68,672
Acquisition costs	662,104	78,176	740,280
Sales of oil and gas properties	(15,712)	--	(15,712)
Capitalized internal costs	5,262	--	5,262
Total	$ 884,390	$ 90,722	$ 975,112

SIX MONTHS ENDED DECEMBER 31, 1997

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Development and leasehold costs	$ 144,283	$ --	$ 144,283
Exploration costs	40,534	--	40,534
Acquisition costs	39,245	--	39,245
Capitalized internal costs	2,435	--	2,435
Total	$ 226,497	$ --	$ 226,497

YEAR ENDED JUNE 30, 1997

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Development and leasehold costs	$ 324,989	$ --	$ 324,989
Exploration costs	136,473	--	136,473
Capitalized internal costs	3,905	--	3,905
Total	$ 465,367	$ --	$ 465,367

Results of Operations from Oil and Gas Producing Activities (unaudited)

Chesapeake's results of operations from oil and gas producing activities are presented below for 1999, 1998, the Transition Period and fiscal 1997. The following table includes revenues and expenses associated directly with Chesapeake's oil and gas producing activities. It does not include any allocation of Chesapeake's interest costs and, therefore, is not necessarily indicative of the contribution to consolidated net operating results of Chesapeake's oil and gas operations.

YEAR ENDED DECEMBER 31, 1999

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Oil and gas sales	$ 266,468	$ 13,977	$ 280,445
Production expenses	(44,165)	(2,133)	(46,298)
Production taxes	(13,264)	--	(13,264)
Depletion and depreciation	(88,901)	(6,143)	(95,044)
Imputed income tax (provision) benefit (a)	(45,052)	(2,565)	(47,617)
Results of operations from oil and gas producing activities	$ 75,086	$ 3,136	$ 78,222

YEAR ENDED DECEMBER 31, 1998

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Oil and gas sales	$ 248,909	$ 7,978	$ 256,887
Production expenses	(49,368)	(1,834)	(51,202)
Production taxes	(8,295)	--	(8,295)
Impairment of oil and gas properties	(810,610)	(15,390)	(826,000)
Depletion and depreciation	(143,283)	(3,361)	(146,644)

Imputed income tax (provision) benefit (a).....	285,981	5,673	291,654
Results of operations from oil and gas producing activities.....	$ (476,666)	$ (6,934)	$(483,600)

SIX MONTHS ENDED DECEMBER 31, 1997

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Oil and gas sales	$ 95,657	$ --	$ 95,657
Production expenses	(7,560)	--	(7,560)
Production taxes	(2,534)	--	(2,534)
Impairment of oil and gas properties	(110,000)	--	(110,000)
Depletion and depreciation	(60,408)	--	(60,408)
Imputed income tax (provision) benefit (a)	31,817	--	31,817
Results of operations from oil and gas producing activities	$ (53,028)	$ --	$ (53,028)

YEAR ENDED JUNE 30, 1997

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Oil and gas sales	$ 192,920	$ --	$ 192,920
Production expenses	(11,445)	--	(11,445)
Production taxes	(3,662)	--	(3,662)
Impairment of oil and gas properties	(236,000)	--	(236,000)
Depletion and depreciation	(103,264)	--	(103,264)
Imputed income tax (provision) benefit (a)	60,544	--	60,544
Results of operations from oil and gas producing activities	$ (100,907)	$ --	$(100,907)

- ----------

(a) The imputed income tax provision is hypothetical (at the statutory rate) and determined without regard to Chesapeake's deduction for general and administrative expenses, interest costs and other income tax credits and deductions, nor whether the hypothetical tax benefits will be realized.

Capitalized costs, less accumulated amortization and related deferred income taxes, cannot exceed an amount equal to the sum of the present value (discounted at 10%) of estimated future net revenues less estimated future expenditures to be incurred in developing and producing the proved reserves, less any related income tax effects. At December 31, 1998 and 1997 and June 30, 1997, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues for Chesapeake's proved reserves, net of related income tax considerations, resulting in writedowns in the carrying value of oil and gas properties of $826 million, $110 million and $236 million, respectively.

Oil and Gas Reserve Quantities (unaudited)

The reserve information presented below is based upon reports prepared by independent petroleum engineers and Chesapeake's petroleum engineers.

- As of December 31, 1999, Williamson Petroleum Consultants, Inc. ("Williamson"), Ryder Scott Company L.P. ("Ryder Scott"), and Chesapeake's internal reservoir engineers evaluated 50%, 16%, and 34% of Chesapeake's combined discounted future net revenues from Chesapeake's estimated proved reserves, respectively.

- As of December 31, 1998, Williamson, Ryder Scott, H.J. Gruy and Associates, Inc. and Chesapeake's internal reservoir engineers evaluated 63%, 12%, 1% and 24% of Chesapeake's combined discounted future net revenues from Chesapeake's estimated proved reserves, respectively.

- As of December 31, 1997, Williamson, Porter Engineering Associates, Netherland, Sewell & Associates, Inc. and internal reservoir engineers evaluated approximately 53%, 42%, 3% and 2% of Chesapeake's combined discounted future net revenues from Chesapeake's estimated proved reserves, respectively.

- As of June 30, 1997, the reserves evaluated by Williamson constituted approximately 41% of Chesapeake's combined discounted future net revenues from Chesapeake's estimated proved reserves, with the remaining reserves being evaluated internally. The reserves evaluated internally in fiscal 1997 were subsequently evaluated by Williamson with a variance of approximately 4% of total proved reserves.

The information is presented in accordance with regulations prescribed by the Securities and Exchange Commission. Chesapeake emphasizes that reserve estimates are inherently imprecise. Chesapeake's reserve estimates were generally based upon extrapolation of historical production trends, analogy to similar properties and volumetric calculations. Accordingly, these estimates are expected to change, and such changes could be material and occur in the near term as future information becomes available.

Proved oil and gas reserves represent the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are those expected to be recovered through existing wells with existing equipment and operating methods. As of December 31, 1997 and June 30, 1997, all of Chesapeake's oil and gas reserves were located in the United States.

Presented below is a summary of changes in estimated reserves of Chesapeake for 1999, 1998, the Transition Period and fiscal 1997:

DECEMBER 31, 1999

	U.S.		CANADA		COMBINED	
	OIL (MBbl)	GAS (MMcf)	OIL (MBbl)	GAS (MMcf)	OIL (MBbl)	GAS (MMcf)
Proved reserves, beginning of period..	22,560	724,018	33	231,773	22,593	955,791
Extensions, discoveries and other Additions	4,593	158,801	--	37,835	4,593	196,636
Revisions of previous estimates	3,404	59,904	--	(98,571)	3,404	(38,667)
Production	(4,147)	(96,873)	--	(11,737)	(4,147)	(108,610)
Sale of reserves-in-place	(4,371)	(31,616)	(33)	(796)	(4,404)	(32,412)
Purchase of reserves-in-place	2,756	64,350	--	19,738	2,756	84,088
Proved reserves, end of period	24,795	878,584	--	178,242	24,795	1,056,826
Proved developed reserves:						
Beginning of period	18,003	552,953	33	105,990	18,036	658,943
End of period	17,750	627,120	--	136,203	17,750	763,323

DECEMBER 31, 1998

	U.S.		CANADA		COMBINED	
	OIL (MBbl)	GAS (MMcf)	OIL (MBbl)	GAS (MMcf)	OIL (MBbl)	GAS (MMcf)
Proved reserves, beginning of period..	18,226	339,118	--	--	18,226	339,118
Extensions, discoveries and other Additions	3,448	90,879	--	--	3,448	90,879
Revisions of previous estimates	(4,082)	(60,477)	--	--	(4,082)	(60,477)
Production	(5,975)	(86,681)	(1)	(7,740)	(5,976)	(94,421)
Sale of reserves-in-place	(30)	(3,515)	--	--	(30)	(3,515)
Purchase of reserves-in-place	10,973	444,694	34	239,513	11,007	684,207
Proved reserves, end of period	22,560	724,018	33	231,773	22,593	955,791
Proved developed reserves:						
Beginning of period	10,087	178,082	--	--	10,087	178,082
End of period	18,003	552,953	33	105,990	18,036	658,943

DECEMBER 31, 1997

	U.S.		CANADA		COMBINED	
	OIL (MBbl)	GAS (MMcf)	OIL (MBbl)	GAS (MMcf)	OIL (MBbl)	GAS (MMcf)
Proved reserves, beginning of period..	17,373	298,766	--	--	17,373	298,766
Extensions, discoveries and other Additions	5,573	68,813	--	--	5,573	68,813
Revisions of previous estimates	(3,428)	(24,189)	--	--	(3,428)	(24,189)
Production	(1,857)	(27,327)	--	--	(1,857)	(27,327)
Sale of reserves-in-place	--	--	--	--	--	--
Purchase of reserves-in-place	565	23,055	--	--	565	23,055
Proved reserves, end of period	18,226	339,118	--	--	18,226	339,118
Proved developed reserves:						
Beginning of period	7,324	151,879	--	--	7,324	151,879
End of period	10,087	178,082	--	--	10,087	178,082

JUNE 30, 1997

	U.S.		CANADA		COMBINED	
	OIL (MBbl)	GAS (MMcf)	OIL (MBbl)	GAS (MMcf)	OIL (MBbl)	GAS (MMcf)
Proved reserves, beginning of period..	12,258	351,224	--	--	12,258	351,224
Extensions, discoveries and other Additions	13,874	147,485	--	--	13,874	147,485
Revisions of previous estimates	(5,989)	(137,938)	--	--	(5,989)	(137,938)
Production	(2,770)	(62,005)	--	--	(2,770)	(62,005)
Sale of reserves-in-place	--	--	--	--	--	--
Purchase of reserves-in-place	--	--	--	--	--	--
Proved reserves, end of period	17,373	298,766	--	--	17,373	298,766
Proved developed reserves:						
Beginning of period.....	3,648	144,721	--	--	3,648	144,721
End of period.....	7,324	151,879	--	--	7,324	151,879

During 1999, Chesapeake acquired approximately 101 Bcfe of proved reserves through purchases of oil and gas properties for consideration of $52 million. Chesapeake also sold 59 Bcfe of proved reserves for consideration of approximately $46 million. During 1999, Chesapeake recorded upward revisions of 80 Bcfe to the December 31, 1998 estimates of its U.S. reserves, and downward revisions of 99 Bcfe to the December 31, 1998 estimates of its Canadian reserves, for a net Company wide revision of 19 Bcfe, or approximately 1.7%. The upward revisions to its U.S. reserves were caused by higher oil and gas prices at December 31, 1999, and actual performance in excess of predicted performance. Higher prices extend the economic lives of the underlying oil and gas properties and thereby increase the estimated future reserves. The downward revisions to its Canadian reserves were caused by a reduction of Chesapeake's proved undeveloped locations and an increase in projected transportation and operating costs in Canada, which decreased the economic lives of the underlying properties.

During 1998, Chesapeake acquired approximately 750 Bcfe of proved reserves through mergers or through purchases of oil and gas properties. The total consideration given for the acquisitions was 30.8 million shares of Company common stock, $280 million of cash, the assumption of $205 million of debt, and the incurrence of approximately $20 million of other acquisition related costs. Also during 1998, Chesapeake recorded downward revisions to the December 31, 1997 estimates of approximately 4,082 MBbl and 60,477 MMcf, or approximately 85 Bcfe. These reserve revisions were primarily attributable to lower oil and gas prices at December 31, 1998. The weighted average prices used to value Chesapeake's reserves at December 31, 1998 were $10.48 per barrel of oil and $1.68 per Mcf of gas, as compared to the prices used at December 31, 1997 of $17.62 per barrel of oil and $2.29 per Mcf of gas.

For the six months ended December 31, 1997, Chesapeake recorded downward revisions to the June 30, 1997 reserve estimates of approximately 3,428 MBbl and 24,189 MMcf, or approximately 45 Bcfe. The reserve revisions were primarily attributable to lower than expected results from development drilling and production which eliminated certain previously established proved reserves.

On December 16, 1997, Chesapeake acquired AnSon Production Corporation, a privately owned oil and gas producer based in Oklahoma City. Consideration for this acquisition was approximately $43 million. Chesapeake estimates that it acquired approximately 26.4 Bcfe in connection with this acquisition.

For the fiscal year ended June 30, 1997, Chesapeake recorded downward revisions to the previous year's reserve estimates of approximately 5,989 MBbl and 137,938 MMcf, or approximately 174 Bcfe. The reserve revisions were primarily attributable to the decrease in oil and gas prices between periods, higher drilling and completion costs, and unfavorable developmental drilling and production results during fiscal 1997. Specifically, Chesapeake recorded aggregate downward adjustments to proved reserves of 159 Bcfe for the Knox, Giddings and Louisiana Trend areas.

Standardized Measure of Discounted Future Net Cash Flows (unaudited)

Statement of Financial Accounting Standards No. 69 ("SFAS 69") prescribes guidelines for computing a standardized measure of future net cash flows and changes therein relating to estimated proved reserves. Chesapeake has followed these guidelines which are briefly discussed below.

Future cash inflows and future production and development costs are determined by applying year-end prices and costs to the estimated quantities of oil and gas to be produced. Estimates are made of quantities of proved reserves and the future periods during which they are expected to be produced based on year-end economic conditions. Estimated future income taxes are computed using current statutory income tax rates including consideration for the current tax basis of the properties and related carryforwards, giving effect to permanent differences and tax credits. The resulting future net cash flows are reduced to present value amounts by applying a 10% annual discount factor.

The assumptions used to compute the standardized measure are those prescribed by the Financial Accounting Standards Board and, as such, do not necessarily reflect Chesapeake's expectations of actual revenue to be derived from those reserves nor their present worth. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these estimates are the basis for the valuation process.

The following summary sets forth Chesapeake's future net cash flows relating to proved oil and gas reserves based on the standardized measure prescribed in SFAS 69:

DECEMBER 31, 1999

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Future cash inflows (a)	$ 2,555,241	$ 437,928	$ 2,993,169
Future production costs	(671,431)	(195,464)	(866,895)
Future development costs	(209,921)	(20,950)	(230,871)
Future income tax provision	(219,866)	(29,410)	(249,276)
Net future cash flows	1,454,023	192,104	1,646,127
Less effect of a 10% discount factor	(545,125)	(94,390)	(639,515)
Standardized measure of discounted future net cash flows	$ 908,898	$ 97,714	$ 1,006,612
Discounted (at 10%) future net cash flows before income taxes	$ 991,748	$ 97,748	$ 1,089,496

DECEMBER 31, 1998

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Future cash inflows (b)	$ 1,374,280	$ 474,143	$ 1,848,423
Future production costs	(432,876)	(52,493)	(485,369)
Future development costs	(124,717)	(29,634)	(154,351)
Future income tax provision	(6,464)	(143,747)	(150,211)
Net future cash flows	810,223	248,269	1,058,492
Less effect of a 10% discount factor	(303,096)	(132,281)	(435,377)
Standardized measure of discounted future net cash flows	$ 507,127	$ 115,988	$ 623,115
Discounted (at 10%) future net cash flows before income taxes	$ 504,148	$ 156,843	$ 660,991

DECEMBER 31, 1997

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Future cash inflows (c)	$ 1,100,807	$ --	$ 1,100,807
Future production costs	(223,030)	--	(223,030)
Future development costs	(158,387)	--	(158,387)
Future income tax provision	(108,027)	--	(108,027)
Net future cash flows	611,363	--	611,363
Less effect of a 10% discount factor	(181,253)	--	(181,253)
Standardized measure of discounted future net cash flows	$ 430,110	$ --	$ 430,110
Discounted (at 10%) future net cash flows before income taxes	$ 466,509	$ --	$ 466,509

JUNE 30, 1997

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Future cash inflows (d)	$ 954,839	$ --	$ 954,839
Future production costs	(190,604)	--	(190,604)
Future development costs	(152,281)	--	(152,281)
Future income tax provision	(104,183)	--	(104,183)
Net future cash flows	507,771	--	507,771

Less effect of a 10% discount factor	(92,273)	--	(92,273)
Standardized measure of discounted future net cash flows	$ 415,498	$ --	$ 415,498
Discounted (at 10%) future net cash flows before income taxes	$ 437,386	$ --	$ 437,386

- ----------

(a) Calculated using weighted average prices of $24.72 per barrel of oil and $2.25 per Mcf of gas.

(b) Calculated using weighted average prices of $10.48 per barrel of oil and $1.68 per Mcf of gas.

(c) Calculated using weighted average prices of $17.62 per barrel of oil and $2.29 per Mcf of gas.

(d) Calculated using weighted average prices of $18.38 per barrel of oil and $2.12 per Mcf of gas.

The principal sources of change in the standardized measure of discounted future net cash flows are as follows:

DECEMBER 31, 1999

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Standardized measure, beginning of period	$ 507,127	$ 115,988	$ 623,115
Sales of oil and gas produced, net of production costs	(209,039)	(11,844)	(220,883)
Net changes in prices and production costs	320,123	(55,156)	264,967
Extensions and discoveries, net of production and development costs	200,787	14,333	215,120
Changes in future development costs	(15,011)	20,679	5,668
Development costs incurred during the period that reduced future development costs	14,114	1,985	16,099
Revisions of previous quantity estimates	88,250	(49,034)	39,216
Purchase of reserves-in-place	66,895	18,476	85,371
Sales of reserves-in-place	(25,838)	(920)	(26,758)
Accretion of discount	50,415	15,684	66,099
Net change in income taxes	(85,828)	40,821	(45,007)
Changes in production rates and other	(3,097)	(13,298)	(16,395)
Standardized measure, end of period	$ 908,898	$ 97,714	$ 1,006,612

DECEMBER 31, 1998

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Standardized measure, beginning of period	$ 430,110	$ --	$ 430,110
Sales of oil and gas produced, net of production costs	(191,246)	(6,144)	(197,390)
Net changes in prices and production costs	(189,817)	--	(189,817)
Extensions and discoveries, net of production and development costs	85,464	--	85,464
Changes in future development costs	72,279	--	72,279
Development costs incurred during the period that reduced future development costs	28,191	--	28,191
Revisions of previous quantity estimates	(64,770)	--	(64,770)
Purchase of reserves-in-place	288,694	164,821	453,515
Sales of reserves-in-place	(3,079)	--	(3,079)
Accretion of discount	46,651	--	46,651
Net change in income taxes	39,377	(40,855)	(1,478)
Changes in production rates and other	(34,727)	(1,834)	(36,561)
Standardized measure, end of period	$ 507,127	$ 115,988	$ 623,115

DECEMBER 31, 1997

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Standardized measure, beginning of period	$ 415,498	$ --	$ 415,498
Sales of oil and gas produced, net of production costs	(85,563)	--	(85,563)
Net changes in prices and production costs	26,106	--	26,106
Extensions and discoveries, net of production and development costs	92,597	--	92,597
Changes in future development costs	(7,422)	--	(7,422)
Development costs incurred during the period that reduced future development costs	47,703	--	47,703
Revisions of previous quantity estimates	(62,655)	--	(62,655)
Purchase of reserves-in-place	25,236	--	25,236
Sales of reserves-in-place	--	--	--
Accretion of discount	43,739	--	43,739
Net change in income taxes	(14,510)	--	(14,510)
Changes in production rates and other	(50,619)	--	(50,619)
Standardized measure, end of period	$ 430,110	$ --	$ 430,110

JUNE 30, 1997

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Standardized measure, beginning of period	$ 461,411	$ --	$ 461,411
Sales of oil and gas produced, net of production costs	(177,813)	--	(177,813)
Net changes in prices and production costs	(99,234)	--	(99,234)
Extensions and discoveries, net of production and development costs	287,068	--	287,068
Changes in future development costs	(12,831)	--	(12,831)
Development costs incurred during the period that reduced future development costs	46,888	--	46,888
Revisions of previous quantity estimates	(199,738)	--	(199,738)
Purchase of reserves-in-place	--	--	--
Sales of reserves-in-place	--	--	--
Accretion of discount	54,702	--	54,702
Net change in income taxes	63,719	--	63,719
Changes in production rates and other	(8,674)	--	(8,674)
Standardized measure, end of period	$ 415,498	$ --	$ 415,498

12. TRANSITION PERIOD COMPARATIVE DATA

The following table presents certain financial information for the twelve months ended December 31, 1998 and 1997, and the six months ended December 31, 1997 and 1996, respectively:

	TWELVE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	1998	1997	1997	1996
		(UNAUDITED)		(UNAUDITED)
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)			
Revenues	$ 377,946	$ 302,804	$153,898	$120,186
Gross profit (loss)(a)	$ (856,197)	$(309,041)	$(93,092)	$ 42,946
Income (loss) before income taxes and extraordinary item	$ (920,520)	$(251,150)	$(31,574)	$ 39,246
Income taxes	--	(17,898)	--	14,325
Income (loss) before extraordinary item	(920,520)	(233,252)	(31,574)	24,921
Extraordinary item	(13,334)	(177)	--	(6,443)
Net income (loss)	$ (933,854)	$(233,429)	$(31,574)	$ 18,478
Earnings per share - basic				
Income (loss) before extraordinary item	$ (9.83)	$ (3.30)	$ (0.45)	$ 0.40
Extraordinary item	(0.14)	--	--	(0.10)
Net income (loss)	$ (9.97)	$ (3.30)	$ (0.45)	$ 0.30
Earnings per share - assuming dilution				
Income (loss) before extraordinary item	$ (9.83)	$ (3.30)	$ (0.45)	$ 0.38
Extraordinary item	(0.14)	--	--	(0.10)
Net income (loss)	$ (9.97)	$ (3.30)	$ (0.45)	$ 0.28
Weighted average common shares outstanding (in 000's)				
Basic	94,911	70,672	70,835	61,985
Assuming dilution	94,911	70,672	70,835	66,300

- ----------

(a) Total revenue less total operating costs.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized unaudited quarterly financial data for 1999 and 1998 are as follows ($ in thousands except per share data):

	QUARTERS ENDED			
	MARCH 31, 1999	JUNE 30, 1999	SEPTEMBER 30, 1999	DECEMBER 31, 1999
Net sales	$ 65,677	$ 80,892	$102,140	$ 106,237
Gross profit (loss)(a)	7,067	25,765	36,498	38,190
Net income (loss)	(11,950)	8,147	18,115	18,954
Net income (loss) per share:				
Basic	(0.17)	0.04	0.14	0.15
Diluted	(0.17)	0.04	0.13	0.14

	QUARTERS ENDED			
	MARCH 31, 1998	JUNE 30, 1998	SEPTEMBER 30, 1998	DECEMBER 31, 1998
Net sales	$ 76,765	$ 109,310	$106,338	$ 85,533
Gross profit (loss)(a)	(246,036)	(218,645)	13,650	(405,166)
Net income (loss) before extraordinary item	(256,500)	(234,739)	(4,149)	(425,132)
Net income (loss)	(256,500)	(248,073)	(4,149)	(425,132)
Net income (loss) per share before extraordinary item:				
Basic	(3.19)	(2.29)	(0.08)	(4.44)
Diluted	(3.19)	(2.29)	(0.08)	(4.44)

- ----------

(a) Total revenue less total operating costs.

Capitalized costs, less accumulated amortization and related deferred income taxes, cannot exceed an amount equal to the sum of the present value of estimated future net revenues less estimated future expenditures to be incurred in developing and producing the proved reserves, less any related income tax effects. At December 31, 1998, June 30, 1998 and March 31, 1998, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues for Chesapeake's proved reserves, net of related income tax considerations, resulting in writedowns in the carrying value of oil and gas properties of $360 million, $216 million and $250 million, respectively.

During the fourth quarter of 1998, Chesapeake incurred a $55 million impairment charge to adjust certain non-oil and gas producing assets to their estimated fair values. Of this amount, $30 million related to Chesapeake's investment in preferred stock of Gothic Energy Corporation, and the remainder was related to certain of Chesapeake's gas processing and transportation assets located in Louisiana.

14. ACQUISITIONS

During 1998, Chesapeake acquired approximately 750 Bcfe of proved reserves through mergers or through purchases of oil and gas properties. The total consideration given for the acquisitions was $280 million of cash, 30.8 million shares of Company common stock, the assumption of $205 million of debt, and the incurrence of approximately $20 million of other acquisition related costs.

In March 1998, Chesapeake acquired Hugoton Energy Corporation ("Hugoton") pursuant to a merger by issuing 25.8 million shares of Chesapeake's common stock in exchange for 100% of Hugoton's common stock. The acquisition of Hugoton was accounted for using the purchase method as of March 1, 1998, and the results of operations of Hugoton have been included since that date.

The following unaudited pro forma information has been prepared assuming Hugoton had been acquired as of the beginning of the periods presented. The pro forma information is presented for informational purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of those dates. In addition, the pro forma information is not intended to be a projection of future results and does not reflect the efficiencies expected to result from the integration of Hugoton.

Pro Forma Information (Unaudited)

	YEARS ENDED DECEMBER 31, 1998	1997
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)	
Revenues	$ 387,638	$ 379,546
Loss before extraordinary item	(921,969)	(215,350)
Net loss	(935,303)	(215,527)
Loss before extraordinary item per common share	(9.41)	(2.23)
Net loss per common share	(9.55)	(2.23)

Chesapeake acquired other businesses and oil and gas properties during 1999 and 1998. The results of operations of each of these businesses and properties, taken individually, were not material in relation to Chesapeake's consolidated results of operations.

15. SUBSEQUENT EVENTS

In January and February 2000, Chesapeake engaged in five separate transactions with two institutional investors in which Chesapeake exchanged a total of 8.8 million shares of common stock (both newly issued and treasury shares) for 625,000 shares of its issued and outstanding preferred stock with a liquidation value of $31.3 million plus dividends in arrears of $2.9 million. All preferred shares acquired in these transactions were cancelled and retired and will have the status of authorized but unissued shares of undesignated preferred stock.

In connection with a potential restructuring of Gothic Energy Corporation ("Gothic"), Chesapeake and Gothic agreed in March 2000 to substantially revise their joint venture originally entered into in March 1998. In addition, Chesapeake granted Gothic an option to redeem the preferred and common shares of Gothic held by Chesapeake in exchange for rights to certain undeveloped leasehold interests covered by the joint venture agreement. The terms of the agreement are subject to certain conditions, including the approval by certain of Gothic's creditors. Significant terms of the proposed agreement are as follows:

- the joint venture is extended for three years to April 30, 2006,
- Chesapeake is granted a right of first refusal on any property disposition by Gothic,
- Chesapeake becomes operator of 28 wells currently operated by Gothic,
- Chesapeake will have the first right to drill, complete and operate wells in certain areas covered by the joint venture,
- Chesapeake granted Gothic the option to redeem its investment in $50 million liquidation amount of Gothic Series B preferred stock, including dividends in arrears, and 2.4 million shares of Gothic common stock, for a permanent assignment to Chesapeake of certain undeveloped leasehold interests that were originally subject to a reassignment obligation to Gothic.

SCHEDULE II

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
($ IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS: CHARGED TO EXPENSE	ADDITIONS: CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
December 31, 1999:					
Allowance for doubtful accounts	$ 3,209	$ 9	$ --	$ --	$ 3,218
Valuation allowance for deferred tax assets	$ 458,903	$ --	$ (5,931)(a)	$ 10,956	$ 442,016
December 31, 1998:					
Allowance for doubtful accounts	$ 691	$ 1,589	$ 1,000	$ 71	$ 3,209
Valuation allowance for deferred tax assets	$ 77,934	$ 380,969	$ --	$ --	$ 458,903
December 31, 1997:					
Allowance for doubtful accounts	$ 387	$ 40	$ 264	$ --	$ 691
Valuation allowance for deferred tax assets	$ 64,116	$ 13,818	$ --	$ --	$ 77,934
June 30, 1997:					
Allowance for doubtful accounts	$ 340	$ 299	$ --	$ 252	$ 387
Valuation allowance for deferred tax assets	$ --	$ 64,116	$ --	$ --	$ 64,116

(a) At December 31, 1998, $5.7 million of the valuation allowance was related to Chesapeake's Canadian deferred tax assets. During 1999, this valuation allowance was eliminated as part of a purchase price reallocation related to a 1998 acquisition.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Chesapeake has agreed to bear all expenses to be incurred in connection with the registration of the shares being offered by the selling shareholder. The selling shareholder will bear any underwriting discounts, commissions and transfer taxes associated with the sale of the shares. Chesapeake has also agreed to indemnify the selling shareholder against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). The following table sets forth the estimated expenses of the offering. With the exception of the Securities Act registration fee, all amounts shown are estimates.

Securities Act registration fee	$ 797
Legal fees	25,000
Accounting fees	20,000
Printing expenses	22,000
Miscellaneous	1,000
Total	$ 68,797

ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1031 of the Oklahoma General Corporation Act, under which the Registrant is incorporated, authorizes the indemnification of directors and officers under certain circumstances. Article VIII of the Certificate of Incorporation of the Registrant and Article VI of the Bylaws of the Registrant also provide for indemnification of directors and officers under certain circumstances. These provisions, together with the Registrant's indemnification obligations under individual indemnity agreements with its directors and officers, may be sufficiently broad to indemnify such persons for liabilities under the Securities Act of 1933, as amended. In addition, the Registrant maintains insurance, which insures its directors and officers against certain liabilities.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

On April 22, 1998, Chesapeake sold 4,600,000 shares of its 7% Cumulative Convertible Preferred Stock having a liquidation preference of $50 per share in a private placement to Donaldson, Lufkin & Jenrette Securities Corporation, Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and J.P. Morgan Securities Inc. (the "Initial Purchasers") pursuant to the exemption from registration provided by Section 4(2) of the Securities Act. The Initial Purchasers resold the shares to qualified institutional buyers, as defined in, and in reliance on the exemption from registration provided by, Rule 144A under the Securities Act. The aggregate offering price for the shares was $230 million, and aggregate discounts and commissions were $6.9 million.

On July 7, 1998, Chesapeake's Board of Directors declared a dividend distribution of one preferred stock purchase right (a "right") for each outstanding share of common stock of Chesapeake. The distribution was paid on July 27, 1998 to the shareholders of record on that date. Each right entitles the registered holder thereof to purchase from Chesapeake one one-thousandths of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share, of Chesapeake at a price of $25.00, subject to adjustment.

From January 1 through August 16, 2000, Chesapeake exchanged 43,416,915 shares of common stock, plus a cash payment of $8.3 million, for 3,972,363 shares of its outstanding 7% Cumulative Convertible Preferred Stock held by institutional investors. The exchanges were exempt from registration under Section 3(a)(9) of the Securities Act inasmuch as Chesapeake exchanged securities exclusively with its existing shareholders and no commission or other remuneration was paid with respect to the exchanges.

On June 27, 2000 and August 31, 2000, Chesapeake's wholly owned subsidiary Chesapeake Energy Marketing, Inc. acquired 14.125% Series B Senior Secured Discount Notes of Gothic Energy Corporation having a total accreted value of $80.7

million for 9,858,363 shares of newly issued Chesapeake common stock and $23.3 million of cash. The shares were exchanged in private transactions pursuant to the exemption from registration provided by Section 4(2) of the Securities Act. The 389,378 shares issued on August 31, 2000 are covered by this Registration Statement.

On September 1, 2000, we purchased $20 million of the $235 million of 11.125% Senior Secured Notes issued by Gothic's operating subsidiary for $22 million of Chesapeake common stock (3,694,939 shares valued at $6.0371 per share, subject to adjustment) in a private transaction in reliance on the exemption from registration provided by Section 4(2) of the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits. The following exhibits are filed herewith pursuant to the requirements of Item 601 of Regulation S-K:

Exhibit No.	Description
2.1	Senior Secured Discount Notes Purchase Agreement dated June 23, 2000 between Chesapeake Energy Marketing, Inc. and Appaloosa Investment Limited Partnership I, Palomino Fund Ltd. and Tersk L.L.C. Incorporated herein by reference to Exhibit 2.1 to Registrant's registration statement on Form S-1 (No. 333-41014).
2.2	Senior Secured Discount Notes Purchase Agreement dated June 23, 2000 between Chesapeake Energy Marketing, Inc. and Oppenheimer Strategic Income Fund, Oppenheimer Champion Income Fund, Oppenheimer High Yield Fund, Oppenheimer Strategic Bond Fund/VA and Atlas Strategic Income Fund. Incorporated herein by reference to Exhibit 2.2 to Registrant's registration statement on Form S-1 (No. 333-41014).
2.3	Senior Secured Discount Notes Purchase Agreement dated June 26, 2000 between Chesapeake Energy Marketing, Inc. and John Hancock High Yield Bond Fund and John Hancock Variable Annuity High Yield Bond Fund. Incorporated herein by reference to Exhibit 2.3 to Registrant's registration statement on Form S-1 (No. 333-41014).
2.4	Senior Secured Discount Notes Purchase Agreement dated June 26, 2000 between Chesapeake Energy Marketing, Inc. and Ingalls & Snyder Value Partners, L.P., Heritage Mark Foundation and Arthur R. Ablin. Incorporated herein by reference to Exhibit 2.4 to Registrant's registration statement on Form S-1 (No. 333-41014).
2.5*	Senior Secured Discount Notes Purchase Agreement dated August 29, 2000 between Chesapeake Energy Marketing, Inc. and BNP Paribas.
2.6*	Senior Secured Notes Purchase Agreement dated September 1, 2000 between Chesapeake Energy Corporation and Lehman Brothers Inc.
2.7*	Agreement and Plan of Merger dated September 8, 2000 among Chesapeake Energy Corporation, Chesapeake Merger 2000 Corp. and Gothic Energy Corporation.
3.1*	Registrant's Certificate of Incorporation, as amended.
3.2	Registrant's Bylaws. Incorporated herein by reference to Exhibit 3.2 to Registrant's registration statement on Form 8-B (No. 001-13726).
4.1	Indenture dated as of March 15, 1997 among the Registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 7.875% Senior Notes due 2004. Incorporated herein by reference to Exhibit 4.1 to Registrant's registration statement on Form S-4 (No. 333-24995). First Supplemental Indenture dated December 17, 1997 and Second Supplemental Indenture dated February 16, 1998. Incorporated herein by reference to Exhibit 4.1.1 to Registrant's transition report on Form 10-K for the six months ended December 31, 1997. Second [Third] Supplemental Indenture dated April 22, 1998. Incorporated herein by reference to Exhibit 4.1.1 to Registrant's Amendment No. 1 to Form S-3 registration statement (No. 333-57235). Fourth Supplemental Indenture dated

July 1, 1998. Incorporated herein by reference to Exhibit 4.1.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.

4.2 Indenture dated as of March 15, 1997 among the Registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, As Trustee, with respect to 8.5% Senior Notes due 2012. Incorporated herein by reference to Exhibit 4.1.3 to Registrant's registration statement on Form S-4 (No. 333-24995). First Supplemental Indenture dated December 17, 1997 and Second Supplemental Indenture dated February 16, 1998. Incorporated herein by reference to Exhibit 4.2.1 to Registrant's transition report on Form 10-K for the six months ended December 31, 1997. Second [Third] Supplemental Indenture dated April 22, 1998. Incorporated herein by reference to Exhibit 4.2.1 to Registrant's Amendment No. 1 to Form S-3 registration statement (No. 333-57235). Fourth Supplemental Indenture dated July 1, 1998. Incorporated herein by reference to Exhibit 4.2.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.

4.3 Indenture dated as of April 1, 1998 among the Registrant, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and United States Trust Company of New York, As Trustee, with respect to 9.625% Senior Notes due 2005. Incorporated herein by reference to Exhibit 4.3 to Registrant's registration statement on Form S-3 (No. 333-57235). First Supplemental Indenture dated July 1, 1998. Incorporated herein by reference to Exhibit 4.4.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.

4.4 Indenture dated as of April 1, 1996 among the Registrant, its subsidiaries signatory thereto, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 9.125% Senior Notes, due 2006. Incorporated herein by reference to Exhibit 4.6 to Registrant's registration statement on Form S-3 (No. 333-1588). First Supplemental Indenture dated December 30, 1996 and Second Supplemental Indenture dated December 17, 1997. Incorporated herein by reference to Exhibit 4.4.1 to Registrant's transition report on Form 10-K for the six months ended December 31, 1997. Third Supplemental Indenture dated April 22, 1998. Incorporated herein by reference to Exhibit 4.4.1 to Registrant's Amendment No. 1 to Form S-3 registration statement (No. 333-57235). Fourth Supplemental Indenture dated July 1, 1998. Incorporated herein by reference to Exhibit 4.3.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.

4.5 Agreement to furnish copies of unfiled long-term debt instruments. Incorporated herein by reference to Registrant's transition report on Form 10-K for the six months ended December 31, 1997.

4.6 Common Stock Registration Rights Agreement dated as of June 27, 2000 among the Registrant and Appaloosa Investment Limited Partnership I, Palomino Fund Ltd., Tersk L.L.C., Oppenheimer Strategic Income Fund, Oppenheimer Champion Income Fund, Oppenheimer High Yield Fund, Oppenheimer Strategic Bond Fund/VA and Atlas Strategic Income Fund. Incorporated herein by reference to Exhibit 4.6 to Registrant's registration statement on Form S-1 (No. 333-41014).

4.7 Amended and Restated Credit Agreement by and between Chesapeake Exploration Limited Partnership, as borrower; Chesapeake Energy Corporation and certain of its subsidiaries, as guarantors; and Union Bank of California, N.A., as agent; and certain financial institutions, as lenders, dated May 30, 2000. Incorporated herein by reference to Exhibit 4.7 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.

4.7.1	First Amendment to Amended and Restated Credit Agreement, dated August 1, 2000. Incorporated herein by reference to Exhibit 4.7.1 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
4.8*	Common Stock Registration Rights Agreement dated as of August 29, 2000 between the Registrant and Paribas North America, Inc.
4.9*	Common Stock Registration Rights Agreement dated as of September 1, 2000 between the Registrant and Lehman Brothers Inc.
5.1*	Opinion of Winstead Sechrest & Minick P.C. regarding the validity of the securities being registered.
10.1.1+	Registrant's 1992 Incentive Stock Option Plan. Incorporated herein by reference to Exhibit 10.1.1 to Registrant's registration statement on Form S-4 (No. 33-93718).
10.1.2+	Registrant's 1992 Nonstatutory Stock Option Plan, as Amended. Incorporated herein by reference to Exhibit 10.1.2 to Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1996.
10.1.3+	Registrant's 1994 Stock Option Plan, as amended. Incorporated herein by reference to Exhibit 10.1.3 to Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1996.
10.1.4+	Registrant's 1996 Stock Option Plan. Incorporated herein by reference to Registrant's Proxy Statement for its 1996 Annual Meeting of Shareholders and to Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1996.
10.1.5+	Registrant's 1999 Stock Option Plan. Incorporated herein by reference to Exhibit 10.1.5 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 1999.
10.1.6+	Registrant's 2000 Employee Stock Option Plan. Incorporated herein by reference to Exhibit 10.1.6 to Registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2000.
10.1.7+	Registrant's 2000 Executive Officer Stock Option Plan. Incorporated herein by reference to Exhibit 10.1.7 to Registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2000.
10.2.1+	Amended and Restated Employment Agreement dated as of July 1, 1998, as amended by First Amendment thereto dated December 31, 1998, between Aubrey K. McClendon and Chesapeake Energy Corporation. Incorporated herein by reference to Exhibit 10.2.1 to Registrant's quarterly reports on Form 10-Q for the quarters ended September 30, 1998 and June 30, 1999.
10.2.2+	Amended and Restated Employment Agreement dated as of July 1, 1998, as amended by First Amendment thereto dated December 31, 1998, between Tom L. Ward and Chesapeake Energy Corporation. Incorporated herein by reference to Exhibit 10.2.2 to Registrant's quarterly reports on Form 10-Q for the quarters ended September 30, 1998 and June 30, 1999.
10.2.3+*	Amended and Restated Employment Agreement dated as of August 1, 2000 between Marcus C. Rowland and Chesapeake Energy Corporation.
10.2.5+	Employment Agreement between Steven C. Dixon and Chesapeake Energy Corporation effective July 1, 2000. Incorporated herein by reference to Exhibit 10.2.5 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.

10.2.6+	Employment Agreement between J. Mark Lester and Chesapeake Energy Corporation effective July 1, 2000. Incorporated herein by reference to Exhibit 10.2.6 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
10.2.7+	Employment Agreement between Henry J. Hood and Chesapeake Energy Corporation effective July 1, 2000. Incorporated herein by reference to Exhibit 10.2.7 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
10.2.8+	Employment Agreement between Michael A. Johnson and Chesapeake Energy Corporation effective July 1, 2000. Incorporated herein by reference to Exhibit 10.2.8 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
10.2.9+	Employment Agreement between Martha A. Burger and Chesapeake Energy Corporation effective July 1, 2000. Incorporated herein by reference to Exhibit 10.2.9 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
10.3+	Form of Indemnity Agreement for officers and directors of Registrant and its subsidiaries. Incorporated herein by reference to Exhibit 10.30 to Registrant's registration statement on Form S-1 (No. 33-55600).
10.5	Rights Agreement dated July 15, 1998 between the Registrant and UMB Bank, N.A., as Rights Agent. Incorporated herein by reference to Exhibit 1 to Registrant's registration statement on Form 8-A filed July 16, 1998. Amendment No. 1 dated September 11, 1998. Incorporated herein by reference to Exhibit 10.3 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.
10.10	Partnership Agreement of Chesapeake Exploration Limited Partnership dated December 27, 1994 between Chesapeake Energy Corporation and Chesapeake Operating, Inc. Incorporated herein by reference to Exhibit 10.10 to Registrant's registration statement on Form S-4 (No. 33-93718).
10.11	Amended and Restated Limited Partnership Agreement of Chesapeake Louisiana, L.P. dated June 30, 1997 between Chesapeake Operating, Inc. and Chesapeake Energy Louisiana Corporation. Incorporated herein by reference to Exhibit 10.11 to Registrant's annual report on Form 10-K for the year ended June 30, 1997.
21	Subsidiaries of Registrant. Incorporated herein by reference to Exhibit 21 to Registrant's annual report on Form 10-K for the year ended December 31, 1999.
23.1*	Consent of PricewaterhouseCoopers LLP
23.2*	Consent of Williamson Petroleum Consultants, Inc.
23.3*	Consent of Ryder Scott Company Petroleum Engineers
24.1*	Power of Attorney.

- ------------------

* Filed herewith.
\+ Management contract or compensatory plan or arrangement.

(b) Financial Statement Schedules. Schedule II, Valuation and Qualifying Accounts is included with the Registrant's audited consolidated financial statements included in the prospectus which is Part I of this Registration Statement. No other financial statement schedules are applicable or required.

ITEM 17. UNDERTAKINGS

(a) The Registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Oklahoma City, State of Oklahoma on September 14, 2000.

CHESAPEAKE ENERGY CORPORATION

By: /s/ AUBREY K. McCLENDON
Aubrey K. McClendon
Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities indicated on September 14, 2000.

SIGNATURE	TITLE
/s/ AUBREY K. McCLENDON Aubrey K. McClendon	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
/s/ TOM L. WARD Tom L. Ward	President, Chief Operating Officer and Director (Principal Executive Officer)
/s/ MARCUS C. ROWLAND Marcus C. Rowland	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ MICHAEL A. JOHNSON Michael A. Johnson	Senior Vice President - Accounting (Principal Accounting Officer)
/s/ EDGAR F. HEIZER, JR. Edgar F. Heizer, Jr.	Director
/s/ BREENE M. KERR Breene M. Kerr	Director
/s/ SHANNON T. SELF Shannon T. Self	Director
/s/ FREDERICK B. WHITTEMORE Frederick B. Whittemore	Director

INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Senior Secured Discount Notes Purchase Agreement dated June 23, 2000 between Chesapeake Energy Marketing, Inc. and Appaloosa Investment Limited Partnership I, Palomino Fund Ltd. and Tersk L.L.C. Incorporated herein by reference to Exhibit 2.1 to Registrant's registration statement on Form S-1 (No. 333-41014).
2.2	Senior Secured Discount Notes Purchase Agreement dated June 23, 2000 between Chesapeake Energy Marketing, Inc. and Oppenheimer Strategic Income Fund, Oppenheimer Champion Income Fund, Oppenheimer High Yield Fund, Oppenheimer Strategic Bond Fund/VA and Atlas Strategic Income Fund. Incorporated herein by reference to Exhibit 2.2 to Registrant's registration statement on Form S-1 (No. 333-41014).
2.3	Senior Secured Discount Notes Purchase Agreement dated June 26, 2000 between Chesapeake Energy Marketing, Inc. and John Hancock High Yield Bond Fund and John Hancock Variable Annuity High Yield Bond Fund. Incorporated herein by reference to Exhibit 2.3 to Registrant's registration statement on Form S-1 (No. 333-41014).
2.4	Senior Secured Discount Notes Purchase Agreement dated June 26, 2000 between Chesapeake Energy Marketing, Inc. and Ingalls & Snyder Value Partners, L.P., Heritage Mark Foundation and Arthur R. Ablin. Incorporated herein by reference to Exhibit 2.4 to Registrant's registration statement on Form S-1 (No. 333-41014).
2.5*	Senior Secured Discount Notes Purchase Agreement dated August 29, 2000 between Chesapeake Energy Marketing, Inc. and BNP Paribas.
2.6*	Senior Secured Notes Purchase Agreement dated September 1, 2000 between Chesapeake Energy Corporation and Lehman Brothers Inc.
2.7*	Agreement and Plan of Merger dated September 8, 2000 among Chesapeake Energy Corporation, Chesapeake Merger 2000 Corp. and Gothic Energy Corporation.
3.1*	Registrant's Certificate of Incorporation, as amended.
3.2	Registrant's Bylaws. Incorporated herein by reference to Exhibit 3.2 to Registrant's registration statement on Form 8-B (No. 001-13726).
4.1	Indenture dated as of March 15, 1997 among the Registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 7.875% Senior Notes due 2004. Incorporated herein by reference to Exhibit 4.1 to Registrant's registration statement on Form S-4 (No. 333-24995). First Supplemental Indenture dated December 17, 1997 and Second Supplemental Indenture dated February 16, 1998. Incorporated herein by reference to Exhibit 4.1.1 to Registrant's transition report on Form 10-K for the six months ended December 31, 1997. Second [Third] Supplemental Indenture dated April 22, 1998. Incorporated herein by reference to Exhibit 4.1.1 to Registrant's Amendment No. 1 to Form S-3 registration statement (No. 333-57235). Fourth Supplemental Indenture dated

Exhibit No.	Description
	July 1, 1998. Incorporated herein by reference to Exhibit 4.1.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.
4.2	Indenture dated as of March 15, 1997 among the Registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, As Trustee, with respect to 8.5% Senior Notes due 2012. Incorporated herein by reference to Exhibit 4.1.3 to Registrant's registration statement on Form S-4 (No. 333-24995). First Supplemental Indenture dated December 17, 1997 and Second Supplemental Indenture dated February 16, 1998. Incorporated herein by reference to Exhibit 4.2.1 to Registrant's transition report on Form 10-K for the six months ended December 31, 1997. Second [Third] Supplemental Indenture dated April 22, 1998. Incorporated herein by reference to Exhibit 4.2.1 to Registrant's Amendment No. 1 to Form S-3 registration statement (No. 333-57235). Fourth Supplemental Indenture dated July 1, 1998. Incorporated herein by reference to Exhibit 4.2.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.
4.3	Indenture dated as of April 1, 1998 among the Registrant, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and United States Trust Company of New York, As Trustee, with respect to 9.625% Senior Notes due 2005. Incorporated herein by reference to Exhibit 4.3 to Registrant's registration statement on Form S-3 (No. 333-57235). First Supplemental Indenture dated July 1, 1998. Incorporated herein by reference to Exhibit 4.4.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.
4.4	Indenture dated as of April 1, 1996 among the Registrant, its subsidiaries signatory thereto, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 9.125% Senior Notes, due 2006. Incorporated herein by reference to Exhibit 4.6 to Registrant's registration statement on Form S-3 (No. 333-1588). First Supplemental Indenture dated December 30, 1996 and Second Supplemental Indenture dated December 17, 1997. Incorporated herein by reference to Exhibit 4.4.1 to Registrant's transition report on Form 10-K for the six months ended December 31, 1997. Third Supplemental Indenture dated April 22, 1998. Incorporated herein by reference to Exhibit 4.4.1 to Registrant's Amendment No. 1 to Form S-3 registration statement (No. 333-57235). Fourth Supplemental Indenture dated July 1, 1998. Incorporated herein by reference to Exhibit 4.3.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.
4.5	Agreement to furnish copies of unfiled long-term debt instruments. Incorporated herein by reference to Registrant's transition report on Form 10-K for the six months ended December 31, 1997.
4.6	Common Stock Registration Rights Agreement dated as of June 27, 2000 among the Registrant and Appaloosa Investment Limited Partnership I, Palomino Fund Ltd., Tersk L.L.C., Oppenheimer Strategic Income Fund, Oppenheimer Champion Income Fund, Oppenheimer High Yield Fund, Oppenheimer Strategic Bond Fund/VA and Atlas Strategic Income Fund. Incorporated herein by reference to Exhibit 4.6 to Registrant's registration statement on Form S-1 (No. 333-41014).
4.7	Amended and Restated Credit Agreement by and between Chesapeake Exploration Limited Partnership, as borrower; Chesapeake Energy Corporation and certain of its subsidiaries, as guarantors; and Union Bank of California, N.A., as agent; and certain financial institutions, as lenders, dated May 30, 2000. Incorporated herein by reference to Exhibit 4.7 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.

