

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(\$ in millions)
(unaudited)

THREE MONTHS ENDED:	December 31, 2009	September 30, 2009	December 31, 2008 ^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,226	\$ 1,132	\$ 971
Changes in assets and liabilities	(14)	(16)	83
OPERATING CASH FLOW ^(b)	<u>\$ 1,212</u>	<u>\$ 1,116</u>	<u>\$ 1,054</u>

THREE MONTHS ENDED:	December 31, 2009	September 30, 2009	December 31, 2008 ^(a)
NET INCOME (LOSS)	\$ (499)	\$ 192	\$ (995)
Income tax expense (benefit)	(299)	115	(615)
Interest expense	62	43	84
Depreciation and amortization of other assets	67	62	50
Natural gas and oil depreciation, depletion and amortization	335	295	452
EBITDA ^(c)	<u>\$ (334)</u>	<u>\$ 707</u>	<u>\$ (1,024)</u>

THREE MONTHS ENDED:	December 31, 2009	September 30, 2009	December 31, 2008 ^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,226	\$ 1,132	\$ 971
Changes in assets and liabilities	(14)	(16)	83
Interest expense	62	43	84
Unrealized gains (losses) on natural gas and oil derivatives	(186)	(285)	717
Impairment of natural gas and oil properties and other assets	(1,408)	(86)	(2,830)
Loss on sale of other property and equipment	—	(38)	—
Impairment of investments	—	—	(180)
Other non-cash items	(14)	(43)	131
EBITDA ^(c)	<u>\$ (334)</u>	<u>\$ 707</u>	<u>\$ (1,024)</u>

- (a) Reflects the adoption and retrospective application of accounting guidance for debt with conversion and other options.
- (b) Operating cash flow represents net cash provided by operating activities before changes in assets and liabilities. Operating cash flow is presented because management believes it is a useful adjunct to net cash provided by operating activities under accounting principles generally accepted in the United States (GAAP). Operating cash flow is widely accepted as a financial indicator of a natural gas and oil company's ability to generate cash which is used to internally fund exploration and development activities and to service debt. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies within the natural gas and oil exploration and production industry. Operating cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing or financing activities as an indicator of cash flows, or as a measure of liquidity.
- (c) Ebitda represents net income (loss) before income tax expense, interest expense and depreciation, depletion and amortization expense. Ebitda is presented as a supplemental financial measurement in the evaluation of our business. We believe that it provides additional information regarding our ability to meet our future debt service, capital expenditures and working capital requirements. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Ebitda is also a financial measurement that, with certain negotiated adjustments, is reported to our lenders pursuant to our bank credit agreements and is used in the financial covenants in our bank credit agreements and our senior note indentures. Ebitda is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income, income from operations, or cash flow provided by operating activities prepared in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(\$ in millions)
(unaudited)

TWELVE MONTHS ENDED:	December 31, 2009	December 31, 2008^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,356	\$ 5,357
Changes in assets and liabilities	(23)	(58)
OPERATING CASH FLOW^(b)	<u>\$ 4,333</u>	<u>\$ 5,299</u>

TWELVE MONTHS ENDED:	December 31, 2009	December 31, 2008^(a)
NET INCOME (LOSS)	\$ (5,805)	\$ 604
Income tax expense (benefit)	(3,483)	387
Interest expense	113	271
Depreciation and amortization of other assets	244	174
Natural gas and oil depreciation, depletion and amortization	1,371	1,970
EBITDA^(c)	<u>\$ (7,560)</u>	<u>\$ 3,406</u>

TWELVE MONTHS ENDED:	December 31, 2009	December 31, 2008^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,356	\$ 5,357
Changes in assets and liabilities	(23)	(58)
Interest expense	113	271
Unrealized gains (losses) on natural gas and oil derivatives	(588)	797
Impairment of natural gas and oil properties and other assets	(11,130)	(2,830)
Loss on sale of other property and equipment	(38)	—
Impairment of investments	(162)	(180)
Restructuring costs	(12)	—
Other non-cash items	(76)	49
EBITDA^(c)	<u>\$ (7,560)</u>	<u>\$ 3,406</u>