Exhibit No.	Description
4.7.1	First Amendment to Amended and Restated Credit Agreement, dated August 1, 2000. Incorporated herein by reference to Exhibit 4.7.1 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
4.8*	Common Stock Registration Rights Agreement dated as of August 29, 2000 between the Registrant and Paribas North America, Inc.
4.9*	Common Stock Registration Rights Agreement dated as of September 1, 2000 between the Registrant and Lehman Brothers Inc.
5.1*	Opinion of Winstead Sechrest & Minick P.C. regarding the validity of the securities being registered.
10.1.1+	Registrant's 1992 Incentive Stock Option Plan. Incorporated herein by reference to Exhibit 10.1.1 to Registrant's registration statement on Form S-4 (No. 33-93718).
10.1.2+	Registrant's 1992 Nonstatutory Stock Option Plan, as Amended. Incorporated herein by reference to Exhibit 10.1.2 to Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1996.
10.1.3+	Registrant's 1994 Stock Option Plan, as amended. Incorporated herein by reference to Exhibit 10.1.3 to Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1996.
10.1.4+	Registrant's 1996 Stock Option Plan. Incorporated herein by reference to Registrant's Proxy Statement for its 1996 Annual Meeting of Shareholders and to Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1996.
10.1.5+	Registrant's 1999 Stock Option Plan. Incorporated herein by reference to Exhibit 10.1.5 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 1999.
10.1.6+	Registrant's 2000 Employee Stock Option Plan. Incorporated herein by reference to Exhibit 10.1.6 to Registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2000.
10.1.7+	Registrant's 2000 Executive Officer Stock Option Plan. Incorporated herein by reference to Exhibit 10.1.7 to Registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2000.
10.2.1+	Amended and Restated Employment Agreement dated as of July 1, 1998, as amended by First Amendment thereto dated December 31, 1998, between Aubrey K. McClendon and Chesapeake Energy Corporation. Incorporated herein by reference to Exhibit 10.2.1 to Registrant's quarterly reports on Form 10-Q for the quarters ended September 30, 1998 and June 30, 1999.
10.2.2+	Amended and Restated Employment Agreement dated as of July 1, 1998, as amended by First Amendment thereto dated December 31, 1998, between Tom L. Ward and Chesapeake Energy Corporation. Incorporated herein by reference to Exhibit 10.2.2 to Registrant's quarterly reports on Form 10-Q for the quarters ended September 30, 1998 and June 30, 1999.
10.2.3+*	Amended and Restated Employment Agreement dated as of August 1, 2000 between Marcus C. Rowland and Chesapeake Energy Corporation.
10.2.5+	Employment Agreement between Steven C. Dixon and Chesapeake Energy Corporation effective July 1, 2000. Incorporated herein by reference to Exhibit 10.2.5 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.

Exhibit No.	Description
10.2.6+	Employment Agreement between J. Mark Lester and Chesapeake Energy Corporation effective July 1, 2000. Incorporated herein by reference to Exhibit 10.2.6 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
10.2.7+	Employment Agreement between Henry J. Hood and Chesapeake Energy Corporation effective July 1, 2000. Incorporated herein by reference to Exhibit 10.2.7 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
10.2.8+	Employment Agreement between Michael A. Johnson and Chesapeake Energy Corporation effective July 1, 2000. Incorporated herein by reference to Exhibit 10.2.8 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
10.2.9+	Employment Agreement between Martha A. Burger and Chesapeake Energy Corporation effective July 1, 2000. Incorporated herein by reference to Exhibit 10.2.9 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2000.
10.3+	Form of Indemnity Agreement for officers and directors of Registrant and its subsidiaries. Incorporated herein by reference to Exhibit 10.30 to Registrant's registration statement on Form S-1 (No. 33-55600).
10.5	Rights Agreement dated July 15, 1998 between the Registrant and UMB Bank, N.A., as Rights Agent. Incorporated herein by reference to Exhibit 1 to Registrant's registration statement on Form 8-A filed July 16, 1998. Amendment No. 1 dated September 11, 1998. Incorporated herein by reference to Exhibit 10.3 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.
10.10	Partnership Agreement of Chesapeake Exploration Limited Partnership dated December 27, 1994 between Chesapeake Energy Corporation and Chesapeake Operating, Inc. Incorporated herein by reference to Exhibit 10.10 to Registrant's registration statement on Form S-4 (No. 33-93718).
10.11	Amended and Restated Limited Partnership Agreement of Chesapeake Louisiana, L.P. dated June 30, 1997 between Chesapeake Operating, Inc. and Chesapeake Energy Louisiana Corporation. Incorporated herein by reference to Exhibit 10.11 to Registrant's annual report on Form 10-K for the year ended June 30, 1997.
21	Subsidiaries of Registrant. Incorporated herein by reference to Exhibit 21 to Registrant's annual report on Form 10-K for the year ended December 31, 1999.
23.1*	Consent of PricewaterhouseCoopers LLP
23.2*	Consent of Williamson Petroleum Consultants, Inc.
23.3*	Consent of Ryder Scott Company Petroleum Engineers
24.1*	Power of Attorney.

- ------------------

* Filed herewith.
+ Management contract or compensatory plan or arrangement.

EXHIBIT 2.5

SENIOR SECURED DISCOUNT NOTES PURCHASE AGREEMENT

THIS SENIOR SECURED DISCOUNT NOTES PURCHASE AGREEMENT (the "Agreement"), is entered into this 29th day of August, 2000, between CHESAPEAKE ENERGY MARKETING, INC. ("CEMI") and BNP Paribas (the "Noteholder").

R E C I T A L S :

A. The Noteholder owns the 14 1/8% Series B Senior Secured Discount Notes Due 2006 issued by Gothic Energy Corporation, an Oklahoma corporation ("Gothic"), in the amounts set forth next to such Noteholder's name in Schedule "1" attached hereto as a part hereof (the "Notes") which Notes were issued and are held pursuant to that certain Indenture dated as of April 21, 1998 between The Bank of New York as Trustee (the "Trustee") and Gothic as Issuer (the "Indenture") and are secured by the Pledged Collateral described in that certain Pledge Agreement dated as of April 21, 1998 between Gothic as Pledgor and the Trustee as Collateral Agent (the "Pledge Agreement" and collectively with the Notes and the Indenture, the "Note Documents").

B. CEMI desires to acquire and the Noteholder severally desires to sell the Notes owned by the Noteholder for a purchase price consisting of cash and Chesapeake Energy Corporation common stock, par value of $0.01 per share (the "CEC Common Stock") in such manner and on the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the recitals and the mutual covenants and agreements set forth in this Agreement and for the purpose of prescribing the terms and conditions for the purchase and sale of the Notes, the parties hereby agree as follows:

1. Purchase and Sale. Subject to the terms and conditions set forth in this Agreement and the Registration Rights Agreement (as hereinafter defined), the Noteholder hereby agrees to sell its Notes and the Noteholder's beneficial interest in the Note Documents to CEMI and CEMI hereby agrees to purchase the Noteholder's Notes and the Noteholder's beneficial interest in the Note Documents and pay the Purchase Price (as hereinafter defined) to the Noteholder.

2. Purchase Price. Upon satisfaction or waiver of the conditions precedent set forth in paragraphs 8 and 9 hereof in accordance with the terms thereof, and in consideration for the sale of the Notes to CEMI, CEMI will pay to the Noteholder cash via wire transfer of immediately available funds in the amount set forth for the Noteholder in Schedule "2" attached hereto as a part hereof and will transfer to the Noteholder the number of shares of CEC Common Stock set forth for the Noteholder in Schedule "2" (the "Purchase Price") on the Closing Date (as hereinafter defined).

3. Closing. Subject to the terms and provisions hereof, the closing of the transactions provided for herein (the "Closing") shall occur at 10:00 a.m. E.D.T. at the offices of Kramer, Levin, Naftalis & Frankel LLP, 919 Third Avenue, New York City, New York on August 31, 2000 (the "Closing Date") unless another date, time or place is agreed to in writing by the parties hereto. The obligations of the Noteholder to deliver its Notes to CEMI at the Closing shall be subject to

simultaneous delivery of the cash and CEC Common Stock constituting the Purchase Price payable to the Noteholder.

4. Representations and Warranties of Noteholder. The Noteholder only, represents and warrants to CEMI as follows:

4.1 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement by the Noteholder will result in the creation of any material lien, charge or encumbrance upon the Noteholder's Notes or the Noteholder's interest in the Note Documents.

4.2 Authorization of Agreement. The execution, delivery and performance of this Agreement by the Noteholder has been duly and validly authorized by all requisite action. The execution, delivery and performance by the Noteholder of all other agreements and transactions contemplated hereby have been, or prior to Closing will be, duly authorized and approved by all requisite action on the part of the Noteholder. This Agreement has been, and the other agreements and instruments contemplated hereby when executed and delivered will be, duly executed and delivered by the Noteholder as required and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of the Noteholder enforceable against the Noteholder in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

4.3 Broker's or Finder's Fees. No Noteholder has incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

4.4 Claims or Litigation. Other than as described in that certain Agreement In Respect of Restructuring of Gothic Energy Corporation 14 1/8% Series B Senior Secured Discount Notes among Gothic and other holders of Gothic's 14 1/8% Series B Senior Secured Discount Notes dated on or about June 5, 2000 (the "Restructure Agreement"), there is no material suit, action or other proceeding pending before any court or governmental agency and, to the knowledge of the Noteholder, there is no material claim, dispute, suit, action or other proceeding threatened involving the Notes or the Noteholder's interest in the Note Documents.

4.5 Investment Intent. On the Closing Date, the Noteholder is acquiring the CEC Common Stock for investment purposes only and not with a view to or in connection with a distribution within the meaning of the Securities Act of 1933, as amended (the "33 Act"), except as provided in the Registration Rights Agreement. The Noteholder

understands and agrees that the certificates representing the CEC Common Stock will have a legend imprinted thereon to the following effect:

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER STATE SECURITIES LAWS. SUCH SHARES OF COMMON STOCK MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID SECURITIES ACT COVERING THE TRANSFER OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE OR THAT REGISTRATION UNDER SAID SECURITIES ACT IS NOT REQUIRED."

4.6 Powers of Attorney. There are no outstanding powers of attorney relating to or affecting the Noteholder's Notes or the Noteholder's interest in the Note Documents.

4.7 Note Documents. The Noteholder: (a) has good title to the Noteholder's Notes free and clear of all liens, claims and encumbrances and the Noteholder will defend title thereto against all claims of any and all persons whomsoever; (b) has full right and authority to transfer and convey the Noteholder's Notes and the related interest in the Note Documents and to execute this Agreement; (c) has not previously sold, assigned, transferred, mortgaged or pledged the Noteholder's Notes or the related interest in the Note Documents or the proceeds now or hereafter due under the Noteholder's Notes; and (d) has not waived, released, discounted, setoff or otherwise discharged or compromised the payments to accrue under the Noteholder's Notes. The unpaid principal balance of the Noteholder's Notes as of the Closing Date is as set forth in Schedule "1" attached hereto.

4.8 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by the Noteholder by contract or otherwise including, without limitation, consents by Gothic or the Trustee.

5. Representations and Warranties of CEMI. CEMI represents and warrants to the Noteholder as follows:

5.1 Organization, Good Standing, Etc. Chesapeake Energy Corporation ("CEC") and CEMI are corporations duly organized, validly existing and in good standing under the laws of the State of Oklahoma. CEMI has the corporate power to execute and deliver this Agreement and to consummate the transactions contemplated hereby. CEMI is a wholly owned subsidiary of CEC. Neither CEC nor CEMI is in default under or in violation of any provision of their respective certificate of incorporation or bylaws.

5.2 Capital Stock of CEC. The authorized capital stock of CEC consists of 250,000,000 shares of CEC Common Stock and 10,000,000 shares of preferred stock of which 148,768,103 shares of CEC Common Stock (net of treasury shares) and 624,037

shares of preferred stock (net of treasury shares) were issued and outstanding as of August 23, 2000. Each share of CEC Common Stock to be issued pursuant to this Agreement will be subject to the Registration Rights Agreement.

5.3 SEC Documents. CEC has delivered or made available to the Noteholders each registration statement, report, definitive proxy statement or definitive information statement and all exhibits thereto filed since December 31, 1998, each in the form (including exhibits and any amendments thereto) filed with the SEC (collectively, the "CEC Reports"). The CEC Reports, which, except as otherwise disclosed, were filed with the SEC in a timely manner, constitute all forms, reports and documents required to be filed by CEC under the 33 Act, the Securities Exchange Act of 1934, as amended (the "34 Act") and the rules and regulations promulgated thereunder. As of their respective dates, the CEC Reports (a) complied as to form in all material respects with the applicable requirements of the 33 Act and the 34 Act and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein not misleading. Each of the balance sheets of CEC included in or incorporated by reference into the CEC Reports (including the related notes and schedules) fairly presents the financial position of CEC as of its date and each of the statements of income, retained earnings and cash flows of CEC included in or incorporated by reference into the CEC Reports (including any related notes and schedules) fairly presents the results of operations, retained earnings or cash flows, as the case may be, of CEC for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein and except, in the case of any unaudited statements, as permitted by Form 10-Q promulgated under the 34 Act.

5.4 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement will violate any law, statute, rule or regulation of any governmental authority, or will on the Closing Date conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or governmental agency, authority to which CEC or CEMI is subject or of any agreement or instrument to which CEC or CEMI is a party.

5.5 Authorization of Agreement. The execution, delivery and performance of this Agreement have been duly and validly authorized and approved by all requisite corporate action on the part of CEMI and CEC. This Agreement has been, and the other agreements contemplated hereby when executed and delivered will be, duly executed and delivered by CEMI or CEC and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of each of them that is a party hereto or thereto, as the case may be, enforceable against each of them

in accordance with its terms subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

5.6 Broker's or Finder's Fees. Neither CEMI nor CEC has incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

5.7 Litigation. There is no litigation, proceeding or investigation pending or, to the knowledge of CEMI threatened against or affecting CEC or CEMI that questions the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by either CEC or CEMI in connection with the transactions contemplated hereby.

5.8 Vote Required. No vote of the holders of any class or series of CEC capital stock or other voting securities is necessary to approve this Agreement or the transactions contemplated hereby.

5.9 Shares. The CEC Common Stock to be issued to the Noteholder has been duly authorized for issuance to this Agreement and, when issued and delivered by CEMI in accordance with this Agreement, will be validly issued, fully paid and nonassessable. The issuance of the CEC Common Stock under this Agreement is not subject to any preemptive rights.

5.10 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by CEMI or CEC by contract or otherwise.

6. Information. CEMI and the Noteholder acknowledge and agree that it has been advised that the other party has or may have confidential information (including information received on a privileged basis from Gothic, GPC (as hereinafter defined) or their respective attorneys or financial advisors concerning Gothic or GPC and/or their respective business, properties, condition (financial or otherwise), results of operations, plans or prospects, that is non-public and that may be considered material, including, without limitation, information relating to various alternatives, financial or otherwise, with respect to Gothic, GPC or the Notes (including, but not limited to, a recapitalization or other restructuring of Gothic, GPC or their respective businesses, actions under applicable bankruptcy, liquidation, insolvency or moratorium laws, or otherwise) (collectively, "Confidential Information"). Recognizing the foregoing, neither CEMI nor the Noteholder desires that the other party or parties disclose any Confidential Information, notwithstanding that such Confidential Information may be material to CEMI's decision to purchase the Notes or the Noteholder's decision to sell the Notes and each party hereto specifically requests that each other party hereto not disclose any Confidential Information to any other party hereto or CEC. Each party to this Agreement, for itself and on behalf of its successors and assigns (and in the case of CEMI, for and on behalf of its affiliates including, without limitation, CEC) hereby acknowledges and agrees that: (i) CEMI and its affiliates initiated and still desires to consummate the purchase of the Notes from the Noteholder at the Purchase Price; (ii) the Noteholder still desires to consummate the sale of the Notes to CEMI at the Purchase Price; (iii) no party has made nor makes any representation or warranty (express,

implied or otherwise) with respect to Gothic, GPC or their respective businesses, properties, condition (financial or otherwise), results of operations, plans or prospects or with respect to the Notes, other than with respect to the Noteholder's ownership of the Notes and the authority of the Noteholder to transfer the Notes to CEMI; (iv) each party voluntarily assumes all risks associated with the purchase and sale of the Notes and is not relying on any disclosure or non-disclosure made or not made by any other party or CEC in connection therewith; and (v) such party has no claims, and if any such claim may exist, hereby irrevocably waives and releases, and covenants and agrees not to assert, any claim against any other party, CEC or any of their respective directors, officers, partners, stockholders or affiliates in connection with or arising out of the purchase and sale of the Notes pursuant hereto or any failure by any party or CEC to disclose any Confidential Information, whether such claim arises under federal or state securities laws or otherwise.

7. Covenants. The Noteholder and CEMI covenant and agree as follows:

7.1 Absolute Conveyance. The Noteholder hereby acknowledges and agrees that: (a) the conveyance of the Notes and the related interests in the Note Documents to CEMI pursuant to the terms of this Agreement is an absolute conveyance of all of the Noteholder's right, title and interest in and to the Notes and the Note Documents, in fact as well as in form, and neither this Agreement nor any other conveyance document is intended to be a mortgage, trust conveyance, deed of trust or security instrument of any kind; (b) the consideration for such conveyance is exactly as recited in this Agreement; and (c) after the Closing Date and Closing of the transactions contemplated in this Agreement, the Noteholder will have no further interest (including rights of redemption) or claims in, to or against the Notes or the Note Documents or to the proceeds or profits that might be derived therefrom.

7.2 Other Documents. The Noteholder agrees to execute and deliver to CEMI and to use commercially reasonable efforts to cause the Trustee and Gothic to execute and deliver to CEMI any and all additional assignment documents reasonably requested by CEMI to fully effect the intent of this Agreement.

7.3 Adverse Actions. The Noteholder covenants and agrees with CEMI that from the date of this Agreement until the Closing Date, the Noteholder will not enter into any contract, agreement, commitment or arrangement with respect to or involving the Notes or the Note Documents or take, participate in or consent to any action which might adversely affect the validity, enforceability or value of the Notes or the Note Documents.

7.4 Senior Secured Notes. In addition to the Notes, the Noteholder may hold certain 11 1/8% Senior Secured Notes issued by Gothic Production Corporation ("GPC"), a wholly owned subsidiary of Gothic (the "GPC Notes") and the Noteholder hereby agrees that with respect to any GPC Notes now owned or hereafter acquired by the Noteholder or any affiliate of the Noteholder will not accelerate any GPC Notes upon the filing of bankruptcy by Gothic.

7.5 Listing Application. CEMI will use its best efforts to cause CEC to make all necessary and appropriate applications to cause the CEC Common Stock to be registered pursuant to the Registration Rights Agreement to be listed on the New York Stock Exchange.

8. Conditions to Obligations of CEMI. The obligations of CEMI to effect the transactions contemplated by this Agreement will be subject to the following conditions:

8.1 Representations and Warranties. Except to the extent waived in writing by CEMI: (a) the representations and warranties of the Noteholder herein contained shall be substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) the Noteholder shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with at or prior to the Closing.

8.2 Other Agreements. As of the Closing Date the Noteholder shall have executed and delivered to CEC an Addendum to the Registration Rights Agreement in the form attached hereto as Schedule "8.2" (the "Registration Rights Agreement") whereby the Noteholder becomes a party to the Registration Rights Agreement.

9. Conditions to Obligations of Noteholder. The obligations of the Noteholder to effect the transactions contemplated by this Agreement shall be subject to the following conditions:

9.1 Representations and Warranties. Except to the extent waived in writing by the Noteholder hereunder: (a) the representations and warranties of CEMI herein contained and the representations and warranties of CEC in the Registration Rights Agreement shall be substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) CEMI shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with by it at or prior to the Closing.

9.2 Registration Rights Agreement. CEC shall have executed and delivered to the Noteholder the Registration Rights Agreement.

10. Purchase Price Adjustments. CEMI and the Noteholder hereby agree that on the date ten (10) days after the expiration of the Averaging Period as defined in paragraph 10.1 (the "Settlement Date"), the Purchase Price will be adjusted based on the following terms and conditions:

10.1 Share Adjustment. Notwithstanding the number of shares of CEC Common Stock set forth in Schedule "2" as part of the Purchase Price payable to the Noteholder (the "Original Shares"), the number of shares of CEC Common Stock to be received by the Noteholder will be the number of shares of CEC Common Stock determined by dividing the dollar value of the CEC Common Stock portion of the Purchase Price

set forth in Schedule "2" attached hereto for the Noteholder (the "Share Amount") by the Average Price (the "Purchase Price Shares"). The "Average Price" will be determined by adding the closing price of the CEC Common Stock as quoted on the New York Stock Exchange as of the close of business on each trading day during the thirty (30) calendar days following the date the registration of the Original Shares is effective (the "Averaging Period") and dividing the sum by the number of trading days during the Averaging Period. The number of Purchase Price Shares will be rounded up or down to the nearest whole number and no fractional shares will be issued. The Noteholder and CEMI acknowledge and agree that: (a) if the number of Purchase Price Shares exceeds the number of Original Shares, CEMI will cause the difference to be paid to the Noteholder in cash; and (b) if the number of Original Shares exceeds the number of Purchase Price Shares, the Noteholder will pay the difference to CEMI in either cash or Original Shares at the sole option of the Noteholder.

10.2 Registration and Interest. CEMI will cause CEC to file a registration statement under the 33 Act covering the resale of the Original Shares (the "Registration Statement") within ten (10) days after the Closing Date (the "Original Date") and will use its best efforts to cause the Registration Statement to be declared effective by the Securities and Exchange Commission within forty-five (45) days after the Closing Date. From the Closing Date through October 10, 2000 (the "Initial Period") or the date the Registration Statement is declared effective, which ever is earlier, the Share Amount will bear interest for the actual number of days elapsed at the per annum rate of fourteen and one-eighth percent (14 1/8%). If the Registration Statement has not been declared effective at or prior to the end of the Initial Period, the Share Amount will bear interest from the end of the Initial Period until the earlier of the date the Registration Statement is declared effective or December 24, 2000 (the "Secondary Period") for the actual number of days elapsed at the per annum rate of eighteen percent (18%). If the Registration Statement has not been declared effective at or prior to the end of the Secondary Period, the Share Amount will bear interest from the end of the Secondary Period until the date the Registration Statement is declared effective for the actual number of days elapsed at the per annum rate of twenty percent (20%). Interest on the Share Amount will be compounded daily. The interest on the Share Amount will be treated as an adjustment to the Purchase Price and if due and owing by CEMI after calculation of the Purchase Price adjustment under paragraph 10.1 hereof, will be due and payable in full to the Noteholder on the Settlement Date and will be paid by CEMI by wire transfer of immediately available funds.

10.3 Put Right. Notwithstanding anything to the contrary set forth in paragraph 10.2 of this Agreement, in the event the Registration Statement has not been declared effective on or before June 26, 2001, the Noteholder will have the right to put the Original Shares to CEMI at a put price equal to the Share Amount plus all accrued unpaid interest thereon pursuant to paragraph 10.2 to the date the put is satisfied (the "Put Price"). The put right of the Noteholder will be exercised by written notice from the Noteholder to CEMI within thirty (30) days after June 26, 2001, and the put will

be consummated within seven (7) days after receipt of such notice of exercise by the Noteholder delivering to CEMI the Original Shares duly assigned and CEMI paying the Put Price to the Noteholder by wire transfer of immediately available funds.

11. General Provisions. CEMI and the Noteholder further agree as follows:

11.1 Amendments. Subject to applicable law, this Agreement may be amended only by a written instrument executed by each of the parties hereto at any time prior to the Closing.

11.2 Survival of Covenants, Representations and Warranties. The respective representations and warranties of CEMI and the Noteholder contained in this Agreement shall be deemed made as of the Closing and all covenants and undertakings required to be performed will survive the Closing.

11.3 Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of New York.

11.4 Notices. All notices, requests, demands or other communications required or permitted by this Agreement shall be in writing and effective when received, and delivery shall be made personally or by registered or certified mail, return receipt requested, postage prepaid, or overnight courier or confirmed facsimile transmission, addressed to the parties as set forth in their respective signature blocks to this Agreement.

11.5 Fees and Expenses. All fees and expenses, including attorneys' fees, incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the respective party who has incurred such fee or expense, provided, however, CEMI and/or CEC (to the extent provided in the Registration Rights Agreement) will bear all expenses incurred in connection with the transfer of the Notes and the registration of the Purchase Price Shares.

11.6 Headings. The descriptive headings of the sections and paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to each of the other parties hereto.

11.8 Entire Agreement. This Agreement and the other agreements contemplated hereby constitute the entire agreement among CEMI and the Noteholder with respect to the subject matter hereof. Unless this Agreement is specifically amended in writing, it supersedes all other agreements and understandings among the parties with respect to the subject matter hereof and thereof.

11.9 Publicity. The Noteholder and CEMI shall, subject to their respective legal obligations (including requirements of the New York Stock Exchange and other similar regulatory bodies), consult with each other, and use reasonable efforts to agree upon the text of any press release before issuing any such press release or otherwise making public statements with respect to the transactions contemplated hereby.

11.10 No Third Party Beneficiaries. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties to this Agreement, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third persons any rights of subrogation or action over or against any party to this Agreement.

11.11 Specific Performance. The Noteholder and CEMI each acknowledge that neither the Noteholder nor CEMI would have an adequate remedy at law for money damages in the event this Agreement was not performed in accordance with its terms, and therefore, agree that the Noteholder and CEMI each shall be entitled to specific enforcement of the terms hereof in addition to any other remedy to which it may be entitled, at law or in equity.

11.12 Partial Illegality or Unenforceability. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be illegal or unenforceable in any respect, such illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such illegal or unenforceable provision or provisions had never been contained herein unless the deletion of such provision or provisions would result in such a material change as to cause completion of the transactions contemplated hereby to be unreasonable.

11.13 Mutual Indemnity. CEMI on one hand and the Noteholder severally on the other hand (each an "Indemnifying Party"), agrees to pay, defend, indemnify, reimburse and hold harmless the other and its directors, officers, agents, and employees (an "Indemnified Party") for, from and against any loss, damage, claim, liability, debt, obligation or expense (including interest, reasonable legal fees, and expenses of litigation) incurred or suffered or paid by, imposed upon, resulting to or threatened against the Indemnified Party which directly or indirectly results from, arises out of or in connection with, is based upon or exists by reason of any misrepresentation of facts relating to the Indemnifying Party or any other representation or warranty made by the Indemnifying Party in this Agreement. If an Indemnified Party discovers or otherwise becomes aware of an indemnification claim arising under this Agreement, the Indemnified Party will give written notice to the Indemnifying Party, specifying such claim, and may thereafter exercise any remedies available to such party under this Agreement or applicable law; provided, however, that the failure of an Indemnified Party to give notice as provided herein will not relieve the Indemnifying

Party of any obligations hereunder, to the extent the Indemnifying Party is not materially prejudiced thereby.

11.14 Issuance of Shares. All shares of CEC Common Stock to be issued to the Noteholder pursuant to the terms of this Agreement will be issued in the name of Paribas North America, Inc.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

CHESAPEAKE ENERGY MARKETING, INC., an Oklahoma corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

("CEMI")

Address:

6100 North Western Avenue
Oklahoma City, Oklahoma 73118
Attention: Aubrey K. McClendon
Facsimile No. (405) 848-8588

BNP PARIBAS

By: /s/ ALBERT YOUNG, JR.

Albert Young, Jr., Director

By: /s/ EDWARD V. CANALE

Name: Edward V. Canale

Title: Managing Director

(the "Noteholder")

Notice Address and Wire Instructions for the Noteholder:

BNP Paribas
787 Seventh Avenue
New York, New York 10019
Attention: Albert Young, Jr.
Telephone No. (212) 841-2329
Facsimile No. (212) 841-3565

Fed Wire: Bankers Trust Company, New York
Acct Name: BNP Paribas, New York
ABA No.: 021-001-033
Acct No.: 04-202-195
Attention: R. O'Leary-Loan Department
Reference: Gothic Energy

Schedule "1"

Noteholder	Face Amount of Notes	8/31/00 Accreted Value
BNP Paribas	$4,000,000.00	$3,187,289.60

Schedule "2"

Initial Allocation of Purchase Price

Noteholder	Cash Portion	Original Shares*	Share Amount
BNP Paribas	$919,160.14	389,378 shares	$2,268,129.46

* Based on $5.825 per share

EXHIBIT 2.6

SENIOR SECURED NOTES PURCHASE AGREEMENT

THIS SENIOR SECURED NOTES PURCHASE AGREEMENT (the "Agreement"), is entered into this 1st day of September, 2000, between CHESAPEAKE ENERGY CORPORATION ("CEC") and LEHMAN BROTHERS INC. (the "Noteholder").

RECITALS:

A. The Noteholder owns the 1 1/8% Senior Secured Notes Due 2005 issued by Gothic Production Corporation, an Oklahoma corporation ("Gothic"), in the principal amount set forth in Schedule "1" attached hereto as a part hereof, together with the accrued unpaid interest thereon in the amount set forth in Schedule "1" (the "Notes") which Notes were issued and are held pursuant to that certain Indenture dated as of April 21, 1998 between The Bank of New York as Trustee (the "Trustee") and Gothic as Issuer (the "Indenture") and are secured by the Collateral described in the Mortgages dated as of April 21, 1998 between Gothic and the Trustee (the "Mortgages") and that certain Guaranty dated as of April 21, 1998 executed by Gothic Energy Corporation ("GEC") in favor of the Trustee (the "Guaranty" and collectively with the Notes, the Indenture, the Mortgages and all other rights, titles and interests of the Noteholder in connection with the Notes, the "Note Documents").

B. CEC desires to acquire and the Noteholder desires to sell the Notes owned by the Noteholder for a purchase price consisting of CEC common stock, par value of $0.01 per share (the "CEC Common Stock") in such manner and on the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the recitals and the mutual covenants and agreements set forth in this Agreement and for the purpose of prescribing the terms and conditions for the purchase and sale of the Notes, the parties hereby agree as follows:

1. Purchase and Sale. Subject to the terms and conditions set forth in this Agreement and the Registration Rights Agreement (as hereinafter defined), the Noteholder hereby agrees to sell its Notes and the beneficial interest in the trust created by the Note Documents to CEC and CEC hereby agrees to purchase the Notes and the Noteholder's beneficial interest in the trust created by the Note Documents and pay the Purchase Price (as hereinafter defined) to the Noteholder.

2. Purchase Price. Upon satisfaction or waiver of the conditions precedent set forth in paragraphs 8 and 9 hereof in accordance with the terms thereof, and in consideration for the sale of the Notes to CEC, CEC will transfer to the Noteholder the number of shares of CEC Common Stock set forth in Schedule "2" (the "Purchase Price") on the Closing Date (as hereinafter defined). The CEC Common Stock constituting the Purchase Price is referred to herein as the "Purchase Price Shares".

3. Closing. Subject to the terms and provisions hereof, the closing of the transactions provided for herein (the "Closing") shall occur at 10:00 a.m. C.D.T. at the offices of Weil, Gotshal & Manges LLP, 700 Louisiana, Suite 1600, Houston, Texas 77002 on September 1, 2000 (the "Closing Date")

unless another date, time or place is agreed to in writing by the parties hereto. The obligations of the Noteholder to deliver its Notes to CEC via DTC delivery on the Closing Date shall be subject to simultaneous delivery of the Purchase Price Shares to the Noteholder.

4. Representations and Warranties of Noteholder. The Noteholder represents and warrants to CEC as follows:

4.1 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement by the Noteholder will result in the creation of any material lien, charge or encumbrance upon the Noteholder's Notes or the Noteholder's interest in the trust created by the Note Documents.

4.2 Authorization of Agreement. The execution, delivery and performance of this Agreement by the Noteholder has been duly and validly authorized by all requisite action. The execution, delivery and performance by the Noteholder of all other agreements and transactions contemplated hereby have been, or prior to Closing will be, duly authorized and approved by all requisite action on the part of the Noteholder. This Agreement has been, and the other agreements and instruments contemplated hereby when executed and delivered will be, duly executed and delivered by the Noteholder as required and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of the Noteholder enforceable against the Noteholder in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

4.3 Broker's or Finder's Fees. The Noteholder has not incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

4.4 Claims or Litigation. There is no material suit, action or other proceeding pending before any court or governmental agency and, to the knowledge of the Noteholder, there is no material claim, dispute, suit, action or other proceeding threatened involving the Notes or the Noteholder's interest in the trust created by the Note Documents.

4.5 Investment Intent. On the Closing Date, the Noteholder is acquiring the Purchase Price Shares for investment purposes only and not with a view to or in connection with a distribution within the meaning of the Securities Act of 1933, as amended (the "33 Act"), except as provided in the Registration Rights Agreement. The Noteholder understands and agrees that the certificates representing the Purchase Price Shares will have a legend imprinted thereon to the following effect:

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER STATE SECURITIES LAWS. SUCH SHARES OF COMMON STOCK MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID SECURITIES ACT COVERING THE TRANSFER OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE OR THAT REGISTRATION UNDER SAID SECURITIES ACT IS NOT REQUIRED."

4.6 Powers of Attorney. There are no outstanding powers of attorney relating to or affecting the Noteholder's Notes or the Noteholder's interest in the trust created by the Note Documents.

4.7 Note Documents. The Noteholder: (a) has good title to the Notes free and clear of all liens, claims and encumbrances; (b) has not previously sold, assigned, transferred, mortgaged or pledged the Notes or the related interest in the Note Documents or the proceeds now or hereafter due under the Notes; and (c) has not waived, released, discounted, setoff or otherwise discharged or compromised the payments to accrue under the Notes. The unpaid principal balance of the Notes and the accrued unpaid interest thereon as of the Closing Date is as set forth in Schedule "1" attached hereto.

4.8 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by the Noteholder by contract or otherwise including, without limitation, consents by Gothic or the Trustee.

5. Representations and Warranties of CEC. CEC represents and warrants to the Noteholder as follows:

5.1 Organization, Good Standing, Etc. CEC is a corporation duly organized, validly existing and in good standing under the laws of the State of Oklahoma. CEC has the corporate power to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

5.2 Capital Stock of CEC. The authorized capital stock of CEC consists of 250,000,000 shares of CEC Common Stock and 10,000,000 shares of preferred stock of which 148,768,103 shares of CEC Common Stock (net of treasury shares) and 624,037 shares of preferred stock (net of treasury shares) were issued and outstanding as of August 23, 2000. Each share of CEC Common Stock to be issued pursuant to this Agreement will be subject to the Registration Rights Agreement.

5.3 SEC Documents. CEC has delivered or made available to the Noteholder each registration statement, report, definitive proxy statement or definitive information statement and all exhibits thereto filed since December 31, 1998, each in the form (including exhibits and any amendments thereto) filed with the SEC (collectively, the "CEC Reports"). The CEC Reports, which, except as otherwise disclosed, were filed

with the SEC in a timely manner, constitute all forms, reports and documents required to be filed by CEC under the 33 Act, the Securities Exchange Act of 1934, as amended (the "34 Act") and the rules and regulations promulgated thereunder. As of their respective dates, the CEC Reports (a) complied as to form in all material respects with the applicable requirements of the 33 Act and the 34 Act and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein not misleading. Each of the balance sheets of CEC included in or incorporated by reference into the CEC Reports (including the related notes and schedules) fairly presents the financial position of CEC as of its date and each of the statements of income, retained earnings and cash flows of CEC included in or incorporated by reference into the CEC Reports (including any related notes and schedules) fairly presents the results of operations, retained earnings or cash flows, as the case may be, of CEC for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein and except, in the case of any unaudited statements, as permitted by Form 10-Q promulgated under the 34 Act.

5.4 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement will violate any law, statute, rule or regulation of any governmental authority, or will on the Closing Date conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or governmental agency, authority to which CEC is subject or of any agreement or instrument to which CEC is a party. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement by CEC will result in the creation of any material lien, charge or encumbrance upon the CEC's assets.

5.5 Authorization of Agreement. The execution, delivery and performance of this Agreement have been duly and validly authorized and approved by all requisite corporate action on the part of CEC. This Agreement has been, and the other agreements contemplated hereby when executed and delivered will be, duly authorized, executed and delivered by CEC and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of CEC enforceable against CEC in accordance with its terms subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

5.6 Broker's or Finder's Fees. CEC has not incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

5.7 Litigation. There is no litigation, proceeding or investigation pending or, to the knowledge of CEC threatened against or affecting CEC that questions the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by CEC in connection with the transactions contemplated hereby.

5.8 Vote Required. No vote of the holders of any class or series of CEC capital stock or other voting securities is necessary to approve this Agreement or the transactions contemplated hereby.

5.9 Shares. The Purchase Price Shares to be issued to the Noteholder has been duly authorized for issuance to this Agreement and, when issued and delivered by CEC in accordance with this Agreement, will be validly issued, fully paid and nonassessable. The issuance of the Purchase Price Shares under this Agreement is not subject to any preemptive rights.

5.10 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by CEC by contract or otherwise except any such consents which have been duly obtained.

6. Information. Each of CEC and the Noteholder acknowledge and agree that it has been advised that the other party has or may have information (including information received on a privileged basis from Gothic, GEC or their respective attorneys or financial advisors concerning Gothic or GEC and/or their respective business, properties, condition (financial or otherwise), results of operations, plans or prospects, that is non-public and that may be considered material, including, without limitation, information relating to various alternatives, financial or otherwise, with respect to Gothic, GEC or the Notes (including, but not limited to, a recapitalization or other restructuring of Gothic, GEC or their respective businesses, actions under applicable bankruptcy, liquidation, insolvency or moratorium laws, or otherwise) (collectively, "Confidential Information"). Recognizing the foregoing, neither CEC nor the Noteholder desires that the other party or parties disclose any Confidential Information, notwithstanding that such Confidential Information may be material to CEC's decision to purchase the Notes or the Noteholder's decision to sell the Notes and each party hereto specifically requests that each other party hereto not disclose any Confidential Information to any other party hereto. Each party to this Agreement, for itself and on behalf of its successors and assigns (and for and on behalf of its affiliates) hereby acknowledges and agrees that: (i) CEC initiated and still desires to consummate the purchase of the Notes from the Noteholder at the Purchase Price; (ii) the Noteholder still desires to consummate the sale of the Notes to CEC at the Purchase Price; (iii) except as expressly set forth in this Agreement, no party has made nor makes any representation or warranty (express, implied or otherwise) with respect to Gothic, GEC or their respective businesses, properties, condition (financial or otherwise), results of operations, plans or prospects or with respect to the Notes, other than with respect to the Noteholder's ownership of the Notes and the authority of the Noteholder to transfer the Notes to CEC; (iv) each party voluntarily

assumes all risks associated with the purchase and sale of the Notes and is not relying on any disclosure or non-disclosure made or not made by any other party or CEC in connection therewith; and (v) such party has no claims, and if any such claim may exist, hereby irrevocably waives and releases, and covenants and agrees not to assert, any claim against any other party or any of their respective directors, officers, partners, stockholders or affiliates in connection with or arising out of the purchase and sale of the Notes pursuant hereto or any failure by any party to disclose any Confidential Information, whether such claim arises under federal or state securities laws or otherwise.

7. Covenants. The Noteholder and CEC covenant and agree as follows:

7.1 Absolute Conveyance. The Noteholder hereby acknowledges and agrees that: (a) the conveyance of the Notes and the related interests in the trust created by the Note Documents to CEC pursuant to the terms of this Agreement is an absolute conveyance of all of the Noteholder's right, title and interest in and to the Notes and the Note Documents, in fact as well as in form, and neither this Agreement nor any other conveyance document is intended to be a mortgage, trust conveyance, deed of trust or security instrument of any kind; (b) the consideration for such conveyance is exactly as recited in this Agreement; and (c) after the Closing Date and Closing of the transactions contemplated in this Agreement, the Noteholder will have no further interest (including rights of redemption) or claims in, to or against the Notes or the Note Documents or to the proceeds or profits that might be derived therefrom.

7.2 Other Documents. The Noteholder agrees to execute and deliver to CEC and to use commercially reasonable efforts to cause the Trustee and Gothic to execute and deliver to CEC any and all additional assignment documents reasonably requested by CEC to fully effect the intent of this Agreement.

7.3 Adverse Actions. The Noteholder covenants and agrees with CEC that from the date of this Agreement until the Closing Date, the Noteholder will not enter into any contract, agreement, commitment or arrangement with respect to or involving the Notes or the Note Documents or take, participate in or consent to any action which might adversely affect the validity, enforceability or value of the Notes or the Note Documents.

7.4 Listing Application. CEC will use its best efforts to make all necessary and appropriate applications to cause the Purchase Price Shares to be registered pursuant to the Registration Rights Agreement to be listed on the New York Stock Exchange within twenty (20) days after the Registration Statement (as hereinafter defined) becomes effective.

8. Conditions to Obligations of CEC. The obligations of CEC to effect the transactions contemplated by this Agreement will be subject to the following conditions:

8.1 Representations and Warranties. Except to the extent waived in writing by CEC: (a) the representations and warranties of the Noteholder herein contained shall be

substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) the Noteholder shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with at or prior to the Closing.

8.2 Other Agreements. As of the Closing Date the Noteholders shall have executed and delivered to CEC the Registration Rights Agreement in the form attached hereto as Exhibit "8.2" (the "Registration Rights Agreement").

9. Conditions to Obligations of Noteholder. The obligations of the Noteholder to effect the transactions contemplated by this Agreement shall be subject to the following conditions:

9.1 Representations and Warranties. Except to the extent waived in writing by the Noteholder hereunder: (a) the representations and warranties of CEC herein contained and the representations and warranties of CEC in the Registration Rights Agreement shall be substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) CEC shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with by it at or prior to the Closing.

9.2 Registration Rights Agreement. CEC shall have executed and delivered to the Noteholder the Registration Rights Agreement.

10. Purchase Price Adjustment. CEC and the Noteholder hereby agree that on the date ten (10) days after the expiration of the Averaging Period as defined in paragraph 10.1 (the "Settlement Date"), the Purchase Price will be adjusted based on the following terms and conditions:

10.1 Adjustment Calculation. The Purchase Price will be adjusted by multiplying the difference between the Average Price (as hereinafter defined) and the Original Price set forth in Schedule "2" by the number of Purchase Price Shares (the "Adjustment Amount"). The "Average Price" will be determined by multiplying the Daily Price for each Selling Day times the number of Purchase Price Shares sold on such Selling Day, adding the sums for all Selling Days during the Averaging Period and dividing the sum by the total number of Purchase Price Shares sold during the Averaging Period, provided, however, that: (i) in the event a Suspension Notice (as defined in the Registration Rights Agreement) is in effect with respect to the Purchase Price Shares during the Averaging Period, the Averaging Period will be extended by the number of days the Suspension Notice is in effect; and (ii) in the event the Registration Statement is not effective on the first anniversary of the Closing Date, the Averaging Period will commence on the day following the date of the first anniversary of the Closing Date. As used in this paragraph: (a) "Daily Price" means the closing price of the CEC Common Stock as quoted on the New York Stock Exchange on each Selling Day; (b) "Selling Day" means a trading day on which the

Noteholder makes sales of any Purchase Price Shares; and (c) "Averaging Period" means the sixty (60) calendar day period commencing with the date the registration of the Purchase Price Shares is declared effective. Within three (3) business days after the earlier of the date all of the Purchase Price Shares are sold or the end of the Averaging Period, the Noteholder will furnish to CEC a reconciliation of each sale of Purchase Price Shares. The Noteholder and CEC acknowledge and agree that: (a) if the Original Price exceeds the Average Price, CEC will cause the Adjustment Amount to be paid to the Noteholder by wire transfer of immediately available funds on the Settlement Date; and (b) if the Average Price exceeds the Original Price, the Noteholder will pay the Adjustment Amount to CEC by wire transfer of immediately available funds on the Settlement Date.

10.2 Registration Statement. CEC will use its best efforts to file a registration statement under the 33 Act covering the resale of the Purchase Price Shares (the "Registration Statement") within forty-five (45) days after the Closing Date and will use its best efforts to cause the Registration Statement to be declared effective by the Securities and Exchange Commission within one hundred five (105) days after the Closing Date.

11. General Provisions. CEC and the Noteholder further agree as follows:

11.1 Amendments. Subject to applicable law, this Agreement may be amended only by a written instrument executed by each of the parties hereto at any time prior to the Closing.

11.2 Survival of Covenants, Representations and Warranties. The respective representations and warranties of CEC and the Noteholder contained in this Agreement shall be deemed made as of the Closing and all covenants and undertakings required to be performed will survive the Closing.

11.3 Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of New York.

11.4 Notices. All notices, requests, demands or other communications required or permitted by this Agreement shall be in writing and effective when received, and delivery shall be made personally or by registered or certified mail, return receipt requested, postage prepaid, or overnight courier or confirmed facsimile transmission, addressed to the parties as set forth in their respective signature blocks to this Agreement.

11.5 Fees and Expenses. All fees and expenses, including attorneys' fees, incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the respective party who has incurred such fee or expense, provided, however, CEC (to the extent provided in the Registration Rights Agreement) will bear all expenses incurred in connection with the transfer of the Notes and the registration of the Purchase Price Shares.

11.6 Headings. The descriptive headings of the sections and paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to each of the other parties hereto.

11.8 Entire Agreement. This Agreement and the other agreements contemplated hereby constitute the entire agreement among CEC and the Noteholder with respect to the subject matter hereof. Unless this Agreement is specifically amended in writing, it supersedes all other agreements and understandings among the parties with respect to the subject matter hereof and thereof.

11.9 Publicity. The Noteholder and CEC shall, subject to their respective legal obligations (including requirements of the New York Stock Exchange and other similar regulatory bodies), consult with each other, and use reasonable efforts to agree upon the text of any press release before issuing any such press release or otherwise making public statements with respect to the transactions contemplated hereby.

11.10 No Third Party Beneficiaries. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties to this Agreement, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third persons any rights of subrogation or action over or against any party to this Agreement.

11.11 Specific Performance. The Noteholder and CEC each acknowledge that neither the Noteholder nor CEC would have an adequate remedy at law for money damages in the event this Agreement was not performed in accordance with its terms, and therefore, agree that the Noteholder and CEC each shall be entitled to specific enforcement of the terms hereof in addition to any other remedy to which it may be entitled, at law or in equity.

11.12 Partial Illegality or Unenforceability. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be illegal or unenforceable in any respect, such illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such illegal or unenforceable provision or provisions had never been contained herein unless the deletion of such provision or provisions would result in such a material change as to cause completion of the transactions contemplated hereby to be unreasonable.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

CHESAPEAKE ENERGY CORPORATION, an
Oklahoma corporation

By /s/ MARCUS C. ROWLAND

Marcus C. Rowland, Executive Vice-President

("CEC")

ADDRESS:
6100 North Western Avenue
Oklahoma City, Oklahoma 73118
Attention: Aubrey K. McClendon
Facsimile No. (405) 848-8588

LEHMAN BROTHERS INC.

By /s/ J. ROBERT CHAMBERS

Name J. Robert Chambers

Title Managing Director

(the "Noteholder")

ADDRESS FOR THE NOTEHOLDER:
Lehman Brothers Inc.
200 Vesey Street, 10 th Floor
New York, New York 10285
Attention: Mr. Jim Seery
Facsimile No. (212) 526-7691

SCHEDULE "1"

NOTEHOLDER	PRINCIPAL BALANCE OF NOTES	ACCRUED UNPAID INTEREST
Lehman Brothers Inc.	$20,149,000.00	$747,192.00

SCHEDULE "2"

PURCHASE PRICE

NOTEHOLDER	PURCHASE PRICE SHARES*	SHARE AMOUNT
Lehman Brothers Inc.	3,694,939 shares	$22,306,622.00

* BASED ON $6.0371 PER SHARE (THE "ORIGINAL PRICE").

EXHIBIT 2.7

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is made and entered into this 8th day of September, 2000, by and among CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation ("Parent"), CHESAPEAKE MERGER 2000 CORP., an Oklahoma corporation ("Sub"), and GOTHIC ENERGY CORPORATION, an Oklahoma corporation ("Gothic").

RECITALS

WHEREAS, the board of directors of each of Parent, Sub and Gothic has determined that it is in the best interest of its respective stockholders for Parent to acquire Gothic by means of the merger of Sub with and into Gothic upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, for federal income tax purposes, the parties hereto intend that such merger qualify as a tax free "reorganization" within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended;

WHEREAS, the board of directors of Gothic has approved the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and has resolved and agreed to recommend that the stockholders of Gothic approve the same; and

WHEREAS, Parent, Sub and Gothic desire to make certain representations, warranties, covenants and agreements in connection with such merger and also to prescribe various conditions to such merger.