- (a) Reflects the adoption and retrospective application of accounting guidance for debt with conversion and other options.
- (b) Operating cash flow represents net cash provided by operating activities before changes in assets and liabilities. Operating cash flow is presented because management believes it is a useful adjunct to net cash provided by operating activities under accounting principles generally accepted in the United States (GAAP). Operating cash flow is widely accepted as a financial indicator of a natural gas and oil company's ability to generate cash which is used to internally fund exploration and development activities and to service debt. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies within the natural gas and oil exploration and production industry. Operating cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing or financing activities as an indicator of cash flows, or as a measure of liquidity.
- (c) Ebitda represents net income (loss) before income tax expense, interest expense and depreciation, depletion and amortization expense. Ebitda is presented as a supplemental financial measurement in the evaluation of our business. We believe that it provides additional information regarding our ability to meet our future debt service, capital expenditures and working capital requirements. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Ebitda is also a financial measurement that, with certain negotiated adjustments, is reported to our lenders pursuant to our bank credit agreements and is used in the financial covenants in our bank credit agreements and our senior note indentures. Ebitda is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income, income from operations, or cash flow provided by operating activities prepared in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON SHAREHOLDERS
(\$ in millions, except per-share data)
(unaudited)

THREE MONTHS ENDED:	December 31, 2009	September 30, 2009	December 31, 2008^(a)
Net income (loss) available to Chesapeake common shareholders	\$ (530)	186	\$ (1,001)
Adjustments:			
Unrealized (gains) losses on derivatives, net of tax	126	166	(380)
Impairment of natural gas and oil properties and other assets, net of tax	880	54	1,726
Loss on sale of other property and equipment, net of tax	—	24	—
Impairment of investments, net of tax	—	—	110
Loss (gain) on exchanges of Chesapeake debt, net of tax	14	10	(17)
Adjusted net income available to Chesapeake common shareholders^(b)	490	440	438
Preferred stock dividends	6	6	6
Total adjusted net income	<u>\$ 496</u>	<u>\$ 446</u>	<u>\$ 444</u>
Weighted average fully diluted shares outstanding^(c)	644	637	590
Adjusted earnings per share assuming dilution^(b)	<u>\$ 0.77</u>	<u>\$ 0.70</u>	<u>\$ 0.75</u>

(a) Reflects the adoption and retrospective application of accounting guidance for debt with conversion and other options.

(b) Adjusted net income available to common shareholders and adjusted earnings per share assuming dilution exclude certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to GAAP earnings because:

- i. Management uses adjusted net income available to common shareholders to evaluate the company's operational trends and performance relative to other natural gas and oil producing companies.
- ii. Adjusted net income available to common shareholders is more comparable to earnings estimates provided by securities analysts.
- iii. Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

(c) Weighted average fully diluted shares outstanding include shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON SHAREHOLDERS
(\$ in millions, except per-share data)
(unaudited)

TWELVE MONTHS ENDED:	December 31, 2009	December 31, 2008 ^(a)
Net income (loss) available to Chesapeake common shareholders	\$ (5,853)	\$ 504
Adjustments:		
Unrealized (gains) losses on derivatives, net of tax	311	(434)
Impairment of natural gas and oil properties and other assets, net of tax	6,955	1,726
Loss on sale of other property and equipment, net of tax	24	—
Impairment of investments, net of tax	102	110
Restructuring costs, net of tax	21	—
Loss on exchanges of Chesapeake debt, net of tax	25	2
Consent fees on senior notes, net of tax	—	6
Loss on conversions or exchanges of preferred stock	—	67
Adjusted net income available to Chesapeake common shareholders ^(b)	1,585	1,981
Preferred stock dividends	23	33
Interest on contingent convertible notes, net of tax	—	12
Total adjusted net income	<u>\$ 1,608</u>	<u>\$ 2,026</u>
Weighted average fully diluted shares outstanding ^(c)	631	562
Adjusted earnings per share assuming dilution ^(b)	<u>\$ 2.55</u>	<u>\$ 3.60</u>

(a) Reflects the adoption and retrospective application of accounting guidance for debt with conversion and other options.