NOW, THEREFORE, for and in consideration of the recitals and the mutual covenants and agreements set forth in this Agreement, the parties hereto hereby agree as follows:

1. Definitions. As used in this Agreement, each of the following terms has the meaning given in this paragraph or in the paragraphs referred to below:

1.1 Affiliate(s). With respect to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with such Person.

1.2 Agreement. This Agreement and Plan of Merger, as amended, supplemented or modified from time to time.

1.3 Alternative Proposal. As defined in paragraph 5.4.2.

1.4 Bank Credit Agreement. The Loan Agreement dated April 27, 1998, by and among Gothic, the Gothic Subsidiary and Bank One Corp., as amended May 7, 1999 and March 27, 2000.

1.5 CERCLA. The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

1.6 Certificate of Merger. The Certificate of Merger, prepared and executed in accordance with the applicable provisions of the OGCA, filed with the Secretary of State of Oklahoma to reflect the consummation of the Merger.

1.7 Closing. The closing of the Merger and the consummation of the other transactions contemplated by this Agreement.

1.8 Closing Date. Unless otherwise agreed by the Parent and Gothic in writing, the date on which the Closing occurs, which will be the later of: (a) the first business day following the day on which the Gothic Stockholder Meeting is held and the conditions to the Merger are satisfied or waived; or (b) January 15, 2001.

1.9 Code. The Internal Revenue Code of 1986, as amended.

1.10 Confidentiality Agreement. The letter agreements dated January 18, 1999 and October 7, 1999 between Gothic and Parent relating to Gothic's furnishing of information to Parent in connection with Parent's evaluation of a possible transaction between Parent and Gothic, as modified by that certain letter agreement dated June 6, 2000 relating to Gothic's permission for the Parent to negotiate the purchase of the Senior Discount Notes.

1.11 Contract Employee. As defined in paragraph 5.14.

1.12 Defensible Title. Such right, title and interest to an asset that is: (a) evidenced by an instrument or instruments filed of record in accordance with the conveyance and recording laws of the applicable jurisdiction to the extent necessary to prevail against competing claims of bona fide purchasers for value without notice; (b) subject to Permitted Encumbrances; and (c) free and clear of all other Liens, claims, infringements, burdens or other defects.

1.13 Dissenting Stockholders. Any holder or holders of Gothic Common Stock who validly perfect appraisal rights under Section 1091 of the OGCA.

1.14 Effective Time. As defined in paragraph 2.6.

1.15 Environmental Law. Any federal, state, local or foreign statute, code, ordinance, rule, regulation, policy, guideline, permit, consent, approval, license, judgment, order, writ, decree, injunction or other authorization relating to: (a) emissions, discharges, releases or threatened releases of Hazardous Materials into the natural environment (including, without limitation, ambient air, soil, sediments, land surface or subsurface, buildings or facilities, surface water, groundwater, publicly-owned treatment works, septic systems or land); (b) the generation, treatment, storage, disposal, use, handling, manufacture,

transportation or shipment of Hazardous Materials; or (c) the pollution of the environment, solid waste or operation or reclamation of mines.

1.16 ERISA. The Employee Retirement Income Security Act of 1974, as amended from time to time.

1.17 Exchange. The New York Stock Exchange, Inc.

1.18 Exchange Act. The Securities Exchange Act of 1934, as amended from time to time.

1.19 Exchange Agent. UMB Bank, N.A., the transfer agent for shares of Parent Common Stock.

1.20 Exchange Fund. As defined in paragraph 2.4.1.

1.21 Exchange Ratio. The quotient obtained by dividing the Merger Consideration by the Gothic Aggregate Number as of the date of the computation.

1.22 GAAP. Generally accepted accounting principles, as recognized by the U.S. Financial Accounting Standards Board (or any generally recognized successor).

1.23 Gothic. Gothic Energy Corporation, an Oklahoma corporation.

1.24 Gothic Aggregate Number. The number equal to: (a) the total number of shares of Gothic Common Stock that are issued and outstanding as of the Effective Time; plus (b) the aggregate number of shares of Gothic Common Stock issuable as of the Effective Time under the in the money Gothic Warrants identified in Section 1.24 of the Gothic Disclosure Schedule; less (c) to the extent included in clause (a) above, any Gothic Common Stock owned by the Parent Companies as of the date of this Agreement or issuable to the Parent Companies with respect to any convertible securities, options, warrants or other rights to acquire Gothic Common Stock.

1.25 Gothic Certificate. A certificate representing shares of Gothic Common Stock.

1.26 Gothic Common Stock. Gothic's common stock, $0.01 par value per share.

1.27 Gothic Companies. Gothic and the Gothic Subsidiary.

1.28 Gothic Disclosure Schedule. The disclosure schedule attached hereto entitled Gothic Disclosure Schedule and any documents listed on such disclosure schedule or expressly incorporated therein by reference.

1.29 Gothic Employee(s). As defined in paragraph 5.14.

1.30 Gothic Employee Benefit Plans. As defined in paragraph 3.15.

1.31 Gothic Financial Statements. The audited and unaudited consolidated financial statements of the Gothic Companies (including the related notes) included (or incorporated by reference) in Gothic's Annual Report on Form 10-K for the year ended December 31, 1999, and Gothic's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, in each case as filed with the SEC.

1.32 Gothic Material Agreements. The: (a) Bank Credit Agreement; (b) Senior Secured GPC Notes; (c) Senior Discount Notes; (d) all agreements or instruments filed as material contracts with the Gothic SEC Documents; or (e) any other written or oral agreements, contracts, commitments or understandings to which any of the Gothic Companies is a party, by which any of the Gothic Companies is directly or indirectly bound, or to which any asset of any of the Gothic Companies may be subject, involving total value, consideration or obligation in excess of One Million Dollars ($1,000,000.00).

1.33 Gothic Permits. As defined in paragraph 3.12.

1.34 Gothic Plans. The stock option plans and related agreements listed on Section 2.3.4 of the Gothic Disclosure Schedule.

1.35 Gothic Preferred Stock. Gothic's Series B Senior Redeemable Preferred Stock, par value $.05 per share, together with the right to receive accrued and unpaid dividends.

1.36 Gothic Proposal. The proposal to approve this Agreement and the Merger, which proposal is to be presented to the stockholders of Gothic in the Proxy Statement/Prospectus.

1.37 Gothic Representative. Any director, officer, employee, agent, advisor (including legal, accounting and financial advisors), Affiliate or other representative of any of the Gothic Companies.

1.38 Gothic SEC Documents. As defined in paragraph 3.5.

1.39 Gothic Severance Policy. As defined in paragraph 5.14.

1.40 Gothic Stock Option(s). Any unexpired option or other right to purchase Gothic Common Stock issued under the Gothic Plans and outstanding as of the Effective Time (regardless of whether vested, unvested or currently exercisable).

1.41 Gothic Stockholder Meeting. The meeting of the stockholders of Gothic for the purpose of voting on this Agreement and the Merger.

1.42 Gothic Subsidiary. Gothic Production Corporation, an Oklahoma corporation.

1.43 Gothic Warrants. Any unexpired warrants or other right to acquire Gothic Common Stock or any security convertible or exchangeable into Gothic Common Stock

(excluding all Gothic Stock Options and the Gothic Preferred Stock) and outstanding as of the Effective Time (regardless of whether vested, unvested or currently exercisable).

1.44 Governmental Authority. Any national, state, county or municipal government, (whether domestic or foreign), agency, board, bureau, commission, court, department or other instrumentality of any such government, or any arbitrator in any case that has jurisdiction over any of the Gothic Companies, Parent or Sub or any of their respective properties or assets.

1.45 Hazardous Material. Any: (a) "hazardous substance" as defined by CERCLA; (b) "hazardous waste" as defined by the Resource Conservation and Recovery Act, as amended; (c) hazardous, dangerous or toxic chemical, material, waste or substance, within the meaning of and regulated by any Environmental Law; (d) radioactive material, including any naturally occurring radioactive material, and any source, special or byproduct material as defined in 42 U.S.C. 2011 et seq. and any amendments or authorizations thereof; (e) asbestos-containing materials in any form or condition; or (f) polychlorinated biphenyls in any form or condition.

1.46 HSR Act. The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended from time to time.

1.47 Hydrocarbons. Oil, condensate, gas, casinghead gas and other liquid or gaseous hydrocarbons.

1.48 Indemnified Parties. As defined in paragraph 5.13.

1.49 Irrevocable Proxy. The irrevocable proxy in the form attached hereto as Exhibit "1.49" to be executed by the shareholders of Gothic who are on Gothic's board of directors and the executive officers of Gothic granting to Parent the right to vote such holders' Gothic Common Stock in connection with the stockholders' vote concerning the Merger and any and all related matters.

1.50 Lien(s). Any lien, mortgage, security interest, pledge, deposit, production payment, restriction, burden, encumbrance, rights of a vendor under any title retention or conditional sale agreement, or lease or other arrangement substantially equivalent thereto.

1.51 Major Gothic Stockholder(s). Any holders of Gothic Common Stock who are Affiliates of Gothic and who, as a result of the Merger, will hold in excess of three percent (3%) of the issued and outstanding shares of Parent Common Stock.

1.52 Material Adverse Effect. When used with respect to: (a) Gothic, is an event or condition that has an adverse financial impact of more than One Million Dollars ($1,000,000.00) on the Gothic Companies (taken as a whole) or a result or consequence that would materially and adversely affect the condition (financial or

otherwise), results of operations or businesses of the Gothic Companies (taken as a whole) or the aggregate value of their assets, would materially impair the ability of the Gothic Companies (taken as a whole) to own, hold, develop and operate their assets, or would impair Gothic's ability to perform its obligations hereunder or consummate the transactions contemplated hereby; and (b) Parent, is an event or condition that has an adverse financial impact of more than Five Million Dollars ($5,000,000.00) on the Parent Companies (taken as a whole) or a result or consequence that would materially and adversely affect the condition (financial or otherwise), results of operations or businesses of the Parent Companies (taken as a whole) or the aggregate value of their assets, would materially impair the ability of the Parent Companies (taken as a whole) to own, hold, develop and operate their assets, or would impair Parent's or Sub's ability to perform its obligations hereunder or consummate the transactions contemplated hereby.

1.53 Merger. As defined in paragraph 2.

1.54 Merger Consideration. Four Million (4,000,000) shares of Parent Common Stock.

1.55 Net Revenue Interests. Gothic's overall interest in Hydrocarbons produced from or attributable to Gothic's Oil and Gas Interests, after deducting all lessor's royalties, overriding royalties, production payments, and other interests or burdens on Hydrocarbons produced from Gothic's oil and gas properties or any well thereon.

1.56 OGCA. The Oklahoma General Corporation Act, as amended.

1.57 Oil and Gas Interests. Any and all: (a) direct and indirect interests in and rights with respect to oil, gas, mineral and related properties and assets of any kind and nature, direct or indirect, including working, royalty and overriding royalty interests, production payments, operating rights, net profits interests, other non-working interests and non-operating interests; (b) interests in and rights with respect to Hydrocarbons and other minerals or revenues therefrom and contracts in connection therewith and claims and rights thereto (including oil and gas leases, operating agreements, unitization and pooling agreements and orders, division orders, transfer orders, mineral deeds, royalty deeds, oil and gas sales, exchange and processing contracts and agreements and interests related to any of the foregoing), surface interests, fee interests, reversionary interests, reservations and concessions; (c) easements, rights of way, licenses, permits, leases, and other interests associated with, appurtenant to, or necessary for the operation of any of the foregoing; and (d) interests in fixtures, equipment and machinery (including well equipment and machinery), oil and gas production, gathering, transmission, compression, treating, processing and storage facilities (including tanks, tank batteries, pipelines and gathering systems), pumps, water plants, electric plants, gasoline and gas processing plants, refineries and other tangible personal property and fixtures associated with, appurtenant to, or necessary for the operation of any of the foregoing.

1.58 Ownership Interests. The ownership interests of Gothic in its assets, as set forth in Section 1.58 of the Gothic Disclosure Schedule.

1.59 Parent. Chesapeake Energy Corporation, an Oklahoma corporation.

1.60 Parent Benefit Plans. "Employee benefit plans" within the meaning of Section 3(3) of ERISA, which the Parent Companies maintain or sponsor or with respect to which the Parent Companies have any material liability (actual, contingent, primary or secondary), and all other: (a) director or employee compensation or benefit plans, programs or arrangements; (b) stock purchase, stock option, severance, bonus, incentive and deferred compensation plans; (c) written employment or consulting contracts; and (d) change-in-control agreements which the Parent Companies maintain, sponsor or are a party to or with respect to which the Gothic Companies have or could have any material liability.

1.61 Parent Certificate. A certificate representing shares of Parent Common Stock.

1.62 Parent Common Stock. Parent's common stock, par value $0.01 per share.

1.63 Parent Companies. Parent and the Parent Subsidiaries.

1.64 Parent Disclosure Schedule. The disclosure schedule attached hereto entitled Parent Disclosure Schedule and any documents listed on such disclosure schedule and expressly incorporated therein by reference.

1.65 Parent Employee Benefit Plan(s). As defined in paragraph 4.17.

1.66 Parent Financial Statements. The audited and unaudited consolidated financial statements of the Parent Companies (including the related notes) included (or incorporated by reference) in Parent's Annual Report on Form 10-K for the year ended December 31, 1999, and Parent's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, in each case as filed with the SEC.

1.67 Parent Permits. As defined in paragraph 4.13.

1.68 Parent Preferred Stock. Parent's preferred stock, par value $0.01 per share.

1.69 Parent Representative. Any director, officer, employee, agent, advisor (including legal, accounting and financial advisors), Affiliate or other representative of Parent or Parent Subsidiaries.

1.70 Parent SEC Documents. As defined in paragraph 4.5.

1.71 Parent Subsidiaries. Sub and all other direct or indirect wholly owned subsidiaries of Parent.

1.72 Permitted Encumbrances. Any: (a) Liens for Taxes, assessments or other governmental charges or levies that are not at the particular time in question due and delinquent, foreclosure, distraint, sale or other similar proceedings have not been commenced or if commenced, have been stayed or are being contested in good faith by appropriate proceedings and if any of the Gothic Companies will have set aside on its books such reserves (segregated to the extent required by sound accounting practices) as may be required by GAAP or otherwise determined by its board of directors to be adequate with respect thereto; (b) Liens of carriers, warehousemen, mechanics, laborers, materialmen, landlords, vendors, workmen and operators arising by operation of law in the ordinary course of business or by a written agreement existing as of the date hereof and necessary or incident to the exploration, development, operation and maintenance of Hydrocarbon properties and related facilities and assets for sums not yet due or being contested in good faith by appropriate proceedings, if any of the Gothic Companies will have set aside on its books such reserves (segregated to the extent required by sound accounting practices) as may be required by GAAP or otherwise determined by its board of directors to be adequate with respect thereto; (c) Liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance and other social security legislation (other than ERISA); (d) Liens incurred in the ordinary course of business to secure the performance of bids, tenders, trade contracts, leases, statutory obligations, surety and appeal bonds, performance and repayment bonds and other obligations of a like nature; (e) Liens, easements, rights-of-way, restrictions, servitudes, permits, conditions, covenants, exceptions, reservations and other similar encumbrances incurred in the ordinary course of business or existing on property and not (i) reducing the Gothic Net Revenue Interest set forth in Section 1.58 of the Gothic Disclosure Schedule, (ii) increasing the Gothic Working Interests in any Oil and Gas Interest set forth in Section 1.58 of the Gothic Disclosure Schedule or (iii) impairing the value of the assets of any of the Gothic Companies or interfering with the ordinary conduct of the business of any of the Gothic Companies or rights to any of their assets; (f) Liens created or arising by operation of law to secure a party's obligations as a purchaser of oil and gas; (g) all rights to consent by, required notices to, filings with, or other actions by any Governmental Authority to the extent customarily obtained subsequent to Closing; (h) farmout, carried working interest, joint operating, unitization, royalty, overriding royalty, sales and similar agreements relating to the exploration or development of, or production from, Hydrocarbon properties entered into in the ordinary course of business; (i) any defects, irregularities or deficiencies in title to easements, rights-of-way or other surface use agreements that do not (x) reduce the Gothic Net Revenue Interests set forth in Section 1.58 of the Gothic Disclosure Schedule, (y) increase the Gothic Working Interests in any Oil and Gas Interest set forth in Section 1.58 of the Gothic Disclosure Schedule or (z) adversely affect the value of any asset of any of the Gothic Companies; (j) preferential rights to purchase and Third-Party Consents disclosed in Section 1.72 of the Gothic Disclosure Schedule; (k) Liens arising under or created pursuant to the Bank Credit Agreement and the Senior Secured GPC Notes; and (l) Liens specifically described in Section 1.72 of the Gothic Disclosure Schedule.

1.73 Person(s). Any natural person, corporation, company, limited or general partnership, joint stock company, joint venture, association, limited liability company, limited liability partnership, trust, bank, trust company, land trust, business trust or other entity or organization, whether or not a Governmental Authority.

1.74 Proxy Statement/Prospectus. A proxy statement in a definitive form relating to the Gothic Stockholder Meeting, which proxy statement will be included as a prospectus in the Registration Statement.

1.75 Registration Statement. The Registration Statement on Form S-4 to be filed by Parent in connection with the issuance of Parent Common Stock pursuant to the Merger.

1.76 Returns. As defined in paragraph 3.14.1.

1.77 SEC. The Securities and Exchange Commission.

1.78 Securities Act. The Securities Act of 1933, as amended from time to time.

1.79 Senior Discount Notes. The 14 1/8% Series B Senior Secured Discount Notes Due 2006 issued by Gothic and the related indenture, collateral documents and other agreements and instruments in connection therewith.

1.80 Senior Secured GPC Notes. The 11 1/8% Senior Secured Notes due 2005 issued by the Gothic Subsidiary and the related indenture, collateral documents and other agreements and instruments in connection therewith.

1.81 Sub. Chesapeake Merger 2000 Corp., an Oklahoma corporation and wholly-owned subsidiary of Parent.

1.82 Sub Common Stock. Sub's common stock, par value $1.00 per share.

1.83 Superior Proposal. As defined in paragraph 5.4.2.

1.84 Surviving Corporation. As defined in paragraph 2.1.

1.85 Tax(es). Any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Authority or taxing authority including, without limitation, taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth, taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, or gains taxes, license, registration and documentation fees, and custom duties, tariffs, and similar charges.

1.86 Third-Party Consent. The consent or approval of any Person other than Gothic, Parent, Sub or any Governmental Authority.

1.87 Working Interest. Gothic's share of all of the costs, expenses, burdens, and obligations of any type or nature attributable to Gothic's interests in its oil and gas properties or any well thereon.

2. Merger. Subject to the terms and conditions set forth in this Agreement, at the Effective Time, Sub will be merged with and into Gothic in accordance with the provisions of this Agreement and the OGCA. Such merger is referred to herein as the "Merger."

2.1 Effect of the Merger. Upon the effectiveness of the Merger, the separate existence of Sub will cease and Gothic, as the surviving corporation in the Merger (the "Surviving Corporation"), will continue its corporate existence under the laws of the State of Oklahoma. The Merger will have the effects specified in this Agreement and the OGCA.

2.2 Governing Instruments, Directors and Officers of the Surviving Corporation. As of the Effective Time: (a) the certificate of incorporation of Sub including the Amended and Restated Certificate of Designation of Preferences and Rights of the Gothic Preferred Stock in the form attached hereto as Exhibit "2.2," as in effect immediately prior to the Effective Time, will be the certificate of incorporation of the Surviving Corporation until duly amended in accordance with the terms of the certificate of incorporation and applicable law; (b) the name of the Surviving Corporation will be Gothic Energy Corporation, however, at the option of Parent, the name of the Surviving Corporation may be changed; (c) the bylaws of Sub, as in effect immediately prior to the Effective Time, will be the bylaws of the Surviving Corporation until duly amended in accordance with the terms of the bylaws and applicable law; and (d) the directors and officers of Sub at the Effective Time will be the directors and officers, respectively, of the Surviving Corporation from the Effective Time until their respective successors have been duly elected or appointed in accordance with the certificate of incorporation and bylaws of the Surviving Corporation and applicable law.

2.3 Effect on Securities. As of the Effective Time, by virtue of the Merger and without any action on the part of any holder thereof, the Sub Common Stock, the Gothic Common Stock and other Gothic securities will be treated as follows subject to the terms and conditions of this Agreement:

2.3.1 Sub Common Stock. Each share of Sub Common Stock outstanding immediately prior to the Effective Time will be automatically converted into and become one (1) share of common stock of the Surviving Corporation. As a result of the Merger the foregoing stock will represent one hundred percent (100%) of the issued and outstanding capital stock of the Surviving Corporation immediately after the Effective Time.

2.3.2 Gothic Common Stock. As of the Effective Time, by virtue of the Merger and automatically without any action on the part of any holder thereof, each

share of Gothic Common Stock that is issued and outstanding immediately prior to the Effective Time (other than shares of Gothic Common Stock held by Dissenting Stockholders, shares of Gothic Common Stock held by the Parent Companies as of the date of this Agreement and shares of Gothic Common Stock held by the Parent Companies as a result of the conversion of Gothic Preferred Stock) will be automatically converted into a portion of a share of validly issued, fully paid and non-assessable Parent Common Stock equal to the Exchange Ratio. Each share of Gothic Common Stock converted under this paragraph 2.3.2 will be canceled and retired, cease to exist and no longer be outstanding. Any holder of a Gothic Certificate representing any such share of Gothic Common Stock will cease to have any rights with respect thereto except the right to receive the share of Parent Common Stock to be issued in exchange therefor (along with any cash in lieu of fractional shares of Parent Common Stock as provided in paragraph 2.4.5 and any unpaid dividends and distributions with respect to such shares of Parent Common Stock as provided in paragraph 2.4.3, without interest), on the surrender of such Gothic Certificate in accordance with paragraph 2.4. Notwithstanding anything herein to the contrary as of the Effective Time, by virtue of the Merger: (a) no shares of Parent Common Stock or other consideration will be paid or payable in exchange for shares of Gothic Common Stock that are issued and held as treasury stock, if any, and all of the foregoing shares of Gothic Common Stock will be automatically canceled and retired, cease to exist and no longer be outstanding; (b) no shares of Parent Common Stock or other consideration will be paid or payable in exchange for shares of Gothic Common Stock that are owned by the Parent Companies and all of the foregoing shares of Gothic Common Stock will remain outstanding and in full force and effect; and (c) any obligations relating to the payment of the purchase price for Gothic Common Stock will not be discharged and will constitute valid and binding obligations owned by the Surviving Corporation.

2.3.3 Gothic Preferred Stock. As of the Effective Time, by virtue of the Merger, all of the shares of Gothic Preferred Stock and all rights with respect thereto will remain outstanding and in full force and effect in accordance with the Certificate of Designation of Preferences and Rights of the Gothic Preferred Stock as amended by the Amended and Restated Certificate of Designation of Preferences and Rights of Gothic Preferred Stock attached hereto as Exhibit "2.2" pursuant to which the right to convert the Gothic Preferred Stock into Gothic Common Stock will be eliminated. Notwithstanding anything herein to the contrary, no shares of Parent Common Stock or other consideration will be paid or payable to any holder of Gothic Preferred Stock in exchange for Gothic Preferred Stock.

2.3.4 Options and Warrants. Section 2.3.4 of the Gothic Disclosure Schedule lists: (a) each of the Gothic Plans; (b) each Gothic Stock Option outstanding specifying the Gothic Plan under which such Gothic Stock Option was issued, the number of shares of Gothic Common Stock covered by such Gothic Stock

Option, the term of such Gothic Stock Option, the vesting schedule for such Gothic Stock Option and the exercise price for such Gothic Stock Option; and (c) each Gothic Warrant outstanding specifying the agreement under which such Gothic Warrant was issued, the number of shares of Gothic Common Stock covered by such Gothic Warrant, the term of such Gothic Warrant and the exercise price for each share of Gothic Common Stock which can be acquired thereunder (in each case after giving effect to the Merger and all previous transactions). As of the Effective Time, as a result of the Merger, each Gothic Stock Option and Gothic Warrant described in the foregoing clauses (b) and (c) of this paragraph 2.3.4 will be assumed by Parent under the operative documents for such Gothic Stock Option and Gothic Warrant and converted into options or warrants to purchase the whole number of shares of Parent Common Stock determined in accordance with the terms and conditions of the documents evidencing such Gothic Stock Option or Gothic Warrant. Except as expressly stated otherwise in this Agreement, the parties agree that the terms, exercisability, vesting schedule, vesting commencement date, status as an "incentive stock option" under Section 422 of the Code, if applicable, and all other terms and conditions of any Gothic Stock Option or Gothic Warrant will otherwise be unchanged as a result of the transactions contemplated by this Agreement, except by operation of law. The parties agree that to the extent that any of the Gothic Stock Options have not been exercised or terminated prior to the Effective Time, any cashless exercise rights under any of the Gothic Stock Options will be terminated prior to the Merger and will not be included in the terms assumed by the Parent. Without limiting the foregoing, except as expressly disclosed in Section 2.3.4 of the Gothic Disclosure Schedule, Gothic further hereby represents and warrants to Parent that: (i) all adjustments required to be made to the number of shares issuable or the exercise price for exercise under each of the Gothic Stock Options and Gothic Warrants has been accurately made as disclosed in Section 2.3.4 of the Gothic Disclosure Schedule; (ii) all required notices have been given to the holders of the Gothic Stock Options and the Gothic Warrants including, without limitation, adjustment notices; and (iii) no Gothic Stock Options or Gothic Warrants will vest, nor will the vesting schedule of any Gothic Stock Options or Gothic Warrants accelerate, as a result of the transactions contemplated by this Agreement. As of the Effective Time, as a result of the Merger, other than those Gothic Stock Options or Gothic Warrants assumed by the Parent in accordance with this paragraph 2.3.4, the provisions in any of the Gothic Plans or any other program, arrangement, option, warrant or other agreement providing for the issuance or grant of any interest in respect of the capital stock of the Gothic Companies will be canceled, cease to exist and no longer be outstanding as of the Effective Time and Gothic will take all action necessary to ensure that following the Effective Time no Person will have any right thereunder to acquire equity securities of Gothic, the Surviving Corporation or any subsidiary thereof.

2.3.5 Dissenting Stockholder Shares. Except as provided herein, any issued and outstanding shares of Gothic Common Stock held by a Dissenting Stockholder will be converted into the right to receive such consideration as may be determined to be due to such Dissenting Stockholder pursuant to the OGCA. If a Dissenting Stockholder effectively withdraws the demand for appraisal or loses the right of appraisal as provided under the OGCA, the shares of Gothic Common Stock held by such Dissenting Stockholder will be deemed to be converted under paragraph 2.3.2 of this Agreement (without interest). Gothic will provide prompt notice to the Parent of any written demands for appraisal, withdrawals of demands for appraisal and any other instruments served pursuant to the OGCA and will provide to the Parent the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the OGCA. Absent the prior written consent of Parent and Sub, Gothic will not negotiate, settle or offer to settle any demand for appraisal, provided, however that any and all payments made to settle such appraisal rights or made pursuant to the OGCA will be made solely out of Gothic assets and neither Parent nor Sub will have any liability therefor. Notwithstanding anything contained in this paragraph 2.3.5, if the Merger is rescinded or abandoned or if the stockholders of Gothic revoke the authority to effect the Merger, then the right of any Dissenting Stockholder to receive such consideration as may be determined to be due in respect of such Dissenting Stockholder's Gothic Common Stock pursuant to the OGCA will cease.

2.4 Exchange of Certificates. The exchange of Gothic Common Stock for Parent Common Stock will be consummated as follows:

2.4.1 Exchange Fund. Immediately after the Effective Time, Parent will deposit with the Exchange Agent, for the benefit of the holders of shares of Gothic Common Stock and for exchange in accordance with this Agreement, certificates representing the Merger Consideration to be issued in exchange for shares of Gothic Common Stock pursuant to paragraph 2.4.2, less the number of shares of Parent Common Stock which: (i) would have been issuable to Dissenting Stockholders; (ii) will be subject to pledge agreement by directors of the Gothic Companies securing loans from the Gothic Companies for the acquisition of Gothic Common Stock; and (iii) will be issuable on exercise of the Gothic Warrants listed in Section 1.24 of the Gothic Disclosure Schedule. Such shares of Parent Common Stock delivered to the Exchange Agent, together with any dividends or distributions with respect thereto (as provided in paragraph 2.4.3), are referred to herein as the "Exchange Fund." The Exchange Agent, pursuant to irrevocable instructions consistent with the terms of this Agreement, will deliver the Parent Common Stock to be issued or paid pursuant to paragraph 2.4.2 out of the Exchange Fund, and the Exchange Fund will not be used for any other purpose whatsoever. The Exchange Fund will not be entitled to vote or exercise any rights of ownership with respect to the Parent Common Stock held by it from

time to time hereunder, except that it will receive and hold all dividends or other distributions paid or distributed with respect thereto for the account of Persons entitled thereto.

2.4.2 Notice and Surrender. As soon as reasonably practicable after the Effective Time, Parent will cause the Exchange Agent to mail to each holder of record of a Gothic Certificate that, immediately prior to the Effective Time, represented shares of Gothic Common Stock which were converted into the right to receive Parent Common Stock pursuant to paragraph 2.3.2, a letter of transmittal to be used to effect the exchange of such Gothic Certificate for a Parent Certificate (and cash in lieu of fractional shares), along with instructions for using such letter of transmittal to effect such exchange. The letter of transmittal (or the instructions thereto) will specify that delivery of any Gothic Certificate will be effected, and the risk of loss and title thereto will pass, only upon delivery of such Gothic Certificate to the Exchange Agent and will be in such form and have such other provisions as Parent may reasonably specify. Upon surrender to the Exchange Agent of a Gothic Certificate for cancellation, together with a duly completed and executed letter of transmittal and any other required documents (including, in the case of any Person constituting an "affiliate" of Gothic for purposes of Rule 145(c) and (d) under the Securities Act, a written agreement from such Person as described in paragraph 5.10, if not previously delivered to Parent): (a) the holder of such Gothic Certificate will be entitled to receive in exchange therefor a Parent Certificate representing the number of whole shares of Parent Common Stock that such holder has the right to receive pursuant to paragraph 2.3.2, any cash in lieu of fractional shares of Parent Common Stock as provided in paragraph 2.4.5, and any unpaid dividends and distributions that such holder has the right to receive pursuant to paragraph 2.4.3 (after giving effect to any required withholding of Taxes); and (b) the Gothic Certificate so surrendered will forthwith be canceled. No interest will be paid or accrued on the cash in lieu of fractional shares or unpaid dividends and distributions, if any, payable to holders of Gothic Certificates. In the event of a transfer of ownership of Gothic Common Stock that is not registered in the transfer records of Gothic, a Parent Certificate representing the appropriate number of shares of Parent Common Stock (along with any cash in lieu of fractional shares and any unpaid dividends and distributions that such holder has the right to receive) may be issued or paid to a transferee if the Gothic Certificate representing such shares of Gothic Common Stock is presented to the Exchange Agent accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer Taxes have been paid. Until surrendered as contemplated by this paragraph 2.4.2, each Gothic Certificate will be deemed at any time after the Effective Time to represent only the right to receive upon such surrender a Parent Certificate representing shares of Parent Common Stock as provided in paragraph 2.3.2 (along with any cash in lieu of fractional shares and any unpaid dividends and distributions to the extent specified herein).

2.4.3 Dividends and Distributions. No dividends or other distributions with respect to Parent Common Stock declared or made after the Effective Time with a record date after the Effective Time will be paid to the holder of any unsurrendered Gothic Certificate. Subject to the effect of applicable laws: (i) at the time of the surrender of a Gothic Certificate for exchange in accordance with the provisions of this paragraph 2.4, there will be paid to the surrendering holder, without interest, the amount of dividends or other distributions (having a record date after the Effective Time but on or prior to surrender and a payment date on or prior to surrender) theretofore paid with respect to the number of whole shares of Parent Common Stock that such holder is entitled to receive (less the amount of any withholding Taxes that may be required with respect thereto); and (ii) at the appropriate payment date, there will be paid to the surrendering holder, without interest, the amount of dividends or other distributions (having a record date after the Effective Time but on or prior to surrender and a payment date subsequent to surrender) payable with respect to the number of whole shares of Parent Common Stock that such holder receives (less the amount of any withholding Taxes that may be required with respect thereto).

2.4.4 Full Satisfaction. All shares of Parent Common Stock issued upon the surrender for exchange of shares of Gothic Common Stock in accordance with the terms hereof (including any cash paid pursuant to paragraph 2.4.3 or 2.4.5) will be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Gothic Common Stock. After the Effective Time, there will be no further registration of transfers on the Surviving Corporation's stock transfer books of the shares of Gothic Common Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, a Gothic Certificate is presented to the Surviving Corporation or Parent for any reason, it will be canceled and exchanged as provided in this paragraph 2.4.

2.4.5 Fractional Shares. No Parent Certificate or scrip representing fractional shares of Parent Common Stock will be issued in the Merger and, except as provided in this paragraph 2.4.5, no dividend or other distribution, stock split or interest will relate to any such fractional shares, and such fractional share will not entitle the owner thereof to vote or to any other rights of a stockholder of Parent. In lieu of any fractional security, each holder of shares of Gothic Common Stock who would otherwise have been entitled to a fraction of a share of Parent Common Stock upon surrender of the Gothic Certificate(s) representing such Gothic Common Stock for exchange pursuant to this paragraph 2.4 will be paid an amount in cash (without interest) equal to such holder's proportionate interest in the amount of the net proceeds from the sale or sales by the Exchange Agent in accordance with the provisions of this paragraph 2.4.5, on behalf of all such holders, of the aggregate fractional shares of Parent Common Stock issued pursuant to paragraph 2.3. As soon as practicable following the Effective Time, the Exchange Agent will

determine the excess of: (a) the number of whole shares of Parent Common Stock delivered to the Exchange Agent by Parent pursuant to paragraph 2.4.1; over (b) the aggregate number of whole shares of Parent Common Stock to be distributed to holders of Gothic Common Stock pursuant to paragraph 2.3.2 (such excess being herein called the "Excess Securities") and the Exchange Agent, as agent for the former holders of Gothic Common Stock, will sell the Excess Securities at the prevailing prices on the Exchange. The sale of the Excess Securities by the Exchange Agent will be executed on the Exchange through one or more member firms of the Exchange and will be executed in round lots to the extent practicable. Parent will pay all commissions, transfer taxes and other out-of-pocket transaction costs, including the expenses and compensation of the Exchange Agent, incurred in connection with such sale of Excess Securities. Until the net proceeds of such sale of Excess Securities have been distributed to the former stockholders of Gothic, the Exchange Agent will hold such proceeds and dividends in trust for such former stockholders. As soon as practicable after the determination of the amount of cash to be paid to former stockholders of Gothic in lieu of any fractional interests, the Exchange Agent will make available in accordance with this Agreement such amounts to any such former stockholders.

2.4.6 Unclaimed Exchange Fund. Any portion of the Exchange Fund and cash held by the Exchange Agent in accordance with the terms of this paragraph 2.4 that remains unclaimed by the former stockholders of Gothic for a period of one (1) year following the Effective Time will be delivered to Parent, upon demand. Thereafter, any former stockholders of Gothic who have not theretofore complied with the provisions of this paragraph 2.4 will look only to Parent for payment of their claim for Parent Common Stock, any cash in lieu of fractional shares of Parent Common Stock and any dividends or distributions with respect to Parent Common Stock (all without interest).

2.4.7 No Liability. Neither Parent, Sub, Gothic, the Surviving Corporation, the Exchange Agent nor any other Person will be liable to any former holder of shares of Gothic Common Stock for any amount properly delivered to any public official pursuant to any applicable abandoned property, escheat or similar law. Any amounts remaining unclaimed by former holders of Gothic Common Stock for a period of three (3) years following the Effective Time (or such earlier date immediately prior to the time at which such amounts would otherwise escheat to or become property of any Governmental Authority) will, to the extent permitted by applicable law, become the property of Parent, free and clear of any claims or interest of any such holders or their successors, assigns or personal representatives previously entitled thereto.

2.4.8 Lost, Stolen or Destroyed Certificates. If any Gothic Certificate is lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Gothic Certificate to be lost, stolen or destroyed and, if required

by Parent, the posting by such Person of a bond, in such reasonable amount as Parent may direct, as indemnity against any claim that may be made against Parent with respect to such Gothic Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Gothic Certificate the shares of Parent Common Stock (along with any cash in lieu of fractional shares pursuant to paragraph 2.4.5 and any unpaid dividends and distributions pursuant to paragraph 2.4.3) deliverable with respect thereto pursuant to this Agreement.

2.4.9 Encumbered Shares. All shares of Gothic Common Stock which were acquired by directors of the Gothic Companies through a loan or purchase money sale by any of the Gothic Companies secured by a pledge agreement covering such Gothic Common Stock will be converted into shares of Parent Common Stock in accordance with the provisions of paragraph 2.3.2 hereof and will continue to secure such indebtedness until it is paid in full in accordance with the terms thereof. Upon payment in full of the entire unpaid purchase price therefor plus all accrued unpaid interest thereon such Parent Common Stock will be delivered in accordance with the instructions of the pledgor thereof. At the option of the Parent, a legend may be included on the Gothic Certificate or the Parent Certificate disclosing the existence of the unpaid obligation and the Lien on the Parent Common Stock to secure the payment of such indebtedness.

2.5 Closing. The Closing will take place on the Closing Date at such time and place as is agreed upon by Parent and Gothic.

2.6 Effective Time of the Merger. The Merger will become effective immediately when the Certificate of Merger is accepted for filing by the Secretary of State of Oklahoma or at such time thereafter as is provided in the Certificate of Merger (the "Effective Time"). The Certificate of Merger will be filed on the Closing Date as soon as practicable after the Closing; provided, however, that the Certificate of Merger may be filed prior to the Closing Date or prior to the Closing so long as it provides for an Effective Time that occurs after the Closing.

2.7 Taking of Necessary or Further Action. Each of Parent, Sub and Gothic will use all reasonable efforts to take all such actions as may be necessary or appropriate in order to effectuate the Merger under the OGCA as promptly as commercially practicable. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of either Sub or Gothic, the officers and directors of the Surviving Corporation are fully authorized, in the name of the Surviving Corporation or otherwise to take, and will take all such lawful and necessary action.

3. Gothic Representations and Warranties. Except as set forth in the Gothic Disclosure Schedule, Gothic hereby represents and warrants to Parent and Sub that:

3.1 Corporate Organization. Each of the Gothic Companies: (a) is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation; (b) has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as it is presently being conducted; and (c) is duly qualified to do business as a foreign corporation, and is in good standing, in each jurisdiction where the character of the properties owned or leased by it or the nature of its activities makes such qualification necessary (except where any failure to be so qualified as a foreign corporation or to be in good standing would not, individually or in the aggregate, have a Material Adverse Effect on Gothic). Copies of the certificate or articles of incorporation and bylaws of each of the Gothic Companies have heretofore been delivered to Parent and such copies are accurate and complete as of the date hereof.

3.2 Authority and Enforceability. The board of directors of Gothic (at a meeting duly called and held) has: (a) determined that the Merger is advisable; and (b) resolved to approve the Merger and recommend the approval and adoption of this Agreement by Gothic's stockholders. Gothic is not governed by the Control Share Acquisition Act, Sections 1145 through 1155 of Title 18 of the Oklahoma Statutes and Section 1090.3 of the OGCA. Gothic has the requisite corporate power and authority to execute and deliver this Agreement and (with respect to consummation of this Agreement and the Merger, subject to the approval of the stockholders of Gothic) to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and (with the approval by the stockholders of Gothic) the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Gothic, including approval by the board of directors of Gothic, and no other corporate proceedings on the part of Gothic are necessary to authorize the execution or delivery of this Agreement or (with approval by the stockholders of Gothic) to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Gothic (with respect to consummation of this Agreement and the Merger, subject to the approval by the stockholders of Gothic and assuming that this Agreement constitutes a valid and binding obligation of Parent and Sub) and constitutes a valid and binding obligation of Gothic, enforceable against Gothic in accordance with its terms.

3.3 No Violations. Except as set forth in Section 3.3 of the Gothic Disclosure Schedule, the execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby and compliance by Gothic with the provisions hereof will not, conflict with, result in any violation of or default (with or without notice or lapse of time or both) under, give rise to a right of termination, cancellation or acceleration of any obligation (excluding any change of control put or acceleration) or to the loss of a material benefit under, or result in the creation of any Lien on any of the properties or assets of the Gothic Companies under, any provision of: (a) the certificate of incorporation or bylaws of the Gothic Companies; (b) any loan or credit agreement, note, bond, mortgage, indenture, lease, permit, concession, franchise, license or other agreement or instrument applicable to the Gothic Companies; or (c) assuming the consents, approvals, authorizations or permits and filings or notifications referred to in

paragraph 3.4 are duly and timely obtained or made, any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Gothic Companies or any of their respective properties or assets, other than, in the case of clause (b) or (c) above, any such conflict, violation, default, right, loss or Lien that, individually or in the aggregate, would not have a Material Adverse Effect on Gothic.

3.4 Consents and Approvals. No consent, approval, order or authorization of, registration, declaration, or filing with, or permit from, any Governmental Authority is required by or with respect to Gothic in connection with the execution and delivery of this Agreement by Gothic or the consummation by Gothic of the transactions contemplated hereby except for the following: (a) any such consent, approval, order, authorization, registration, declaration, filing or permit which the failure to obtain or make would not, individually or in the aggregate, have a Material Adverse Effect on Gothic or Gothic's ability to consummate the transactions contemplated hereby in accordance with this Agreement; (b) the filing of the Certificate of Merger with the Secretary of State of Oklahoma pursuant to the provisions of the OGCA; (c) the filing, if necessary, of a pre-merger notification report by Parent under the HSR Act and the expiration or termination of the applicable waiting period; (d) the filing with the SEC of the Proxy Statement/Prospectus and such other reports under Section 13(a) of the Exchange Act and such other compliance with the Exchange Act and the Securities Act and the rules and regulations of the SEC thereunder as may be required in connection with this Agreement and the transactions contemplated hereby and the obtaining from the SEC of such orders as may be so required; and (e) such filings and approvals as may be required by any applicable state securities, "blue sky" or takeover laws or Environmental Laws. No Third-Party Consent is required by or with respect to Gothic in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for: (i) any such Third-Party Consent which the failure to obtain would not, individually or in the aggregate, have a Material Adverse Effect on Gothic or Gothic's ability to consummate the transactions contemplated in this Agreement; (ii) the valid approval of this Agreement and the Merger by the stockholders of Gothic; and (iii) any consent, approval or waiver required by the terms of the Bank Credit Agreement, which consent, approval or waiver Gothic undertakes to seek and obtain promptly after the date of this Agreement.

3.5 Gothic SEC Documents. Parent has had or will have available to it a true, correct and complete copy of each report, schedule, registration statement and definitive proxy statement filed by Gothic with the SEC since December 31, 1997, and prior to the Effective Time (the "Gothic SEC Documents"), which are all the documents (other than preliminary material) that Gothic was or will be required to file with the SEC since such date. Except as set forth in Section 3.5 of the Gothic Disclosure Schedule, as of their respective dates, the Gothic SEC Documents complied or will comply in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Gothic SEC Documents, and none of the Gothic SEC Documents contained or will contain any untrue statement of a material fact or omitted or will omit to state a material fact

required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.6 Financial Statements. The Gothic Financial Statements were prepared in accordance with the applicable published rules and regulations of the SEC with respect thereto and in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of unaudited statements, as permitted by Rule 10-01 of Regulation S-X of the SEC) and fairly present in all material respects, in accordance with applicable requirements of GAAP (in the case of unaudited statements, subject to normal, recurring adjustments), the consolidated financial position of the Gothic Companies as of their respective dates and the consolidated results of operations and the consolidated cash flows of the Gothic Companies for the periods presented therein. There are no material imbalances of production from the oil and gas properties of the Gothic Companies whether required to be disclosed pursuant to GAAP or otherwise.

3.7 Capital Structure. The authorized capital stock of Gothic consists of 100,000,000 shares of Gothic Common Stock and 500,000 shares of Gothic Preferred Stock. As of September 5, 2000: (a) 23,305,076 shares of Gothic Common Stock were validly issued and outstanding; (b) 14,796,297 shares of Gothic Common Stock were reserved for issuance pursuant to the Gothic Plans and the Gothic Warrants, of which Gothic Stock Options and Gothic Warrants to purchase a total of 14,731,297 shares of Gothic Common Stock were issued and outstanding; (c) except for the Gothic Preferred Stock owned by the Parent Companies, there were no shares of Gothic Preferred Stock validly issued and outstanding; and (d) no shares of Gothic Common Stock were held by Gothic as treasury stock and no shares of Gothic Preferred Stock were held by Gothic as treasury stock. Gothic will notify Parent in writing simultaneously with any change after September 5, 2000, in any of the numbers of securities set forth in the immediately preceding sentence together with a detailed explanation of the event giving rise to such change. The authorized capital stock of the Gothic Subsidiary consists of 50,000 shares of common stock, $1.00 par value per share, of which 100 shares are validly issued and outstanding and are now and as of the Effective Time will be owned by Gothic. Except as described in subpart (a) above or in Section 2.3.4 of the Gothic Disclosure Schedule, there are: (i) no outstanding shares of capital stock or other voting securities of Gothic; (ii) no outstanding securities of Gothic or any other Person convertible into or exchangeable or exercisable for shares of capital stock or other voting securities of any Gothic Company; and (iii) no outstanding subscriptions, options, warrants, calls, rights (including preemptive rights, stock appreciation rights, phantom stock rights, conversion rights, commitments, understandings or agreements to which any Gothic Company is a party or by which it is bound) obligating any Gothic Company to issue, deliver, sell, purchase, redeem or acquire shares of capital stock or other securities of any Gothic Company or obligating any Gothic Company to grant, extend or enter into any such subscription, option, warrant, call, right, commitment, understanding or agreement. All outstanding shares of capital stock of each of the Gothic Companies are validly issued, fully paid and nonassessable and not subject to any preemptive right. Except as set forth in Section 3.7 of the Gothic Disclosure Schedule, as of the date

hereof there is no, and at the Effective Time there will not be any, stockholder agreement, voting trust or other agreement or understanding to which any of the Gothic Companies is a party or by which it is bound relating to the voting of any shares of the capital stock of any of the Gothic Companies.

3.8 Governmental Regulation. None of the Gothic Companies is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, the Investment Company Act of 1940 or any state public utilities laws.

3.9 Litigation. Except as set forth in Section 3.9 of the Gothic Disclosure Schedule, there is no litigation, arbitration, investigation or other proceeding of any Governmental Authority or other Person pending or, to the knowledge of Gothic, threatened against any of the Gothic Companies or their respective assets which, if adversely determined, could reasonably be expected to have a Material Adverse Effect on any of the Gothic Companies or Gothic's ability to consummate the transactions contemplated hereby in accordance with this Agreement. Gothic has no knowledge of any facts that are likely to give rise to any litigation, arbitration, investigation or other proceeding of any Governmental Authority or other Person which, individually or in the aggregate, is reasonably likely to have a Material Adverse Effect on any of the Gothic Companies or Gothic's ability to consummate the transactions contemplated hereby in accordance with this Agreement. No Gothic Company is subject to any outstanding injunction, judgment, order, decree or ruling (other than routine oil and gas field regulatory orders and any injunction, judgment, order, decree or ruling that, either individually or in the aggregate, would not have a Material Adverse Effect on any of the Gothic Companies or Gothic's ability to consummate the transactions contemplated hereby in accordance with this Agreement). There is no litigation, investigation or other proceeding of any Governmental Authority or other Person pending or, to the knowledge of Gothic, threatened against or affecting any of the Gothic Companies that questions the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by Gothic in connection with the transactions contemplated hereby.

3.10 Brokers. Except for the agreement attached hereto as Section 3.10 of the Gothic Disclosure Schedule, no broker, finder, investment banker or other Person is or will be, in connection with the transactions contemplated by this Agreement, entitled to any brokerage, finder's or other fee or compensation based on any arrangement or agreement made by or on behalf of Gothic for which the Gothic Companies or Parent or Sub will have any obligation or liability.

3.11 Absence of Certain Changes or Events. Except as set forth in Section 3.11 of the Gothic Disclosure Schedule, since March 31, 2000, Gothic has conducted its business only in the ordinary course of business consistent with past practices and, since such date, there has not been any event (financial or otherwise, whether or not in the ordinary course of business), circumstance or condition that: (a) would be reasonably likely to have a Material Adverse Effect on any of the Gothic Companies or Gothic's ability to

consummate the transactions contemplated hereby in accordance with this Agreement; or (b) would have required the consent of Parent pursuant to paragraph 5.1 had such event occurred after the date of this Agreement (other than changes, including changes in commodity prices, generally affecting the oil and gas industry, changes resulting from exploration or development results reported in the ordinary course of business and changes arising from the announcement of the Merger).