(b) Adjusted net income available to common shareholders and adjusted earnings per share assuming dilution exclude certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to GAAP earnings because:

- i. Management uses adjusted net income available to common shareholders to evaluate the company's operational trends and performance relative to other natural gas and oil producing companies.
- ii. Adjusted net income available to common shareholders is more comparable to earnings estimates provided by securities analysts.
- iii. Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

(c) Weighted average fully diluted shares outstanding include shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
(\$ in millions)
(unaudited)

THREE MONTHS ENDED:	December 31, 2009	September 30, 2009	December 31, 2008 ^(a)
EBITDA	\$ (334)	\$ 707	\$ (1,024)
Adjustments, before tax:			
(Income) attributable to noncontrolling interest	(25)	—	—
Unrealized (gains) losses on natural gas and oil derivatives	186	285	(717)
Loss (gain) on exchanges of Chesapeake debt	21	17	(27)
Impairment of natural gas and oil properties and other assets	1,408	86	2,830
Loss on sale of other property and equipment	—	38	—
Impairment of investments	—	—	180
Adjusted ebitda ^(b)	<u>\$ 1,256</u>	<u>\$ 1,133</u>	<u>\$ 1,242</u>

TWELVE MONTHS ENDED:	December 31, 2009	December 31, 2008 ^(a)
EBITDA	\$ (7,560)	\$ 3,406
Adjustments, before tax:		
(Income) attributable to noncontrolling interest	(25)	—
Unrealized (gains) losses on natural gas and oil derivatives	588	(797)
Loss on exchanges of Chesapeake debt	40	4
Impairment of natural gas and oil properties and other assets	11,130	2,830
Loss on sale of other property and equipment	38	—
Impairment of investments	162	180
Restructuring costs	34	—
Consent fees on senior notes	—	10
Adjusted ebitda ^(b)	<u>\$ 4,407</u>	<u>\$ 5,633</u>

(a) Reflects the adoption and retrospective application of accounting guidance for debt with conversion and other options.

(b) Adjusted ebitda excludes certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to ebitda because:

- i. Management uses adjusted ebitda to evaluate the company's operational trends and performance relative to other natural gas and oil producing companies.
- ii. Adjusted ebitda is more comparable to estimates provided by securities analysts.
- iii. Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF 2009 ADDITIONS TO NATURAL GAS AND OIL PROPERTIES
BASED ON SEC PRICING OF 2009 AVERAGE 12-MONTH PRICES
(\$ in millions, except per-unit data)
(unaudited)

	Cost	Proved Reserves Bcfe ^(a)	\$/mcf
Exploration and development costs	\$ 3,380	4,248 ^(b)	0.80
Acquisition of proved properties	61	33	1.84
Sale of proved properties	(576)	(220)	2.61
Other	131	—	—
Drilling and net acquisition costs	<u>2,996</u>	<u>4,061</u>	<u>0.74</u>
Revisions – price	—	(952)	—
Acquisition of unproved properties and leasehold	2,195	—	—
Sale of unproved properties and leasehold	(1,281)	—	—
Net unproved properties and leasehold acquisition	<u>914</u>	<u>—</u>	<u>—</u>
Capitalized interest on leasehold and unproved property	627	—	—
Geological and geophysical costs	133	—	—
Capitalized interest and geological and geophysical costs	<u>760</u>	<u>—</u>	<u>—</u>
Subtotal	<u>4,670</u>	<u>3,109</u>	<u>1.50</u>
Asset retirement obligation and other	(2)	—	—
Total costs	<u>\$ 4,668</u>	<u>3,109</u>	<u>1.50</u>

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
TWELVE MONTHS ENDED DECEMBER 31, 2009
BASED ON SEC PRICING OF 2009 AVERAGE 12-MONTH PRICES
(unaudited)

	Bcfe ^(a)
Beginning balance, 01/01/09	12,051
Production	(906)
Acquisitions	33
Divestitures	(220)
Revisions – changes to previous estimates	(445)
Revisions – price	(952)
Extensions and discoveries	<u>4,693</u>
Ending balance, 12/31/09	<u>14,254</u>
Proved reserves annual growth rate	18%
Proved developed reserves	8,331
Proved developed reserves percentage	58%
Reserve replacement	3,109
Reserve replacement ratio ^(c)	343%