3.12 Compliance with Laws, Material Agreements and Permits. None of the Gothic Companies is in violation of, or in default under, and no event has occurred that (with notice or the lapse of time or both) would constitute a violation of or default under: (a) its certificate or articles of incorporation or bylaws or other governing document: (b) any applicable law, rule, regulation, order, writ, decree or judgment of any Governmental Authority; or (c) any Gothic Material Agreement, except (in the case of clause (b) or (c) above) for any violation or default that would not, individually or in the aggregate, have a Material Adverse Effect on any of the Gothic Companies or Gothic's ability to consummate the transactions contemplated hereby in accordance with this Agreement. Each of the Gothic Companies has obtained and holds all permits, licenses, variances, exemptions, orders, franchises, approvals and authorizations of all Governmental Authorities necessary for the lawful conduct of its business or the lawful ownership, use and operation of its assets ("Gothic Permits"), except for Gothic Permits which the failure to obtain or hold would not, individually or in the aggregate, have a Material Adverse Effect on any of the Gothic Companies or Gothic's ability to consummate the transactions contemplated hereby in accordance with this Agreement. Each of the Gothic Companies is in compliance with the terms of its Gothic Permits, except where the failure to comply would not, individually or in the aggregate, have a Material Adverse Effect on any of the Gothic Companies or Gothic's ability to consummate the transactions contemplated hereby in accordance with this Agreement. No investigation or review by any Governmental Authority with respect to any of the Gothic Companies is pending or, to the knowledge of Gothic, threatened, other than those the outcome of which would not, individually or in the aggregate, have a Material Adverse Effect on any of the Gothic Companies or Gothic's ability to consummate the transactions contemplated hereby in accordance with this Agreement. To the knowledge of Gothic, no party to any Gothic Material Agreement is in material breach of the terms, provisions and conditions of such Gothic Material Agreement.

3.13 No Restrictions. Except as otherwise set forth in Section 3.13 of the Gothic Disclosure Schedule, none of the Gothic Companies is a party to: (a) any agreement, indenture or other instrument that contains restrictions with respect to the payment of dividends or other distributions with respect to its capital stock; (b) any financial arrangement with respect to or creating any indebtedness to any Person (other than indebtedness reflected in the Gothic Financial Statements or indebtedness incurred in the ordinary course of business); (c) any agreement, contract or commitment relating to the making of any advance to, or investment in, any Person (other than advances in the ordinary course of business); (d) any guaranty or other contingent liability with respect to any indebtedness or obligation of any Person (other than guaranties undertaken in the ordinary course of business and other than the endorsement of negotiable instruments

for collection in the ordinary course of business); or (e) any agreement, contract or commitment limiting in any respect its ability to compete with any Person or otherwise conduct business of any line or nature.

3.14 Taxes. Except as set forth in Section 3.14 of the Gothic Disclosure Schedule:

3.14.1 The Gothic Companies and any affiliated, combined or unitary group of which Gothic or any subsidiary is or was a member has properly completed and timely (taking into account any extensions) filed all material federal, state, local and foreign returns, declarations, reports, estimates, information returns and statements ("Returns") required to be filed in respect of any Tax and has timely paid all Taxes that are shown by such Returns to be due and payable and the Returns correctly and accurately (except for one or more matters the aggregate effect of which is not material) reflect the facts regarding the income, business and assets, operations, activities, status or other matters of the Gothic Companies required to be shown thereon or any other information required to be shown thereon and are not subject to penalties under Section 6662 of the Code, relating to accuracy-related penalties, or any corresponding provision of applicable state, local or foreign tax law or any predecessor provision. The Gothic Companies have established reserves that are adequate in the aggregate for the payment of all material Taxes not yet due and payable with respect to the results of operations of each the Gothic Companies through the date hereof, and have complied in all material respects with all applicable laws, rules and regulations relating to the payment and withholding of Taxes and the filing of material federal, state or local Returns.

3.14.2 Section 3.14.2 of the Gothic Disclosure Schedule sets forth the last taxable period through which the federal income Tax Returns of the Gothic Companies have been examined by the IRS. Except to the extent being contested in good faith, all material deficiencies asserted as a result of such examinations and any examination by any applicable state or local taxing authority have been paid, fully settled or adequately provided for in Gothic's most recent audited financial statements. No material Tax audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes for which any of the Gothic Companies would be liable, and no material deficiency which has not yet been paid for any such Taxes has been proposed, asserted or assessed against any of the Gothic Companies with respect to any period. No claim has been asserted by an authority in any jurisdiction where the Gothic Companies do not file Returns that any Gothic Company is subject to Tax in that jurisdiction.

3.14.3 None of the Gothic Companies has executed or entered into (or prior to the close of business on the Closing Date will execute or enter into) with the IRS or any taxing authority: (a) any agreement extending the period for assessment or collection of any Tax for which any of the Gothic Companies is liable for any period that is open under the applicable statute of limitations; or (b) a

closing agreement pursuant to Section 7121 of the Code or any similar provision of state or local income tax law that relates to any of the Gothic Companies for the current or any future taxable period. None of the Gothic Companies has made an election under Section 341(f) of the Code or has agreed to have Section 341(f)(2) of the Code apply to any disposition of a subsection (f) asset (as such term is defined in Section 341(f)(4) of the Code) owned by any of the Gothic Companies. None of the Gothic Companies is a party to, is bound by or has any obligation under any tax sharing agreement or similar agreement or arrangement. None of the Gothic Companies is a party to any agreement or other arrangement that would result separately or in the aggregate in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

3.14.4 There are no Liens for Taxes (other than for current Taxes not yet due and payable) on the assets of any of the Gothic Companies.

3.14.5 Except for the group of which Gothic is presently a member, none of the Gothic Companies has ever been a member of an "affiliated group of corporations" within the meaning of Section 1504 of the Code, other than as a common parent corporation.

3.14.6 After the date hereof, no election which is inconsistent with past practices with respect to Taxes will be made without the written consent of Parent.

3.14.7 None of the assets of any of the Gothic Companies is property that is required to be treated as being owned by any other person pursuant to the "safe harbor lease" provisions of former Section 168(f)(8) of the Code.

3.14.8 None of the assets of the Gothic Companies directly or indirectly secures any debt the interest on which is tax-exempt under Section 103(a) of the Code. None of the assets of any of the Gothic Companies is "tax-exempt use property" within the meaning of Section 168(h) of the Code.

3.14.9 None of the Gothic Companies has agreed to make nor is it required to make any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise which will have any adverse effect on any Tax for a period which ends after December 31, 1999.

3.14.10 None of the Gothic Companies has participated in an international boycott within the meaning of Section 999 of the Code.

3.14.11 None of the Gothic Companies has had a permanent establishment in any foreign country, as defined in any applicable tax treaty or convention between the United States and such foreign country.

3.14.12 Section 3.14.12 of the Gothic Disclosure Schedule identifies each arrangement to which any of the Gothic Companies is a party and which is a partnership for federal income tax purposes and which was required to file an income tax return for a taxable year of such partnership which ended in 1999 (taking into account any election which permitted such arrangement not to file a return).

3.14.13 Gothic did not have an excess loss account in any subsidiary which had on December 31, 1999, assets with a fair market value in excess of $500,000.

3.15 Employee Benefit Plans. (a) Section 3.15(a) of the Gothic Disclosure Schedule lists: (i) the "employee benefit plans" (within the meaning of Section 3(3) of ERISA), which any of the Gothic Companies maintains or sponsors or with respect to which any of the Gothic Companies has any material liability (actual or contingent, primary or secondary); and (ii) all other (A) director or employee compensation or benefit plans, programs or arrangements, (B) stock purchase, stock option, severance, bonus, incentive and deferred compensation plans, (C) written employment or consulting contracts, and (D) change-in-control agreements which any of the Gothic Companies maintains, sponsors or is a party to or with respect to which any of the Gothic Companies has or could have any material liability (such plans, programs, arrangements, contracts and agreements are collectively referred to herein as the "Gothic Employee Benefit Plans"). (b) Except as set forth on Section 3.15(b) of the Gothic Disclosure Schedule: (i) the reserves reflected in the balance sheet contained in the unaudited financial statements for the period ending June 30, 2000 (together with all footnotes attached thereto, the "Balance Sheet") relating to any unfunded benefits under the Gothic Employee Benefit Plans were adequate in the aggregate under GAAP as of June 30, 2000; and (ii) neither Gothic nor any of its subsidiaries has incurred any material unfunded liability in respect of any such Gothic Employee Benefit Plans since that date. (c) There are no suits, investigations or claims (other than undisputed claims for benefits) pending or, to the knowledge of Gothic threatened (or any basis therefor) relating to or for benefits under the Gothic Employee Benefit Plans, except for those suits or claims set forth in Section 3.15(c) of the Gothic Disclosure Schedule or which, individually or in the aggregate, are immaterial. (d) Each Gothic Employee Benefit Plan has been established and administered in all material respects in accordance with its terms, and in all material respects in compliance with the applicable provisions of ERISA, the Code and other applicable laws, rules and regulations and each Gothic Employee Benefit Plan which is intended to be qualified within the meaning of Code Section 401(a) is so qualified. (e) Except as set forth in Section 3.15(e) of the Gothic Disclosure Schedule: (i) no Gothic Employee Benefit Plan currently has any "accumulated funding deficiency" as such term is defined in ERISA Section 302 and Code Section 412 (whether or not waived); (ii) no event or condition exists or is expected to occur which is a reportable event within the meaning of ERISA Section 4043 with respect to any Gothic Employee Benefit Plan that is subject to Title IV of ERISA and with respect to which the 30-day notice requirement has not been waived; (iii) each member of Gothic's Controlled Group (as defined below) has made all required premium payments when due to the Pension Benefit Guaranty Corporation

("PBGC"); (iv) neither Gothic nor any member of its Controlled Group is subject to any liability to the PBGC for any Gothic Employee Benefit Plan termination; (v) no amendment has occurred which requires Gothic or any member of its Controlled Group to provide security pursuant to Code Section 401(a)(29); and (vi) neither Gothic nor any member of its Controlled Group has engaged in a transaction which is reasonably likely to subject it to liability under ERISA Section 4069. For the purposes of this paragraph 3.15, the term "Controlled Group" means all corporations, trades or businesses which, together with Gothic, are treated as a single employer under Section 414 of the Code. (f) No Gothic Employee Benefit Plan is a multiemployer plan (within the meaning of Section 3(37) of ERISA) and neither Gothic nor any member of its Controlled Group has incurred or is reasonably likely to incur any liability to any multiemployer plan nor has or is engaged in a transaction which is reasonably expected to subject Gothic or any member of its Controlled Group to any liability under ERISA Section 4212(c). (g) Except as set forth in Section 3.15(g) of the Gothic Disclosure Schedule, each Gothic Employee Benefit Plan described in subpart (a)(i) above can be unilaterally terminated at any time by the Gothic Companies without material liability to any of the Gothic Companies.

3.16 Environmental Matters. (a) Except as set forth in Section 3.16 of the Gothic Disclosure Schedule: (i) the reserves reflected in the Gothic Financial Statements relating to environmental matters were adequate under GAAP as of June 30, 2000, and neither Gothic nor any other Gothic Company has incurred any material liability in respect of any environmental matter since that date; and (ii) the Gothic SEC Documents include all information relating to environmental matters required to be included therein under the rules and regulations of the SEC applicable thereto. (b) Except as set forth in Section 3.16 of the Gothic Disclosure Schedule, to the knowledge of Gothic: (i) each of the Gothic Companies has conducted its business and operated its assets, and is conducting its business and operating its assets, in material compliance with all Environmental Laws; (ii) none of the Gothic Companies has been notified by any Governmental Authority that any of the operations or assets of any of the Gothic Companies is the subject of any investigation or inquiry by any Governmental Authority evaluating whether any material remedial action is needed to respond to a release of any Hazardous Material or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous Material; (iii) none of the Gothic Companies and no other Person has filed any notice under any federal, state or local law indicating that (A) any of the Gothic Companies is responsible for the improper release into the environment, or the improper storage or disposal of any Hazardous Material, or (B) any Hazardous Material is improperly stored or disposed of upon any property of any of the Gothic Companies; (iv) none of the Gothic Companies has any material contingent liability in connection with a release into the environment at or on the property now or previously owned or leased by any of the Gothic Companies, or the storage or disposal of any Hazardous Material; (v) none of the Gothic Companies has received any claim, complaint, notice, inquiry or request for information which remains unresolved as of the date hereof with respect to any alleged violation of any Environmental Law or regarding potential liability under any Environmental Law relating to operations or conditions of any facilities or property owned, leased or

operated by any of the Gothic Companies; (vi) there are no sites, locations or operations at which any of the Gothic Companies is currently undertaking, or has completed, any remedial or response action relating to any such disposal or release, as required by Environmental Laws; and (vii) all underground storage tanks and solid waste disposal facilities owned or operated by the Gothic Companies are used and operated in material compliance with Environmental Laws.

3.17 Vote Required. The affirmative vote of the holders of a majority of the outstanding shares of Gothic Common Stock and Gothic Preferred Stock voting as one class is the only vote of the holders of any class or series of Gothic capital stock or other voting securities necessary to approve this Agreement, the Merger and the transactions contemplated hereby.

3.18 Gothic Board of Directors Actions. The board of directors of Gothic has by requisite vote of all directors present: (a) determined that the Merger is advisable; (b) approved the Merger in accordance with the provisions of Section 1081 of the OGCA and the transactions contemplated by this Agreement; and (c) recommended the approval of this Agreement and the Merger by the holders of Gothic Common Stock and directed that the Merger be submitted for consideration by the holders of Gothic Common Stock and Gothic Preferred Stock at a meeting of such stockholders contemplated by paragraph 5.5 hereof.

3.19 Employment Contracts and Benefits. Except as otherwise set forth in Section 3.19 of the Gothic Disclosure Schedule or otherwise provided for in any Gothic Employee Benefit Plan: (a) none of the Gothic Companies is subject to or obligated under any consulting, employment, severance, termination or similar arrangement, any employee benefit, incentive or deferred compensation plan with respect to any Person, or any bonus, profit sharing, pension, stock option, stock purchase or similar plan or other arrangement or other fringe benefit plan entered into or maintained for the benefit of employees or any other Person; and (b) no employee of any of the Gothic Companies or any other Person owns, or has any rights granted by any of the Gothic Companies to acquire, any interest in any of the assets or business of any of the Gothic Companies. Section 3.19 of the Gothic Disclosure Schedule sets forth all indebtedness, promissory notes and other obligations owing by any employee, officer or non-employee director of the Gothic Companies including, without limitation, by employee, officer or non-employee director, the principal amount thereof, the interest rate applicable thereto, any collateral securing payment thereof, the payment terms and the maturity date thereof.

3.20 Labor Matters. No employees of any of the Gothic Companies are represented by any labor organization. No labor organization or group of employees of any of the Gothic Companies has made a demand for recognition or certification as a union or other labor organization, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or threatened in writing to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority. There are no organizing activities involving any of the Gothic Companies pending with any labor organization or group of employees of any of the

Gothic Companies. Each of the Gothic Companies is in material compliance with all laws, rules, regulations and orders relating to the employment of labor, including all such laws, rules, regulations and orders relating to wages, hours, collective bargaining, discrimination, civil rights, safety and health, workers' compensation and the collection and payment of withholding or social security Taxes and similar Taxes, except where the failure to comply would not, individually or in the aggregate, have a Material Adverse Effect on the Gothic Companies.

3.21 Insurance. Each of the Gothic Companies maintains, and through the Closing Date will maintain, insurance with reputable insurers (or pursuant to prudent self-insurance programs) in such amounts and covering such risks as are in accordance with normal industry practice for companies engaged in businesses similar to those of the Gothic Companies and owning properties in the same general area in which the Gothic Companies conduct their businesses. Each of the insurance policies currently maintained by the Gothic Companies is described in Section 3.21 of the Gothic Disclosure Schedule. Each of the Gothic Companies may terminate each of its insurance policies or binders at or after the Closing and will incur no penalties or other material costs in doing so. None of the such policies or binders was obtained through the use of false or misleading information or the failure to provide the insurer with all information requested in order to evaluate the liabilities and risks insured. There is no material default with respect to any provision contained in any such policy or binder, nor has any of the Gothic Companies failed to give any notice or present any claim under any such policy or binder in due and timely fashion. There are no billed but unpaid premiums past due under any such policy or binder. Except as otherwise set forth in Section 3.21 of the Gothic Disclosure Schedule: (a) there are no outstanding claims under any such policies or binders and, to the knowledge of Gothic, there has not occurred any event that might reasonably form the basis of any claim against or relating to any of the Gothic Companies that is not covered by any of such policies or binders; (b) no notice of cancellation or non-renewal of any such policies or binders has been received; and (c) there are no performance bonds outstanding with respect to any of the Gothic Companies.

3.22 Intangible Property. Except as set forth in Section 3.22 of the Gothic Disclosure Schedule, there are no material trademarks, trade names, patents, service marks, brand names, computer programs, databases, industrial designs, copyrights or other intangible property that are necessary for the operation, or continued operation, of the business of any of the Gothic Companies or for the ownership and operation, or continued ownership or operation, of any of their assets, for which the Gothic Companies do not hold valid and continuing authority in connection with the use thereof. Section 3.22 of the Gothic Disclosure Schedule lists each seismic agreement to which any of the Gothic Companies is a party.

3.23 Title to Assets. The Gothic Companies (individually or collectively) have Defensible Title to all Oil and Gas Interests of Gothic included or reflected in the Ownership Interests and all of their other assets, subject only to Permitted Encumbrances. Each Oil and Gas Interest included or reflected in the Ownership Interests entitles the Gothic

Companies (individually or collectively) to receive not less than the undivided Net Revenue Interest set forth in (or derived from) the Ownership Interests of all Hydrocarbons produced, saved and sold from or attributable to such Oil and Gas Interest, and the portion of such costs and expenses of operation and development of such Oil and Gas Interest that is borne or to be borne by the Gothic Companies (individually or collectively) is not greater than the undivided Working Interest set forth in (or derived from) the Ownership Interests.

3.24 Opinion of Financial Advisor. On the date of execution of this Agreement, the board of directors of Gothic will receive the opinion of CIBC Worldmarkets that, as of such date, the consideration contemplated by paragraph 2.3.2 is fair from a financial point of view to the holders of Gothic Common Stock.

3.25 Oil and Gas Operations. Except as otherwise set forth in Section 3.25 of the Gothic Disclosure Schedule: (a) all wells included in the Oil and Gas Interests of Gothic have been drilled and (if completed) completed, operated and produced in accordance with generally accepted oil and gas field practices and in compliance in all material respects with applicable oil and gas leases and applicable laws, rules, regulations, except where the failure or violation could not reasonably be expected to have a Material Adverse Effect on Gothic or Gothic's ability to consummate the transactions contemplated hereby in accordance with this Agreement; and (b) proceeds from the sale of Hydrocarbons produced from Gothic's Oil and Gas Interests are being received by the Gothic Companies in a timely manner and are not being held in suspense for any reason (except for amounts, individually or in the aggregate, not in excess of $250,000 and held in suspense in the ordinary course of business).

3.26 Financial and Commodity Hedging. Section 3.26 of the Gothic Disclosure Schedule accurately summarizes the outstanding Hydrocarbon and financial hedging positions of the Gothic Companies (including fixed price controls, collars, swaps, caps, hedges and puts) as of the date reflected on the Gothic Disclosure Schedule. After July 1, 2000, Gothic has not entered into and will not enter into any new hedging positions without Parent's prior written consent, which will not be unreasonably withheld.

3.27 Books and Records. All books, records and files of the Gothic Companies (including those pertaining to Gothic's Oil and Gas Interests, wells and other assets, the production, gathering, transportation and sale of Hydrocarbons, and corporate, accounting, financial and employee records): (a) have been prepared, assembled and maintained in accordance with usual and customary policies and procedures; and (b) fairly and accurately reflect the ownership, use, enjoyment and operation by the Gothic Companies of their respective assets.

3.28 Other Entities. Gothic has no direct or indirect equity interest in any corporation, partnership, limited liability company, joint venture, business association or other entity other than the entities included in the Gothic Companies (other than joint venture, joint operating or ownership arrangements entered into in the ordinary course of business or other partnerships that, individually or in the aggregate, are not material to the

operations or businesses of the Gothic Companies, taken as a whole). Except as disclosed in Section 3.28 of the Gothic Disclosure Schedule, and except as may be required under the securities laws of any jurisdiction: (i) all of the outstanding capital stock of, or other ownership interests in, each subsidiary of Gothic, has been validly issued, is (in the case of capital stock) fully paid and nonassessable and (in the case of partnership interests) not subject to current or future capital calls, and is owned by Gothic, directly or indirectly, free and clear of any lien and free of any other charge, claim, encumbrance, limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests); and (ii) there are not now, and at the Effective Time there will not be, any outstanding subscriptions, options, warrants, calls, rights, convertible securities or other agreements or commitments of any character relating to the issued or unissued capital stock or other securities of any of Gothic's subsidiaries, or otherwise obligating Gothic or any such subsidiary to issue, transfer or sell any such securities or to make any payments in respect of any of its securities or its equity.

3.29 Account Information. Section 3.29 of the Gothic Disclosure Schedule contains an accurate list of the names and addresses of every bank and other financial institution in which any Gothic Company maintains an account (whether checking, savings or otherwise), lock box or safe deposit box, and the account numbers and Persons having signature authority or legal access thereto.

3.30 Powers of Attorney. There are no outstanding powers of attorney relating to or affecting any Gothic Company.

3.31 Plugging Status. All wells operated by any Gothic Company that have been permanently plugged and abandoned have been so plugged and abandoned in accordance in all material respects with all applicable requirements of each Governmental Authority having jurisdiction over the Gothic Companies and the Oil and Gas Interests.

3.32 No Knowledge of Breach of Representations. Gothic has no actual knowledge that any of the representations of Parent or Sub contained in this Agreement are untrue as of the date of this Agreement. If and to the extent that Gothic has any such knowledge as of the date of this Agreement, Gothic will not assert any remedy under this Agreement for breach of such representation (including, but not limited to, any right to not close the Merger due to a failure to satisfy the condition to Closing set forth in Section 6.3.1 arising solely as a result of any such breach).

3.33 Proxy Statement/Prospectus; Registration Statement. None of the information supplied or to be supplied by Gothic for inclusion or incorporation by reference in (1) the Proxy Statement/Prospectus and any amendments or supplements thereto, or (2) the Registration Statement and any amendments or supplements thereto, will, at the respective times such documents are filed, (i) in the case of the Proxy Statement/Prospectus, at the time the Proxy Statement/Prospectus or any amendment or supplement thereto is first mailed to stockholders of Gothic, at the time such

stockholders vote on approval and adoption of this Agreement and at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading and (ii) in the case of the Registration Statement, when it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. If at any time prior to Effective Time any event with respect to any of the Gothic Companies or their officers and directors will occur which is required to be described in an amendment of, or a supplement to, the Proxy Statement/Prospectus or the Registration Statement, such event will be so described, and such amendment or supplement will be promptly filed with the SEC and, as required by law, disseminated to the stockholders of Gothic. The Registration Statement will comply (with respect to Gothic) as to form in all material respects with the provisions of the Securities Act, and the Proxy Statement/Prospectus will comply (with respect to Gothic) as to form in all material respects with the provisions of the Exchange Act.

3.34 Equipment. All equipment constituting part of the Oil and Gas Interests has been installed, maintained, and operated by the Gothic Companies as a prudent operator in accordance with oil and gas industry standards, and is currently in a state of repair so as to be adequate for normal operations by the Gothic Companies, except where the failure to do so would not, individually or in the aggregate, have a Material Adverse Effect on the Gothic Companies (taken as a whole).

3.35 Current Commitments. Section 3.35 of the Gothic Disclosure Schedule and the expenses specifically permitted under the terms of paragraph 5.1.10 contain a true and reasonably complete list as of July 31, 2000, of all oral or written commitments for capital expenditures of more than $50,000 with respect to any of the wells or the Oil and Gas Interests for which all of the activities anticipated in such commitments will not have been completed by the Effective Time. Except for those set forth in Section 3.35 of the Gothic Disclosure Schedule, as of Closing there will be no oral or written commitments for capital expenditures with respect to the Oil and Gas Interests.

3.36 Payout Balances. Section 3.36 of the Gothic Disclosure Schedule contains a reasonably complete and accurate list of the status, as of June 30, 2000 with respect to Gothic Company operated wells and as of March 31, 2000 with respect to third party operated wells, of: (a) the "payout" balance for each Oil and Gas Interest that is subject to a reversion or other adjustment at some level of cost recovery or payout (or passage of time or other event, other than cessation of production); and (b) all gas balancing obligations and rights for each Oil and Gas Interest which is subject to a gas balancing overage or underage.

3.37 Full Disclosure. The representations, warranties or other statements by all Gothic Companies in this Agreement or in the Gothic Disclosure Schedule or Exhibits hereto or any documents distributed generally to Gothic's stockholders, taken as a whole, do

not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading.

3.38 Certain Agreements. There are no contracts, agreements, arrangements or understandings to which any of the Gothic Companies is a party which create, govern or purport to govern the right of another party (other than Parent or Sub) to acquire any of the Gothic Companies.

3.39 Affiliate Transactions. There are no transactions between any of the Gothic Companies and any of their respective Affiliates, which are required to be disclosed in the Gothic SEC Documents which are not disclosed.

3.40 Employees, Officers and Directors Loans. With respect to each loan by any of the Gothic Companies to any officer, director or employee of any of the Gothic Companies: (a) prior to the execution of this Agreement each officer and employee has executed and delivered to the Gothic Companies a letter in the form set forth in Section 3.40 of the Gothic Disclosure Schedule irrevocably directing the Gothic Companies to apply the severance payments due to such officers and employees to the payment in full of such loans; and (b) prior to the execution of this Agreement each non-employee director of the Gothic Companies has executed and delivered to Gothic a pledge agreement in the form set forth in Section 3.40 of the Gothic Disclosure Schedule pledging to Gothic the Gothic Common Stock acquired with such loan (the "Pledged Stock"), has delivered possession of the Pledged Stock to Gothic and taken any additional or other actions appropriate to create and maintain a first perfected security interest in such Gothic Common Stock in favor of Gothic. On or before the Closing Date: (y) the Gothic Companies will first apply the severance payments due to such officers and employees against the unpaid principle balance and any accrued but unpaid interest owing under such officers and employees' loans, with any remaining amount to be paid in accordance with the terms and conditions of the Gothic severance policy; and (z) the Gothic Companies will deliver any remaining unpaid promissory notes, the pledge agreements for the non-employee directors and the Pledged Stock for the non-employee directors to Parent together with the promissory notes secured thereby. The Gothic Companies will: (i) take any and all action necessary to maintain in full force and effect the foregoing promissory notes, instruction letters, pledge agreements and first perfected security interests in all Pledged Stock; (ii) not amend, forgive, waive compliance with or otherwise release any rights under any of the foregoing except on payment in full of the applicable obligation; and (iii) assist in the collection and enforcement of the foregoing agreements and obligations. All of the parties hereto agree that the first perfected security interest in the Pledged Stock will continue in all of the Parent Common Stock which is exchanged or exchangeable for the Pledged Stock pursuant to this Agreement. Gothic hereby acknowledges and agrees that any failure to comply with the provisions of this paragraph 3.40 by Michael Paulk, Steven Ensz or the non-employee directors at any time to and including the Closing Date will constitute a Material Adverse Effect.

4. Parent and Sub Representations and Warranties. Except as set forth in the Parent Disclosure Schedule, Parent and Sub hereby jointly and severally represent and warrant to Gothic that:

4.1 Corporate Organization. Each of Parent and Sub: (a) is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation; (b) has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as it is presently being conducted; and (c) is duly qualified to do business as a foreign corporation, and is in good standing, in each jurisdiction where the character of the properties owned or leased by it or the nature of its activities makes such qualification necessary (except where any failure to be so qualified as a foreign corporation or to be in good standing would not, individually or in the aggregate, have a Material Adverse Effect on Parent). Copies of the certificate or articles of incorporation and bylaws of each of Parent and Sub have heretofore been delivered to Gothic, and such copies are accurate and complete as of the date hereof.

4.2 Authority and Enforceability. Each of Parent and Sub has the requisite corporate power and authority to execute and deliver this Agreement and (with respect to consummation of this Agreement and the Merger, subject to the approval of the Parent as the sole stockholder of Sub) to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Parent and Sub, including approval by the respective boards of directors of Parent and Sub and by Parent as the sole stockholder of Sub, and no other corporate proceedings on the part of Parent or Sub are necessary to authorize the execution or delivery of this Agreement or (with approval by the Parent as the stockholder of Sub) to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each of Parent and Sub and (with respect to consummation of this Agreement and the Merger, assuming that this Agreement constitutes a valid and binding obligation of Gothic) constitutes a valid and binding obligation of each of Parent and Sub, enforceable against Parent and Sub in accordance with its terms.

4.3 No Violations. The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby and compliance by Parent and Sub with the provisions hereof will not, conflict with, result in any violation of or default (with or without notice or lapse of time or both) under, give rise to a right of termination, cancellation or acceleration of any obligation or to the loss of a material benefit under, or result in the creation of any Lien on any of the properties or assets of Parent or any Parent Subsidiary under, any provision of: (a) the certificate of incorporation or bylaws of Parent or Sub or any provision of the comparable charter or organizational documents of any Parent Subsidiary; (b) any loan or credit agreement, note, bond, mortgage, indenture, lease, permit, concession, franchise, license or other agreement or instrument applicable to Parent or any Parent Subsidiary; or (c) assuming the consents, approvals, authorizations or permits and filings or notifications referred to in paragraph 4.4 are duly and timely obtained or made, any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Parent or any Parent Subsidiary

or any of their respective properties or assets, other than, in the case of clause (b) or (c) above, any such conflict, violation, default, right, loss or Lien that has been waived or consented to or that, individually or in the aggregate, would not have a Material Adverse Effect on Parent or Parent's or Sub's ability to consummate the transactions contemplated hereby in accordance with this Agreement.

4.4 Consents and Approvals. No consent, approval, order or authorization of, registration, declaration, or filing with, or permit from, any Governmental Authority is required by or with respect to Parent or Sub in connection with the execution and delivery of this Agreement by Parent or Sub or the consummation by Parent and Sub of the transactions contemplated hereby except for the following: (a) any such consent, approval, order, authorization, registration, declaration, filing or permit which the failure to obtain or make would not, individually or in the aggregate, have a Material Adverse Effect on Parent or Parent's or Sub's ability to consummate the transactions contemplated hereby in accordance with this Agreement; (b) the filing of the Certificate of Merger with the Secretary of State of Oklahoma pursuant to the provisions of the OGCA; (c) the filing, if necessary, of a pre-merger notification report by Parent under the HSR Act and the expiration or termination of the applicable waiting period; (d) the filing with the SEC of the Proxy Statement/Prospectus and the Registration Statement and such reports under Section 13(a) of the Exchange Act and such other compliance with the Exchange Act and the Securities Act and the rules and regulations of the SEC thereunder as may be required in connection with this Agreement and the transactions contemplated hereby and the obtaining from the SEC of such orders as may be so required; (e) the filing with the Exchange of a listing application relating to the shares of Parent Common Stock to be issued pursuant the Merger and the obtaining from the Exchange of its approval thereof; (f) such filings and approvals as may be required by any applicable state securities, "blue sky" or takeover laws or Environmental Laws; and (g) the valid approval of this Agreement and the Merger by the board of directors of Parent and Sub.

4.5 Parent SEC Documents. Gothic has had available to it a true, correct and complete copy of each report, schedule, registration statement and definitive proxy statement filed by Parent with the SEC since December 31, 1998, and prior to the date of this Agreement (the "Parent SEC Documents"), which are all the documents (other than preliminary material) that Parent was required to file with the SEC since such date. As of their respective dates, the Parent SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Parent SEC Documents, and none of the Parent SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.6 Financial Statements. The Parent Financial Statements were prepared in accordance with the applicable published rules and regulations of the SEC with respect thereto and in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of unaudited statements,

as permitted by Rule 10-01 of Regulation S-X of the SEC) and fairly present in all material respects, in accordance with applicable requirements of GAAP (in the case of unaudited statements, subject to normal, recurring adjustments), the consolidated financial position of Parent and the Parent Subsidiaries as of their respective dates and the consolidated results of operations and the consolidated cash flows of Parent and the Parent Subsidiaries for the periods presented therein.

4.7 Capital Structure. The authorized capital stock of Parent consists of 250,000,000 shares of Parent Common Stock and 10,000,000 shares of preferred stock of which 148,768,103 shares of Parent Common Stock and 624,037 shares of preferred stock were issued and outstanding as of August 23, 2000. The authorized capital stock of Sub consists of 1,000 shares of Sub Common Stock. Except as set forth in the two preceding sentences and in Section 4.7 of the Parent Disclosure Schedule, there are: (a) no outstanding shares of capital stock or other voting securities of Parent (other than shares issued since August 23, 2000, upon the exercise of outstanding options described in Section 4.7 of the Parent Disclosure Schedule); (b) no outstanding securities of Parent convertible into or exchangeable or exercisable for shares of capital stock or other voting securities of Parent; and (c) no outstanding subscriptions, options, warrants, calls, rights (including preemptive rights, commitments, understandings or agreements to which Parent is a party or by which it is bound) obligating Parent to issue, deliver, sell, purchase, redeem or acquire shares of capital stock or other voting securities of Parent (or securities of Parent) or obligating Parent to grant, extend or enter into any such subscription, option, warrant, call, right, commitment, understanding or agreement. All outstanding shares of Parent capital stock are, and (when issued) the shares of Parent Common Stock to be issued pursuant to the Merger will be, validly issued, fully paid and nonassessable and not subject to any preemptive right. There are 1,000 shares of Sub Common Stock issued and outstanding, all of which are owned by Parent. All outstanding shares of Sub Common Stock are validly issued, fully paid and nonassessable and not subject to any preemptive right. As of the date hereof there is no, and at the Effective Time there will not be any, stockholder agreement, voting trust or other agreement or understanding to which Parent is a party or by which it is bound relating to the voting of any shares of the capital stock of Parent.

4.8 Governmental Regulation. Neither Parent nor any of the Parent Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, the Investment Company Act of 1940 or any state public utilities laws.

4.9 Litigation. Except as set forth in Section 4.9 of the Parent Disclosure Schedule, there is no litigation, arbitration, investigation or other proceeding of any Governmental Authority or other Person pending or, to the knowledge of Parent, threatened against Parent or a Parent Subsidiary or their respective assets which, if adversely determined, could reasonably be expected to have a Material Adverse Effect on Parent or Parent's ability to consummate the transactions contemplated hereby in accordance with this Agreement. Parent has no knowledge of any facts that are likely to give rise to any litigation, arbitration, investigation or other proceeding of any Governmental Authority

or other Person which, individually or in the aggregate, is reasonably likely to have a Material Adverse Effect on Parent or Parent's ability to consummate the transactions contemplated hereby in accordance with this Agreement. No Parent Company is subject to any outstanding injunction, judgment, order, decree or ruling (other than routine oil and gas field regulatory orders and any injunction, judgment, order, decree or ruling that, either individually or in the aggregate, would not have a Material Adverse Effect) on Parent or Parent's ability to consummate the transactions contemplated hereby in accordance with this Agreement. There is no litigation, investigation or other proceeding of any Governmental Authority or other Person pending or, to the knowledge of Parent, threatened against or affecting Parent, Sub or a Parent Subsidiary that questions the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by Parent or Sub in connection with the transactions contemplated hereby.

4.10 Interim Operations of Sub. Sub was formed solely for the purpose of engaging in the transactions contemplated by this Agreement and has not engaged in any business or activity (or conducted any operations) of any kind, entered into any agreement or arrangement with any Person, or incurred, directly or indirectly, any material liabilities or obligations, except in connection with its incorporation, the negotiation of this Agreement, the Merger and transactions contemplated hereby.

4.11 Brokers. Other than Bear, Stearns & Co. Inc. (the "Financial Advisor"), no broker, finder, investment banker or other Person is or will be, in connection with the transactions contemplated by this Agreement, entitled to any brokerage, finder's or other fee or compensation based on any arrangement or agreement made by or on behalf of Parent or Sub and for which Parent or Sub or any of the Gothic Companies will have any obligation or liability.

4.12 Absence of Certain Changes. Except as set forth in Section 4.12 of the Parent Disclosure Schedule, since June 30, 2000, the Parent Companies have conducted their businesses only in the ordinary course of business consistent with past practices and, since such date, there has not been any event (financial or otherwise, whether or not in the ordinary course of business), circumstance or condition that: (a) would be reasonably likely to have a Material Adverse Effect on Parent or Parent's ability to consummate the transactions contemplated hereby in accordance with this Agreement; or (b) would have required the consent of Gothic pursuant to paragraph 5.2 had such event occurred after the date of this Agreement (other than changes, including changes in commodity prices generally affecting the oil and gas industry, changes resulting from exploration or development results reported in the ordinary course of business and changes arising from the announcement of the Merger).

4.13 Compliance with Laws and Permits. None of the Parent Companies is in violation of, or in default under, and no event has occurred that (with notice or the lapse of time or both) would constitute a violation of or default under: (a) its certificate or articles of incorporation or bylaws or partnership agreement or other governing document; or (b) any applicable law, rule, regulation, order, writ, decree or judgment of any

Governmental Authority, except (in the case of clause (b) above) for any violation or default that would not, individually or in the aggregate, have a Material Adverse Effect on Parent or Parent's or Sub's ability to consummate the transactions contemplated hereby in accordance with this Agreement. Each of the Parent Companies has obtained and holds all permits, licenses, variances, exemptions, orders, franchises, approvals and authorizations of all Governmental Authorities necessary for the lawful conduct of its business or the lawful ownership, use and operation of its assets ("Parent Permits"), except for Parent Permits which the failure to obtain or hold would not, individually or in the aggregate, have a Material Adverse Effect on Parent or Parent's or Sub's ability to consummate the transactions contemplated hereby in accordance with this Agreement. Each of the Parent Companies is in compliance with the terms of its Parent Permits, except where the failure to comply would not, individually or in the aggregate, have a Material Adverse Effect on Parent or Parent's or Sub's ability to consummate the transactions contemplated hereby in accordance with this Agreement. No investigation or review by any Governmental Authority with respect to any of the Parent Companies is pending or, to the knowledge of Parent, threatened, other than those the outcome of which would not, individually or in the aggregate, have a Material Adverse Effect on Parent or Parent's or Sub's ability to consummate the transactions contemplated hereby in accordance with this Agreement.

4.14 No Restrictions. Except as otherwise set forth in Section 4.14 of the Parent Disclosure Schedule, none of the Parent Companies is a party to: (a) any agreement, indenture or other instrument that contains restrictions with respect to the payment of dividends or other distributions with respect to its capital stock; (b) any financial arrangement with respect to or creating any indebtedness to any Person (other than indebtedness reflected in the Parent Financial Statements or indebtedness incurred in the ordinary course of business); (c) any agreement, contract or commitment relating to the making of any advance to, or investment in, any Person (other than advances in the ordinary course of business); (d) any guaranty or other contingent liability with respect to any indebtedness or obligation of any Person (other than guaranties undertaken in the ordinary course of business and other than the endorsement of negotiable instruments for collection in the ordinary course of business); or (e) any agreement, contract or commitment limiting in any respect its ability to compete with any Person or otherwise conduct business of any line or nature.

4.15 Taxes. Except as set forth in Section 4.15 of the Parent Disclosure Schedule:

4.15.1 Parent and each Parent Subsidiary, and any affiliated, combined or unitary group of which Parent or any Parent Subsidiary is or was a member has properly completed and timely (taking into account any extensions) filed all material federal, state, local and foreign returns, declarations, reports, estimates, information returns and statements ("Parent Returns") required to be filed in respect of any Tax and has timely paid all Taxes that are shown by such Parent Returns to be due and payable. The Parent Returns correctly and accurately (except for one or more matters the aggregate effect of which is not material) reflect the facts regarding the income, business and assets,

operations, activities, status or other matters of Parent required to be shown thereon or any other information required to be shown thereon and are not subject to penalties under Section 6662 of the Code, relating to accuracy-related penalties, or any corresponding provision of applicable state, local or foreign tax law or any predecessor provision. Parent and each Parent Subsidiary has established reserves that are adequate in the aggregate for the payment of all material Taxes not yet due and payable with respect to the results of operations of Parent and each Parent Subsidiary through the date hereof Parent and each Parent Subsidiary have complied in all material respects with all applicable laws, rules and regulations relating to the payment and withholding of Taxes and the filing of material federal, state or local Parent Returns.

4.15.2 Section 4.15.2 of the Parent Disclosure Schedule sets forth the last taxable period through which the federal income Tax Returns of Parent and each Parent Subsidiary have been examined by the IRS. Except to the extent being contested in good faith, all material deficiencies asserted as a result of such examinations and any examination by any applicable state or local taxing authority have been paid, fully settled or adequately provided for in Parent's most recent audited financial statements. No material federal, state or local income or franchise tax audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes for which Parent or any of the Parent Subsidiaries would be liable, and no material deficiency which has not yet been paid for any such Taxes has been proposed, asserted or assessed against Parent or any of the Parent Subsidiaries with respect to any period. No claim has been asserted by any authority in any jurisdiction where the Parent Companies do not file Returns that any Parent Company is subject to Tax in that jurisdiction.

4.15.3 Except as disclosed on Section 4.15.3 of the Parent Disclosure Schedule, neither Parent nor any Parent Subsidiary has executed or entered into (or prior to the close of business on the Closing Date will execute or enter into) with the IRS or any taxing authority: (i) any agreement extending the period for assessment or collection of any Tax for which Parent or any Parent Subsidiary is liable for any period that is open under the applicable statute of limitations; or (ii) a closing agreement pursuant to Section 7121 of the Code or any similar provision of state or local income tax law that relates to Parent or any Parent Subsidiary for the current or any future taxable period. Neither Parent nor any Parent Subsidiary has made an election under Section 341(f) of the Code or has agreed to have Section 341(f)(2) of the Code apply to any disposition of a subsection (f) asset (as such term is defined in Section 341(f)(4) of the Code) owned by Parent or any Parent Subsidiary. Neither Parent nor any Parent Subsidiary is a party to, is bound by or has any obligation under any tax sharing agreement or similar agreement or arrangement. Neither Parent nor any Parent Subsidiary is a party to any agreement or other arrangement that, as a consequence of the Merger would

result separately or in the aggregate in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

4.15.4 There are no liens for Taxes (other than for current Taxes not yet due and payable) on the assets of Parent or any Parent Subsidiary.

4.15.5 Except for the group of which Parent is presently a member, neither Parent nor any Parent Subsidiary has ever been a member of an "affiliated group of corporations" within the meaning of Section 1504 of the Code, other than as a common parent corporation.

4.15.6 After the date hereof, no election which is inconsistent with past practices with respect to Taxes will be made without the written consent of Gothic.

4.15.7 None of the assets of Parent or any Parent Subsidiary is property that Parent is required to treat as being owned by any other person pursuant to the "safe harbor lease" provisions of former Section 168(f)(8) of the Code.

4.15.8 None of the assets of Parent or any Parent Subsidiary directly or indirectly secures any debt the interest on which is tax-exempt under Section 103(a) of the Code.

4.15.9 None of the assets of Parent or any Parent Subsidiary is "tax-exempt use property" within the meaning of Section 168(h) of the Code.

4.15.10 Neither Parent nor any Parent Subsidiary has agreed to make nor is it required to make any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise which will have any Material Adverse Effect on any Tax for a period which ends after December 31, 1999.

4.16 Environmental Matters. Except as set forth in Section 4.16 of the Parent Disclosure Schedule or the Parent SEC Documents: (i) the reserves reflected in the Parent Financial Statements relating to environmental matters were adequate under GAAP as of June 30, 2000, and neither Parent nor any of the Parent Subsidiaries has incurred any material liability in respect of any environmental matter since that date; and (ii) the Parent SEC Documents include all information relating to environmental matters required to be included therein under the rules and regulations of the SEC applicable thereto. Except as set forth in Section 4.16 of the Parent Disclosure Schedule or the Parent SEC Documents, to the knowledge of Parent: (a) each of the Parent Companies has conducted its business and operated its assets, and is conducting its business and operating its assets, in material compliance with all Environmental Laws; (b) none of the Parent Companies has been notified by any Governmental Authority that any of the operations or assets of any of the Parent Companies is the subject of any investigation or inquiry by any Governmental Authority evaluating whether any material remedial action is needed to respond to a release of any Hazardous Material or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous

Material; (c) none of the Parent Companies and no other Person has filed any notice under any federal, state or local law indicating that: (i) any of the Parent Companies is responsible for the improper release into the environment, or the improper storage or disposal of any Hazardous Material; or (ii) any Hazardous Material is improperly stored or disposed of upon any property of any of the Parent Companies; (d) none of the Parent Companies has any material contingent liability in connection with a release into the environment at or on the property now or previously owned or leased by any of the Parent Companies or the storage or disposal of any Hazardous Material; (e) none of the Parent Companies has received any claim, complaint, notice, inquiry or request for information which remains unresolved as of the date hereof with respect to any alleged violation of any Environmental Law or regarding potential liability under any Environmental Law relating to operations or conditions of any facilities or property owned, leased or operated by any of the Parent Companies; (f) there are no sites, locations or operations at which any of the Parent Companies is currently undertaking, or has completed, any remedial or response action relating to any such disposal or release, as required by Environmental Laws; and (g) all underground storage tanks and solid waste disposal facilities owned or operated by the Parent Companies are used and operated in material compliance with Environmental Laws.

4.17 Employment Contracts and Benefits. Section 4.17 of the Parent Disclosure Schedule sets forth each of the Parent's employee benefit plans ("Parent Employee Benefit Plan") and except as otherwise set forth in Section 4.17 of the Parent Disclosure Schedule or otherwise provided for in any Parent Employee Benefit Plan: (a) none of the Parent Companies is subject to or obligated under any consulting, employment, severance, termination or similar arrangement, any employee benefit, incentive or deferred compensation plan with respect to any Person, or any bonus, profit sharing, pension, stock option, stock purchase or similar plan or other arrangement or other fringe benefit plan entered into or maintained for the benefit of employees of any other Person; and (b) no employee of any of the Parent Companies owns, or has any rights granted by any of the Parent Companies to acquire, any interest in any of the assets or business of any of the Parent Companies.

4.18 Labor Matters. No employees of any of the Parent Companies are represented by any labor organization. No labor organization or group of employees of any of the Parent Companies has made a demand for recognition or certification as a union or other labor organization, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or threatened in writing to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority. There are no organizing activities involving any of the Parent Companies pending with any labor organization or group of employees of any of the Parent Companies. Each of the Parent Companies is in material compliance with all laws, rules, regulations and orders relating to the employment of labor, including all such laws, rules, regulations and orders relating to wages, hours, collective bargaining, discrimination, civil rights, safety and health, workers' compensation and the collection and payment of withholding or Social Security Taxes and similar Taxes, except where

the failure to comply would not, individually or in the aggregate, have a Material Adverse Effect on Parent.

4.19 Insurance. Each of the Parent Companies maintains, and through the Closing Date will maintain, insurance with reputable insurers (or pursuant to prudent self-insurance programs) in such amounts and covering such risks as are in accordance with normal industry practice for companies engaged in businesses similar to those of the Parent Companies and owning properties in the same general area in which the Parent Companies conduct their businesses. None of the policies or binders was obtained through the use of false or misleading information or the failure to provide the insurer with all information requested in order to evaluate the liabilities and risks insured. There is no material default with respect to any provision contained in any such policy or binder, nor has any of the Parent Companies failed to give any notice or present any claim under any such policy or binder in due and timely fashion.

4.20 Intangible Property. Except as set forth in Section 4.20 of the Parent Disclosure Schedule, there are no material trademarks, trade names, patents, service marks, brand names, computer programs, databases, industrial designs, copyrights or other intangible property that are necessary for the operation, or continued operation, of the business of any of the Parent Companies or for the ownership and operation, or continued ownership or operation, of any their assets, for which the Parent Companies do not hold valid and continuing authority in connection with the use thereof.

4.21 Opinion of Financial Advisor. The board of directors of Parent has received the opinion dated as of the date hereof of the Financial Advisor addressed to such board of directors that the Merger is fair from a financial point of view to the holders of Parent Common Stock.

4.22 Books and Records. All books, records and files of the Parent Companies (including those pertaining to Parent's Oil and Gas Interests, wells and other assets, the production, gathering, transportation and sale of Hydrocarbons, and corporate, accounting, financial and employee records): (a) have been prepared, assembled and maintained in accordance with usual and customary policies and procedures; and (b) fairly and accurately reflect the ownership, use, enjoyment and operation by the Parent Companies of their respective assets.