- (a) Reserve volumes estimated using new SEC reserve recognition standards and pricing assumptions based on the 2009 unweighted average first-day-of-the-month prices of \$3.87 per mcf of natural gas and \$61.14 per bbl of oil, before field differential adjustments.
- (b) Includes 445 bcf of negative revisions resulting from changes to previous estimates and excludes downward revisions of 952 bcf resulting from a lower natural gas price using the average 12-month price in 2009 compared to the NYMEX spot price as of December 31, 2008.
- (c) The company uses the reserve replacement ratio as an indicator of the company's ability to replenish annual production volumes and grow its reserves. It should be noted that the reserve replacement ratio is a statistical indicator that has limitations. The ratio is limited because it typically varies widely based on the extent and timing of new discoveries and property acquisitions. Its predictive and comparative value is also limited for the same reasons. In addition, since the ratio does not embed the cost or timing of future production of new reserves, it cannot be used as a measure of value creation.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF 2009 ADDITIONS TO NATURAL GAS AND OIL PROPERTIES
BASED ON SPOT PRICES AT DECEMBER 31, 2009
(\$ in millions, except per-unit data)
(unaudited)

	Cost	Proved Reserves Bcfe ^(a)	\$/mcf
Exploration and development costs	\$ 3,380	4,241 ^(b)	0.80
Acquisition of proved properties	61	39	1.57
Sale of proved properties	(576)	(220)	2.61
Other	131	—	—
Drilling and net acquisition costs	<u>2,996</u>	<u>4,060</u>	<u>0.74</u>
Revisions – price	—	104	—
Acquisition of unproved properties and leasehold	2,195	—	—
Sale of unproved properties and leasehold	(1,281)	—	—
Net unproved properties and leasehold acquisition	<u>914</u>	<u>—</u>	<u>—</u>
Capitalized interest on leasehold and unproved property	627	—	—
Geological and geophysical costs	133	—	—
Capitalized interest and geological and geophysical costs	<u>760</u>	<u>—</u>	<u>—</u>
Subtotal	<u>4,670</u>	<u>4,164</u>	<u>1.12</u>
Asset retirement obligation and other	(2)	—	—
Total costs	<u>\$ 4,668</u>	<u>4,164</u>	<u>1.12</u>

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
TWELVE MONTHS ENDED DECEMBER 31, 2009
BASED ON SPOT PRICES AT DECEMBER 31, 2009
(unaudited)

	Bcfe ^(a)
Beginning balance, 01/01/09	12,051
Production	(906)
Acquisitions	39
Divestitures	(220)
Revisions – changes to previous estimates	(515)
Revisions – price	104
Extensions and discoveries	4,756
Ending balance, 12/31/09	<u>15,309</u>
Proved reserves annual growth rate	27%
Proved developed reserves	8,828
Proved developed reserves percentage	58%
Reserve replacement	4,164
Reserve replacement ratio ^(c)	460%

- (a) Reserve volumes estimated using new SEC reserve recognition standards and NYMEX spot prices at December 31, 2009 of \$5.79 per mcf of natural gas and \$79.34 per bbl of oil, before field differential adjustments.
- (b) Includes 515 bcfe of negative revisions resulting from changes to previous estimates and excludes upward revisions of 104 bcfe resulting from higher natural gas and oil prices using NYMEX spot prices as of December 31, 2009 compared to NYMEX spot prices as of December 31, 2008.
- (c) The company uses the reserve replacement ratio as an indicator of the company's ability to replenish annual production volumes and grow its reserves. It should be noted that the reserve replacement ratio is a statistical indicator that has limitations. The ratio is limited because it typically varies widely based on the extent and timing of new discoveries and property acquisitions. Its predictive and comparative value is also limited for the same reasons. In addition, since the ratio does not embed the cost or timing of future production of new reserves, it cannot be used as a measure of value creation.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF 2009 ADDITIONS TO NATURAL GAS AND OIL PROPERTIES
BASED ON 10-YEAR AVERAGE NYMEX STRIP PRICES AT DECEMBER 31, 2009
(\$ in millions, except per-unit data)
(unaudited)