4.23 Employee Benefit Plans. Each Parent Benefit Plan has been established and administered in all material respects in accordance with its terms, and in all material respects in compliance with the applicable provisions of ERISA, the Code and other applicable laws, rules and regulations and each Parent Benefit Plan which is intended to be qualified within the meaning of Code Section 401(a) is so qualified. Except as set forth in Section 4.23(b) of the Parent Disclosure Schedule: (i) no Parent Benefit Plan currently has any "accumulated funding deficiency" as such term is defined in ERISA Section 302 and Code Section 412 (whether or not waived); (ii) no event or condition exists or is expected to occur which is a reportable event within the meaning of ERISA Section 4043 with respect to any Parent Benefit Plan that is subject to Title IV of

ERISA and with respect to which the 30-day notice requirement has not been waived; (iii) each member of Parent's Controlled Group (as defined below) has made all required premium payments when due to the PBGC; (iv) neither Parent nor any member of its Controlled Group is subject to any liability to the PBGC for any Parent Benefit Plan termination; (v) no amendment has occurred which requires Parent or any member of its Controlled Group to provide security pursuant to Code Section 401(a)(29); and (vi) neither Parent nor any member of its Controlled Group has engaged in a transaction which is reasonably likely to subject it to liability under ERISA Section 4069. For the purposes of this paragraph 4.23, the term "Controlled Group" means all corporations, trades or businesses which, together with Parent, are treated as a single employer under Section 414 of the Code.

4.24 Proxy Statement/Prospectus; Registration Statement. None of the information supplied or to be supplied by Parent for inclusion or incorporation by reference in (1) the Proxy Statement/Prospectus, and any amendments or supplements thereto, or (2) the Registration Statement, and any amendments or supplements thereto, will, at the respective times such documents are filed, (i) in the case of the Proxy Statement/Prospectus, at the time the Proxy Statement/Prospectus or any amendment or supplement thereto is first mailed to stockholders of Gothic, at the time such stockholders vote on approval and adoption of this Agreement and at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading and, (ii) in the case of the Registration Statement, when it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. If at any time prior to Effective Time any event with respect to any of the Parent Companies or their officers and directors will occur which is required to be described in an amendment of, or a supplement to, the Proxy Statement/Prospectus or the Registration Statement, such event will be so described, and such amendment or supplement will be promptly filed with the SEC and, as required by law, disseminated to the stockholders of Gothic. The Registration Statement will comply (with respect to Parent) as to form in all material respects with the provisions of the Securities Act, and the Proxy Statement/Prospectus will comply (with respect to Parent) as to form in all material respects with the provisions of the Exchange Act.

4.25 No Knowledge of Breach of Representations. Parent has no actual knowledge that any of Gothic's representations contained in this Agreement are untrue as of the date of this Agreement. If and to the extent that Parent has any such knowledge as of the date of this Agreement, Parent will not assert any remedy under this Agreement for breach of such representation (including, but not limited to, any right to not close the Merger due to a failure to satisfy the condition to Closing set forth in paragraph 6.2.1 arising solely as a result of any such breach).

5. Covenants. From the date hereof until the Effective Time, Parent, Sub and Gothic hereby covenant and agree as follows:

5.1 Conduct of Gothic Business Pending Closing. From the date hereof until the Effective Time, Gothic covenants and agrees that, unless Parent otherwise agrees in writing, the businesses of the Gothic Companies will be conducted only in, and the Gothic Companies will not take any action except in, the ordinary course of business and in a manner consistent with past practice, and Gothic will use its reasonable best efforts to preserve substantially intact the business organization of the Gothic Companies, to keep available the services of the current officers, employees and consultants of the Gothic Companies and to preserve the goodwill of those current relationships of the Gothic Companies with customers, suppliers and other Persons with which the Gothic Companies have significant business relations. By way of amplification and not limitation, except as contemplated by this Agreement, the Gothic Companies will not, between the date of this Agreement and the Effective Time, directly or indirectly do, or propose to do, any of the following without the prior written consent of Parent:

5.1.1 Amend or otherwise change the certificate of incorporation or bylaws or equivalent organizational documents of the Gothic Companies;

5.1.2 Issue, sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, grant or encumbrance of: (a) any shares of any class of capital stock of the Gothic Companies, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of such capital stock, or any other ownership interest (including, without limitation, any phantom interest), of the Gothic Companies (except for the issuance of shares of Gothic Common Stock issuable on conversion of the Gothic Preferred Stock and issuable pursuant to Gothic Stock Options and Gothic Warrants outstanding on the date hereof and disclosed in the Gothic Disclosure Schedule); or (b) any assets of the Gothic Companies, except for sales of products in the ordinary course of business;

5.1.3 Declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock (except for such declarations, set asides, dividends and other distributions made from the Gothic Subsidiary to Gothic or payment-in-kind dividends to Parent on the Gothic Preferred Stock);

5.1.4 Reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any capital stock or amend or modify any warrant or other right to acquire any capital stock;

5.1.5 (a) Acquire (including, without limitation, by merger, consolidation, or acquisition of stock or assets) any corporation, partnership, other business organization or any division thereof or any material amount of assets other than in the ordinary course of business; (b) incur any indebtedness for borrowed money in excess of the existing borrowing base under the current Bank Credit Agreement or issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for, the

obligations of any Person, or make any loans, advances or capital contribution to, or investments in, any other Person (other than such of the foregoing as are made by Gothic to or in a wholly-owned subsidiary of Gothic), except in the ordinary course of business and consistent with past practice, but in no event in excess of $1.0 million; or (c) enter into or amend any contract, agreement, commitment or arrangement with respect to any matter set forth in this paragraph 5.1.5;

5.1.6 Increase the compensation payable or to become payable to any officers or employees, except for increases in accordance with past practices in salaries or wages of employees of the Gothic Companies who are not officers of the Gothic Companies, or grant any severance or termination pay to, or enter into any employment or severance agreement with, any director, officer or other employee of the Gothic Companies, or establish, adopt, enter into, modify or amend any collective bargaining, bonus, profit sharing, thrift, compensation, stock option except as set forth in paragraph 2.3.4, restricted stock, pension, retirement, deferred compensation, employment, termination, severance phantom stock plan or other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, officer or employee;

5.1.7 Make any material Tax election or settle or compromise any material federal, state, local or foreign income Tax liability;

5.1.8 Pay, discharge or satisfy any claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction, in the ordinary course of business and consistent with past practice, of liabilities reflected or reserved against in the Gothic Financial Statements or subsequently incurred in the ordinary course of business and consistent with past practices;

5.1.9 Settle or compromise any pending or threatened suit, action or claim which is material or which relates to any of the transactions contemplated hereby, except if such settlement or compromise would not have a Material Adverse Effect;

5.1.10 Undertake: (a) any capital commitment outside Arkansas, Kansas, Oklahoma and that portion of the State of Texas located north of latitude 34 degrees N (the "Midcontinent Area"); (b) any new land or lease initiatives; (c) any capital expenditures in the Midcontinent Area in an individual amount greater than $75,000 or, when aggregated with all other capital commitments, in an aggregate amount greater than $500,000, unless such capital expenditure is in an oil and gas well proposed by a Parent Company or proposed by a third party and participated in by a Parent Company; or (d) any new well proposals or regulatory or governmental action with respect to any well activities; provided, however, the restrictions on capital expenditures set forth in this paragraph 5.1.10 will not apply to the McClellan MOC Federal 21 Well, the

McClellan MOC Federal 22 Well or the Sinclair 2-4 Well so long as such wells are drilled to the depths and in accordance with the terms set forth in the respective AFEs for such wells dated April 25, 2000, June 19, 2000 and July 18, 2000;

5.1.11 Take or cause to be taken any action which would disqualify the Merger as a 368 Reorganization for Tax purposes;

5.1.12 Amend, modify, terminate, waive or permit to lapse any material right of first refusal, preferential right, right of first offer or any other material right of any of the Gothic Companies; or

5.1.13 Take or offer or propose to take, or agree to take in writing, or otherwise, any of the actions described in paragraphs 5.1.1 through 5.1.12 of this paragraph 5.1 or any action which would result in any of the conditions to the Merger not being satisfied.

5.2 Conduct of Parent Business Pending Closing. From the date hereof until the Effective Time, Parent covenants and agrees that, except to the extent contemplated in the Parent SEC Documents, as set forth below, or as otherwise agreed to in writing, the businesses of Parent and the Parent Subsidiaries will be conducted only in, and Parent and the Parent Subsidiaries will not take any action except in, the ordinary course of business and in a manner consistent with past practice, and Parent will use its reasonable best efforts to preserve substantially intact the business organization of Parent and the Parent Subsidiaries, to keep available the services of the current officers, employees and consultants of Parent and the Parent Subsidiaries and to preserve the goodwill of those current relationships of Parent and the Parent Subsidiaries with customers, suppliers and other Persons with which Parent or any Parent Subsidiary has significant business relations. By way of amplification and not limitation, except as contemplated by this Agreement, Parent will not, between the date of this Agreement and the Effective Time, directly or indirectly do, or propose to do, any of the following without the prior written consent of Gothic:

5.2.1 Amend or otherwise change the certificate of incorporation (excluding any certificate of elimination filed with respect to the Parent Preferred Stock) or bylaws of Parent;

5.2.2 Reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any Parent Common Stock; or

5.2.3 Take or cause to be taken any action which would disqualify the Merger as a 368 Reorganization for Tax purposes.

5.3 Access to Information. The Parent Companies and the Gothic Companies agree that:

5.3.1 Gothic will (and will cause each of the other Gothic Companies to) afford to Parent and Parent Representatives (including, without limitation, directors, officers and employees of Parent and its Affiliates, and counsel, accountants and other professionals retained by Parent) such access, during normal business hours throughout the period prior to the Effective Time, to Gothic's books, records (including, without limitation, Tax returns and work papers of Gothic's independent auditors), properties, personnel and to such other information as Parent reasonably requests and will permit Parent to make such inspections as Parent may reasonably request and will cause the officers of all of the Gothic Companies to furnish Parent with such financial and operating data and other information with respect to the business, properties and personnel of the Gothic Companies as Parent may from time to time reasonably request, provided, however, that no investigation pursuant to this paragraph 5.3 will affect or be deemed to modify any of the representations or warranties made by Gothic in this Agreement.

5.3.2 If and to the extent necessary for the preparation of the opinion specified in paragraph 3.24 hereof, the Parent Companies will afford to Gothic's financial advisors reasonable access during normal business hours to the executive officers of the Parent Companies, provided that such advisors first execute a confidentiality agreement satisfactory to the Parent Companies and their counsel and conduct such investigation in a manner that does not interfere unreasonably with the schedules of the Parent Companies' executive officers.

5.4 No Solicitation. Immediately following the execution of this Agreement, the Gothic Companies:

5.4.1 Will (and will cause each of the Gothic Representatives to) terminate any and all existing activities, discussions and negotiations with third parties (other than Parent) with respect to any possible transaction involving any proposal to acquire all or any part of the Gothic Common Stock or all or a material portion of the assets, business or equity interest of Gothic (other than the transactions contemplated by this Agreement), whether by merger, purchase of assets, tender offer, exchange offer or otherwise.

5.4.2 Will not (and will cause the Gothic Representatives not to), directly or indirectly: (a) solicit, initiate or encourage the submission of, any offer or proposal to acquire all or more than three percent (3%) of the Gothic Common Stock or all or any material portion of the assets, business or equity interests of Gothic or any other transaction the consummation of which would or could reasonably be expected to impede, interfere with, prevent or materially delay the consummation of the Merger (other than the transactions contemplated by this Agreement), whether by merger, purchase of assets, tender offer, exchange offer or otherwise (an "Alternative Proposal"); (b) engage in negotiations or discussions concerning or provide any non-public information to any Person relating to an Alternative Proposal; or (c) agree to,

approve or recommend, or otherwise facilitate any effort or attempt to make or implement, any Alternative Proposal, or withdraw its recommendation of the Merger, provided, however, that: (i) Gothic's board of directors may take and disclose to the stockholders of Gothic a position contemplated by Rule 14e-2(a) promulgated under the Exchange Act with regard to an Alternative Proposal; and (ii) following receipt from a third party (without any solicitation, initiation or encouragement, directly or indirectly, by Gothic or any Gothic Representatives) of a bona fide written Alternative Proposal, (x) Gothic may, upon written notice to Parent, engage in discussions or negotiations with such third party and may furnish such third party non-public information concerning Gothic, and Gothic's business, properties and assets if, prior to furnishing such information to such third party, such third party executes a confidentiality agreement in reasonably customary form and on terms, including so called "standstill" provisions, satisfactory in form and substance to Parent and (y) the board of directors of Gothic may recommend such Alternative Proposal or withdraw, modify or not make its recommendation referred to in paragraph 3.18, if and only to the extent that Gothic's board of directors determines in good faith that: (1) based on the advice of Gothic's counsel, the failure to recommend such Alternative Proposal would constitute a breach of the board's fiduciary duties; and (2) based on the advice of Gothic's financial advisor, such Alternative Proposal, if consummated, would result in a transaction more favorable to Gothic's stockholders from a financial point of view than the transaction contemplated by this Agreement (a "Superior Proposal") and the Person making such Superior Proposal has the financial means, or the ability to obtain the necessary financing, to conclude such transaction.

5.4.3 Will promptly notify Parent after receipt by Gothic or any of the Gothic Representatives of any Alternative Proposal, any inquiries indicating that any Person is considering making or wishes to make an Alternative Proposal or any requests for nonpublic information and the terms and conditions of any proposals or offers and the status of any actions, including any discussions, taken pursuant to such Alternative Proposal. Gothic agrees that it will keep Parent informed, on a current basis, of the status and terms of any such Alternative Proposal and of any discussions or negotiations regarding same.

5.4.4 Will cause each of the Irrevocable Proxies to be executed and delivered to Parent within ten (10) days after the execution of this Agreement, all in form and substance satisfactory to Parent and its legal counsel.

Nothing in this paragraph 5.4 will permit Gothic to terminate this Agreement or to change or withdraw its recommendation except as specifically provided in paragraph 7.1.

5.5 Gothic Stockholder Meeting. Gothic will take all action necessary in accordance with applicable law and its certificate of incorporation and bylaws to convene a meeting of

its stockholders as promptly as practicable after the date hereof for the purpose of voting on this Agreement and the Merger. The board of directors of Gothic will recommend approval of this Agreement and the Merger (unless Gothic's board of directors determines in good faith based on the advice of Gothic's financial advisor that Gothic has received a Superior Proposal from a Person with the financial means or ability to obtain the necessary financing to conclude such transaction, subject, however, to the provisions of paragraph 7 hereof) and will take all lawful action to solicit such approval, including timely mailing the Proxy Statement/Prospectus to the stockholders of Gothic.

5.6 Parent Tax Determination. As a condition precedent to the mailing of the Proxy Statement/Prospectus, Parent will have made a good faith determination to the effect that: (a) the Merger should be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code; (b) each of Parent and Sub should be a party to such reorganization within the meaning of Section 368(b) of the Code; and (c) no gain or loss should be recognized by Parent or Sub as a result of the Merger.

5.7 Registration Statement and Proxy Statement/Prospectus. With respect to the Registration Statement and the Proxy Statement/Prospectus, the parties agree that:

5.7.1 Parent and Gothic will cooperate and promptly prepare (i) a Preliminary Proxy Statement and (ii) the Registration Statement, and Gothic and Parent will file the Preliminary Proxy Statement and the Registration Statement with the SEC as soon as practicable after the date hereof. Parent will use its commercially reasonable efforts, and Gothic will cooperate with Parent (including furnishing all information concerning Gothic and the holders of Gothic Common Stock as may be reasonably requested by Parent), to have the Registration Statement declared effective under the Securities Act as promptly as practicable after such filing. Parent will use its best efforts, and Gothic will cooperate with Parent, to obtain all necessary state securities laws or "blue sky" permits, approvals and registrations in connection with the issuance of Parent Common Stock pursuant to the Merger.

5.7.2 Parent and Gothic will cause the Registration Statement (including the Proxy Statement/Prospectus), at the time it becomes effective under the Securities Act, to comply as to form in all material respects with the applicable provisions of the Securities Act, the Exchange Act and the rules and regulations of the SEC thereunder.

5.7.3 Gothic hereby covenants and agrees with Parent that: (a) the Registration Statement (at the time it becomes effective under the Securities Act and at the Effective Time) will not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (provided, however, that this clause (a) will apply only to information contained in the Registration Statement that was

supplied by Gothic specifically for inclusion therein); and (b) the Proxy Statement/Prospectus (at the time it is first mailed to stockholders of Gothic, at the time of the Gothic Stockholder Meeting, and at the Effective Time) will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading (provided, however, that this clause (b) will only apply to any information contained in the Proxy Statement/Prospectus that was supplied by Gothic specifically for inclusion therein). If, at any time prior to the Effective Time, any event with respect to Gothic, or with respect to other information supplied by Gothic specifically for inclusion in the Registration Statement, occurs and such event is required to be described in an amendment to the Registration Statement, Gothic will promptly notify Parent of such occurrence and will cooperate with Parent in the preparation and filing of such amendment. If, at any time prior to the Effective Time, any event with respect to Gothic, or with respect to other information included in the Proxy Statement/Prospectus, occurs and such event is required to be described in a supplement to the Proxy Statement/Prospectus, such event will be so described and such supplement will be promptly prepared, filed and disseminated.

5.7.4 Parent hereby covenants and agrees with Gothic that: (a) the Registration Statement (at the time it becomes effective under the Securities Act and at the Effective Time) will not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (provided, however, that this clause (a) will apply only to information contained in the Registration Statement that was supplied by Parent specifically for inclusion therein); and (b) the Proxy Statement/Prospectus (at the time it is first mailed to stockholders of Gothic, at the time of the Gothic Stockholder Meeting, and at the Effective Time) will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading (provided, however, that this clause (b) will only apply to any information contained in the Proxy Statement/Prospectus that was supplied by Parent specifically for inclusion therein). If, at any time prior to the Effective Time, any event with respect to Parent, or with respect to other information supplied by Parent specifically for inclusion in the Registration Statement, occurs and such event is required to be described in an amendment to the Registration Statement, Parent will promptly notify Gothic of such occurrence and will prepare and file such amendment. If, at any time prior to the Effective Time, any event with respect to Parent, or with respect to other information included in the Proxy Statement/Prospectus, occurs and such event is required to be described in a supplement to the Proxy Statement/Prospectus, such event will be so described and such supplement will be promptly prepared, filed and disseminated.

5.7.5 Neither the Registration Statement nor the Proxy Statement/Prospectus nor any amendment or supplement thereto will be filed or disseminated to the stockholders of Gothic without the approval of both Parent and Gothic which approval will not be unreasonably withheld. Parent will advise Gothic, promptly after it receives notice thereof, of the time when the Registration Statement has become effective under the Securities Act, the issuance of any stop order with respect to the Registration Statement, the suspension of the qualification of the Parent Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction or any comments or requests for additional information by the SEC with respect to the Registration Statement.

5.8 Stock Exchange Listing. Parent will use its best efforts to list on the Exchange or such other exchange on which Parent Common Stock is then primarily traded, upon notice of issuance, the Parent Common Stock to be issued pursuant to the Merger.

5.9 Additional Arrangements. Subject to the terms and conditions herein provided, each of Gothic and Parent will take, or cause to be taken, all action and will do, or cause to be done, all things necessary, appropriate or desirable under applicable laws and regulations or under applicable governing agreements to consummate and make effective the transactions contemplated by this Agreement, including using its best efforts to obtain all necessary waivers, consents and approvals and effecting all necessary registrations and filings. Each of Gothic and Parent will take, or cause to be taken, all action or will do, or cause to be done, all things necessary, appropriate or desirable to cause the covenants and conditions applicable to the transactions contemplated hereby to be performed or satisfied as soon as practicable. In addition, if any Governmental Authority will have issued any order, decree, ruling or injunction, or taken any other action that would have the effect of restraining, enjoining or otherwise prohibiting or preventing the consummation of the transactions contemplated hereby, each of Gothic and Parent will use its reasonable efforts to have such order, decree, ruling or injunction or other action declared ineffective as soon as practicable.

5.10 Agreements of Affiliates. At least 30 days prior to the Effective Time, Gothic will cause to be prepared and delivered to Parent a list identifying all Persons who, at the time of the Gothic Stockholder Meeting, may be deemed to be "affiliates" of Gothic as that term is used in paragraphs (c) and (d) of Rule 145 under the Securities Act or are Major Gothic Stockholders. Upon written request by Parent, Gothic will use its best efforts to cause each Person who is identified as a Major Gothic Stockholder or an "affiliate" of Gothic in such list to execute and deliver to Parent, on or prior to the Closing Date, a written agreement, in the form attached hereto as Exhibit "5.10" (if such Person has not executed and delivered an agreement substantially to the same effect contemporaneously with the execution of this Agreement). Parent will be entitled to place legends as specified in such agreements on the Parent Certificates representing any Parent Common Stock to be issued in the Merger to affiliates of Gothic or Major Gothic Stockholders. Parent agrees to use its commercially reasonable efforts to publish, or cause to be published, within 180 days after the Closing a quarterly earnings report, an effective registration statement filed with the SEC, a report to the SEC on

Form 10-K, 10-Q or 8-K, or any other public filing or announcement which includes the results of at least 30 days of combined operations of Parent and Gothic.

5.11 Public Announcements. Prior to Closing, Gothic will consult with Parent before issuing any press release or otherwise making any public statements with respect to the transactions contemplated by this Agreement and will not issue any press release or make any such public statement prior to obtaining the written approval of Parent; provided, however, that such approval will not be required where such release or announcement is required by applicable law; and provided further, that Gothic may respond to inquiries by the press or others regarding the transactions contemplated by this Agreement, so long as such responses are consistent with previously issued press releases.

5.12 Notification of Certain Matters. Gothic will give prompt notice to Parent of: (a) any representation or warranty of Gothic contained in this Agreement being untrue or inaccurate when made; (b) the occurrence of any event or development that would cause (or could reasonably be expected to cause) any representation or warranty of Gothic contained in this Agreement to be untrue or inaccurate on the Closing Date; or (c) any failure of Gothic to comply with or satisfy any covenant, condition, or agreement to be complied with or satisfied by it hereunder. Parent will give prompt notice to Gothic of: (i) any representation or warranty of Parent contained in this Agreement being untrue or inaccurate when made; (ii) the occurrence of any event or development that would cause (or could reasonably be expected to cause) any representation or warranty of Parent contained in this Agreement to be untrue or inaccurate on the Closing Date; or (iii) any failure of Parent to comply with or satisfy any covenant, condition, or agreement to be complied with or satisfied by it hereunder.

5.13 Indemnification. From and after the Effective Time, Parent agrees that:

5.13.1 Parent will indemnify and hold harmless each present and former director and/or officer of Gothic, determined as of the Effective Time (the "Indemnified Parties"), that is made a party or threatened to be made a party to any threatened, pending or completed, action, suit, proceeding or claim, whether civil, criminal, administrative or investigative, by reason of the fact that he or she was a director or officer of the Gothic Companies prior to the Effective Time and arising out of actions or omissions of the Indemnified Party in any such capacity occurring at or prior to such Effective Time (a "Claim") against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities reasonably incurred in connection with any Claim, whether asserted or claimed prior to, at or after the Effective Time, to the fullest extent that Gothic would have been permitted under Oklahoma law, the certificate of incorporation or bylaws of Gothic or written indemnification agreements in effect at the date hereof, including provisions therein relating to the advancement of expenses incurred in the defense of any action or suit.

5.13.2 Any Indemnified Party wishing to claim indemnification under paragraph 5.13.1, upon learning of any such Claim, will promptly notify Parent thereof, but the failure to so notify Parent will not relieve Parent of any liability it may have to such Indemnified Party if such failure does not materially prejudice Parent. In the event of any such Claim (whether arising before or after the Effective Time): (a) Parent will have the right to assume the defense thereof and Parent will not be liable to such Indemnified Party for any legal expenses of other counsel or any other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof, except that if Parent elects not to assume such defense, the Indemnified Party may retain counsel reasonably satisfactory to Parent, and Parent will pay reasonable fees and expenses of such counsel for the Indemnified Party; provided, however, that Parent will be obligated pursuant to this paragraph 5.13.2 to pay for only one firm or counsel for all Indemnified Parties unless the use of one counsel for such Indemnified Parties would present such counsel with a conflict of interest; (b) such Indemnified Parties will cooperate in the defense of any such matter; and (c) Parent will not be liable for any settlement effected without its prior written consent, which consent will not be unreasonably withheld; and provided, further, however, that Parent will not have any obligation hereunder to any Indemnified Party when and if a court of competent jurisdiction will ultimately determine, and such determination will have become final and non-appealable, that the indemnification of such Indemnified Party in the manner contemplated hereby is prohibited by applicable law. If such indemnity is not available with respect to any Indemnified Party, then Parent and the Indemnified Party will contribute to the amount payable in such proportion as is appropriate to reflect relative faults and benefits, with any allocation of respective "fault" otherwise allocable to Gothic being allocated to Parent.

5.14 Employee and Severance Matters. Attached as Section 5.14 of the Gothic Disclosure Schedule is: (a) a current list of each of the Gothic Companies' employees (the "Gothic Employees"); (b) a copy of Gothic's severance policy (the "Gothic Severance Policy"); (c) a severance package table which lists the cost of all severance pay to be paid to each of the Gothic Employees; (d) a list of Gothic Employees with written employment agreements (the "Contract Employees"); and (e) a list of all contract pumpers and other independent contractors (the "Independent Contractors") and a summary of the terms of such arrangements including, without limitation, any severance package. On or immediately prior to the Closing Date, Gothic will pay the severance pay as indicated on the severance package table to the Gothic Employees. Notwithstanding the immediately preceding sentence, Gothic will not pay such severance pay to: (i) any Gothic Employee who is not a Contract Employee and to whom Parent or Sub offers a substantially comparable job (as determined by Parent in its reasonable discretion) with equal or better base salary at such employee's current location; (ii) any Contract Employee who chooses not to terminate his employment agreement with Gothic on the Closing Date; (iii) any Independent Contractor who is covered by the Gothic Severance Policy and chooses not to terminate his contract with Gothic on the Closing Date; (iv) Michael Paulk or Steve Ensz except in accordance with their respective employment

agreements and the termination agreements attached hereto as part of Section 5.14 of the Gothic Disclosure Schedule; or (v) any Gothic Employee who does not execute a severance agreement in substantially the form required by the severance policy. With respect to any Gothic Employee who is not paid severance pay on or immediately prior to the Effective Date, all the terms and provisions of the Gothic Severance Policy and the Contract Employees' employment agreements will continue in full force and effect.

5.15 Restructuring of Merger. Upon the mutual agreement of Parent and Gothic so long as no breach of any of the representations and warranties set forth herein has occurred, the Merger may be restructured in the form of a forward subsidiary merger of Gothic into Sub, with Sub being the Surviving Corporation, or as a merger of Gothic into Parent, with Parent being the Surviving Corporation. In addition, (so long as no breach of any of the representations and warranties of the Parent set forth herein has occurred, such restructure will not adversely affect the tax consequences of the Merger and such restructure will not cause a violation of paragraph 6.2.6 that is not waived by the Parent), at the election of the Parent, the Merger may be restructured in the form of a share acquisition under Section 1090.1 of the OGCA. In such event, this Agreement will be deemed appropriately modified to reflect such form of merger. Regardless of the form of the Merger, Gothic, Parent and Sub acknowledge and agree that the effect of the Merger is that Gothic is being acquired by Parent.

5.16 Payment of Expenses. Except as set forth in this paragraph 5.16, all expenses incurred in connection with this Agreement will be paid by the party incurring such expenses, whether or not the Merger is consummated, except that Parent and Gothic each will pay one-half of all Expenses (as defined below) relating to printing, filing and mailing the Registration Statement and the Proxy Statement/Prospectus and all SEC and other regulatory filing fees incurred in connection with the Registration Statement and the Proxy Statement/Prospectus. "Expenses" as used in this Agreement will include all reasonable out-of-pocket expenses (including, without limitation, all fees and expenses of counsel, accountants, experts and consultants to a party hereto and its affiliates) incurred by a party or on its behalf in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement, the preparation, printing, filing and mailing of the Registration Statement and the Proxy Statement/Prospectus, the solicitation of stockholder approvals and all other matters related to the closing of the Merger.

5.17 Gothic Termination Fee. Parent and Gothic agree that: (a) if Gothic terminates this Agreement pursuant to pursuant to paragraph 7.1.4(a); or (b) if Parent terminates this Agreement pursuant to paragraph 7.1.5; or (c) if (i) Gothic or Parent terminates this Agreement pursuant to paragraph 7.1.2 due to the failure of Gothic's stockholders to approve and adopt this Agreement, the Merger and the transactions contemplated hereby, and (ii) at the time of such failure to so approve and adopt this Agreement, the Merger and the transactions contemplated hereby, there exists an Alternative Proposal with respect to Gothic and, prior to or within seven (7) months of the termination of this Agreement, Gothic enters into a definitive agreement with any third party with respect to such Alternative Proposal with respect to Gothic; then Gothic will pay to

Parent an amount equal to $10,000,000 (the "Gothic Termination Fee"). The Gothic Termination Fee will be paid prior to, and will be a pre-condition to effectiveness of termination of this Agreement pursuant to paragraph 7.1.4 and 7.1.5 and the Gothic Termination Fee will be paid to Parent on the next business day after a definitive agreement is entered into with a third party with respect to an Alternative Proposal if this Agreement is terminated pursuant to paragraph 7.1.2. Any payment of a Gothic Termination Fee required to be made pursuant to this paragraph 5.17 will be made not later than two (2) business days after termination of this Agreement. All payments under this paragraph 5.17 will be made by wire transfer of immediately available funds to an account designated by Parent.

5.18 Dissenting Stockholder Payments. Any and all payments made to settle appraisal rights of Dissenting Stockholders or made pursuant to the OGCA will be made solely out of Gothic assets and neither Parent nor Sub will have any liability therefor.

6. Conditions Precedent. The obligations of the parties under this Agreement will be subject to the following conditions precedent:

6.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger will be subject to the satisfaction, at or prior to the Closing Date, of the following conditions:

6.1.1 Stockholder Approval. This Agreement and the Merger will have been duly and validly approved and adopted by a majority of the outstanding Gothic Common Stock and Gothic Preferred Stock voting as one class.

6.1.2 Other Approvals. If applicable, the waiting period applicable to the consummation of the Merger under the HSR Act will have expired or been terminated and all filings required to be made prior to the Effective Time with, and all consents, approvals, permits and authorizations required to be obtained prior to the Effective Time from, any Governmental Authority in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby by Gothic, Parent and Sub will have been made or obtained (as the case may be), except where the failure to obtain such consents, approvals, permits and authorizations would not be reasonably likely to result in a Material Adverse Effect on Parent (assuming the Merger has taken place) or to materially and adversely affect the consummation of the Merger.

6.1.3 Securities Law Matters. The Registration Statement will have become effective under the Securities Act and will be effective at the Effective Time, and no stop order suspending such effectiveness will have been issued, no action, suit, proceeding or investigation by the SEC to suspend such effectiveness will have been initiated and be continuing, and all necessary approvals under state securities laws relating to the issuance or trading of the Parent Common Stock to be issued in the Merger will have been received.

6.1.4 No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger will be in effect; provided, however, that prior to invoking this condition, each party will have complied fully with its obligations under paragraph 5.9 and, in addition, will use all reasonable efforts to have any such decree, ruling, injunction or order vacated, except as otherwise contemplated by this Agreement.

6.1.5 Financing Conditions. All of the terms and conditions set forth in the financing commitment dated September 8, 2000, among Bear Stearns & Co., Inc. and the Parent relating to the Merger will have been satisfied, such financing commitment will be in full force and effect as to each of the lenders which is a party thereto and all of the funding required to consummate the transactions contemplated hereby (including the payment of any obligations of the Gothic Companies as a result of this transaction together with any transaction costs) and covered by such financing commitment will be available to be disbursed to Parent in accordance with the terms of such financing commitment.

6.1.6 Bond Indenture Compliance. Prior to the Closing Date, the Gothic Companies will deliver or cause to be delivered to the trustee under the Senior Secured GPC Notes indenture the Officers' Certificate in the form set forth in Section 6.1.6 of the Gothic Disclosure Schedule together with all opinions and other required documentation and will have provided executed copies thereof to the Parent along with the calculations upon which such Officers' Certificate is based and all such items will be true and correct in all respects.

6.2 Conditions to Obligations of Parent and Sub. The obligations of Parent and Sub to effect the Merger are subject to the satisfaction of the following conditions, any or all of which may be waived in whole or in part by Parent and Sub:

6.2.1 Representations and Warranties. The representations and warranties of Gothic set forth in this Agreement and the Gothic Disclosure Schedule will be true and correct as of the Closing Date as though made on and as of that time, and Parent will have received a certificate signed by the chief executive officer of Gothic to such effect; provided, however, that the condition set forth in this paragraph 6.2.1 will be deemed to be satisfied even if one or more of such representations and warranties are not true and correct, so long as the failure of such representations and warranties to be true and correct (in the aggregate) does not result in a Material Adverse Effect on any of the Gothic Companies.

6.2.2 Performance of Covenants and Agreements by Gothic. Gothic will have performed in all material respects all covenants and agreements required to be performed by it under this Agreement at or prior to the Closing Date, and

Parent will have received a certificate signed by the chief executive officer of Gothic to such effect.

6.2.3 Letters from Gothic Affiliates. Parent will have received from each Person named in the list referred to in paragraph 5.10 an executed copy of the agreement described in paragraph 5.10.

6.2.4 Tax Determination. The determination described in paragraph 5.6 will not have been withdrawn, revoked or modified.

6.2.5 No Adverse Change. From the date of this Agreement through the Closing, there will not have occurred any change in the condition (financial or otherwise), operations or business of any of the Gothic Companies that would have or would be reasonably likely to have a Material Adverse Effect on any of the Gothic Companies (other than changes in commodity prices, changes generally affecting the oil and gas industry, changes resulting from exploration or development results reported in the ordinary course of business and changes arising from the announcement of the Merger).

6.2.6 Dissenting Stockholders. Holders of more than five percent (5%) of the outstanding shares of Gothic Common Stock will not have exercised, nor will they have any continued right to exercise, appraisal, dissenters' or similar rights under applicable law with respect to their shares by virtue of the Merger.

6.2.7 Resignations. Each of the officers and directors of each Gothic Company will have resigned.

6.2.8 Releases. Each officer and director of the Gothic Companies will have executed and delivered a Release in substantially the form attached hereto as Exhibit "6.2.8."

6.2.9 Opinion of Counsel. Parent will have received from: (a) Pray, Walker, Jackman, Williamson & Marlar, counsel to Gothic, an opinion in form and substance as set forth in Exhibit "6.2.9(a)" attached hereto addressed to Parent and dated as of the Closing Date, and (b) William Clarke, counsel to Gothic, an opinion in form and substance as set forth in Exhibit "6.2.9(b)" attached hereto addressed to Parent and dated as of the Closing Date.

6.2.10 Loans and Pledges. As of the Closing Date, the pledge agreements referred to in paragraph 3.40 hereof covering all of the Pledged Stock will remain in full force and effect and the officer and employee letters directing payment of the loans to officers and employees to be made out of severance payments will remain in full force and effect with respect to no less than eighty percent (80%) of the aggregate unpaid balances of all such officer and employee loans.

6.3 Conditions to Obligation of Gothic. The obligation of Gothic to effect the Merger is subject to the satisfaction of the following conditions, any or all of which may be waived in whole or in part by Gothic:

6.3.1 Representations and Warranties. The representations and warranties of Parent and Sub set forth in paragraph 4 will be true and correct as of the Closing Date as though made on and as of that time, and Gothic will have received a certificate signed by the chief executive officer or the chief financial officer of Parent to such effect; provided, however, that the condition set forth in this paragraph 6.3.1 will be deemed to be satisfied even if one or more of such representations and warranties are not true and correct, so long as the failure of such representations and warranties to be true and correct (in the aggregate) does not result in a Material Adverse Effect on Parent and/or Sub.

6.3.2 Performance of Covenants and Agreements by Parent and Sub. Parent and Sub will have performed in all material respects all covenants and agreements required to be performed by them under this Agreement at or prior to the Closing Date, and Gothic will have received a certificate signed by the chief executive officer or the chief financial officer of Parent to such effect.

6.3.3 Listing. The shares of Parent Common Stock issuable pursuant to the Merger will have been authorized for listing on the Exchange or such other exchange on which the Parent Common Stock is traded, subject to official notice of issuance.

6.3.4 No Adverse Change. From the date of this Agreement through the Closing, there will not have occurred any change in the condition (financial or otherwise), operations or business of the Parent Companies taken as a whole that would have or would be reasonably likely to have a Material Adverse Effect on the Parent Companies (other than changes in commodity prices, changes generally affecting the oil and gas industry, changes resulting from exploration and development results reported in the ordinary course of business and changes arising from the announcement of the Merger).

6.3.5 Opinion of Counsel. Gothic will have received from Self, Giddens & Lees, Inc., counsel to Parent, an opinion in form and substance as set forth in Exhibit "6.3.5" attached hereto addressed to Gothic, and dated as of the Closing Date.

7. Termination. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after approval of this Agreement and the Merger by the stockholders of Gothic on the following terms.

7.1 Termination Rights. Any termination of this Agreement will be by:

7.1.1 Mutual Consent. By mutual written consent of Parent and Gothic;

7.1.2 Date Certain. By either Gothic or Parent if: (a) the Merger has not been consummated by June 30, 2001 (provided, however, that the right to terminate this Agreement pursuant to this clause (a) will not be available to any party whose breach of any representation or warranty or failure to perform any covenant or agreement under this Agreement has been the cause of or resulted in the failure of the Merger to occur on or before such date); (b) any Governmental Authority has issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action has become final and nonappealable (provided, however, that the right to terminate this Agreement pursuant to this clause (b) will not be available to any party until such party has used all reasonable efforts to remove such injunction, order or decree); or (c) this Agreement and the Merger have not been approved by the holders of a majority of the outstanding Gothic Common Stock and Gothic Preferred Stock voting as one class at the Gothic Stockholder Meeting or at any adjournment thereof;

7.1.3 By Parent. By Parent if: (a) there has been a breach of any of the representations and warranties made by Gothic in this Agreement or the Gothic Disclosure Schedule the aggregate of which would have a Material Adverse Effect on Gothic (provided, however, that Parent will not be entitled to terminate this Agreement pursuant to this clause (a) unless Parent has given Gothic prior written notice of such breach and Gothic has failed to cure such breach within fifteen (15) days after such written notice, and the condition described in paragraph 6.2.1, other than the provision thereof relating to the certificate signed by the chief executive officer of Gothic, would not be satisfied if the Closing were to occur on the day on which Parent gives Gothic notice of such termination); or (b) Gothic has failed to comply in any material respect with any of its covenants or agreements contained in this Agreement and such failure has not been, or cannot be, cured within ten (10) days after notice and demand for cure thereof;

7.1.4 By Gothic. By Gothic if: (a) as a result of a Superior Proposal received by Gothic from a Person other than a party to this Agreement or any of its Affiliates, Gothic's board of directors determines in good faith based on the advice of legal counsel that their fiduciary obligations under applicable law require that such Superior Proposal be accepted; provided, however, that prior to the effective date of any such termination, Gothic will provide Parent with an opportunity (of not less than three (3) full business days) to make such adjustments in the terms and conditions of this Agreement or the Merger as would enable Gothic to proceed with the transactions contemplated hereby; provided, further, that it will be a condition to the effectiveness of termination by Gothic pursuant to this paragraph 7.1.4, that Gothic will have paid the Gothic Termination Fee to Parent required by paragraph 5.17; or (b) there has been a breach of the representations and warranties made by Parent in paragraph 4 of this Agreement the aggregate of which would have a Material

Adverse Effect on Parent (provided, however, that Gothic will not be entitled to terminate this Agreement pursuant to this clause (b) unless Gothic has given Parent at least fifteen (15) days prior written notice of such breach and Parent has failed to cure such breach within such 15-day period, and the condition described in Section 6.3.1, other than the provision thereof relating to the certificate signed by the chief executive officer or chief financial officer of Parent, would not be satisfied if the Closing were to occur on the day on which Gothic gives Parent notice of such termination); or (c) Parent has failed to comply in any material respect with any of its covenants or agreements contained in this Agreement and such failure has not been, or cannot be, cured within a reasonable time after notice and demand for cure thereof; or

7.1.5 Superior Proposal. By Parent if the board of directors of Gothic: (a) accepts a Superior Proposal in accordance with paragraph 5.4.2; or (b) withdraws or modifies in a manner adverse to Parent, its approval or recommendation of this Agreement or the Merger, or, on request by Parent, fails to reaffirm such approval or recommendation.

7.2 Effect of Termination. If this Agreement is terminated by either Gothic or Parent pursuant to the provisions of paragraph 7.1, this Agreement will forthwith become void and there will be no further obligation on the part of any party hereto or its respective Affiliates, directors, officers or stockholders except pursuant to, the provisions of this paragraph 7.2 and paragraphs 5.7.3, 5.7.4 and 5.17 (which will continue pursuant to their terms). The termination of this Agreement will not relieve any party hereto from any liability for damages incurred as a result of a breach by such party of its representations, warranties, covenants, agreements or other obligations hereunder occurring prior to such termination, provided, however, that for any termination hereof as a result of any of the matters outlined in: (a) subparts (b) or (c) of paragraph 7.1.4, the Parent Companies' aggregate liability will not exceed $1,000,000.00; and (b) paragraph 7.1.3, the Gothic Companies' aggregate liability will not exceed $1,000,000.00.

8. Miscellaneous. It is further agreed as follows:

8.1 Nonsurvival of Representations, Warranties, Covenants and Agreements. None of the representations, warranties, covenants or agreements contained in this Agreement or in any instrument delivered pursuant to this Agreement, and no agreements or obligations arising under the Confidentiality Agreement, will survive the consummation of the Merger, except for the agreements contained in paragraphs 2, 5.13, 5.14, 5.17, 7 and in this paragraph 8 and the agreements delivered pursuant to paragraph 5.10.

8.2 Amendment. This Agreement may be amended by the parties hereto at any time before or after approval of the Merger and this Agreement by the stockholders of Gothic; provided, however, that after any such approval, no amendment will be made that by law requires further approval by such stockholders without such further approval. This

Agreement may not be amended except by a written instrument signed on behalf of each of the parties hereto.

8.3 Notices. Any notice or other communication required or permitted hereunder will be in writing and either delivered personally, by facsimile transmission or by registered or certified mail (postage prepaid and return receipt requested) and will be deemed given when received (or, if mailed, five (5) business days after the date of mailing) at the following addresses or facsimile transmission numbers (or at such other address or facsimile transmission number for a party as will be specified by like notice):

To Parent or Sub: Chesapeake Energy Corporation
6100 North Western Avenue
Oklahoma City, Oklahoma 73118
Attention: Aubrey K. McClendon
Telephone: 405-848-8000
Facsimile: 405-848-8588

With a copy to: Self, Giddens & Lees, Inc.
2725 Oklahoma Tower
210 Park Avenue
Oklahoma City, Oklahoma 73102
Attention: C. Ray Lees
Telephone: 405-232-3001
Facsimile: 405-232-5553

To Gothic: Gothic Energy Corporation
6120 South Yale Avenue, Suite 1200
Tulsa, Oklahoma 74136
Attn: Michael K. Paulk
Telephone (918) 749-5666
Fax No. (918) 477-8045

With a copy to: Pray, Walker, Jackman, Williamson & Marlar
900 OneOk Plaza
100 West 5th Street
Tulsa, Oklahoma 74103-4218
Attn: Ira L. Edwards, Jr.
Telephone (918) 581-5500
Fax No. (918) 581-5599

and

William Clarke
457 North Harrison Street, Suite 103
Princeton, New Jersey 08540
Telephone:(609) 921-3663
Facsimile: (609) 921-3933

8.4 Counterparts. This Agreement may be executed in two or more counterparts, all of which will be considered one and the same agreement and will become effective when two or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

8.5 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision will be interpreted to be only so broad as is enforceable.

8.6 Entire Agreement; No Third Party Beneficiaries. This Agreement (together with the documents and instruments delivered by the parties in connection with this Agreement): (a) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof; and (b) except as provided in paragraph 2 or paragraphs 5.13 or 5.14, is solely for the benefit of the parties hereto and their respective successors, legal representatives and assigns and does not confer on any other Person any rights or remedies hereunder.

8.7 Applicable Law. This Agreement will be governed in all respects, including validity, interpretation and effect, by the laws of the State of Oklahoma regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

8.8 No Remedy in Certain Circumstances. Each party agrees that, should any court or other competent authority hold any provision of this Agreement or part hereof to be null, void or unenforceable, or order any party to take any action inconsistent herewith or not to take an action consistent herewith or required hereby, the validity, legality and enforceability of the remaining provisions and obligations contained or set forth herein will not in any way be affected or impaired thereby, unless the foregoing inconsistent action or the failure to take an action constitutes a material breach of this Agreement or makes this Agreement impossible to perform, in which case this Agreement will terminate pursuant to paragraph 7 hereof. Except as otherwise contemplated by this Agreement, to the extent that a party hereto took an action inconsistent herewith or failed to take action consistent herewith or required hereby pursuant to an order or judgment of a court or other competent Governmental Authority, such party will not incur any liability or obligation unless such party breached its obligation under paragraph 5.9 or did not in good faith seek to resist or object to the imposition or entering of such order or judgment.

8.9 Enforcement of Agreement. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with the terms hereof or were otherwise breached. Accordingly, the parties hereto hereby agree that each party hereto will be entitled to specific performance of the terms and provisions hereof in addition to any other remedy at law or in equity.

8.10 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder will be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties, except that Sub may assign, in its sole discretion, any or all of its rights, interests and obligations hereunder to any newly formed direct or indirect wholly-owned subsidiary of Parent. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

8.11 Waivers. At any time prior to the Effective Time, the parties hereto may, to the extent legally allowed: (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto; (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto; and (c) waive performance of any of the covenants or agreements, or satisfaction of any of the conditions, contained herein. Any agreement on the part of a party hereto to any such extension or waiver will be valid only if set forth in a written instrument signed on behalf of such party. Except as provided in this Agreement, no action taken pursuant to this Agreement, including any investigation by or on behalf of any party, will be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision hereof will not operate or be

construed as a waiver of any prior or subsequent breach of the same or any other provisions hereof.

8.12 References and Titles. All references in this Agreement to Exhibits, Schedules, Sections, paragraphs, subsections and other subdivisions refer to the corresponding Exhibits, Schedules, Sections, paragraphs, subsections and other subdivisions of or to this Agreement and/or the schedules attached hereto unless expressly provided otherwise. Except for the defined terms in paragraph 1, titles appearing at the beginning of any Sections, paragraphs, subsections or other subdivisions of this Agreement are for convenience only, do not constitute any part of this Agreement, and will be disregarded in construing the language hereof.

8.13 Incorporation. Exhibits and Schedules referred to herein are attached to and by this reference incorporated herein for all purposes.

SIGNATURE PAGE

(Agreement and Plan of Merger)

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

GOTHIC ENERGY CORPORATION, an Oklahoma corporation

By: /s/ Michael Paulk

Michael Paulk, President

("Gothic")

SIGNATURE PAGE

(Agreement and Plan of Merger)

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation

By: /s/ Marcus C. Rowland

Marcus C. Rowland, Executive Vice President

("Parent")

CHESAPEAKE MERGER 2000 CORP., an Oklahoma corporation

By: /s/ Marcus C. Rowland

Marcus C. Rowland, Vice President

("Sub")

LIST OF EXHIBITS

Exhibit 1.49	Agreement and Limited Irrevocable Proxy
Exhibit 2.2	Amended and Restated Certificate of Designations of Preferences and Rights of Senior Redeemable Preferred Stock, Series B
Exhibit 5.10	Form of Affiliate Letter for Affiliates of Gothic Energy Corporation
Exhibit 6.2.8	Release
Exhibit 6.2.9(a)	Opinion of Counsel to Gothic Energy Corporation
Exhibit 6.2.9(b)	Opinion of Counsel to Gothic Energy Corporation
Exhibit 6.3.5	Opinion of Counsel to Chesapeake Energy Corporation

LIST OF GOTHIC DISCLOSURE SCHEDULES

Schedule 1.24	Gothic Aggregate Number
Schedule 1.58	Ownership Interests
Schedule 1.72	Permitted Encumbrances
Schedule 2.3.4	Options and Warrants
Schedule 3.1	Corporate Organization
Schedule 3.3	No Default Violations
Schedule 3.5	SEC Documents
Schedule 3.7	Capital Structure
Schedule 3.9	Litigation
Schedule 3.10	Brokers
Schedule 3.11	Absence of Certain Changes or Events
Schedule 3.13	No Restrictions
Schedule 3.14	Taxes
Schedule 3.15	Employee Benefit Plans
Schedule 3.16	Environmental Matters
Schedule 3.19	Employee Contracts and Benefits
Schedule 3.21	Insurance
Schedule 3.22	Intangible Property
Schedule 3.25	Oil and Gas Operations
Schedule 3.26	Financial and Commodity Hedging
Schedule 3.28	Other Entities
Schedule 3.29	Account Information
Schedule 3.35	Current Commitments
Schedule 3.36	Payout and Gas Balancing
Schedule 3.40	Employees, Officers and Directors' Loans
Schedule 5.14	Employee and Severance Matters
Schedule 6.1.6	Bond Indenture Compliance

LIST OF CHESAPEAKE DISCLOSURE SCHEDULES

Section 4.7	Capital Structure
Section 4.9	Litigation
Section 4.12	Absence of Certain Changes
Section 4.14	No Restrictions
Section 4.15	Taxes
Section 4.15.2	Tax Examinations
Section 4.15.3	Tax Agreements
Section 4.16	Environmental Matters
Section 4.17	Employment Contracts and Benefits
Section 4.20	Intangible Property
Section 4.23(b)	Employee Benefit Plans

EXHIBIT 3.1

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 933,000 shares of its 7% Cumulative Convertible Preferred Stock, par value $.01 per share (the "Acquired Shares"), since July 6, 2000.

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 7% Cumulative Convertible Preferred Stock (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 7% Cumulative Convertible Preferred Stock by 933,000 shares, being the total number of the Acquired Shares retired by the Board of Directors since July 6, 2000. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 933,000 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $9,330.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Executive Vice President and Chief Financial Officer and attested to by its Secretary, this 7th day of September, 2000.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Marcus C. Rowland

Marcus C. Rowland, Executive Vice President
and Chief Financial Officer

ATTEST:

/s/ Jennifer M. Grigsby
- ---
Jennifer M. Grigsby, Secretary

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 935,000 shares of its 7% Cumulative Convertible Preferred Stock, par value $.01 per share (the "Acquired Shares"), since June 20, 2000.

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 7% Cumulative Convertible Preferred Stock (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 7% Cumulative Convertible Preferred Stock by 935,000 shares, being the total number of the Acquired Shares retired by the Board of Directors since June 20, 2000. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 935,000 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $9,350.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Executive Vice President and Chief Financial Officer and attested to by its Secretary, this 6th day of July, 2000.

CHESAPEAKE ENERGY CORPORATION

By: /s/ MARCUS C. ROWLAND

Marcus C. Rowland, Executive Vice President and Chief Financial Officer

ATTEST:

/s/ JENNIFER M. GRIGSBY
Jennifer M. Grigsby, Secretary

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 1,389,363 shares of its 7% Cumulative Convertible Preferred Stock, par value $.01 per share (the "Acquired Shares"), since April 10, 2000.

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 7% Cumulative Convertible Preferred Stock (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 7% Cumulative Convertible Preferred Stock by 1,389,363 shares, being the total number of the Acquired Shares retired by the Board of Directors since April 10, 2000. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 1,389,363 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $13,894.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Chairman of the Board and Chief Executive Officer and attested to by its Secretary, this 19th day of June, 2000.

CHESAPEAKE ENERGY CORPORATION

By: /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chairman of the Board and Chief Executive Officer

ATTEST:

/s/ MARTHA A. BURGER
Martha A. Burger, Secretary

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 718,600 shares of its 7% Cumulative Convertible Preferred Stock, par value $.01 per share (the "Acquired Shares").

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 7% Cumulative Convertible Preferred Stock (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 7% Cumulative Convertible Preferred Stock by 718,600 shares, being the total number of the Acquired Shares retired by the Board of Directors. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 718,600 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $7,186.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Chairman of the Board and Chief Executive Officer and attested to by its Secretary, this 10th day of April, 2000.

CHESAPEAKE ENERGY CORPORATION

By: /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chairman of the Board and Chief Executive Officer

ATTEST:

/s/ MARTHA A. BURGER
Martha A. Burger, Secretary

CERTIFICATE OF DESIGNATIONS OF

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK OF

CHESAPEAKE ENERGY CORPORATION

(PURSUANT TO SECTION 1032 OF THE GENERAL CORPORATION ACT OF THE STATE OF OKLAHOMA)

Chesapeake Energy Corporation, a corporation organized and existing under the General Corporation Law of the State of Oklahoma (hereinafter called the "Company"), hereby certifies that the following resolution was duly adopted by the Board of Directors of the Company as required by Section 1032 of the General Corporation Act of the State of Oklahoma and in accordance with Article IV of the Company's Certificate of Incorporation, as amended, at a meeting duly called and held on July 7, 1998:

WHEREAS, pursuant to the Company's Certificate of Incorporation, as amended to date (hereinafter called the "Certificate of Incorporation"), the Company is authorized to issue up to 10,000,000 shares of preferred stock, par value $0.01 per share (the "Preferred Stock") from time to time, of which 4,600,000 shares have been designated as the 7% Cumulative Convertible Preferred Stock and are currently outstanding; and

WHEREAS, pursuant to the authority vested in the Board of Directors of the Company in accordance with the General Corporation Act of the State of Oklahoma and the Company's Certificate of Incorporation, the Board of Directors is authorized by resolution duly adopted, to designate shares of Preferred Stock to be issued, in one or more series, to provide for the designation thereof of the powers, designations, preferences and relative, participating, optional or other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof;

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of the Company (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Company's Certificate of Incorporation, the Board of Directors on July 7, 1998 adopted the following resolutions to create a new series of Preferred Stock; and be it further

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation in accordance with the provisions of the Oklahoma General Corporation Act and the

Certificate of Incorporation, a Series A Junior Participating Preferred Stock of the Corporation is hereby created, and 250,000 shares of Preferred Stock shall be reserved for issuance as Series A Junior Participating Preferred Stock in accordance with this Certificate of Designation with the designations thereof and the powers, designations, preferences and relative, participating, optional or other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof as set forth below:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 250,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Company convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock of the Company (the "Preferred Stock") (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value $0.01 per share, of the Company (the "Common Stock") and of any other stock of the Company ranking junior to the Series A Preferred Stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, quarterly dividends payable in cash on the last day of January, April, July, and October in each year (each such date being referred to herein as a "Dividend Payment Date"), commencing on the first Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $10.00 and (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock, declared on the Common Stock since the immediately preceding Dividend Payment Date or, with respect to the first Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event that the Company shall at any time after July 27, 1998 declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Company shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Dividend Payment Date and the next subsequent Dividend Payment Date, a dividend of $10.00 per share on the Series A Preferred Stock shall nevertheless be payable, when, as and if declared, on such subsequent Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative, whether or not earned or declared, on outstanding shares of Series A Preferred Stock from the Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by- share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth and except as otherwise provided in the Certificate of Incorporation or required by law, each share of Series A Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters upon which the holders of the Common Stock of the Company are entitled to vote. In the event the Company shall at any time after July 27, 1998 declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in the Certificate of Incorporation or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, and except

as otherwise required by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Company having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Company.

(C) Except as set forth herein, or as otherwise provided by law or the Certificate of Incorporation, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not earned or declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (as to dividends) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (as to dividends) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Company may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Company ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Stock or rights, warrants or options to acquire such junior stock;

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could,

under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their retirement become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to any conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Company, no distribution shall be made (A) to the holders of the Common Stock or of shares of any other stock of the Company ranking junior, upon liquidation, dissolution or winding up, to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $10.00 per share, plus an amount equal to accrued and unpaid dividend distributions thereon, whether or not earned or declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (B) to the holders of shares of stock ranking on a parity upon liquidation, dissolution or winding up with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Preferred Stock liquidation preference and the liquidation preferences of all other classes and series of stock of the Company, if any, that rank on a parity with the Series A Preferred Stock in respect thereof, then the assets available for such distribution shall be distributed ratably to the holders of the Series A Preferred Stock and the holders of such parity shares in the proportion to their respective liquidation preferences. In the event the Company shall at any time after July 27, 1998 declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (A) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In the case the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are converted into, exchanged for or changed into other stock or securities, cash and/or any property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly

converted into, exchanged for or changed into an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is converted, exchanged or converted. In the event the Company shall at any time after July 27, 1998 declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the conversion, exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable from any holder.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up of the Company, junior to all other series of Preferred Stock and senior to the Common Stock.

Section 10. Amendment. If any proposed amendment to the Certificate of Incorporation (including this Certificate of Designations) would alter, change or repeal any of the preferences, powers or special rights given to the Series A Preferred Stock so as to affect the Series A Preferred Stock adversely, then the holders of the Series A Preferred Stock shall be entitled to vote separately as a class upon such amendment, and the affirmative vote of two- thirds of the outstanding shares of the Series A Preferred Stock, voting separately as a class, shall be necessary for the adoption thereof, in addition to such other vote as may be required by the General Corporation Act of the State of Oklahoma.

Section 11. Fractional Shares. Series A Preferred Stock may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Company by its Chairman of the Board and Chief Executive Officer and attested by its Secretary this 7th day of July, 1998.

/s/ Aubrey K. McClendon

Aubrey K. McClendon
Chairman of the Board and
Chief Executive Officer

Attest: /s/ Janice A. Dobbs

Janice A. Dobbs
Corporate Secretary

CERTIFICATE OF CORRECTION
OF
CERTIFICATE OF DESIGNATION
FOR THE
7% CUMULATIVE CONVERTIBLE PREFERRED STOCK
OF
CHESAPEAKE ENERGY CORPORATION

Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), pursuant to Section 1007 of the Oklahoma General Corporation Act, for the purpose of correcting the Certificate of Designation of the Company for its 7% Cumulative Convertible Preferred Stock (the "Certificate of Designation"), hereby certifies the following:

1. That the Company was originally incorporated on October 18, 1996, under the name "Chesapeake Oklahoma Corporation." The Company filed the Certificate of Designation on April 21, 1998. Section 2.14 of the Certificate of Designation contained an inaccurate definition of the term "Market Value."

2. Section 2.14 of the Certificate of Designation, in its corrected form, shall read in its entirety as follows:

> "'Market Value' shall mean the average closing price of the Common Stock for a five consecutive trading day period on the NYSE or such other national securities exchange or automated quotation system on which the Common Stock is then listed or authorized for quotation or, if the Common Stock is not so listed or authorized for quotation, an amount determined in good faith by the Board of Directors to be the fair value of the Common Stock."

DATED this 27th day of July, 1998.

CHESAPEAKE ENERGY CORPORATION

By: TOM L. WARD
Title: President and Chief Operating Officer

JANICE A. DOBBS
Janice A. Dobbs
Secretary

CERTIFICATE OF DESIGNATION
OF
7% CUMULATIVE CONVERTIBLE PREFERRED STOCK
OF
CHESAPEAKE ENERGY CORPORATION

Pursuant to Section 1032(G) of the Oklahoma General Corporation Act

CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), does hereby certify that the following resolution was duly adopted by action of the Board of Directors of the Company, with the provisions thereof fixing the number of shares of the series, the dividend rate, and the optional redemption prices being set by action of the Board of Directors of the Company:

RESOLVED that pursuant to the authority expressly granted to and vested in the Board of Directors of the Company by the provisions of Article IV, Section 1 of the Certificate of Incorporation of the Company, as amended from time to time (the "Certificate of Incorporation"), and pursuant to Section 1032(G) of the Oklahoma General Corporation Act, the Board of Directors hereby creates a series of preferred stock of the Company and hereby states that the voting powers, designations, preferences and relative, participating, optional or other special rights of which, and qualifications, limitations or restrictions thereof (in addition to the provisions set forth in the Certificate of Incorporation which are applicable to the preferred stock of all classes and series), shall be as follows:

1. Designation and Amount. There shall be created from the 10,000,000 shares of preferred stock, par value $0.01 per share, of the Company authorized to be issued pursuant to the Certificate of Incorporation, a series of preferred stock, designated as the "7% Cumulative Convertible Preferred Stock," par value $0.01 per share (the "Preferred Stock"), and the number of shares of such series shall be 4,600,000. Such number of shares may be decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Preferred Stock to a number less than that of the shares of Preferred Stock then outstanding plus the number of shares issuable upon exercise of options or rights then outstanding and, if any portion of the over-allotment option granted by the Company pursuant to the Purchase Agreement (as defined herein) expires unexercised, the Board of Directors shall by resolution decrease the number of authorized shares of Preferred Stock by the number of shares subject to the expired portion of such over-allotment option. Any shares of Preferred Stock issued after the Issue Date (as defined herein) pursuant to the over-allotment option granted by the Company pursuant to the Purchase Agreement (as defined herein) shall, for all purposes, including, without limitation, voting and dividend rights, be deemed issued as of the Issue Date.

2. Definitions. As used herein, the following terms shall have the following meanings:

2.1 "Accrued Dividends" shall mean, with respect to any share of Preferred Stock, as of any date, the accrued and unpaid dividends on such share from and including the most recent Dividend Payment Date (or the Issue Date, if such date is prior to the first Dividend

Payment Date) to but not including such date."Accumulated Dividends" shall mean, with respect to any share of Preferred Stock, as of any date, the aggregate accumulated and unpaid dividends on such share from the Issue Date until the most recent Dividend Payment Date prior to such date. There shall be no Accumulated Dividends with respect to any share of Preferred Stock prior to the first Dividend Payment Date.

2.2 "Affiliate" shall have the meaning ascribed to it, on the date hereof, under Rule 405 of the Securities Act of 1933, as amended.

2.3 "Board of Directors" shall mean the Board of Directors of the Company or, with respect to any action to be taken by the Board of Directors, any committee of the Board of Directors duly authorized to take such action.

2.4 "Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law or executive order to close.

2.5 "Change of Control" shall mean any of the following events: (i) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the Company's assets to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), other than to Permitted Holders; (ii) the adoption of a plan relating to the liquidation or dissolution of the Company; (iii) the acquisition, directly or indirectly, by any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act as in effect on the original date of issuance of the Preferred Stock), other than Permitted Holders, of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act as in effect on the original date of issuance of the Preferred Stock, except that such Person shall be deemed to have beneficial ownership of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after passage of time) of more than 50% of the aggregate voting power of the Voting Stock of the Company; provided, however, that the Permitted Holders beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the original date of issuance of the Preferred Stock), directly or indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Stock of the Company than such other Person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company (for the purposes of this definition, such other Person shall be deemed to beneficially own any Voting Stock of a specified corporation held by a parent corporation, if such other Person is the beneficial owner (as defined above), directly or indirectly, of more than 35% of the voting power of the Voting Stock of such parent corporation and the Permitted Holders beneficially own (as defined in this proviso), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent corporation and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of such parent corporation); or (iv) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by such Board of Directors or whose nomination for election

by the shareholders of the Company was approved by a vote of 66 2/3% of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office. For purposes of the above definition of "Change of Control," the term "Permitted Holders" means Aubrey K. McClendon and Tom L. Ward and their respective Affiliates.

2.6 "Change of Control Date" shall mean the date on which the Change of Control event occurs.

2.7 "Conversion Price" shall mean $6.95, subject to adjustment as set forth in Section 9(c).

2.8 "Common Stock" shall mean the common stock, par value $0.01 per share, of the Company, or any other class of stock resulting from successive changes or reclassifications of such common stock consisting solely of changes in par value, or from par value to no par value, or as a result of a subdivision, combination, or merger, consolidation or similar transaction in which the Company is a constituent corporation.

2.9 "Dividend Payment Date" shall mean February 1, May 1, August 1 and November 1 of each year, commencing August 1, 1998.

2.10 "Dividend Record Date" shall mean, with respect to each Dividend Payment Date, a date not more than 60 days nor less than 10 days preceding a Dividend Payment Date, as shall be fixed by the Board of Directors.

2.11 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

2.12 "Issue Date" shall mean April 22, 1998, the original date of issuance of the Preferred Stock.

2.13 "Liquidation Preference" shall mean, with respect to each share of Preferred Stock, $50.

2.14 "Market Value" shall mean the average closing price of the Common Stock for a ten consecutive trading day period on the NYSE or such other national securities exchange or automated quotation system on which the Common Stock is then listed or authorized for quotation or, if the Common Stock is not so listed or authorized for quotation, an amount determined in good faith by the Board of Directors to be the fair value of the Common Stock.

2.15 "NYSE" shall mean the New York Stock Exchange, Inc.

2.16 "Optional Redemption Price Per Share" shall mean, as of any date, the price at which the Company may, at its option, redeem one share of the Preferred Stock, payable, at the Company's option, in cash, by delivery of fully paid and nonassessable shares of Common Stock or a combination thereof.

2.17 "Person" shall mean any individual, corporation, general partnership, limited partnership, limited liability partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

2.18 "Purchase Agreement" shall mean that certain Purchase Agreement with respect to the Preferred Stock, dated as of April 17, 1998, among the Company, Donaldson, Lufkin & Jenrette Securities Corporation, Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and J.P. Morgan Securities Inc.

2.19 "Voting Rights Triggering Event" shall mean the failure of the Company to pay dividends on the Preferred Stock with respect to periods ending on more than six consecutive Dividend Payment Dates.

2.20 "Voting Stock" shall mean, with respect to any Person, securities of any class or classes of Capital Stock in such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of contingency) to vote in the election of members of the Board of Directors or other governing body of such Person. For purposes of this definition of "Voting Stock," "Capital Stock" shall mean, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of corporate stock or partnership interests and any and all warrants, options and rights with respect thereto (whether or not currently exercisable), including each class of common stock and preferred stock of such Person.

3. Dividends.

3.1 The holders of shares of the outstanding Preferred Stock shall be entitled, when, as and if declared by the Board of Directors out of funds legally available therefor, to receive cumulative annual cash dividends of $3.50 per share, payable quarterly in arrears (the "Dividend Rate"). Dividends payable for each full dividend period will be computed by dividing the Dividend Rate by four and shall be payable in arrears on each Dividend Payment Date for the quarterly period ending immediately prior to such Dividend Payment Date, to the holders of record of Preferred Stock at the close of business on the Dividend Record Date applicable to such Dividend Payment Date. Such dividends shall be cumulative from the Issue Date and shall accrue on a day-to-day basis, whether or not earned or declared, from and after the Issue Date. Dividends on the Preferred Stock which are not declared and paid when due will compound quarterly on each Dividend Payment Date at the Dividend Rate. Dividends payable for any partial dividend period shall be computed on the basis of actual days elapsed over a 360-day year consisting of twelve 30-day months. Notwithstanding anything herein to the contrary, the initial

Dividend Payment Date, which shall be for dividends accrued during the period commencing on the Issue Date and ending on July 31, 1998, will be August 1, 1998.

3.2 Except to the extent specified herein, dividends paid on the Preferred Stock shall be payable in cash.

3.3 No dividends or other distributions (other than a dividend or distribution payable solely in stock of the Company ranking junior to the Preferred Stock as to dividends and upon liquidation, including the Common Stock, and other than cash paid in lieu of fractional shares) may be declared, made or paid or set apart for payment on the Common Stock or upon any other stock of the Company ranking junior to or pari passu with the Preferred Stock as to dividends, and no Common Stock or any other stock of the Company ranking junior to or pari passu with the Preferred Stock as to dividends or upon liquidation, including the Preferred Stock, may be repurchased, exchanged, redeemed or otherwise acquired for any consideration (or any money paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Company (except by conversion into or exchange for stock of the Company ranking junior to the Preferred Stock as to dividends and upon liquidation), nor may funds be set apart for payment with respect thereto, unless full Accumulated Dividends shall have been or contemporaneously are paid or declared and a sum sufficient for the payment thereof is set apart for such payment on the Preferred Stock for all Dividend Payment Periods terminating on or prior to the date of such declaration, payment, redemption, purchase or acquisition. Notwithstanding the foregoing, if full dividends have not been paid on the Preferred Stock or on any other preferred stock ranking pari passu with the Preferred Stock as to dividends, dividends may be declared and paid on the Preferred Stock and such other preferred stock so long as the dividends are declared and paid pro rata so that the amounts of dividends declared per share on the Preferred Stock and such other preferred stock will in all cases bear to each other the same ratio that Accrued Dividends on the shares of Preferred Stock and such other preferred stock bear to each other; provided, that if such dividends are paid in cash on the other preferred stock, dividends will also be paid in cash on the Preferred Stock.

3.4 Holders of shares of Preferred Stock shall not be entitled to any dividends on the Preferred Stock, whether payable in cash, property or stock, in excess of full cumulative dividends at the Dividend Rate provided herein. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Preferred Stock which may be in arrears (it being understood that the compounding of unpaid dividends shall not constitute interest or money in lieu of interest).

3.5 The holders of shares of Preferred Stock at the close of business on a Dividend Record Date will be entitled to receive the dividend payment on those shares (except that holders of shares called for redemption on a redemption date between the Dividend Record Date and the Dividend Payment Date will be entitled to receive such dividend on such redemption date as indicated in Section 3.1 hereof) on the corresponding Dividend Payment Date notwithstanding the subsequent conversion thereof or the Company's default in payment of the dividend due on that Dividend Payment Date. However, shares of Preferred Stock surrendered

for conversion during the period between the close of business on any Dividend Record Date and the close of business on the day immediately preceding the applicable Dividend Payment Date (except for shares called for redemption on a redemption date during that period) must be accompanied by payment of an amount equal to the dividend payable on the shares on that Dividend Payment Date. A holder of shares of Preferred Stock on a Dividend Record Date who (or whose transferee) tenders any shares for conversion on or before a Dividend Payment Date will receive the dividend payable by the Company on the Preferred Stock on that date, and the converting holder need not include payment in the amount of such dividend upon surrender of shares of Preferred Stock for conversion. Except as provided above and in Section 9(b) hereof, the Company shall make no payment or allowance for unpaid dividends, whether or not in arrears, on converted shares or for dividends on the shares of Common Stock issued upon conversion.

4. Optional Redemption.

4.1 The Preferred Stock may not be redeemed prior to May 1, 2001. At any time on or after May 1, 2001, the Company may, at its sole option, subject to Section 3.3, redeem, out of funds legally available therefor, all or any part of the outstanding shares of Preferred Stock, in cash, by delivery of fully paid and nonassessable shares of Common Stock or by a combination thereof, upon not less than 30 days' nor more than 60 days' notice provided in the manner specified in Section 5 hereof, during the 12-month periods commencing on May 1 of the years set forth below for the amount per share of Preferred Stock set forth opposite such years, plus Accumulated Dividends and Accrued Dividends thereon to the redemption date:

YEAR	REDEMPTION PRICE PER SHARE
2001	$52.45
2002	52.10
2003	51.75
2004	51.40
2005	51.05
2006	50.70
2007	50.35
2008 and thereafter	50.00

4.2 If the Company elects to make redemption payments in Common Stock, the number of shares of Common Stock to be delivered in exchange for each share of Preferred Stock will be calculated by dividing the applicable redemption price per share of Preferred Stock by the Market Value for the period ending on the third Business Day immediately preceding the date the notice of redemption is given. To the extent that the amount of the redemption payment payable to a holder of Preferred Stock (in respect of all shares held by such holder) does not equal a whole number of shares of Common Stock, such fractional amount shall be paid in cash to such holder of Preferred Stock based on the same Market Value. If any dividends on the

Preferred Stock are in arrears, no shares of Preferred Stock shall be redeemed unless all outstanding shares of Preferred Stock are simultaneously redeemed.

5. Procedure for Redemption.

5.1 In the event the Company shall elect to redeem shares of Preferred Stock pursuant to Section 4 hereof, notice of such redemption shall be given (i) by publication in a newspaper of general circulation in the Borough of Manhattan, City and State of New York (if such publication shall be required by applicable law, rule, regulation or securities exchange requirement) or (ii) by first-class mail to each record holder of the shares to be redeemed, at such holder's address as the same appears on the books of the Company, in either case not less than 30 nor more than 60 days prior to the redemption date. Each such notice shall state (i) the time and date as of which the redemption shall occur; (ii) the total number of shares of Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price (whether to be paid in cash or shares of Common Stock or a combination thereof); (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price and delivery of certificates representing shares of Common Stock (if the Company so chooses); (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date unless the Company defaults in the payment of the redemption price; and (vi) the name of any bank or trust company, if any, performing the duties referred to in Section 5.3 below.

5.2 On or before any redemption date, each holder of shares of Preferred Stock to be redeemed shall surrender the certificate or certificates representing such shares of Preferred Stock to the Company, in the manner and at the place designated in the notice of redemption and on the redemption date, the full redemption price, payable in cash, fully paid and nonassessable shares of Common Stock or a combination thereof, for such shares of Preferred Stock shall be paid or delivered to the person whose name appears on such certificate or certificates as the owner thereof, and the shares represented by each surrendered certificate shall be returned to authorized but unissued shares of preferred stock of any or no series. Upon surrender (in accordance with the notice of redemption) of the certificate or certificates representing any shares to be so redeemed (properly endorsed or assigned for transfer, if the Company shall so require and the notice of redemption shall so state), such shares shall be redeemed by the Company at the redemption price. If fewer than all the shares represented by any such certificate are to be redeemed, a new certificate shall be issued representing the unredeemed shares, without costs to the holder thereof, together with the amount of cash, if any, in lieu of fractional shares.

5.3 If a notice of redemption shall have been given as provided in Section 5.1, dividends on the shares of Preferred Stock so called for redemption shall cease to accrue, such shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Company with respect to shares so called of redemption (except for the right to receive from the Company the redemption price) shall cease (including any right to receive dividends otherwise payable on any Dividend Payment Date that would have occurred after the time and date of redemption) either (i) from and after the time and date fixed in the notice of

redemption as the time and date of redemption (unless the Company shall default in the payment of the redemption price, in which case such rights shall not terminate at such time and date) or (ii) if the Company shall so elect and state in the notice of redemption, from and after the time and date (which date shall be the date fixed for redemption or an earlier date not less than 30 days after the date of mailing of the redemption notice) on which the Company shall irrevocably deposit in trust for the holders of the shares to be redeemed with a designated bank or trust for the holders of the shares of Preferred Stock to be redeemed with a designated bank or trust company doing business in the Borough of Manhattan, City and State of New York, as paying agent, money or such number of fully paid and nonassessable shares of Common Stock (or a combination thereof) sufficient to pay at the office of such paying agent, on the redemption date, the redemption price. Any money or shares of Common Stock so deposited with any such paying agent which shall not be required for such redemption shall be returned to the Company forthwith. Subject to applicable escheat laws, any moneys so set aside by the Company and unclaimed at the end of one year from the redemption date shall revert to the general funds of the Company, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Company for the payment of the redemption price without interest. Any interest accrued on funds so deposited shall be paid to the Company from time to time.

5.4 In the event that fewer than all the outstanding shares of Preferred Stock are to be redeemed, the shares to be redeemed shall be determined pro rata or by lot, as determined by the Company, except that the Company may redeem such shares held by any holder of fewer than 100 shares (or shares held by holders who would hold fewer than 100 shares as a result of such redemption), as may be determined by the Company.

6. Change of Control.

6.1 Upon the occurrence of a Change of Control of the Company, each holder of Preferred Stock shall, in the event that the Market Value for the period ending on the Change of Control Date is less than the Conversion Price, have a one-time option (the "Change of Control Option") to convert all of such holder's shares of Preferred Stock into fully paid and nonassessable shares of Common Stock at a conversion price equal to the greater of (i) the Market Value for the period ending on the Change of Control Date and (ii) 66 2/3 % of the Market Value for the period ended April 16, 1998. The Change of Control Option must be exercised during the period of not less than 30 days nor more than 60 days (the actual number of days to be as specified in the notice furnished in accordance with Section 6.2) commencing on the third Business Day after notice of a Change in Control has been given by the Company in accordance with Section 6.2. In lieu of issuing the shares of Common Stock issuable upon conversion in the event of a Change of Control, the Company may, at its sole option, make a cash payment equal to the Market Value determined for the period ending on the Change of Control Date of the shares Common Stock otherwise issuable.

6.2 In the event of a Change of Control, notice of such Change of Control shall be given, within five Business Days of the Change of Control Date, by the Company by first-

class mail to each record holder of shares of Preferred Stock, at such holder's address as the same appears on the books of the Company. Each such notice shall state (i) that a Change of Control has occurred; (ii) the last day on which the Change of Control Option may be exercised (the "Expiration Date"); (iii) the name and address of the paying agent; and (iv) the procedures that holders must follow to exercise the Change of Control Option.

6.3 On or before the Expiration Date, each holder of shares of Preferred Stock wishing to exercise the Change of Control Option shall surrender the certificate or certificates representing the shares of Preferred Stock to be converted, in the manner and at the place designated in the notice described in Section 6.2, and on such date the cash or shares of Common Stock due to such holder shall be delivered to the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be returned to authorized but unissued shares. Upon surrender (in accordance with the notice described in Section 6.2 of the certificate or certificates representing any shares to be so converted (properly endorsed or assigned for transfer, if the Company shall so require and the notice shall so state), such shares shall be converted by the Company at the Conversion Price.

6.4 The rights of holders of Preferred Stock pursuant to this Section 6 are in addition to, and not in lieu of, the rights of holders of Preferred Stock provided for in Section 9 hereof.

7. Voting.

7.1 The shares of Preferred Stock shall have no voting rights except as required by law or as set forth below:

(a) If and whenever at any time or times a Voting Rights Triggering Event occurs, then the number of directors constituting the Board of Directors shall be increased by two and the holders of shares of Preferred Stock, voting separately as a class with any other preferred stock or preference security having similar voting rights (the "Voting Rights Class"), will be entitled at the next regular or special meeting of stockholders of the Company to elect two directors of the Company to fill the newly created directorships.

(b) Such voting rights may be exercised at a special meeting of the holders of the shares of the Voting Rights Class, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each such annual meeting until such time as all dividends in arrears on the shares of Preferred Stock shall have been paid in full, at which time or times such voting rights and the term of the directors elected pursuant to Section 7.1(a) shall terminate.

(c) At any time when such voting rights shall have vested in holders of shares of the Voting Rights Class, a proper officer of the Company may call, and, upon written request of the record holders of shares representing twenty-five percent (25%) of the voting power of the shares then outstanding of the Voting Rights Class, addressed to the Secretary of the Company,

shall call a special meeting of the holders of shares of the Voting Rights Class. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding annual meetings of stockholders of the Company, or, if none, at a place designated by the Board of Directors. Notwithstanding the provisions of this Section 7.1(c), no such special meeting shall be called during a period within the 60 days immediately preceding the date fixed for the next annual meeting of stockholders in which such case, the election of directors pursuant to Section 7.1(a) shall be held at such annual meeting of stockholders.

(d) At any meeting held for the purpose of electing directors at which the holders of the Voting Rights Class shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of shares representing more than fifty percent (50%) in voting power of the then outstanding shares of the Voting Rights Class shall be required and shall be sufficient to constitute a quorum of such class for the election of directors by such class. The affirmative vote of the holders of shares of Preferred Stock constituting a majority of the shares of Preferred Stock present at such meeting, in person or by proxy, shall be sufficient to elect such director.

(e) Any director elected pursuant to the voting rights created under this Section 7.1 shall hold office until the next annual meeting of stockholders (unless such term has previously terminated pursuant to Section 7.1(b)) and any vacancy in respect of any such director shall be filled only by vote of the remaining director so elected by holders of the Voting Rights Class, or if there be no such remaining director, by the holders of shares of the Voting Rights Class at a special meeting called in accordance with the procedures set forth in this Section 7, or, if no such special meeting is called, at the next annual meeting of stockholders. Upon any termination of such voting rights, the term of office of all directors elected pursuant to this Section 7 shall terminate.

(f) So long as any shares of Preferred Stock remain outstanding, unless a greater percentage shall then be required by law, the Company shall not, without the affirmative vote or consent of the holders of at least 66 2/3% of the outstanding Preferred Stock voting or consenting, as the case may be, separately as one class, (i) create, authorize or issue any class or series of stock (or security convertible into stock) of the Company ranking pari passu or senior to the Preferred Stock as to dividends, liquidation rights or voting rights or (ii) amend the Certificate of Incorporation so as to affect adversely the specified rights, preferences, privileges or voting rights of holders of shares of Preferred Stock, including (x) increasing the authorized number of shares of preferred stock and (y) issuing after the Issue Date any shares of Preferred Stock in excess of such additional shares of Preferred Stock as may be issued upon the exercise of the over-allotment option pursuant to the Purchase Agreement. The holders of at least a majority of the outstanding shares of Preferred Stock, voting separately as one class, may waive compliance with any provision of this Certificate of Designation.

(g) In exercising the voting rights set forth in this Section 7.1, each share of Preferred Stock shall be entitled to one vote.

7.2 Except as set forth in Section 7.1, the Company may create, authorize or issue any shares of Junior Stock or increase or decrease the amount of authorized capital stock of any class other than the preferred stock, without the consent of the holders of Preferred Stock constituting the Voting Rights Class, and in taking such actions the Company shall not be deemed to have affected adversely the rights, preferences, privileges or voting rights of holders of shares of Preferred Stock.

8. Liquidation Rights.

8.1 In the event of any liquidation, dissolution or winding-up of the Company, whether voluntary of involuntary, the holders of the shares of Preferred Stock shall be entitled to receive out of the assets of the Company available for distribution to stockholders up to the Liquidation Preference plus Accumulated Dividends and Accrued Dividends thereon in preference to the holders of, and before any distribution is made on, any other class or series of stock of the Company ranking junior to the Preferred Stock upon liquidation, including, without limitation, on any Common Stock.

8.2 Neither the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all the property and assets of the Company nor the merger or consolidation of the Company into or with any other corporation, or the merger or consolidation of any other corporation into or with the Company, shall be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, for the purposes of this Section 8.

8.3 After the payment to the holders of the shares of Preferred Stock of full preferential amounts provided for in this Section 8, the holders of Preferred Stock as such shall have no right or claim to any of the remaining assets of the Company.

8.4 In the event the assets of the Company available for distribution to the holders of shares of Preferred Stock upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to Section 8.1, no such distribution shall be made on account of any shares of any other stock of the Company ranking pari passu with the Preferred Stock upon such liquidation, dissolution or winding up unless proportionate distributable amounts shall be paid on account of the shares of Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all Preferred Stock and of any other stock of the Company ranking pari passu with the Preferred Stock are entitled upon such liquidation, dissolution or winding up.

9. Conversion.

(a) Each holder of Preferred Stock shall have the right, at its option, exercisable at any time and from time to time from the Issue Date to convert, subject to the terms and provisions of this Section 9, any or all of such holder's shares of Preferred Stock. In such

case, the shares of Preferred Stock shall be converted into such whole number of fully paid and nonassessable shares of Common Stock as is equal, subject to Section 9(g), to the product of the number of shares of Preferred Stock being so converted multiplied by the quotient of (i) the Liquidation Preference plus any Accumulated Dividends and any Accrued Dividends to and including the date of conversion divided by (ii) the Conversion Price (as defined below) then in effect, except that with respect to any share which shall be called for redemption such conversion right shall terminate at the close of business on the date of redemption of such share, unless the Company shall default in performance or payment due upon exchange or redemption thereof. The Conversion Price shall be $6.95, subject to adjustment as set forth in Section 9(c).

The conversion right of a holder of Preferred Stock shall be exercised by the holder by the surrender to the Company of the certificates representing shares to be converted at any time during usual business hours at its principal place of business or the offices of its duly appointed Transfer Agent (as defined in Section 10) to be maintained by it, accompanied by written notice that the holder elects to convert all or a portion of the shares of Preferred Stock represented by such certificate and specifying the name or names (with address) in which a certificate or certificates for shares of Common Stock are to be issued and (if so required by the Company or its duly appointed Transfer Agent) by a written instrument or instruments of transfer in form reasonably satisfactory to the Company or its duly appointed Transfer Agent duly executed by the holder or its duly authorized legal representative and transfer tax stamps or funds therefor, if required pursuant to Section 9(i). Immediately prior to the close of business on the date of receipt by the Company or its duly appointed Transfer Agent of notice of conversion of shares of Preferred Stock, each converting holder of Preferred Stock shall be deemed to be the holder of record of Common Stock issuable upon conversion of such holder's Preferred Stock notwithstanding that the share register of the Company shall then be closed or that certificates representing such Common Stock shall not then be actually delivered to such person. Upon notice from the Company, each holder of Preferred Stock so converted shall promptly surrender to the Company, at any place where the Company shall maintain a Transfer Agent, certificates representing the shares so converted, duly endorsed in blank or accompanied by proper instruments of transfer. On the date of any conversion, all rights with respect to the shares of Preferred Stock so converted, including the rights, if any, to receive notices, will terminate, except only the rights of holders thereof to (i) receive certificates for the number of shares of Common Stock into which such shares of Preferred Stock have been converted; (ii) the payment of any Accumulated Dividends or Accrued Dividends thereon; and (iii) exercise the rights to which they are entitled as holders of Common Stock.

If the last day for the exercise of the conversion right shall not be a Business Day, then such conversion right may be exercised on the next preceding Business Day.

(b) When shares of Preferred Stock are converted pursuant to this Section 9, all Accumulated Dividends and all Accrued Dividends (whether or not declared or currently payable) on the Preferred Stock so converted to (and not including) the date of conversion less any amounts payable by the Company in cash pursuant to Section 3.5. hereof shall be immediately due and payable, at the Company's option, (i) in cash; (ii) in a number of fully paid

and nonassessable shares of Common Stock equal to the quotient of (A) the amount of Accumulated Dividends and Accrued Dividends payable to the holders of Preferred Stock hereunder, divided by (B) the Market Value for the period ending on the date of conversion; or (iii) a combination thereof.

(c) The Conversion Price shall be subject to adjustment as follows:

(i) In case the Company shall at any time or from time to time (A) make a redemption payment or pay a dividend (or other distribution) payable in shares of Common Stock on any class of capital stock (which, for purposes of this Section 9(c) shall include, without limitation, any dividends or distributions in the form of options, warrants or other rights to acquire capital stock) of the Company (other than the issuance of shares of Common Stock in connection with the payment in redemption for, of dividends on or the conversion of Preferred Stock); (B) subdivide the outstanding shares of Common Stock into a larger number of shares; (C) combine the outstanding shares of Common Stock into a smaller number of shares; (D) issue any shares of its capital stock in a reclassification of the Common Stock; or (E) pay a dividend or make a distribution to all holders of shares of Common Stock (other than a dividend or distribution paid or made to holders of shares of Preferred Stock in the manner provided in Section 9(b) or a dividend or distribution subject to Section 9(c)(ii)) pursuant to a stockholder rights plan, "poison pill" or similar arrangement then, and in each such case, the Conversion Price in effect immediately prior to such event shall be adjusted (and any other appropriate actions shall be taken by the Company) so that the holder of any share of Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock that such holder would have owned or would have been entitled to receive upon or by reason of any of the events described above, had such share of Preferred Stock been converted into shares of Common Stock immediately prior to the occurrence of such event. An adjustment made pursuant to this Section 9(c)(i) shall become effective retroactively (x) in the case of any such dividend or distribution, to the day immediately following the close of business on the record date for the determination of holders of Common Stock entitled to receive such dividend or distribution or (y) in the case of any such subdivision, combination or reclassification, to the close of business on the day upon which such corporate action becomes effective.

(ii) In case the Company shall at any time or from time to time issue to all holders of its Common Stock rights, options or warrants entitling the holders thereof to subscribe for or purchase shares of Common Stock (or securities convertible into or exchangeable for shares of Common Stock) at a price per share less than the Market Value for the period ending on the date of issuance (treating the price per share of any security convertible or exchangeable or exercisable into Common Stock as equal to (A) the sum of the price paid to acquire such security convertible, exchangeable or exercisable into Common Stock plus any additional consideration payable (without regard to any anti-dilution adjustments) upon the conversion, exchange or exercise of such security into Common Stock divided by (B) the number of shares of Common Stock into which such convertible, exchangeable or exercisable security is initially convertible, exchangeable or exercisable), other than (I) issuances of such rights, options or warrants if the holder of Preferred Stock would be entitled to receive such rights, options or

warrants upon conversion at any time of shares of Preferred Stock and (II) issuances that are subject to certain triggering events (until such time as such triggering events occur), then, and in each such case, the Conversion Price then in effect shall be adjusted by dividing the Conversion Price in effect on the day immediately prior to the record date of such issuance by a fraction (y) the numerator of which shall be the sum of the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock issued or to be issued upon or as a result of the issuance of such rights, options or warrants (or the maximum number into or for which such convertible or exchangeable securities initially may convert or exchange or for which such options, warrants or other rights initially may be exercised) and (z) the denominator of which shall be the sum of the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock which the aggregate consideration for the total number of such additional shares of Common Stock so issued (or into or for which such convertible or exchangeable securities may convert or exchange or for which such options, warrants or other rights may be exercised plus the aggregate amount of any additional consideration initially payable upon the conversion, exchange or exercise of such security) would purchase at the Market Value for the period ending on the date of conversion; provided, that if the Company distributes rights or warrants (other than those referred to above in this subparagraph (c)(ii)) pro rata to the holders of Common Stock, so long as such rights or warrants have not expired or been redeemed by the Company, (y) the holder of any Preferred Stock surrendered for conversion shall be entitled to receive upon such conversion, in addition to the shares of Common Stock then issuable upon such conversion (the "Conversion Shares"), a number of rights or warrants to be determined as follows: (i) if such conversion occurs on or prior to the date for the distribution to the holders of rights or warrants of separate certificates evidencing such rights or warrants (the "Distribution Date"), the same number of rights or warrants to which a holder of a number of shares of Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions applicable to the rights or warrants and (ii) if such conversion occurs after the Distribution Date, the same number of rights or warrants to which a holder of the number of shares of Common Stock into which such Preferred Stock was convertible immediately prior to such Distribution Date would have been entitled on such Distribution Date had such Preferred Stock been converted immediately prior to such Distribution Date in accordance with the terms and provisions applicable to the rights and warrants, and (z) the Conversion Price shall not be subject to adjustment on account of any declaration, distribution or exercise of such rights or warrants.

(iii) In case the Company shall at any time or from time to time (A) make a pro rata distribution to all holders of shares of its Common Stock consisting exclusively of cash (excluding any cash portion of distributions referred to in paragraph (c)(i) above, or cash distributed upon a merger or consolidation to which paragraph (g) below applies), that, when combined together with (x) all other such all-cash distributions made within the then-preceding 12 months in respect of which no adjustment has been made and (y) any cash and the fair market value of other consideration paid or payable in respect of any tender offer by the Company or any of its subsidiaries for shares of Common Stock concluded within the then-preceding 12 months in respect of which no adjustment pursuant to this Section 9(c) has been made, in the

aggregate exceeds 15% of the Company's market capitalization (defined as the product of the Market Value for the period ending on the record date of such distribution times the number of shares of Common Stock outstanding on such record date) on the record date of such distribution; (B) complete a tender or exchange offer by the Company or any of its subsidiaries for shares of Common Stock that involves an aggregate consideration that, together with (I) any cash and other consideration payable in a tender or exchange offer by the Company or any of its subsidiaries for shares of Common Stock expiring within the then-preceding 12 months in respect of which no adjustment pursuant to this Section 9(c) has been made and (II) the aggregate amount of any such all-cash distributions referred to in clause (A) above to all holders of shares of Common Stock within the then-preceding 12 months in respect of which no adjustments have been made, exceeds 15% of the Company's market capitalization on the expiration of such tender offer; or (C) make a distribution to all holders of its Common Stock consisting of evidences of indebtedness, shares of its capital stock other than Common Stock or assets (including securities, but excluding those dividends, rights, options, warrants and distributions referred to in paragraphs (c)(i) or (c)(ii) above), then, and in each such case, the Conversion Price then in effect shall be adjusted by dividing the Conversion Price in effect immediately prior to the date of such distribution or completion of such tender or exchange offer, as the case may be,) by a fraction (x) the numerator of which shall be the Market Value for the period ending on the record date referred to below, or, if such adjustment is made upon the completion of a tender or exchange offer, on the payment date for such offer, and (y) the denominator of which shall be such Market Value less the then fair market value (as determined by the Board of Directors of the Company) of the portion of the cash, evidences of indebtedness, securities or other assets so distributed or paid in such tender or exchange offer, applicable to one share of Common Stock (but such denominator not to be less than one); provided, however, that no adjustment shall be made with respect to any distribution of rights to purchase securities of the Company if the holder of shares of Preferred Stock would otherwise be entitled to receive such rights upon conversion at any time of shares of Preferred Stock into shares of Common Stock unless such rights are subsequently redeemed by the Company, in which case such redemption shall be treated for purposes of this Section 9(c)(iii) as a dividend on the Common Stock. Such adjustment shall be made whenever any such distribution is made or tender or exchange offer is completed, as the case may be, and shall become effective retroactively to a date immediately following the close of business on the record date for the determination of stockholders entitled to receive such distribution.

(iv) In the case the Company at any time or from time to time shall take any action affecting its Common Stock (it being understood that the issuance or sale of shares of Common Stock (or securities convertible into or exchangeable for shares of Common Stock, or any options, warrants or other rights to acquire shares of Common Stock) to any Person at a price per share less than the Conversion Price then in effect shall not be deemed such an action), other than an action described in any of Section 9(c)(i) through Section 9(c)(iii), inclusive, or Section 9(g), then the Conversion Price shall be adjusted in such manner and at such time as the Board of Directors of the Company in good faith determines to be equitable in the circumstances (such determination to be evidenced in a resolution, a certified copy of which shall be mailed to the holders of the Preferred Stock).

(v) Notwithstanding anything herein to the contrary, no adjustment under this Section 9(c) need be made to the Conversion Price unless such adjustment would require an increase or decrease of at least 1% of the Conversion Price then in effect. Any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment, if any, which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1% of such Conversion Price.

(vi) The Company reserves the right to make such reductions in the Conversion Price in addition to those required in the foregoing provisions as it considers advisable in order that any event treated for Federal income tax purposes as a dividend of stock or stock rights will not be taxable to the recipients. In the event the Company elects to make such a reduction in the Conversion Price, the Company will comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder if and to the extent that such laws and regulations are applicable in connection with the reduction of the Conversion Price.

(d) If the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter (and before the dividend or distribution has been paid or delivered to stockholders) legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the Conversion Price then in effect shall be required by reason of the taking of such record.

(e) Upon any increase or decrease in the Conversion Price, then, and in each such case, the Company promptly shall deliver to each registered holder of Preferred Stock a certificate signed by an authorized officer of the Company, setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was calculated and specifying the increased or decreased Conversion Price then in effect following such adjustment.

(f) No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of any shares of Preferred Stock. If more than one share of Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate Liquidation Preference of the shares of Preferred Stock so surrendered. If the conversion of any share or shares of Preferred Stock results in a fraction, an amount equal to such fraction multiplied by the last reported sale price of the Common Stock on the NYSE (or on such other national securities exchange or authorized quotation system on which the Common Stock is then listed for trading or authorized for quotation or, if the Common Stock is not then so listed or authorized for quotation, an amount determined in good faith by the Board of Directors to be the fair value of the Common Stock) at the close of business on the trading day next preceding the day of conversion shall be paid to such holder in cash by the Company.

(g) In the event of any capital reorganization or reclassification or other change of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value), or in the event of any consolidation

or merger of the Company with or into another Person (other than a consolidation or merger in which the Company is the resulting or surviving Person and which does not result in any reclassification or change of outstanding Common Stock), or in the event of any sale or other disposition to another Person of all or substantially all of the assets of the Company (other than any assets not owned directly or indirectly by the Company and its subsidiaries) (computed on a consolidated basis) (any of the foregoing, a "Transaction"), each share of Preferred Stock then outstanding shall, without the consent of any holder of Preferred Stock, become convertible only into the kind and amount of shares of stock or other securities (of the Company or another issuer) or property or cash receivable upon such Transaction by a holder of the number of shares of Common Stock into which such share of Preferred Stock could have been converted immediately prior to such Transaction after giving effect to any adjustment event. The provisions of this Section 9(g) and any equivalent thereof in any such certificate similarly shall apply to successive Transactions. The provisions of this Section 9(g) shall be the sole right of holders of Preferred Stock in connection with any Transaction and such holders shall have no separate vote thereon.

(h) In the event of any distribution by the Company to its stockholders of all or substantially all of its assets (other than any assets not owned directly or indirectly by the Company and its subsidiaries) (computed on a consolidated basis), each holder of Preferred Stock will participate pro rata in such distribution based on the number of shares of Common Stock into which such holders' shares of Preferred Stock would have been convertible immediately prior to such distribution.

(i) The Company shall at all times reserve and keep available for issuance upon the conversion of the Preferred Stock such number of its authorized but unissued shares of Common Stock as will from time to time be sufficient to permit the conversion of all outstanding shares of Preferred Stock, and shall take all action required to increase the authorized number of shares of Common Stock if at any time there shall be insufficient unissued shares of Common Stock to permit such reservation or to permit the conversion of all outstanding shares of Preferred Stock.

(j) The issuance or delivery of certificates for Common Stock upon the conversion of shares of Preferred Stock shall be made without charge to the converting holder of shares of Preferred Stock for such certificates or for any tax in respect of the issuance or delivery of such certificates or the securities represented thereby, and such certificates shall be issued or delivered in the respective names of, or in such names as may be directed by, the holders of the shares of Preferred Stock converted; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificate in a name other than that of the holder of the shares of Preferred Stock converted, and the Company shall not be required to issue or deliver such certificate unless or until the Person or Persons requesting the issuance or delivery thereof shall have paid to the Company the amount of such tax or shall have established to the reasonable satisfaction of the Company that such tax has been paid.