	Cost	Proved Reserves Bcfe ^(a)	\$/mcf
Exploration and development costs	\$ 3,380	4,303 ^(b)	0.79
Acquisition of proved properties	61	40	1.52
Sale of proved properties	(576)	(220)	2.61
Other	131	—	—
Drilling and net acquisition costs	<u>2,996</u>	<u>4,123</u>	<u>0.73</u>
Revisions – price	—	272	—
Acquisition of unproved properties and leasehold	2,195	—	—
Sale of unproved properties and leasehold	(1,281)	—	—
Net unproved properties and leasehold acquisition	<u>914</u>	<u>—</u>	<u>—</u>
Capitalized interest on leasehold and unproved property	627	—	—
Geological and geophysical costs	133	—	—
Capitalized interest and geological and geophysical costs	<u>760</u>	<u>—</u>	<u>—</u>
Subtotal	<u>4,670</u>	<u>4,395</u>	<u>1.06</u>
Asset retirement obligation and other	(2)	—	—
Total costs	<u>\$ 4,668</u>	<u>4,395</u>	<u>1.06</u>

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
TWELVE MONTHS ENDED DECEMBER 31, 2009
BASED ON 10-YEAR AVERAGE NYMEX STRIP PRICES AT DECEMBER 31, 2009
(unaudited)

	Bcfe ^(a)
Beginning balance, 01/01/09	12,051
Production	(906)
Acquisitions	40
Divestitures	(220)
Revisions – changes to previous estimates	(477)
Revisions – price	272
Extensions and discoveries	<u>4,780</u>
Ending balance, 12/31/09	<u>15,540</u>
Proved reserves annual growth rate	29%
Proved developed reserves	9,005
Proved developed reserves percentage	58%
Reserve replacement	4,395
Reserve replacement ratio ^(c)	485%

- (a) Reserve volumes estimated using new SEC reserve recognition standards and 10-year average NYMEX strip prices as of December 31, 2009 of \$6.94 per mcf of natural gas and \$92.24 per bbl of oil, before field differential adjustments. Chesapeake uses such forward-looking market-based data in developing its drilling plans, assessing its capital expenditure needs and projecting future cash flows. Chesapeake believes these prices are better indicators of the likely economic producibility of proved reserves than the trailing average 12-month price required by the SEC's reporting rule or a period-end spot price, as previously required in SEC reporting.
- (b) Includes 477 bcfe of negative revisions resulting from changes to previous estimates and excludes upward revisions of 272 bcfe resulting from higher natural gas and oil prices using 10-year average NYMEX strip prices as of December 31, 2009 compared to NYMEX spot prices as of December 31, 2008.
- (c) The company uses the reserve replacement ratio as an indicator of the company's ability to replenish annual production volumes and grow its reserves. It should be noted that the reserve replacement ratio is a statistical indicator that has limitations. The ratio is limited because it typically varies widely based on the extent and timing of new discoveries and property acquisitions. Its predictive and comparative value is also limited for the same reasons. In addition, since the ratio does not embed the cost or timing of future production of new reserves, it cannot be used as a measure of value creation.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF PV-10
(\$ in millions)
(unaudited)

	December 31, 2009	December 31, 2008
Standardized measure of discounted future net of cash flows	\$ 8,203	\$ 11,833
Discounted future cash flows for income taxes	1,246	3,768
Discounted future net cash flows before income taxes (PV-10)	\$ 9,449	\$ 15,601

PV-10 is discounted (at 10%) future net cash flows before income taxes. The standardized measure of discounted future net cash flows includes the effects of estimated future income tax expenses and is calculated in accordance with GAAP. Management uses PV-10 as one measure of the value of the company's current proved reserves and to compare relative values among peer companies without regard to income taxes. We also understand that securities analysts and rating agencies use this measure in similar ways. While PV-10 is based on prices, costs and discount factors which are consistent from company to company, the standardized measure is dependant on the unique tax situation of each individual company.

The company's December 31, 2009 PV-10 and standardized measure were calculated using the unweighted average first-of-the-month prices for the twelve months in 2009 of \$3.87 per mcf and \$61.14 per bbl, before field differential adjustments. The company's December 31, 2008 PV-10 and standardized measure were calculated using year-end 2008 spot prices of \$5.71 per mcf and \$44.61 per bbl, before field differential adjustments.