10. Transfer Agent and Registrar. The duly appointed transfer agent and registrar (the "Transfer Agent") for the Preferred Stock shall be UMB Bank, N.A. The Company may, in its sole discretion, remove the Transfer Agent with 10 days' prior written notice to the Transfer Agent; provided, that the Company shall appoint a successor Transfer Agent who shall accept such appointment prior to the effectiveness of such removal.

11. Transfer Restrictions. The shares of Preferred Stock have not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, may not be offered, sold, pledged or otherwise transferred except (1) to a Person whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (2) in a transaction meeting the requirements of Rule 144 under the Securities Act, (3) in accordance with another exemption from the registration requirements of the Securities Act (and based upon opinion of counsel acceptable to the Company), (4) to the Company or any of its subsidiaries, or (5) pursuant to an effective registration statement under the Securities Act, and in each case, in accordance with all applicable securities laws of any State of the United States. The Transfer Agent shall refuse to register the transfer of any shares of Preferred Stock that violates this Section 11.

12. Other Provisions.

12.1 With respect to any notice to a holder of shares of Preferred Stock required to be provided hereunder, neither failure to mail such notice, nor any defect therein or in the mailing thereof, to any particular holder shall affect the sufficiency of the notice or the validity of the proceedings referred to in such notice with respect to the other holders or affect the legality or validity of any distribution, rights, warrant, reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding-up, or the vote upon any such action. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives the notice.

12.2 Shares of Preferred Stock issued and reacquired will be retired and canceled promptly after reacquisition thereof and, upon compliance with the applicable requirements of Oklahoma law, have the status of authorized but unissued shares of preferred stock of the Company undesignated as to series and may with any and all other authorized but unissued shares of preferred stock of the Company be designated or redesignated and issued or reissued, as the case may be, as part of any series of preferred stock of the Corporation, except that any issuance or reissuance of shares of Preferred Stock must be in compliance with this Certificate of Designation.

12.3 The shares of Preferred Stock shall be issuable only in whole shares.

12.4 All notices periods referred to herein shall commence on the date of the mailing of the applicable notice.

IN WITNESS WHEREOF, the Company has caused this certificate to be signed and attested this 21st day of April, 1998.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Aubrey K. McClendon

Aubrey K. McClendon
Chairman of the Board and
Chief Executive Officer

Attest:

/s/ Janice A. Dobbs
- ---
Janice A. Dobbs
Corporate Secretary

AMENDMENT TO
CERTIFICATE OF INCORPORATION
OF
CHESAPEAKE ENERGY CORPORATION

(AFTER RECEIPT OF PAYMENT FOR STOCK)

The undersigned, Aubrey K. McClendon, as Chairman of the Board and Chief Executive Officer, and Janice A. Dobbs, as Secretary of Chesapeake Energy Corporation, a corporation organized and existing under the laws of the State of Oklahoma (the "Corporation"), hereby certify as follows:

A. The name of the Corporation is Chesapeake Energy Corporation.

B. The name under which the Corporation was originally incorporated is Chesapeake Oklahoma Corporation. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of Oklahoma on November 19, 1996, as amended by that certain Certificate of Ownership and Merger Merging Chesapeake Energy Corporation into Chesapeake Oklahoma Corporation filed with the Secretary of State of Oklahoma on December 23, 1996, effective December 31, 1996 (the "Certificate of Incorporation").

C. This Amendment to Certificate of Incorporation was duly adopted in accordance with the provisions of Section 1077 of the General Corporation Act of Oklahoma (the "Act") at the Corporation's annual meeting by a majority of the outstanding capital stock of the Corporation entitled to vote thereon. Written notice of the Corporation's annual meeting was given to the stockholders of the Corporation in accordance with the provisions of Section 1067 of the Act.

D. The Certificate of Incorporation is hereby amended as follows:

1. Amendment to Article IV. The first sentence of Article IV of the Certificate of Incorporation starting with the words "The total number of shares of capital stock . . . " is hereby deleted in its entirety and the following sentence is substituted therefor:

> The total number of shares of capital stock which the Corporation shall have authority to issue is Two Hundred Sixty Million (260,000,000) shares, consisting of Ten Million (10,000,000) shares of Preferred Stock, par value $0.01 per share, and Two Hundred Fifty Million (250,000,000) shares of Common Stock, par value $0.01 per share.

IN WITNESS WHEREOF, this Amendment to Certificate of Incorporation was duly adopted by the board of directors and the stockholders of the Corporation in accordance with Section 1077 of the Act and executed this 9th day of December, 1997, by Aubrey K. McClendon, as Chairman of the Board and Chief Executive Officer, and attested by Janice A. Dobbs, as Secretary.

/s/ Aubrey K. McClendon

Aubrey K. McClendon, Chairman of the Board and Chief Executive Officer

Attest:

/s/ Janice A. Dobbs
- ---

Janice A. Dobbs, Secretary

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
CHESAPEAKE ENERGY CORPORATION
INTO
CHESAPEAKE OKLAHOMA CORPORATION

CHESAPEAKE ENERGY CORPORATION, a Delaware corporation (the "Corporation"), DOES HEREBY CERTIFY:

FIRST: That it owns 100% of the issued and outstanding shares of the capital stock of CHESAPEAKE OKLAHOMA CORPORATION, an Oklahoma corporation ("Chesapeake Oklahoma").

SECOND: That its board of directors at a meeting held on the 15th day of October, 1996, determined to merge the Corporation into CHESAPEAKE OKLAHOMA CORPORATION, and did adopt the following resolutions:

WHEREAS, the officers of the Corporation recommended that the Corporation reincorporate under the laws of the State of Oklahoma and the Board of Directors, after discussing the issue, has determined that the reincorporation is in the best interest of the shareholders and the Corporation; and

WHEREAS, to facilitate the Corporation's reincorporation, the officers of the Corporation recommended that the Corporation form Chesapeake Oklahoma Corporation ("Chesapeake Oklahoma") to be organized and exist under and by virtue of the laws of the State of Oklahoma, with an authorized capitalization of (i) 100 million shares of common stock, $.01 par value ("Chesapeake Oklahoma Common Stock"), 10 shares of which will be issued and outstanding prior to the reincorporation, and (ii) 10 million shares of preferred stock, $.01 par value, no shares of which will be issued and outstanding prior to the reincorporation (all shares of Chesapeake Oklahoma Common Stock outstanding prior to the reincorporation will be held of record and beneficially by the Corporation).

NOW, THEREFORE, BE IT RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized and directed to take any and all actions required to reincorporate the Corporation under the laws of the State of Oklahoma, including without limitation, the forming of Chesapeake Oklahoma as a new transitory subsidiary, in accordance with the recitations set forth herein, the listing of the shares of Chesapeake Oklahoma on the New York Stock Exchange, the registration of such shares with the Securities and Exchange Commission and any state securities agency, the assumption by Chesapeake Oklahoma of all existing plans and registration statements of the Corporation and such other actions as may be necessary to the effect that the rights and obligations of Chesapeake Oklahoma will be virtually identical to the rights and obligations of the Corporation.

WHEREAS, after the formation of Chesapeake Oklahoma, the Board of Directors deems it advisable and in the best interests of the Corporation and its shareholders that the Corporation merge with and into Chesapeake Oklahoma pursuant to Section 1083 of the Oklahoma General Corporation Act and Section 253 of the Delaware General Corporation Law (the "Merger") and immediately thereafter for Chesapeake Oklahoma to change its name to Chesapeake Energy Corporation; and

WHEREAS, the Corporation and Chesapeake Oklahoma will hereinafter be know as the "Constituent Corporations;" and

WHEREAS, the Board of Directors deems it advisable and in the best interests of the Corporation and its shareholders that the Corporation be merged with and into Chesapeake Oklahoma in the manner contemplated herein (the "Plan") and recommend that the Merger and the Plan be approved and adopted by the shareholders of the Corporation;

NOW, THEREFORE, BE IT RESOLVED, that the Constituent Corporations will be merged into a single corporation by the Corporation merging with and into Chesapeake Oklahoma, which will survive the Merger, pursuant to the provisions of Section 1083 of the Oklahoma General Corporation Act and Section 253 of the Delaware General Corporation Law. Upon such Merger, the separate existence of the Corporation will cease, and Chesapeake Oklahoma will become the owner, without transfer, of all rights and property of the Constituent Corporations, and will be subject to all the liabilities of the Constituent Corporations in the same manner as if Chesapeake Oklahoma

had itself incurred such liabilities all as provided by the Oklahoma General Corporation Act.

FURTHER RESOLVED, that, on the Effective Date of the Merger, which will be 5:00 p.m., CST, on December 31, 1996 (the "Effective Date of the Merger"), the Certificate of Incorporation and Bylaws of Chesapeake Oklahoma, as currently in effect, will be the Certificate of Incorporation and Bylaws of Chesapeake Oklahoma until they are duly amended, except that the name of Chesapeake Oklahoma will be changed to Chesapeake Energy Corporation.

FURTHER RESOLVED, that on the Effective Date of the Merger, the directors and officers of the Corporation will become the directors and officers of Chesapeake Oklahoma until their successors are duly elected and qualified.

FURTHER RESOLVED, that on the Effective Date of the Merger (i) each share of Chesapeake Common Stock issued and outstanding immediately prior to the Effective Date of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, will be converted into one share of Chesapeake Oklahoma Common Stock, (ii) each share of Chesapeake Oklahoma Common Stock issued and outstanding immediately prior to the Effective Date of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, will be cancelled and no payment will be made in respect thereof, and (iii) upon surrender of any certificates representing Chesapeake Common Stock, stock certificates representing Chesapeake Oklahoma Common Stock will be reissued to the holder thereof.

FURTHER RESOLVED, that this Plan will be submitted to the shareholders of the Corporation for approval in the manner provided by applicable Oklahoma and Delaware law. After approval by the vote of the holders representing not less than a majority of the issued and outstanding shares of Chesapeake Common Stock entitled to vote on the Merger, the officers are, and each of them hereby is, authorized and directed to execute and file with the Secretary of State of the States of Oklahoma and Delaware a Certificate of Ownership and Merger and to make any such further filings as may be necessary to effectuate the Merger.

FURTHER RESOLVED, that the officers of the Corporation are authorized and directed to execute any and all agreements, documents or consents, and to take any and all actions deemed necessary or desirable to permit the consummation of the Merger as required by: (a) that certain Indenture dated as of March 31, 1994, as supplemented, among the Corporation, its subsidiaries signatory thereto as Subsidiary Guarantors and United States Trust Company of New York, as trustee; (b) that certain Indenture dated as of May 15, 1995 among the Corporation, its subsidiaries signatory thereto as Subsidiary Guarantors and United States Trust Company of New York, as trustee; and (c) that certain Indenture dated as of April 1, 1996 among the Corporation, its subsidiaries signatory thereto as Subsidiary Guarantors and United States Trust Company of New York, as trustee. The execution by the officers, or any one of them, of any such document or agreement, or the doing by them of any act in connection with the foregoing matter, will conclusively establish their authority therefor from this Board and from the Corporation and the approval, ratification and adoption of any documents or agreements executed and any action taken.

FURTHER RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to execute and deliver on behalf of the Corporation all agreements and documents contemplated by the Plan, together with any and all documents and related agreements deemed necessary or desirable by said officer or officers to effectuate the foregoing, each in accordance with the recitations contained herein, and containing such further and different terms and conditions as said officer or officers will deem necessary or desirable to accomplish the objectives set forth herein, and further, that the execution by the officers, or any one of them, of any such document or agreement, or the doing by them of any act in connection with the foregoing matter, will conclusively establish their authority therefor from this Board and from the Corporation and the approval, ratification and adoption of any documents or agreements executed and any action taken.

THIRD: The merger has been approved by a majority of the outstanding stock of the Corporation entitled to vote thereon at a meeting duly called and held after twenty days' notice of the purpose of the meeting mailed to each such stockholder at his address as it appears in the records of the Corporation.

FOURTH: Chesapeake Oklahoma hereby agrees that it may be served with process in the state of Delaware in any proceeding for enforcement of any obligation of any constituent corporation of Delaware, as well as for enforcement of any obligation of Chesapeake Oklahoma arising from the merger, including any suit or other proceeding to enforce the right of any shareholders as determined in appraisal proceedings pursuant to the provisions of Section 262 of the Delaware General Corporation Law, and hereby irrevocably appoints the Secretary of State of the State of Delaware as its agent to accept service of process in any such suit or other proceeding. The address to which a copy of such process shall be mailed by the Secretary of State of Delaware is 6100 N. Western Avenue, Oklahoma City, OK 73118.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by its President and attested to by its Secretary effective the 13th day of December, 1996.

CHESAPEAKE ENERGY CORPORATION

THOMAS L. WARD
Thomas L. Ward
President

ATTEST:

JANICE DOBBS
Janice Dobbs
Secretary
[Seal]

CERTIFICATE OF INCORPORATION
OF
CHESAPEAKE OKLAHOMA CORPORATION

ARTICLE I

Name

The name of the Corporation is:

CHESAPEAKE OKLAHOMA CORPORATION

ARTICLE II

Registered Office and Agent

The address of the Corporation's registered office in the State of Oklahoma is 6104 N. Western Avenue, Oklahoma City, Oklahoma 73118. The Corporation's registered agent at such address is Janice A. Dobbs.

ARTICLE III

Purposes

The nature of the business and the purpose of the Corporation shall be to engage in any lawful act or activity and to pursue any lawful purpose for which a corporation may be formed under the Oklahoma General Corporation Act (the "Act"). The Corporation is authorized to exercise and enjoy all powers, rights and privileges which corporations organized under the Act may have as in force from time to time, including, without limitation, all powers, rights and privileges necessary or convenient to carry out the purposes of the Corporation.

ARTICLE IV

Capital Stock

The total number of shares of capital stock which the Corporation shall have authority to issue is One Hundred Ten Million (110,000,000) shares, consisting of Ten Million (10,000,000) shares of Preferred Stock, par value $0.01 per share and One Hundred Million (100,000,000) shares of Common Stock, par value $0.01 per share. The preferences, qualifications, limitations, restrictions and the special or relative rights in respect of the shares of each class are as follows:

Section 1. Preferred Stock. The Preferred Stock may be issued from time to time in one or more series. All shares of Preferred Stock shall be of equal rank and shall be identical, except in respect of the matters that may be fixed and determined by the board of directors as hereinafter provided, and each share of each series shall be identical with all other shares of such series, except as to the date from which dividends are cumulative. The board of directors hereby is authorized to cause such shares to be issued in one or more series and with respect to each such series prior to the issuance thereof to fix and determine the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the board with respect to each series shall include but not be limited to, determination of the following:

A. The number of shares constituting a series, the distinctive designation of a series and the stated value of the series, if different from the par value;

B. Whether the shares of a series are entitled to any fixed or determinable dividends, the dividend rate (if any) on the shares, whether the dividends are cumulative and the relative rights of priority of dividends on shares of that series;

C. Whether a series has voting rights in addition to the voting rights provided by law and the terms and conditions of such voting rights;

D. Whether a series will have or receive conversion or exchange privileges and the terms and conditions of such conversion or exchange privileges;

E. Whether or not the shares of a series are redeemable and the terms and conditions of such redemption, including, without limitation, the manner of selecting shares for redemption if less than all shares are to be redeemed, the date or dates on or after which the shares in the series will be redeemable and the amount payable in case of redemption;

F. Whether a series will have a sinking fund for the redemption or purchase of the shares in the series and the terms and the amount of such sinking fund;

G. The right of a series to the benefit of conditions and restrictions on the creation of indebtedness of the Corporation or any subsidiary, on the issuance of any additional capital stock (including additional shares of such series or any other series), on the payment of dividends or the making of other distributions on any outstanding stock of the Corporation and the purchase, redemption or other acquisition by the Corporation, or any subsidiary, of any outstanding stock of the Corporation;

H. The rights of a series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation and the relative rights of priority of payment of a series; and

I. Any other relative, participating, optional or other special rights, qualifications, limitations or restrictions of such series.

Dividends on outstanding shares of Preferred Stock shall be paid or set apart for payment before any dividends shall be paid or declared or set apart for payment on the common shares with respect to the same dividend period.

If upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation the assets available for distribution to holders of shares of Preferred Stock of all series shall be insufficient to pay such holders the full preferential amount to which they are entitled, then such assets shall be distributed ratably among the shares of all series in accordance with the respective preferential amounts (including unpaid cumulative dividends, if any) payable with respect thereto.

Section 2. Common Stock. The Common Stock shall be subject to the express terms of the Preferred Stock and any series thereof. Each share of Common Stock shall be equal to every other share of Common Stock. The holders of shares of Common Stock shall be entitled to one vote for each share of such stock upon all matters presented to the shareholders. Shares of Common Stock authorized hereby shall not be subject to preemptive rights. The holders of shares of Common Stock now or hereafter outstanding shall have no preemptive right to purchase or have offered to them for purchase any of such authorized but unissued shares. The holders of shares of Common Stock now or hereafter outstanding shall have no preemptive right to purchase or have offered to them for purchase any shares of Preferred Stock, Common stock, or other equity securities issued or to be issued by the Company.

Subject to the preferential and other dividend rights applicable to Preferred Stock, the holders of shares of Common Stock shall be entitled to receive such dividends (payable in cash, stock or otherwise) as may be declared on the Common Stock by the Board of Directors at any time or from time to time out of any funds legally available therefor.

In the event of any voluntary or involuntary liquidation, distribution or winding up of the Corporation, after distribution in full of the preferential and/or other amounts to be distributed to the holders of shares of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive all of the remaining assets of the Corporation available for distribution to its shareholders, ratably in proportion to the number of shares of Common Stock held by them.

ARTICLE V

Limitation of Director Liability

A director of the Corporation shall not be personally liable to the Corporation or its shareholders for damages for breach of fiduciary duty as a director, except for personal liability for (i) acts or omissions by such director not in good faith or which involve intentional misconduct or a knowing violation of law; (ii) the payment of dividends or the redemption or purchase of stock in violation of Section 1053 of the Act; (iii) any breach of such director's duty of loyalty to the Corporation or its shareholders; or (iv) any transaction from which such director derived an improper personal benefit.

ARTICLE VI

Certain Stock Purchases

Section 1. Certain Definitions. For the purposes of this Article VI:

"Continuing Director" means any member of the Board of Directors of the Corporation (the "Board") who is unaffiliated with the Interested Shareholder and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Continuing Director who is unaffiliated with the Interested Shareholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means: (1) in the case of stock, the highest closing sale price during the 30-day period ending on the date in question of a share of such stock on a principal United States securities exchange registered under the Exchange Act on which such stock is listed or in the national market system maintained by the National Association of Securities Dealers, Inc., or, if the stock is not listed on any such exchange or designated as a national market system security, the highest closing bid quotation with respect to a share of such stock during the 30-day period ending on the date in question on the National Association of Securities Dealers, Inc. Automated Quotations system or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board in good faith.

"Interested Shareholder" shall have the meaning ascribed to such term under Section 1090.3 of the Act.

Section 2. Vote Required for Certain Stock Purchases.

A. Any direct or indirect purchase by the Corporation, or any subsidiary of the Corporation, of any capital stock from a person or persons known by a majority of the Continuing Directors of the Corporation to be an Interested Shareholder who has beneficially owned such capital stock for less than three years prior to the date of such purchase, or any agreement in respect thereof, at a price in excess of the Fair Market Value shall require the affirmative vote of no less than 66 2/3% of the votes cast by the holders, voting together as a single class, of all then outstanding shares of capital stock, excluding for this purpose the votes by the Interested Shareholder, unless a greater vote shall be required by law.

B. Such affirmative vote shall not be required for a purchase or other acquisition of securities of the same class made on substantially the same terms to all holders of such securities and complying with the applicable requirements of the Exchange Act, and the rules and regulations thereunder (or any subsequent provisions replacing the Exchange Act, rules or regulations). Furthermore, such affirmative vote shall not be required for any purchase effected on the open market and not the result of a privately-negotiated transaction.

Section 3. Powers of Continuing Directors. The Continuing Directors of the Corporation shall have the power and duty to determine for the purposes of this Article VI, on the basis of information known to them after reasonable inquiry, whether a person is an Interested Shareholder, and the number of shares of capital stock owned beneficially by any person.

ARTICLE VII

Board of Directors

Section 1. Management by Board of Directors. The business and affairs of the Corporation shall be under the direction of the Board of Directors.

Section 2. Number of Directors. The number of Directors which shall constitute the whole board shall be not less than three nor more than fifteen, and shall be determined by resolution adopted by a vote of two-thirds (2/3) of the entire board, or at an annual or special meeting of shareholders by the affirmative vote of sixty-six and two-third percent (66 2/3%) of the outstanding stock entitled to vote. No reduction in number shall have the effect of removing any director prior to the expiration of his term. The number of directors of the Corporation may, from time to time, be increased or decreased in such manner as may be provided in the bylaws of the Corporation.

Section 3. Classes of Directors; Election by Shareholders; Vacancies. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The term of the initial Class I directors shall terminate on the date of the 1997 annual meeting of shareholders; the term of the initial Class II directors shall terminate on the date of the 1998 annual meeting of shareholders and the term of the initial Class III directors shall terminate on the date of the 1999 annual meeting of shareholders. At each annual meeting of shareholders beginning in 1997, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional directors of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of directors, however resulting, may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy shall hold office for a term that shall coincide with the term of the class to which such director shall have been elected. No election of directors need be by written ballot.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the Certificate of Designation attributable to such Preferred stock or the resolution or resolutions adopted by the Board of Directors pursuant to Section 2 of this Article VII applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article VII unless expressly provided by such terms.

ARTICLE VIII

Indemnity

Section 1. Third Party Claims. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture or other enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Corporation and with respect to any criminal action or proceeding had reasonable cause to believe that his conduct was unlawful.

Section 2. Derivative Claims. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorney's fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine, upon application, that despite the adjudication of liability, but in the view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 3. Expenses. Expenses, including fees and expenses of counsel, incurred in defending a civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized herein.

Section 4. Insurance. The Corporation may purchase (upon resolution duly adopted by the board of directors) and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability.

Section 5. Reimbursement. To the extent that a director, officer, employee or agent of, or any other person entitled to indemnity hereunder by, the Corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to herein or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 6. Enforcement. Every such person shall be entitled, without demand by him upon the Corporation or any action by the Corporation, to enforce his right to such indemnity in an action at law against the Corporation. The right of indemnification and advancement of expenses hereinabove provided shall not be deemed exclusive of any rights to which any such person may now or hereafter be otherwise entitled and specifically, without limiting the generality of the foregoing, shall not be deemed exclusive of any rights pursuant to statute or otherwise, of any such person in any such action, suit or proceeding to have assessed or allowed in his favor against the Corporation or otherwise, his costs and expenses incurred therein or in connection therewith or any part thereof.

ARTICLE IX

Amendments; Bylaws; Control Shares Act; Written Consent

Section 1. Amendments to Certificate of Incorporation. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding stock having voting power, voting together as a single class, shall be required to amend, repeal or adopt any provision inconsistent with Articles V, VI, VII, VIII and this Article IX of this Certificate of Incorporation.

Section 2. Bylaws. Prior to the receipt of any payment for any of the Corporation's stock, the Bylaws of the Corporation shall be adopted, amended or repealed by the Incorporator. Thereafter, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, repeal, alter, amend or rescind the Bylaws of the Corporation. In addition, the Bylaws of the Corporation may be adopted, repealed, altered, amended, or rescinded by the affirmative vote of the holders of sixty-six and two-thirds percent (66 2/3%) of the outstanding stock of the Corporation entitled to vote thereon.

Section 3. Control Shares Act. The Corporation shall not be subject to the Oklahoma Control Shares Act as codified at Sections 1145-1155 of the Act. This election shall be effective on the date of filing this Certificate.

Section 4. Action By Written Consent. Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes which would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those shareholders who have not consented in writing.

ARTICLE X

Incorporator

The name and mailing address of the Incorporator is as follows:

W. Chris Coleman — Tenth Floor, Two Leadership Square, Oklahoma City, OK 73102

I, the undersigned, for the purpose of forming a corporation under the laws of the State of Oklahoma, do make, file and record this Certificate, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this 18th day of October, 1996.

W. CHRIS COLEMAN
W. Chris Coleman

CONSENT TO SIMILAR NAME

TO THE SECRETARY OF STATE OF THE STATE OF OKLAHOMA;

Pursuant to 18 O.S. 1986 Supp. Section 1141 or 54 O.S. Supp. 1984, Section 303, whichever is applicable, the undersigned corporation or limited partnership hereby consents to the use of the name or a similar name.

1. The name of the consenting corporation or limited partnership is:

CHESAPEAKE LIMITED PARTNERSHIP

and is organized under the laws of the State of Oklahoma.

2. The proposed name of the corporation or limited partnership to which this consent is given is:

CHESAPEAKE OKLAHOMA CORPORATION

and is organized or is to be organized under the laws of the State of Oklahoma.

3. In the event the proposed corporation name is identical to the consenting corporation's name the consenting corporation is about to:

A. Change its name _____.
B. Cease to do business X.
C. Withdraw from Oklahoma _____.
D. Be wound up _____.

IN WITNESS WHEREOF, this corporation or limited partnership has caused this consent to be executed this 14th day of November, 1996.

CHESAPEAKE OPERATING, INC., General Partner

By TOM L. WARD
Tom L. Ward, Chief Operating Officer

ATTEST:

JANICE A. DOBBS
Janice A. Dobbs, Secretary

EXHIBIT 4.8

COMMON STOCK
REGISTRATION RIGHTS AGREEMENT

DATED AS OF AUGUST 29, 2000

BY AND BETWEEN

CHESAPEAKE ENERGY CORPORATION

AND

PARIBAS NORTH AMERICA, INC.

This Common Stock Registration Rights Agreement (this "AGREEMENT") is made and entered into as of August 29, 2000 among Chesapeake Energy Corporation, an Oklahoma corporation (the "COMPANY") and Paribas North America, Inc. (the "CERTIFICATE HOLDER").

BNP Paribas, parent of the Certificate Holder ("BNP") has agreed to sell Gothic Energy Corporation 14 1/8% Series B Senior Secured Discount Notes Due 2006 and the beneficial interests in the related indenture and pledge agreement owned by BNP (collectively, the "NOTES") pursuant to that certain Senior Secured Discount Notes Purchase Agreements dated August 29, 2000, between Chesapeake Energy Marketing, Inc., an Oklahoma corporation and wholly owned subsidiary of the Company ("CEMI"), and BNP (the "PURCHASE AGREEMENT"). In order to induce BNP to sell the Notes, the Company has agreed to provide the registration rights set forth in this Agreement, to make the representations provided in this Agreement and to issue additional shares of stock as provided herein in satisfaction of paragraph 10.1 of the Purchase Agreement, if necessary. The execution and delivery of this Agreement is a condition to the obligations of BNP set forth in Section 9 of the Purchase Agreement. Capitalized terms used herein but not defined have the respective meanings set forth in the Purchase Agreement.

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

ACT: The Securities Act of 1933, as amended.

AFFILIATE: As defined in Rule 144 of the Act.

BUSINESS DAY: Any day on which the New York Stock Exchange is open for trading and which is not a legal United States holiday.

CLOSING DATE: August 31, 2000.

COMMON STOCK: Common Stock, $.01 par value per share, of the Company.

COMMISSION: The Securities and Exchange Commission.

EFFECTIVE DATE: The date the Shelf Registration Statement is declared effective by the Commission.

EXCHANGE ACT: The Securities Exchange Act of 1934, as amended.

HOLDERS: As defined in Section 2 hereof.

PERSON: Any individual, corporation, partnership, joint venture, trust, estate,

unincorporated organization or government or any agency or political subdivision thereof.

PROSPECTUS: The prospectus included in the Shelf Registration Statement at the time such Shelf Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, all material incorporated by reference into such Prospectus and any information previously omitted in reliance upon Rule 430A of the Act.

PURCHASE PRICE: The cash and Shares to be exchanged as payment for the Notes pursuant to the Purchase Agreement.

RECOMMENCEMENT DATE: As defined in Section 5(b) hereof.

RULE 144: Rule 144 promulgated under the Act.

SHARES: The shares of Common Stock constituting a portion of the Purchase Price which are transferred to the Certificate Holder pursuant to the Purchase Agreement including any adjustment under paragraph 10.1 of the Purchase Agreement.

SHELF REGISTRATION STATEMENT: As defined in Section 3 hereof.

SUSPENSION NOTICE: As defined in Section 5(b) hereof.

TRANSFER RESTRICTED SECURITIES: The Shares, upon delivery thereof to the Certificate Holder pursuant to the Purchase Agreement and at all times subsequent thereto, until (a) the date on which the Shares have been disposed of in accordance with the Shelf Registration Statement, (b) the date on which the Shares are distributed to the public pursuant to Rule 144 or are saleable pursuant to Rule 144(k) (or similar provisions then in effect) under the Act or (c) the date on which the Shares cease to be outstanding. A Share will cease being a Transfer Restricted Security at such time that the foregoing clauses (a), (b) or (c) apply to such Share.

SECTION 2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "HOLDER") whenever such Person owns Transfer Restricted Securities.

SECTION 3. SHELF REGISTRATION

As soon as practicable after the Closing Date but in no event later than 10 business days after the Closing Date, the Company shall file with the Commission a shelf registration statement pursuant to Rule 415 under the Act (the "SHELF REGISTRATION STATEMENT"), relating to all Transfer Restricted Securities, and shall use its best efforts to cause such Shelf Registration Statement to

become effective on or prior to 45 days after the Closing Date. The Shelf Registration Statement will cover a minimum of 389,378 shares of Common Stock..

The Company shall use its best efforts to keep the Shelf Registration Statement required by this Section 3 continuously effective, supplemented and amended as required by and subject to the provisions of Section 5(a) hereof to the extent necessary to ensure that it is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 3, and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for the shorter of (i) two years following the Closing Date or (ii) the date on which all Transfer Restricted Securities covered by the Shelf Registration Statement have been sold pursuant thereto.

SECTION 4. PROVISION BY HOLDERS OF CERTAIN INFORMATION

No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in the Shelf Registration Statement pursuant to this Agreement unless such Holder furnishes to the Company in writing the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with the Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. The Certificate Holder agrees to furnish the Company such information on or before ten (10) days after the Closing Date. Each selling Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

SECTION 5. SHELF REGISTRATION PROCEDURES

(a) Procedures. In connection with the Shelf Registration Statement, the Company shall:

(i) use its best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4 hereof), and pursuant thereto the Company will prepare and file with the Commission a Shelf Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof. The Company shall not be permitted to include in the Shelf Registration Statement any securities other than the Transfer Restricted Securities;

(ii) use its best efforts to keep such Shelf Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 of this Agreement. Upon the occurrence of any event that would cause any such Shelf Registration Statement or the Prospectus contained therein (i) to contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading or (ii) not to

be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company shall file promptly (A) an appropriate amendment to such Shelf Registration Statement curing such defect, and, if Commission review is required, use its best efforts to cause such amendment to be declared effective as soon as practicable, (B) a supplement pursuant to Rule 424 under the Act curing such defect or (C) an Exchange Act report incorporated by reference curing such defect;

(iii) prepare and file with the Commission such amendments and post-effective amendments to the Shelf Registration Statement as may be necessary to keep such Shelf Registration Statement effective for the applicable period set forth in Section 3 hereof, cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all Transfer Restricted Securities covered by such Shelf Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Shelf Registration Statement or supplement to the Prospectus;

(iv) advise the Holders and underwriters, if any, promptly and, if requested by such Persons, confirm such advice in writing, (A) when the Shelf Registration Statement or any Prospectus supplement or post-effective amendment has been filed, and, with respect to the Shelf Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Shelf Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Shelf Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, and (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Shelf Registration Statement, the Prospectus, any amendment or supplement thereto made, not misleading;

(v) subject to Section 5(a)(ii), if any fact or event contemplated by Section 5(iv)(D) above shall exist or have occurred, prepare a post-effective amendment or supplement to the Shelf Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(vi) deliver to each Holder and underwriter, if any, without charge, a

reasonable number of copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Holder or underwriter reasonably may request; the Company hereby consents to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each Holder and each underwriter, if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(vii) prior to any offering of Transfer Restricted Securities, cooperate with the Holders in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as reasonably requested and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement; provided, however, that the Company shall not be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Shelf Registration Statement, in any jurisdiction where it is not now so subject;

(viii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends;

(ix) list all shares of Common Stock covered by the Shelf Registration Statement on the principal U.S. securities exchange on which the Common Stock is then listed;

(x) use its best efforts to cause the disposition of the Transfer Restricted Securities covered by the Shelf Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be required to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities;

(xi) use its best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to the Shelf Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) covering a twelve-month period beginning after the Effective Date (as such term is defined in paragraph (c) of Rule 158 under the Act);

(xvii) provide to the Holders with a reasonable opportunity to review and comment on any registration statement to be filed pursuant to this Agreement prior to the filing thereof with the Commission, and shall make all changes thereto as any

Holder may request in writing to the extent such changes are required, in the judgment of the Company, by the Act;

(xviii) use reasonable commercial efforts to obtain the withdrawal of any order suspending the effectiveness of such registration statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Transfer Restricted Securities for sale in any jurisdiction, at the earliest possible moment;

(xixiv) use its best efforts to furnish to each Holder and to each managing underwriter, if any, a signed counterpart, addressed to such Holder or such underwriter, if any, of (i) an opinion or opinions of counsel to the Company and (ii) a comfort letter or comfort letters from the Company=s independent public accountants pursuant to SAS 72, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as such Holder or the managing underwriter reasonably requests;

(xxv) enter into customary agreements (including underwriting agreements in customary form, which shall include Alock-up@ obligations as may be requested by the managing underwriters, not to exceed 90 days in duration, but excluding shares that may be issued pursuant to benefit plans or in connection with mergers or acquisitions) and take such other actions (including using its reasonable efforts to make such domestic road show presentations and otherwise engaging in such reasonable marketing support in connection with any underwritten offering, including without limitation the obligation to make its executive officers available for such purpose if so requested by the selling Holder (a ARoad Show@)) as are reasonably requested by any selling Holder in order to expedite or facilitate the sale of any Transfer Restricted Securities covered by a registration statement pursuant to an underwritten offering in accordance herewith; and

(xxi) select an investment banking firm or firms of national standing to manage the underwritten offering, subject to the reasonable consent of the Holders of a majority of the Transfer Restricted Securities for such registration.

(b) Restrictions on Holders. Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of (i) the notice referred to in Section 5(a)(iv)(C), (ii) any notice from the Company of the existence of any fact of the kind described in Section 5(a)(iv)(D) hereof or (iii) any notice from the Company that (a) sales under the Shelf Registration Statement would require the disclosure of material information which the Company has a bona fide business purpose for preserving as confidential, or (b) such disclosure would impede the Company's ability to consummate a material transaction (in each case, a "SUSPENSION NOTICE"), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the Shelf Registration Statement until (A) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 5(a)(v) hereof, or (B) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the

"RECOMMENCEMENT DATE"), provided, that any suspension pursuant to clause (iii) above shall not exceed 60 days in any twelve-month period. Each Holder receiving a Suspension Notice hereby agrees that it will either (x) destroy any Prospectuses, other than permanent file copies, then in such Holder's possession which have been replaced by the Company with more recently dated Prospectuses or (y) deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice.

(c) Restrictions on the Company. During the period specified in Section 3 of this Agreement, the Company will not effect any public sale or distribution of any securities the same as or similar to the Transfer Restricted Securities, or any securities convertible into or exchangeable or exercisable for any Company securities the same as or similar to the Transfer Restricted Securities (except pursuant to registration on Form S-4 or any successor form, or otherwise in connection with the acquisition of a business or assets of a business, a merger, or an exchange offer for the securities of the issuer of another entity, or registrations on Form S-8 or any successor form relating solely to securities offered pursuant to any benefit plan), during the 14-day period prior to and through the period (i) beginning on the commencement of the public distribution of Transfer Restricted Securities pursuant to the Shelf Registration Statement in an underwritten offering by or on behalf of any Holder to the extent timely notified in writing by the selling Holders or the underwriters managing such distribution and (ii) ending on the first to occur of (A) the 90th day after such commencement and (B) the end of such distribution (the "Company Standstill Period"), including that portion of such period following an underwritten distribution commenced during the Company Standstill Period that does not coincide with the Company Standstill Period.

SECTION 6. PIGGYBACK REGISTRATIONS

(a) In addition to the agreements relating to the Shelf Registration Statement the Company agrees as follows:

(i) If at any time the Company proposes to file an additional registration statement under the Act with respect to an offering of Common Stock (x) for the Company's own account (except pursuant to registrations on Form S-4 or any successor form, or Form S-8 or any successor form relating solely to securities issued pursuant to any benefit plan) or (y) for the account of any holders of Common Stock other than the Certificate Holder, then (A) the Company shall give written notice of such proposed filing to the Certificate Holder as soon as practicable (but in no event less than 30 days before the anticipated filing date), (B) such notice shall offer the Certificate Holder, subject to the terms and conditions hereof, the opportunity to request that such actions be taken under Rule 429 under the Act ("Rule 429") as shall cause the prospectus contained in such additional registration statement (a "Piggyback Registration Statement") to be available to permit the offer and sale, at the Certificate Holder's election, of some or all of the Transfer Restricted Securities owned by the Certificate Holder on the same terms and conditions as the Company's or such other holder's Common Stock (a "Piggyback Sale"), and (C) the Company shall otherwise take such reasonable actions as will enable the Certificate Holder to effect a Piggyback Sale on such terms and conditions.

(ii) Subject to Section 6(b), the Company shall take such actions as shall be required under Rule 429 to cause the combined prospectus contained in the Piggyback Registration Statement to permit the offer and sale of all Transfer Restricted Securities requested by the Certificate Holder within 20 days after the receipt of any notice given by the Company pursuant to Section 6(a)(i), clause (A), to be covered by such combined prospectus; provided, however, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of such Piggyback Registration Statement, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to the Certificate Holder and, thereupon, (i) in the case of a determination not to register, will be relieved of any obligation to cause any Transfer Restricted Securities to be covered by such combined prospectus, without prejudice, however, to the rights of the Certificate Holder to have its Transfer Restricted Securities continue to be included in the Shelf Registration Statement and (ii) in the case of a determination to delay registering, shall be permitted to delay causing any Transfer Restricted Securities to be covered by the combined prospectus for the same period as the delay in registering such other securities.

(iii) If the offering pursuant to such Piggyback Registration Statement is to be underwritten, then the Certificate Holder making a request for a Piggyback Sale pursuant to this Section 6(a) must participate in such underwritten offering and shall not be permitted to make any other offering in connection with such registration. If the offering pursuant to such Piggyback Registration Statement is to be on any other terms, then the Certificate Holder making a request for a Piggyback Sale pursuant to this Section 6(a) must participate in such offering on such basis and shall not be permitted to make an underwritten offering in connection with such registration. The Certificate Holder shall be permitted to withdraw all or part of the Certificate Holder's Transfer Restricted Securities from coverage by a Piggyback Registration Statement at any time prior to (but only prior to) the effective date thereof without prejudice to the rights of the Certificate Holder to have its Transfer Restricted Securities continue to be included in the Shelf Registration Statement.

(b) Notwithstanding anything contained herein, if the managing underwriter or underwriters of a sale or offering described in Section 6(a) pursuant to which the Certificate Holder has requested a Piggyback Sale shall advise the Company in writing that (x) the size of the offering that the Certificate Holder, the Company and any other holders intend to make or (y) the kind of securities that the Certificate Holder, the Company and such other holders intend to include in such offering are such that the success of the offering would be materially and adversely affected, then (A) if the size of the offering is the basis of such underwriter's advice, the amount of Transfer Restricted Securities to be offered for the account of the Certificate Holder shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters; provided, however, that, if securities are being offered for the account of Persons other than the Company or the Certificate Holder, the proportion by which the amount of such Transfer Restricted Securities intended to be

offered for the account of the Certificate Holder is reduced shall not exceed the proportion by which the amount of such securities intended to be offered for the account of such Persons is reduced; and (B) if the combination of securities to be offered is the basis of such underwriter's advice (1) the Transfer Restricted Securities to be included in such offering shall be reduced as described in clause (A) above (subject to the provision in clause (A)) or (2) if the actions described in sub-clause (1) of this clause (B) would, in the judgment of the managing underwriter, be insufficient to eliminate the adverse effect that inclusion of the Transfer Restricted Securities requested to be included would have on such offering, such Transfer Restricted Securities will be excluded from such offering, but only if all shares of Common Stock are also excluded. Any reduction in Transfer Restricted Securities to be included in an underwritten offering as contemplated by this Section 6(b) shall be without prejudice to the Certificate Holder's rights to have the Transfer Restricted Securities continue to be included in the Shelf Registration Agreement.

SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company's performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Shelf Registration Statement required by this Agreement becomes effective, including without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing, messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company and not more than one counsel for the Holders of Transfer Restricted Securities as described in Section 7(b) below; (v) all application and filing fees in connection with listing the Common Stock on a national securities exchange pursuant to the requirements hereof; (vi) all fees and disbursements of independent certified public accountants of the Company (including the expenses of any special audit and comfort letters required by or incident to such performance); and (vii) fees and expenses in connection with any review of underwriting arrangements by the National Association of Securities Dealers, Inc. including fees and expenses of any "qualified independent underwriter" in connection with an underwritten offering.

The Company will, in any event, bear its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company. The Certificate Holder will bear the expense of any underwriting commissions in connection with an underwritten offering.

(b) The Company will reimburse the Holders selling Transfer Restricted Securities pursuant to the "Plan of Distribution" contained in the Shelf Registration Statement for the reasonable fees and disbursements of not more than one counsel selected by the Holders of a majority of the Transfer Restricted Securities.

SECTION 8. INDEMNIFICATION

(a) The Company agrees to indemnify and hold harmless each Holder, its directors, its officers and each Person, if any, who controls such Holder (within the meaning of Section 15 of the Act and Section 20 of the Exchange Act), from and against any and all losses, claims, damages, liabilities, judgments, (including without limitation, any legal or other expenses incurred in

connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in the Shelf Registration Statement, preliminary prospectus or Prospectus (or any amendment or supplement thereto) provided by the Company to any Holder or any prospective purchaser of Shares pursuant to the Shelf Registration Statement or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by an untrue statement or omission or alleged untrue statement or omission that is based upon information relating to any of the Holders furnished in writing to the Company by any of the Holders expressly for use in the Shelf Registration Statement or Piggyback Registration Statement.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company and its directors and officers, and each Person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company, to the same extent as the foregoing indemnity from the Company set forth in section (a) above, but only with reference to information relating to such Holder furnished in writing to the Company by such Holder expressly for use in the Shelf Registration Statement.

(c) In case any action shall be commenced involving any Person in respect of which indemnity may be sought pursuant to Section 7(a) or 7(b) (the "indemnified party"), the indemnified party shall promptly notify the Person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 7(a) and 7(b), a Holder shall not be required to assume the defense of such action pursuant to this Section 7(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, shall be at the expense of the Holder). Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party shall have failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Holders of a majority of the Transfer Restricted Securities, in the case of the parties indemnified pursuant to Section 7(a), and by the Company, in the case of parties indemnified pursuant to Section 7(b). The indemnifying party shall indemnify and hold

harmless the indemnified party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action (i) effected with its written consent or (ii) effected without its written consent if the settlement is entered into more than (20) twenty Business Days after the indemnifying party shall have received a request from the indemnified party for reimbursement for the fees and expenses of counsel (in any case where such fees and expenses are at the expense of the indemnifying party) and, prior to the date of such settlement, the indemnifying party shall have failed to comply with such reimbursement request. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened action in respect of which the indemnified party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the indemnified party, unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability on claims that are or could have been the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) To the extent that the indemnification provided for in this Section 7 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or judgments in such proportion as is appropriate to reflect the relative fault of the Company on the one hand, and of the Holders, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of the Holders, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or by the Holders, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and judgments referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

The Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any matter, including any action that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section 8, no Holder will be required to contribute any amount in excess of the amount by which the net proceeds of the offering (before deducting expenses) received by such Holder exceeds the amount of damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the

meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective Transfer Restricted Securities held by each of the Holders hereunder and not joint.

SECTION 9. RULE 144A AND RULE 144

The Company agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company (i) is not subject to Section 13 or 15(d) of the Exchange Act, to make available, upon request of any Holder of Transfer Restricted Securities, to any Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resale of such Transfer Restricted Securities pursuant to Rule 144A, and (ii) is subject to Section 13 or 15(d) of the Exchange Act, to make all filings required thereby in a timely manner in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144 (if available).

SECTION 10. REPRESENTATIONS

(a) The Company (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Oklahoma, (ii) has the corporate power to execute and deliver this Agreement and to consummate the transactions contemplated hereby and (iii) is not in default under or in violation of any provision of the Company's certificate of incorporation or bylaws.

(b) The authorized capital stock of the Company consists of 250,000,000 shares of Common Stock and 10,000,000 shares of preferred stock of which 148,768,103 shares of Common Stock and 624,037 shares of preferred stock were issued and outstanding as of June 16, 2000.

(c) The Company has delivered or made available to the Certificate Holder each registration statement, report, definitive proxy statement or definitive information statement and all exhibits thereto filed since December 31, 1998, each in the form (including exhibits and any amendments thereto) filed with the Commission. Except as otherwise disclosed, such reports were filed with the Commission in a timely manner, constitute all forms, reports and documents required to be filed by the Company under the Act, the Exchange Act and the rules and regulations promulgated thereunder. As of their respective dates, such reports (a) complied as to form in all material respects with the applicable requirements of the Act and the Exchange Act and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein not misleading. Each of the balance sheets of the Company included in or incorporated by reference in such reports (including the related notes and schedules) fairly presents the financial position of the Company as of the date thereof and each of the statements of income, retained earnings and cash flow of the Company included or incorporated by reference into such reports (including any related notes and schedules) fairly presents the results of operations, retained earnings or cash flows, as the case may be, of the Company for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except

as may be noted therein and except, in the case of any unaudited statements, as permitted by Form 10-Q promulgated under the Exchange Act.

(d) Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement will violate any law, statute, rule or regulation of any governmental authority, or will on the Closing Date conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or governmental agency, authority to which the Company is subject or of any agreement or instrument to which the Company is a party.

(e) The execution, delivery and performance of this Agreement have been duly and validly authorized and approved by all requisite corporate action on the part of the Company. This Agreement has been, and the other agreements contemplated hereby when executed and delivered will be, duly executed and delivered by the Company and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

(f) There is no litigation, proceeding or investigation pending or, to the knowledge of the Company threatened against or affecting the Company that questions the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by either the Company or CEMI in connection with the transactions contemplated hereby.

(g) No vote of the holders of any class or series of the Company's capital stock or other voting securities is necessary to approve this Agreement or the transactions contemplated hereby.

(h) As of the Closing Date CEMI is solvent.

SECTION 11. MISCELLANEOUS

(a) Remedies. The Company acknowledges and agrees that any failure by the Company to comply with its obligations under Section 3 hereof may result in material irreparable injury to the Certificate Holder or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Certificate Holder or any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Section 3 hereof. The Company further agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company will not, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The Company has not previously entered into any agreement (which has not expired or been terminated) granting any registration rights with respect to its securities to any Person. The rights granted to the

Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under any agreement in effect on the date hereof.

(c) No Piggybacks on Shelf Registration Statement. The Company shall not grant to any of its security holders (other than the holders of Transfer Restricted Securities in such capacity) the right to include any of their securities in the Shelf Registration Statement other than the Transfer Restricted Securities.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 3 hereof and this Section 10(d)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of Shares representing a majority of the outstanding Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or its Affiliates).

(e) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company, on the one hand, and the Certificate Holder, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect their rights hereunder.

(f) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, to the address set forth on the records of either the Registrar with respect to the Shares or The Depository Trust Company, as the case may be;

(ii) if to the Company: to Chesapeake Energy Corporation, 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, Attention: Corporate Secretary, with a copy to Winstead Sechrest & Minick P.C., 5400 Renaissance Tower, 1201 Elm Street, Dallas, Texas 75270, Attention: Connie S. Stamets; and

(iii) if to the Certificate Holder: to Paribas North America, Inc. 787 Seventh Avenue, New York, New York 10019, Attention: Mr. Albert Young or in any case to such other address as the Person to be notified may have requested in writing.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

(g) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the

need for an express assignment, subsequent Holders of Transfer Restricted Securities; provided, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreement. If any transferee of any Holder shall acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(h) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(i) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(j) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

(k) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(l) Entire Agreement. This Agreement, together with the Purchase Agreement, is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(m) Common Stock Issuance. Under the terms of paragraph 10.1 of the Purchase Agreement, CEMI is obligated to cause the issuance of additional shares of Common Stock or to pay additional cash to the Certificate Holder under certain circumstances. The Company agrees to reserve sufficient shares to satisfy any such obligations, to list such shares of Common Stock with the New York Stock Exchange as provided herein and to include such shares in the Shelf Registration Statement. If CEMI does not satisfy the obligations under paragraph 10.1 of the Purchase Agreement by issuing the required shares of Common Stock or paying the required amount of cash, the Company will issue the number of shares of Common Stock directly to the Certificate Holder required to satisfy such obligations under the Purchase Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CHESAPEAKE ENERGY CORPORATION

By: /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

PARIBAS NORTH AMERICA, INC.

By: /s/ ALBERT A. YOUNG, JR.

Name: Albert A. Young, Jr.

Title: Director

By: /s/ EDWARD V. CANALE

Name: Edward V. Canale

Title: Managing Director

EXHIBIT 4.9

COMMON STOCK REGISTRATION RIGHTS AGREEMENT

Dated as of September 1, 2000

by and among

CHESAPEAKE ENERGY CORPORATION

AND

LEHMAN BROTHERS INC.

AND

PERSONS EXECUTING THE ADDENDUM

This Common Stock Registration Rights Agreement (the "AGREEMENT") is made and entered into as of September 1, 2000, among Chesapeake Energy Corporation, an Oklahoma corporation (the "COMPANY"), Lehman Brothers Inc. ("Lehman") and such other Persons executing an addendum (the "ADDENDUM") to this Agreement in the form set forth in Exhibit AA@ (each a "NOTEHOLDER" and, collectively, the "NOTEHOLDERS").

Lehman has agreed to sell Gothic Production Corporation 11 1/8% Senior Secured Notes Due 2005 and the beneficial interests in the related indenture and pledge agreement (collectively, the "NOTES") pursuant to that certain Senior Secured Notes Purchase Agreements, dated September 1, 2000, between the Company and Lehman (the "PURCHASE AGREEMENT"). In order to induce Lehman to sell the Notes, the Company has agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of Lehman set forth in Section 9 of the Purchase Agreement. The Company will offer to provide the registration rights contained in this Agreement to other holders of Notes that (i) agree to sell such Notes in whole or in part for shares of Common Stock pursuant to a Purchase Agreement with the Company and (ii) execute the Addendum. For purposes of this Agreement, any such purchase agreement will be a "Purchase Agreement," and such notes and the holders' beneficial interests in related note documentation will be "Notes." Capitalized terms used herein but not defined have the respective meanings set forth in the Purchase Agreement.

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms will have the following meanings:

ACT: The Securities Act of 1933, as amended.

AFFILIATE: As defined in Rule 144 of the Act.

BUSINESS DAY: Any day on which the New York Stock Exchange is open for trading and which is not a legal United States holiday.

CLOSING DATE: September 1, 2000.

COMMON STOCK: Common Stock, $.01 par value per share, of the Company.

COMMISSION: The Securities and Exchange Commission.

EFFECTIVE DATE: The date the Shelf Registration Statement is declared effective by the Commission.

EXCHANGE ACT: The Securities Exchange Act of 1934, as amended.

HOLDERS: As defined in Section 2 hereof.

PERSON: Any individual, corporation, partnership, joint venture, trust, estate, unincorporated organization or government or any agency or political subdivision thereof.

PROSPECTUS: The prospectus included in the Shelf Registration Statement at the time such Shelf Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, all material incorporated by reference into such Prospectus and any information previously omitted in reliance upon Rule 430A of the Act.

PURCHASE PRICE: The Shares and any cash to be exchanged as payment for the Notes pursuant to the Purchase Agreements.

RECOMMENCEMENT DATE: As defined in Section 5(b) hereof.

RULE 144: Rule 144 promulgated under the Act.

SHARES: The shares of Common Stock constituting all or part of the Purchase Price transferred to the Noteholders pursuant to the Purchase Agreements.

SHELF REGISTRATION STATEMENT: As defined in Section 3 hereof.

SUSPENSION NOTICE: As defined in Section 5(b) hereof.

TRANSFER RESTRICTED SECURITIES: The Shares, upon delivery thereof to the Noteholders pursuant to the respective Purchase Agreements and at all times subsequent thereto, until (a) the date on which the Shares have been disposed of in accordance with the Shelf Registration Statement, (b) the date on which the Shares are distributed to the public pursuant to Rule 144 or are saleable pursuant to Rule 144(k) (or similar provisions then in effect) under the Act or (c) the date on which the Shares cease to be outstanding. A Share will cease being a Transfer Restricted Security at such time that the foregoing clauses (a), (b) or (c) apply to such Share.

SECTION 2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "HOLDER") whenever such Person owns Transfer Restricted Securities.

SECTION 3. SHELF REGISTRATION

As soon as practicable after the Closing Date but in no event later than 45 days after the Closing Date, the Company will file with the Commission a shelf registration statement pursuant to Rule 415 under the Act (the "SHELF REGISTRATION STATEMENT"), relating to all Transfer Restricted Securities, and will use its best efforts to cause such Shelf Registration Statement to become effective on or prior to 105 days after the Closing Date.

The Company will use its best efforts to keep the Shelf Registration Statement required by this Section 3 continuously effective, supplemented and amended as required by and subject to the provisions of Section 5(a) hereof to the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 3, and to ensure that the Shelf Registration Statement conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for the shorter of (i) two years following the Closing Date or (ii) the date on which all Transfer Restricted Securities covered by the Shelf Registration Statement have been sold pursuant thereto.

SECTION 4. PROVISION BY HOLDERS OF CERTAIN INFORMATION

No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in the Shelf Registration Statement pursuant to this Agreement unless such Holder furnishes to the Company in writing the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with the Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. Such information will be provided promptly on the Company's request and each selling Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

SECTION 5. SHELF REGISTRATION PROCEDURES

(a) Procedures. In connection with the Shelf Registration Statement, the Company will:

(i) use its best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4 hereof), and pursuant thereto the Company will prepare and file with the Commission a Shelf Registration Statement relating to the registration on any appropriate form under the Act, which form will be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof. Except for the Common Stock covered by that certain Registration Rights Agreement dated effective June 27, 2000, among the Company, Appaloosa Investment Limited Partnership I, Palomino Fund, Ltd., Tersk L.L.C., Oppenheimer Strategic Income Fund, Oppenheimer Champion Income Fund, Oppenheimer High Yield Fund, Oppenheimer Strategic Bond Fund/VA, Atlas Strategic Income Fund and that certain Registration Rights Agreement dated effective August 29, 2000 between the Company and Paribas North America, Inc. (collectively, the "Discount Noteholder Rights Agreement"), the Company will not be permitted to include in the Shelf Registration Statement any securities other than the Transfer Restricted Securities. If the registration of the sale of the Transfer Restricted Securities is an underwritten offering and other holders of unregistered Common Stock exercise piggy-back registration rights with respect to such underwritten offering, in the event the managing underwriter determines in its sole

discretion that including all of the Common Stock requested to be included in such underwritten offering will jeopardize the success of the offering, unless the Company is legally obligated to cut back pro rata, the Common Stock requested to be included by the holders of such piggy-back registration rights will be excluded from such underwritten offering prior to any exclusion therefrom of any of the Transfer Restricted Securities.

(ii) use its best efforts to keep such Shelf Registration Statement continuously effective and provide all requisite financial statements and any other information for the period specified in Section 3 of this Agreement. Upon the occurrence of any event that would cause any such Shelf Registration Statement or the Prospectus contained therein (i) to contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading or (ii) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company will subject to this Section 5 file promptly (A) an appropriate amendment to such Shelf Registration Statement curing such defect, and, if Commission review is required, use its best efforts to cause such amendment to be declared effective as soon as practicable, (B) a supplement pursuant to Rule 424 under the Act curing such defect or (C) an Exchange Act report incorporated by reference curing such defect.

(iii) prepare and file with the Commission such amendments and post-effective amendments to the Shelf Registration Statement as may be necessary to keep such Shelf Registration Statement effective for the applicable period set forth in Section 3 hereof, cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A and 462, and such other Rules as are applicable to the Prospectus, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all Transfer Restricted Securities covered by such Shelf Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Shelf Registration Statement or supplement to the Prospectus.

(iv) advise the Holders and underwriters, if any, promptly and, if requested by such Persons, confirm such advice in writing, (A) when the Shelf Registration Statement or any Prospectus supplement or post-effective amendment has been filed, and, with respect to the Shelf Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Shelf Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Shelf Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding

for any of the preceding purposes, (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Shelf Registration Statement, the Prospectus, any amendment or supplement thereto made, misleading.

(v) subject to Section 5(a)(ii), if any fact or event contemplated by Section 5(iv)(D) above will exist or have occurred, prepare a post-effective amendment or supplement to the Shelf Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. (vi) deliver to each Holder and underwriter, if any, without charge, a reasonable number of copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Holder or underwriter reasonably may request; the Company hereby consents to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each Holder and each underwriter, if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto.

(vii) prior to any offering of Transfer Restricted Securities, cooperate with the Holders in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as reasonably requested and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement; provided, however, that the Company will not be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Shelf Registration Statement, in any jurisdiction where it is not now so subject.

(viii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends.

(ix) list all shares of Common Stock covered by the Shelf Registration Statement on the principal U.S. securities exchange on which the Common Stock is then listed.

(x) use its best efforts to cause the disposition of the Transfer Restricted Securities covered by the Shelf Registration Statement to be registered with or

approved by such other governmental agencies or authorities as may be required to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities.

(xi) use its best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to the Shelf Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) covering a twelve-month period beginning after the Effective Date (as such term is defined in paragraph (c) of Rule 158 under the Act).

(xvii) provide the Holders with a reasonable opportunity to review and comment on any registration statement to be filed pursuant to this Agreement prior to the filing thereof with the Commission, and will make all changes thereto as any Holder may request in writing to the extent such changes are required, in the judgment of the Company, by the Act.

(xviii) use best efforts to obtain the withdrawal of any order suspending the effectiveness of such registration statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Transfer Restricted Securities for sale in any jurisdiction, at the earliest possible moment.

(xix) use its best efforts to furnish to each Holder and to each managing underwriter, if any, a signed counterpart, addressed to such Holder or such underwriter, if any, of (i) an opinion or opinions of counsel to the Company and (ii) a comfort letter or comfort letters from the Company=s independent public accountants pursuant to SAS 72, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as such Holder or the managing underwriter reasonably requests.

(xx) enter into customary agreements (including underwriting agreements in customary form, which will include "lock-up" obligations as may be requested by the managing underwriters, not to exceed 90 days in duration, but excluding shares that may be issued pursuant to benefit plans or in connection with mergers or acquisitions) and take such other actions (including using its reasonable efforts to make such domestic road show presentations and otherwise engaging in such reasonable marketing support in connection with any underwritten offering, including without limitation the obligation to make its executive officers available for such purpose of so requested by the selling Holder (a "Road Show")) as are reasonably requested by any selling Holder in order to expedite or facilitate the sale of any Transfer Restricted Securities covered by a registration statement pursuant to an underwritten offering in accordance herewith.

(xxi) offer Lehman the opportunity to manage any underwritten offering under this Agreement, subject to the reasonable consent of the Holders of a majority of the Transfer Restricted Securities to be included in such registration.

(b) Restrictions on Holders. Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of (i) the notice referred to in Section 5(a)(iv)(C), (ii) any notice from the Company of the existence of any fact of the kind described in Section 5(a)(iv)(D) hereof or (iii) any notice from the Company that (a) sales under the Shelf Registration Statement would require the disclosure of material information which the Company has a bona fide business purpose for preserving as confidential, or (b) such disclosure would substantially impede the Company's ability to consummate a material transaction (in each case, a "SUSPENSION NOTICE"), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the Shelf Registration Statement until (A) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 5(a)(v) hereof, or (B) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the "RECOMMENCEMENT DATE"). The aggregate suspension pursuant to clause (iii) above will not exceed 60 days in any twelve-month period. Each Holder receiving a Suspension Notice hereby agrees that it will either (x) destroy any Prospectuses, other than permanent file copies, then in such Holder's possession which have been replaced by the Company with more recently dated Prospectuses or (y) deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice.

(c) Restrictions on the Company. During the period specified in Section 3 of this Agreement, the Company will not effect any public sale or distribution of any securities the same as or similar to the Transfer Restricted Securities, or any securities convertible into or exchangeable or exercisable for any Company securities the same as or similar to the Transfer Restricted Securities (except pursuant to registration on Form S-4 or any successor form, or otherwise in connection with the acquisition of a business or assets of a business, a merger, or an exchange offer for the securities of the issuer of another entity, or registrations on Form S-8 or any successor form relating solely to securities offered pursuant to any benefit plan), during the 14-day period prior to and through the period (i) beginning on the commencement of the public distribution of Transfer Restricted Securities pursuant to the Shelf Registration Statement in an underwritten offering by or on behalf of any Holder to the extent timely notified in writing by the selling Holders or the underwriters managing such distribution and (ii) ending on the first to occur of (A) the 90 th day after such commencement and (B) the end of such distribution (the "Company Standstill Period"), including that portion of such period following an underwritten distribution commenced during the Company Standstill Period that does not coincide with the Company Standstill Period.

SECTION 6. PIGGYBACK REGISTRATIONS

(a) In addition to the agreements relating to the Shelf Registration Statement the Company agrees as follows:

(i) If at any time the Company proposes to file an additional registration statement under the Act with respect to an offering of Common Stock (x) for the Company=s own account (except pursuant to registrations on Form S-4 or any

successor form, or Form S-8 or any successor form relating solely to securities issued pursuant to any benefit plan) or (y) for the account of any holders of Common Stock (other than the Noteholders or other holders of Notes or for the owners of Common Stock covered by Discount Noteholders Rights Agreement), then (A) the Company will give written notice of such proposed filing to the Noteholders as soon as practicable (but in no event less than 30 days before the anticipated filing date), (B) such notice will offer each Noteholder, subject to the terms and conditions hereof, the opportunity to request that such actions be taken under Rule 429 under the Act ("Rule 429") as will cause the prospectus contained in such additional registration statement (a "Noteholder Piggyback Registration Statement") to be available to permit the offer and sale, at such Noteholder's election, of some or all of the Transfer Restricted Securities owned by such Noteholder on the same terms and conditions as the Company's or such other holder's Common Stock (a "Noteholder Piggyback Sale"), and (C) the Company will otherwise take such reasonable actions as will enable such Noteholder to effect a Noteholder Piggyback Sale on such terms and conditions.

(ii) Subject to Section 6(b), the Company will take such actions as will be required under Rule 429 to cause the combined prospectus contained in such Noteholder Piggyback Registration Statement to permit the offer and sale of all Transfer Restricted Securities requested by such Noteholder within 20 days after the receipt of any notice given by the Company pursuant to Section 6(a)(i), clause (A), to be covered by such combined prospectus; provided, however, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of such Noteholder Piggyback Registration Statement, the Company will determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to each Noteholder and, thereupon, (i) in the case of a determination not to register, will be relieved of any obligation to cause any Transfer Restricted Securities to be covered by such combined prospectus, without prejudice, however, to the rights of any Noteholder to have its Transfer Restricted Securities continue to be included in the Shelf Registration Statement and (ii) in the case of a determination to delay registering, will be permitted to delay causing any Transfer Restricted Securities to be covered by the combined prospectus for the same period as the delay in registering such other securities.

(iii) If the offering pursuant to such Noteholder Piggyback Registration Statement is to be underwritten, then each Noteholder making a request for a Noteholder Piggyback Sale pursuant to this Section 6(a) must participate in such underwritten offering and will not be permitted to make any other offering in connection with such registration. If the offering pursuant to such Noteholder Piggyback Registration Statement is to be on any other terms, then each Noteholder making a request for a Noteholder Piggyback Sale pursuant to this Section 6(a) must participate in such offering on such basis and will not be permitted to make an underwritten offering in connection with such registration. Each Noteholder will be permitted to withdraw all or part of such Noteholder=s Transfer Restricted Securities

from coverage by a Noteholder Piggyback Registration Statement at any time prior to (but only prior to) the effective date thereof without prejudice to the rights of such Noteholder to have its Transfer Restricted Securities continue to be included in the Shelf Registration Statement.

(b) Notwithstanding anything contained herein, if the managing underwriter or underwriters of a sale or offering described in Section 6(a) pursuant to which a Noteholder has requested a Noteholder Piggyback Sale will advise the Company in writing that (x) the size of the offering that the Noteholders, the Company and any other holders intend to make or (y) the kind of securities that one or more Noteholders, the Company and such other holders intend to include in such offering are such that the success of the offering would be materially and adversely affected, then (A) if the size of the offering is the basis of such underwriter's advice, the amount of Transfer Restricted Securities to be offered for the account of any Noteholder will be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters; provided, however, that, if securities are being offered for the account of Persons other than the Company or such Noteholder, the proportion by which the amount of such Transfer Restricted Securities intended to be offered for the account of any Noteholder is reduced will not exceed the proportion by which the amount of such securities intended to be offered for the account of such Persons is reduced; and (B) if the combination of securities to be offered is the basis of such underwriter's advice (1) the Transfer Restricted Securities to be included in such offering will be reduced as described in clause (A) above (subject to the provision in clause (A)) or (2) if the actions described in sub-clause (1) of this clause (B) would, in the judgment of the managing underwriter, be insufficient to eliminate the adverse effect that inclusion of the Transfer Restricted Securities requested to be included would have on such offering, such Transfer Restricted Securities will be excluded from such offering, but only if all shares of Common Stock are also excluded. Any reduction in Transfer Restricted Securities to be included in an underwritten offering as contemplated by this Section 6(b) will be without prejudice to the Noteholders' rights to have their Transfer Restricted Securities continue to be included in the Shelf Registration Agreement.

SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company's performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Shelf Registration Statement required by this Agreement becomes effective, including without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing, messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company and not more than one counsel for the Holders of Transfer Restricted Securities as described in Section 7(b) below; (v) all application and filing fees in connection with listing the Common Stock on a national securities exchange pursuant to the requirements hereof; (vi) all fees and disbursements of independent certified public accountants of the Company (including the expenses of any special audit and comfort letters required by or incident to such performance); ; and (vii) fees and expenses in connection with any review of underwriting arrangements by the National Association of Securities Dealers, Inc. including fees and expenses of any "qualified independent underwriter" in connection with an underwritten offering.

. The Company will, in any event, bear its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company. The Noteholders will bear the expense of any underwriting commissions in connection with an underwritten offering.

(b) The Company will reimburse the Holders selling Transfer Restricted Securities pursuant to the "Plan of Distribution" contained in the Shelf Registration Statement for the reasonable fees and disbursements of not more than one counsel selected by the Holders of a majority of the Transfer Restricted Securities.

SECTION 8. INDEMNIFICATION

(a) The Company agrees to indemnify and hold harmless each Holder, its directors, its officers, its employees, its agents and underwriters and each Person, if any, who controls such Holder (within the meaning of Section 15 of the Act and Section 20 of the Exchange Act), from and against any and all losses, claims, damages, liabilities, judgments, (including without limitation, any legal or other expenses incurred in connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in the Shelf Registration Statement, preliminary prospectus or Prospectus (or any amendment or supplement thereto) provided by the Company to any Holder or any prospective purchaser of Shares pursuant to the Shelf Registration Statement or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by an untrue statement or omission or alleged untrue statement or omission that is based upon information relating to any of the Holders furnished in writing to the Company by any of the Holders expressly for use in the Shelf Registration Statement or Noteholder Piggyback Registration Statement.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company and its directors and officers, and each Person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company, to the same extent as the foregoing indemnity from the Company set forth in section (a) above, but only with reference to information relating to such Holder furnished in writing to the Company by such Holder expressly for use in the Shelf Registration Statement.

(c) In case any action will be commenced involving any Person in respect of which indemnity may be sought pursuant to Section 7(a) or 7(b) (the "indemnified party"), the indemnified party will promptly notify the Person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party will assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 7(a) and 7(b), a Holder will not be required to assume the defense of such action pursuant to this Section 7(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, will be at the expense of the Holder). Any indemnified party will have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel will be at the expense of the indemnified party unless (i) the employment of such counsel will have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party will have failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party will have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party will not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party will not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses will be reimbursed as they are incurred. Such firm will be designated in writing by the Holders of a majority of the Transfer Restricted Securities, in the case of the parties indemnified pursuant to Section 7(a), and by the Company, in the case of parties indemnified pursuant to Section 7(b). The indemnifying party will indemnify and hold harmless the indemnified party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action (i) effected with its written consent or (ii) effected without its written consent if the settlement is entered into more than (20) twenty Business Days after the indemnifying party will have received a request from the indemnified party for reimbursement for the fees and expenses of counsel (in any case where such fees and expenses are at the expense of the indemnifying party) and, prior to the date of such settlement, the indemnifying party will have failed to comply with such reimbursement request. No indemnifying party will, without the prior written consent of the indemnified party, effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened action in respect of which the indemnified party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the indemnified party, unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability on claims that are or could have been the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) To the extent that the indemnification provided for in this Section 7 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, will

contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or judgments in such proportion as is appropriate to reflect the relative fault of the Company on the one hand, and of the Holders, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of the Holders, on the other hand, will be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or by the Holders, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and judgments referred to above will be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

The Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph will be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any matter, including any action that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section 8, no Holder will be required to contribute any amount in excess of the amount by which the net proceeds of the offering (before deducting expenses) received by such Holder exceeds the amount of damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective Transfer Restricted Securities held by each of the Holders hereunder and not joint.

SECTION 9. RULE 144A AND RULE 144

The Company agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company (i) is not subject to Section 13 or 15(d) of the Exchange Act, to make available, upon request of any Holder of Transfer Restricted Securities, to any Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resale of such Transfer Restricted Securities pursuant to Rule 144A, and (ii) is subject to Section 13 or 15(d) of the Exchange Act, to make all filings required thereby in a timely manner in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144 (if available).

SECTION 10. MISCELLANEOUS

(a) Remedies. The Company acknowledges and agrees that any failure by the Company to comply with its obligations under Section 3 hereof may result in material irreparable injury to the Noteholders or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Noteholders or any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Section 3 hereof. The Company further agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company will not, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under any agreement in effect on the date hereof. The Company and each of the Holders hereby agree that: (a) the terms of this Agreement and the registration rights granted hereunder are subject to the terms and conditions of the Discount Noteholder Rights Agreement; and (b) the registration rights granted under the Discount Noteholders Rights Agreement are prior to the rights granted under this Agreement.

(c) No Piggybacks on Shelf Registration Statement. After the date of this Agreement the Company will not grant to any of its security holders (other than the holders of Transfer Restricted Securities in such capacity) the right to include any of their securities in the Shelf Registration Statement other than the Transfer Restricted Securities and the Common Stock covered by the Discount Noteholders Rights Agreement.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 3 hereof and this Section 10(d)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of Shares representing a majority of the outstanding Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or its Affiliates).

(e) Third Party Beneficiary. The parties agree that: (a) each representation, warranty, covenant and agreement under this Agreement is between the Company, on the one hand, and each Holder, on the other hand; and (b) no Holder will be deemed a direct or indirect beneficiary of any representation, warranty, covenant or agreement by or between the Company and any other Holder.

(f) Notices. All notices and other communications provided for or permitted hereunder will be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, to the address set forth on the records of either the Registrar with respect to the Shares or The Depository Trust Company, as the case may be;

(ii) if to the Company: to Chesapeake Energy Corporation, 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, Attention: Corporate Secretary, with a copy to Self, Giddens & Lees, Inc., 210 Park Avenue, Suite 2725, Oklahoma City, Oklahoma 75201, Attention: Shannon Self; and

(iii) if to the Noteholders: to Lehman Brothers Inc., 200 Vesey Street, 10 th Floor New York, New York 10285, Attention: Jim Seery; to any other Noteholder at the address set forth in the Addendum executed by the Noteholder; or in any case to such other address as the Person to be notified may have requested in writing.

All such notices and communications will be deemed to have been duly given: at the time delivered by hand, if personally delivered; five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

(g) Successors and Assigns. This Agreement will inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders of Transfer Restricted Securities; provided, that nothing herein will be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreements. If any transferee of any Holder will acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities will be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person will be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and the applicable Purchase Agreement, and such Person will be entitled to receive the benefits hereof.

(h) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed will be deemed to be an original and all of which taken together will constitute one and the same agreement.

(i) Headings. The headings in this Agreement are for convenience of reference only and will not limit or otherwise affect the meaning hereof.

(j) Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

(k) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein will not be affected or impaired thereby.

(l) Entire Agreement. This Agreement, together with the Purchase Agreements, is intended by the parties as a final expression of their agreement and intended to be a complete and

exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CHESAPEAKE ENERGY CORPORATION

By: /s/ MARCUS C. ROWLAND

Marcus C. Rowland, Executive Vice-President

LEHMAN BROTHERS INC.

By: /s/ J. ROBERT CHAMBERS

Name: /s/ J. Robert Chambers

Title: /s/ Managing Director

EXHIBIT "A"

CHESAPEAKE ENERGY CORPORATION

ADDENDUM
TO COMMON STOCK
REGISTRATION RIGHTS AGREEMENT

We, the undersigned, execute this Addendum, effective as of the date below, as a condition precedent to our acquisition of Common Stock of Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), and hereby agree to become a party to, and be bound by, that certain Common Stock Registration Rights Agreement (the "Agreement") dated as of September 1, 2000, by and among the Company, Lehman Brothers Inc., and other persons executing this Addendum from time to time, in all manner and respects as set forth in the Agreement.

Executed as of this _____ day of _____, _____.

By: ----------

By: ----------
Name: ----------
Title: ----------

Address:

Number of shares of Chesapeake Common Stock owned on this date which were acquired in exchange for Gothic Production Corporation 11 1/8% Senior Secured Notes Due 2005: _____

EXHIBIT 5.1

[WINSTEAD SECHREST & MINICK LETTERHEAD]

September 14, 2000

Chesapeake Energy Corporation
6100 North Western Avenue
Oklahoma City, OK 73118

Re: Registration Statement
on Form S-1

Ladies and Gentlemen:

We have examined the Registration Statement on Form S-1 to be filed by you with the Securities and Exchange Commission on or about September 15, 2000. The Registration Statement covers the offer and sale of 389,378 shares of common stock, par value $.01 per share, of Chesapeake Energy Corporation by the selling shareholder named in the Prospectus contained in the Registration Statement. We have also examined your Certificate of Incorporation, Bylaws and your minute books and other corporate records, and have made such other investigation as we have deemed necessary in order to render the opinions expressed herein.

Based on the foregoing, we are of the opinion that the shares covered by the Registration Statement have been legally issued and are fully paid and nonassessable in accordance with the Oklahoma General Corporation Act.

Consent is hereby given for the inclusion of this opinion as part of the Registration Statement.

Very truly yours,

/s/ WINSTEAD SECHREST & MINICK P.C.

WINSTEAD SECHREST & MINICK P.C.

EXHIBIT 10.2.3

AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

between

MARCUS C. ROWLAND

and

CHESAPEAKE ENERGY CORPORATION

Effective August 1, 2000

TABLE OF CONTENTS

TABLE OF CONTENTS (continued)

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective August 1, 2000, between CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), and MARCUS C. ROWLAND, an individual (the "Executive") and replaces and supersedes those certain Employment Agreements between Company and Executive dated March 1, 1995, July 1, 1997, July 1, 1998 and June 1, 2000.

WITNESSETH:

WHEREAS, the Company desires to retain the services of the Executive and the Executive desires to make the Executive's services available to the Company.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company and the Executive agree as follows:

1. Employment. The Company hereby employs the Executive and the Executive hereby accepts such employment subject to the terms and conditions contained in this Agreement. The Executive is engaged as an employee of the Company, and the Executive and the Company do not intend to create a joint venture, partnership or other relationship which might impose a fiduciary obligation on the Executive or the Company in the performance of this Agreement.

2. Executive's Duties. The Executive is employed on a full-time basis, defined for the purposes of this Agreement as the Executive working an average of four (4) days per week. Throughout the term of this Agreement, the Executive will use the Executive's best efforts and due diligence to assist the Company in achieving the most profitable operation of the Company and the Company's affiliated entities consistent with developing and maintaining a quality business operation.

2.1 Specific Duties. The Executive will serve as Chief Financial Officer and Executive Vice President - Finance for the Company. The Executive will perform all of the services required to fully and faithfully execute the office and position to which the Executive is appointed and such other services as may be reasonably requested by the Executive's supervisor. During the term of this Agreement, the Executive may be nominated for election or appointed to serve as a director or officer of the Company's subsidiaries as determined in the board of directors' sole discretion.

2.2 Supervision. The services of the Executive will be requested and directed by the Company's Chief Executive Officer, Mr. Aubrey K. McClendon.

2.3 Rules and Regulations. The Company currently has an Employment Policies Manual which sets forth the general human resources policies of the Company

and addresses frequently asked questions regarding the Company. The Executive agrees to comply with the Employment Policies Manual except to the extent inconsistent with this Agreement. The Employment Policies Manual is subject to change without notice in the sole discretion of the Company at any time.

2.4 Stock Investment. The Executive agrees to hold not less than Five Thousand (5,000) shares of the Company's common stock during the term of this Agreement.

3. Other Activities. The Executive currently conducts oil and gas activities individually and through various related or family-owned entities, including Infinity Resources, L.L.C. The Executive will be permitted to continue oil and gas activities individually, and directly or indirectly through Infinity Resources, L.L.C., provided that the Executive, subsequent to August 1, 2000, will not acquire, attempt to acquire or aid another in the acquisition or attempted acquisition of an interest in oil and gas assets, oil and gas production, oil and gas leases, mineral interests, oil and gas wells or other such oil and gas exploration, development or production activities within five (5) miles of any operations or ownership interests of the Company or its affiliated corporations, partnerships or entities. In the event the Executive or the Company becomes aware of any oil and gas activities by the Executive that may violate the foregoing provision, the party discovering the activity will immediately notify the other party in writing and Executive will use his good faith efforts to correct the situation by sale or transfer to the Company.

4. Executive's Compensation. The Company agrees to compensate the Executive as follows:

4.1 Base Salary. A base salary (the "Base Salary"), at the annual rate of not less than Two Hundred Fifty Thousand Dollars ($250,000.00), will be paid to the Executive in equal semi-monthly installments beginning August 15, 2000, and at the annual rate of not less than Two Hundred Seventy-Five Thousand Dollars ($275,000) will be paid to the Executive in equal semi-monthly installments beginning January 15, 2001 during the remainder of this Agreement.

4.2 Bonus. In addition to the Base Salary described at paragraph 4.1 of this Agreement, the Company may periodically pay bonus compensation to the Executive. Any bonus compensation will be at the absolute discretion of the Company in such amounts and at such times as the board of directors of the Company may determine.

4.3 Stock Options. In addition to the compensation set forth in paragraphs 4.1 and 4.2 of this Agreement, the Executive may periodically receive grants of stock options from the Company's various stock option plans, subject to the terms and conditions thereof.

4.4 Benefits. The Company will provide the Executive such retirement benefits, reimbursement of reasonable expenditures for dues, travel and entertainment and such other benefits as are customarily provided by the Company and as are set forth in and governed by the Company's Employment Policies Manual. The Company will also provide the Executive the opportunity to apply for coverage under the Company's medical, life and disability plans, if any. If the Executive is accepted for coverage under such plans, the Company will make such coverage available to the Executive on the same terms as is customarily provided by the Company to the plan participants as modified from time to time. The following specific benefits will also be provided to the Executive at the expense of the Company:

4.4.1 Vacation. The Executive will be entitled to take three (3) weeks of paid vacation each twelve months during the term of this Agreement. No additional compensation will be paid for failure to take vacation and no vacation may be carried forward from one twelve month period to another.

4.4.2 Membership Dues. The Company will reimburse the Executive for: (a) the monthly dues necessary to maintain a full membership in a country club in the Oklahoma City area selected by the Executive; and (b) the reasonable cost of any qualified business entertainment at such country club. All other costs, including, without implied limitation, any initiation costs, initial membership costs, personal use and business entertainment unrelated to the Company will be the sole obligation of the Executive and the Company will have no liability with respect to such amounts.

4.4.3 Compensation Review. The compensation of the Executive will be reviewed not less frequently than annually by the board of directors of the Company. The compensation of the Executive prescribed by paragraph 4 of this Agreement may be increased at the discretion of the Company, but may not be reduced without the prior written consent of the Executive.

4.4.4 Automobile Allowance. The Executive will receive a monthly cash allowance in the amount of One Thousand Dollars ($1,000.00) to defer a portion of the Executive's cost of acquiring, operating and maintaining an automobile for use in the Executive's employment.

4.4.5 Aircraft Allowance. The Executive will receive the right to use up to fifteen (15) hours of flight time on the Company's aircraft during the five (5) month period beginning August 1, 2000 and ending on December 31, 2000.

5. Term. In the absence of termination as set forth in paragraph 6 below, this Agreement will extend for a term of thirty-five (35) months commencing on August 1, 2000, and ending on June 30, 2003 (the "Expiration Date").

6. Termination. This Agreement will continue in effect until the expiration of the term stated at paragraph 5 of this Agreement unless earlier terminated pursuant to this paragraph 6.

6.1 Termination by Company. The Company will have the following rights to terminate this Agreement:

6.1.1 Termination without Cause. The Company may terminate this Agreement without cause at any time by the service of written notice of termination to the Executive specifying an effective date of such termination not sooner than thirty (30) days after the date of such notice (the "Termination Date"). In the event the Executive is terminated without cause, the Executive will receive as termination compensation: (a) continuation of the Base Salary provided by paragraph 4.1 for a period of one hundred eighty (180) days; (b) any benefits payable by operation of paragraph 4.4 of this Agreement; and (c) any vacation pay accrued through the Termination Date. The termination compensation in (a) shall be paid only if the Executive executes the Company's standard termination agreement releasing all legally waivable claims arising from the Executive's employment.

6.1.2 Termination for Cause. The Company may terminate this Agreement for cause if the Executive: (a) misappropriates the property of the Company or commits any other act of dishonesty; (b) engages in personal misconduct which materially injures the Company; (c) willfully violates any law or regulation relating to the business of the Company which results in injury to the Company; or (d) willfully and repeatedly fails to perform the Executive's duties hereunder. In the event this Agreement is terminated for cause, the Company will not have any obligation to provide any further payments or benefits to the Executive after the effective date of such termination. In the event this Agreement is terminated for cause, the Company will not have any obligation to provide any further payments or benefits to the Executive after the Termination Date.

6.1.3 Termination after Change of Control. If, during the term of this Agreement, there is a "Change of Control" and within one (1) year from the effective date of such Change of Control: (a) this Agreement expires and is not extended; or (b) the Executive resigns as a result of (i) a reduction in the Executive's

compensation (including the Executive's then current Base Salary under Paragraphs 4.1 of this Agreement and bonuses equal to those paid to the Executive during calendar year 2000 under paragraph 4.2 of this Agreement or its predecessor), or (ii) a required relocation more than twenty-five (25) miles from the Executive's then current place of employment; or within one (1) year from the effective date of the Change of Control the Executive is terminated other than under Paragraphs 6.1.2, 6.3 or 6.4 based on adequate grounds; then the Executive will be entitled to a severance payment (in addition to any other amounts payable to the Executive under this Agreement or otherwise, excluding any Base Salary payable under Paragraph 6.1.1, as of the date of termination or resignation hereunder) in an amount equal to six (6) months of the Executive's then current Base Salary under Paragraph 4.1 of this Agreement plus bonuses equal to fifty percent (50%) of those paid to the Executive during calendar year 2000 under Paragraph 4.2 of this Agreement or its predecessor. The term "Change of Control" means any action of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A under the Securities Exchange Act of 1934 with respect to Chesapeake Energy Corporation ("Chesapeake") including, without limitation (i) the direct or indirect acquisition by any person after the date hereof of beneficial ownership of the right to vote or securities of Chesapeake representing the right to vote fifty one percent (51%) or more of the combined voting power of Chesapeake's then outstanding securities having the right to vote for the election of directors, or (ii) a merger, consolidation, sale of assets or contested election or (iii) any combination of (i) and (ii) which results in a majority of the members of Chesapeake's board of directors being replaced by directors who were not nominated and approved by the existing board of directors.

6.2 Termination by Executive. The Executive may voluntarily terminate this Agreement with or without cause by the service of written notice of such termination to the Company specifying a Termination Date sixty (60) days after the date of such notice, during which time Executive may use remaining accrued vacation days, or at the Company's option, be paid for such days. In the event this Agreement is terminated by the Executive, neither the Company nor the Executive will have any further obligations hereunder including, without limitation, any obligation of the Company to provide any further payments or benefits to the Executive after the Termination Date.

6.3 Incapacity of Executive. If the Executive suffers from a physical or mental condition which in the reasonable judgment of the Company's management

prevents the Executive in whole or in part from performing the duties specified herein for a period of three (3) consecutive months, the Executive may be terminated. Although the termination shall be deemed as a termination for cause, any compensation payable under paragraph 4 of this Agreement will be continued through the remaining contract period, but in any event, through the Expiration Date. Notwithstanding the foregoing, the Executive's Base Salary specified in paragraph 4.1 of this Agreement shall be reduced by any benefits payable under any disability plans.

6.4 Death of Executive. If the Executive dies during the term of this Agreement, the Company may thereafter terminate this Agreement without compensation to the Executive's estate except: (a) the obligation to continue the Base Salary payments under paragraph 4.1 of this Agreement for twelve (12) months following the date of the Executive's death and (b) the benefits described in paragraph 4.4 of this Agreement accrued through the date of the Executive's death.

6.5 Effect of Termination. The termination of this Agreement will terminate all obligations of the Executive to render services on behalf of the Company from and after the Termination Date, provided that the Executive will maintain the confidentiality of all information acquired by the Executive during the term of his employment in accordance with paragraph 7 of this Agreement. Except as otherwise provided in paragraph 6 of this Agreement, no accrued bonus, severance pay or other form of compensation will be payable by the Company to the Executive by reason of the termination of this Agreement. All keys, entry cards, credit cards, files, records, financial information, furniture, furnishings, equipment, supplies and other items relating to the Company in the Executive's possession will remain the property of the Company. The Executive will have the right to retain and remove all personal property and effects which are owned by the Executive and located in the offices of the Company. All such personal items will be removed from such offices no later than two (2) days after the Termination Date and the Company is hereby authorized to discard any items remaining and to reassign the Executive's office space after such date. Prior to the Termination Date, the Executive will render such services to the Company as might be reasonably required to provide for the orderly termination of the Executive's employment.

7. Confidentiality. The Executive recognizes that the nature of the Executive's services are such that the Executive will have access to information which constitutes trade secrets, is of a confidential nature, is of great value to the Company or is the foundation on which the business of the Company is predicated. The Executive agrees not to disclose to any person other than the Company's employees or the Company's legal counsel nor use for any purpose, other than the performance of this Agreement, any confidential information ("Confidential Information"). Confidential Information includes data or material (regardless of form) which is: (a) a trade secret; (b) provided, disclosed or delivered to Executive by the Company, any officer, director, employee, agent, attorney, accountant, consultant, or other person or entity employed by the

Company in any capacity, any customer, borrower or business associate of the Company or any public authority having jurisdiction over the Company of any business activity conducted by the Company; or (c) produced, developed, obtained or prepared by or on behalf of Executive or the Company (whether or not such information was developed in the performance of this Agreement) with respect to the Company or any assets oil and gas prospects, business activities, officers, directors, employees, borrowers or customers of the foregoing. However, Confidential Information shall not include any information, data or material which at the time of disclosure or use was generally available to the public other than by a breach of this Agreement, was available to the party to whom disclosed on a non-confidential basis by disclosure or access provided by the Company or a third party, or was otherwise developed or obtained independently by the person to whom disclosed without a breach of this Agreement. On request by the Company, the Company will be entitled to the return of any Confidential Information in the possession of the Executive. The Executive also agrees that the provisions of this paragraph 7 will survive the termination, expiration or cancellation of this Agreement for a period of three (3) years. The Executive will deliver to the Company all originals and copies of the documents or materials containing Confidential Information. For purposes of paragraphs 7, 8, and 9 of this Agreement, the Company expressly includes any of the Company's affiliated corporations, partnerships or entities.

8. Noncompetition. For a period of twelve (12) months after Executive is no longer employed by the Company as a result of either the resignation by the Executive pursuant to paragraph 6.1.3 or 6.2 above, or termination for cause pursuant to paragraph 6.1.2 above, Executive will not acquire, attempt to acquire or aid another in the acquisition or attempted acquisition of an interest in oil and gas assets, oil and gas production, oil and gas leases, mineral interests, oil and gas wells or other such oil and gas exploration, development or production activities within five (5) miles of any operations or ownership interests of the Company or its affiliated corporations, partnerships or entities. The Executive further agrees that the Executive will not circumvent or attempt to circumvent the foregoing agreements by any future arrangement or through the actions of a third party.

9. Proprietary Matters. The Executive expressly understands and agrees that any and all improvements, inventions, discoveries, processes or know-how that are generated or conceived by the Executive during the term of this Agreement, whether generated or conceived during the Executive's regular working hours or otherwise, will be the sole and exclusive property of the Company. Whenever requested by the Company (either during the term of this Agreement or thereafter), the Executive will assign or execute any and all applications, assignments and or other instruments and do all things which the Company deems necessary or appropriate in order to permit the Company to: (a) assign and convey or otherwise make available to the Company the sole and exclusive right, title, and interest in and to said improvements, inventions, discoveries, processes, know-how, applications, patents, copyrights, trade names or trademarks; or (b) apply for, obtain, maintain, enforce and defend patents, copyrights, trade names, or trademarks of the United States or of foreign countries for said improvements, inventions, discoveries, processes or know-how. However,

the improvements, inventions, discoveries, processes or know-how generated or conceived by the Executive and referred to above (except as they may be included in the patents, copyrights or registered trade names or trademarks of the Company, or corporations, partnerships or other entities which may be affiliated with the Company) shall not be exclusive property of the Company at any time after having been disclosed or revealed or have otherwise become available to the public or to a third party on a non-confidential basis other than by a breach of this Agreement, or after they have been independently developed or discussed without a breach of this Agreement by a third party who has no obligation to the Company or its affiliates.

10. Arbitration. The parties will attempt to promptly resolve any dispute or controversy arising out of or relating to this Agreement or termination of the Executive by the Company. Any negotiations pursuant to this paragraph 10 are confidential and will be treated as compromise and settlement negotiations for all purposes. If the parties are unable to reach a settlement amicably, the dispute will be submitted to binding arbitration before a single arbitrator in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association. The arbitrator will be instructed and empowered to take reasonable steps to expedite the arbitration and the arbitrator's judgment will be final and binding upon the parties subject solely to challenge on the grounds of fraud or gross misconduct. Except for damages arising out of a breach of paragraphs 7, 8 or 9 of this Agreement, the arbitrator is not empowered to award total damages (including compensatory damages) which exceed 200% of compensatory damages and each party hereby irrevocably waives any damages in excess of that amount. The arbitration will be held in Oklahoma County, Oklahoma. Judgment upon any verdict in arbitration may be entered in any court of competent jurisdiction and the parties hereby consent to the jurisdiction of, and proper venue in, the federal and state courts located in Oklahoma County, Oklahoma. Each party will bear its own costs in connection with the arbitration and the costs of the arbitrator will be borne by the party who the arbitrator determines did not prevail in the matter. Unless otherwise expressly set forth in this Agreement, the procedures specified in this paragraph 10 will be the sole and exclusive procedures for the resolution of disputes and controversies between the parties arising out of or relating to this Agreement. Notwithstanding the foregoing, a party may seek a preliminary injunction or other provisional judicial relief if in such party's judgment such action is necessary to avoid irreparable damage or to preserve the status quo.

11. Miscellaneous. The parties further agree as follows:

11.1 Time. Time is of the essence of each provision of this Agreement.

11.2 Notices. Any notice, payment, demand or communication required or permitted to be given by any provision of this Agreement will be in writing and will be deemed to have been given when delivered personally or by telefacsimile to the party designated to receive such notice, or on the date following the day sent by overnight courier, or on the third (3rd) business day after the same is sent by certified mail, postage and charges prepaid, directed to the following address or

to such other or additional addresses as any party might designate by written notice to the other party:

To the Company: Chesapeake Energy Corporation
Post Office Box 18496
Oklahoma City, OK 73154-0496
Attn: Aubrey K. McClendon

To the Executive: Mr. Marcus C. Rowland
15000 Wilson Rd.
Edmond, OK 73013

11.3 Assignment. Neither this Agreement nor any of the parties' rights or obligations hereunder can be transferred or assigned without the prior written consent of the other parties to this Agreement; provided, however, the Company may assign this Agreement to any wholly owned affiliate or subsidiary of the Company without Executive's consent.

11.4 Construction. If any provision of this Agreement or the application thereof to any person or circumstances is determined, to any extent, to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which the same is held invalid or unenforceable, will not be affected thereby, and each term and provision of this Agreement will be valid and enforceable to the fullest extent permitted by law. This Agreement is intended to be interpreted, construed and enforced in accordance with the laws of the State of Oklahoma and any litigation relating to this Agreement will be conducted in a court of competent jurisdiction located in Oklahoma County, Oklahoma.

11.5 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter herein contained, and no modification hereof will be effective unless made by a supplemental written agreement executed by all of the parties hereto.

11.6 Binding Effect. This Agreement will be binding on the parties and their respective successors, legal representatives and permitted assigns. In the event of a merger, consolidation, combination, dissolution or liquidation of the Company, the performance of this Agreement will be assumed by any entity which succeeds to or is transferred the business of the Company as a result thereof, and the Executive waives the consent requirement of paragraph 11.3 to effect such assumption.

11.7 Legal Fees. If any party institutes an action or proceeding against any other party relating to the provisions of this Agreement or any default hereunder, the unsuccessful party to such action or proceeding will reimburse the successful

party therein for the reasonable expenses of any legal fees incurred by the successful party, except with respect to any arbitration proceeding conducted pursuant to paragraph 10 above.

11.8 Supercession. On execution of this Agreement by the Company and the Executive, the relationship between the Company and the Executive will be bound by the terms of this Agreement and the Employment Policies Manual and not by any other agreements or otherwise. In the event of a conflict between the Employment Policies Manual and this Agreement, this Agreement will control in all respects.

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective the date first above written.

CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation

By: /s/ Aubrey K. McClendon

Aubrey K. McClendon, Chief Executive Officer
(the "Company")

By: /s/ Marcus C. Rowland

Marcus C. Rowland, Individually
(the "Executive")

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated March 24, 2000 relating to the consolidated financial statements and financial statement schedule of Chesapeake Energy Corporation, which appears in such Registration Statement. We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP

Oklahoma City, Oklahoma
September 14, 2000

EXHIBIT 23.2

CONSENT OF WILLIAMSON PETROLEUM CONSULTANTS, INC.

As independent oil and gas consultants, Williamson Petroleum Consultants, Inc. hereby consents to the use of our reserve report dated March 22, 2000 entitled, "Evaluation of Oil and Gas Reserves to the Interests of Chesapeake Energy Corporation in Certain Major-Value Properties in the United States Effective December 31, 1999 for Disclosure to the Securities and Exchange Commission Utilizing Aries Software Williamson Project 9.8764" and all references to our firm included in or made a part of the Chesapeake Energy Corporation Registration Statement on Form S-1 to be filed with the Securities and Exchange Commission on or about September 15, 2000.

/s/ WILLIAMSON PETROLEUM CONSULTANTS, INC.
WILLIAMSON PETROLEUM CONSULTANTS, INC.

Midland, Texas
September 15, 2000

EXHIBIT 23.3

CONSENT OF RYDER SCOTT COMPANY L.P.

As independent oil and gas consultants, Ryder Scott Company L.P., hereby consents to the use of our reserve report dated as of December 31, 1999 and all references to our firm included in or made a part of the Chesapeake Energy Corporation Form S-1 to be filed on or about September 15, 2000. We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ RYDER SCOTT COMPANY, L.P.
RYDER SCOTT COMPANY, L.P.

September 14, 2000
Houston, Texas

EXHIBIT 24.1

POWER OF ATTORNEY

We, the undersigned officers and directors of Chesapeake Energy Corporation (hereinafter, the "Company"), hereby severally constitute and appoint Aubrey K. McClendon, Tom L. Ward and Marcus C. Rowland, and each of them, severally, our true and lawful attorneys-in-fact and agents, each with full power to act without the other and with full power of substitution and resubstitution, to sign for us, in our names as officers or directors, or both, of the Company, and file with the Securities and Exchange Commission and any state securities regulatory board or commission any documents relating to the securities offered pursuant to this Registration Statement on Form S-1, including any amendments to this Registration Statement on Form S-1 or otherwise (including post-effective amendments) and any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933 and any documents required to be filed with respect thereto, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and to perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as each of us might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

DATED this 14th day of September, 2000.

/s/ Aubrey K. McClendon - ---------- Aubrey K. McClendon, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	/s/ Tom L. Ward ---------- Tom L. Ward, President, Chief Operating Officer and Director (Principal Executive Officer)
/s/ Marcus C. Rowland - ---------- Marcus C. Rowland, Executive Vice President and Chief Financial Officer (Principal Financial Officer)	/s/ Michael A. Johnson ---------- Michael A. Johnson, Senior Vice President - Accounting (Principal Accounting Officer)
/s/ E.F. Heizer - ---------- E.F. Heizer, Jr., Director	/s/ Breene M. Kerr ---------- Breene M. Kerr, Director
/s/ Shannon T. Self - ---------- Shannon T. Self, Director	/s/ Frederick B. Whittemore ---------- Frederick B. Whittemore, Director