

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(in 000's)
(unaudited)

THREE MONTHS ENDED:	September 30, 2007	June 30, 2007	September 30, 2006
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,266,639	\$ 1,145,368	\$ 937,275
Adjustments:			
Changes in assets and liabilities	<u>(181,917)</u>	<u>(69,046)</u>	<u>51,328</u>
OPERATING CASH FLOW*	<u>\$ 1,084,722</u>	<u>\$ 1,076,322</u>	<u>\$ 988,603</u>

*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 an oil and natural gas 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 oil and natural gas 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.

THREE MONTHS ENDED:	September 30, 2007	June 30, 2007	September 30, 2006
NET INCOME	\$ 372,118	\$ 518,145	\$ 548,335
Income tax expense	228,074	317,570	336,074
Interest expense	116,048	83,732	74,112
Depreciation and amortization of other assets	44,418	39,844	27,016
Oil and natural gas depreciation, depletion and amortization	<u>479,035</u>	<u>442,063</u>	<u>343,723</u>
EBITDA**	<u>\$ 1,239,693</u>	<u>\$ 1,401,354</u>	<u>\$ 1,329,260</u>

**Ebitda represents net income 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 agreement and is used in the financial covenants in our bank credit agreement 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. Ebitda is reconciled to cash provided by operating activities as follows:

THREE MONTHS ENDED:	September 30, 2007	June 30, 2007	September 30, 2006
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,266,639	\$ 1,145,368	\$ 937,275
Changes in assets and liabilities	(181,917)	(69,046)	51,328
Interest expense	116,048	83,732	74,112
Unrealized gains (losses) on oil and natural gas derivatives	44,863	151,589	238,518
Other non-cash items	<u>(5,940)</u>	<u>89,711</u>	<u>28,027</u>
EBITDA	<u>\$ 1,239,693</u>	<u>\$ 1,401,354</u>	<u>\$ 1,329,260</u>

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(in 000's)
(unaudited)

NINE MONTHS ENDED:	September 30, 2007	September 30, 2006
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,388,539	\$ 2,982,419
Adjustments:		
Changes in assets and liabilities	(103,984)	(32,787)
OPERATING CASH FLOW*	<u>\$ 3,284,555</u>	<u>\$ 2,949,632</u>

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NINE MONTHS ENDED:	September 30, 2007	September 30, 2006
NET INCOME	\$ 1,148,252	\$ 1,531,961
Income tax expense	703,767	963,136
Interest expense	278,518	220,226
Depreciation and amortization of other assets	120,162	74,051
Oil and natural gas depreciation, depletion and amortization	<u>1,314,429</u>	<u>976,839</u>
EBITDA**	<u>\$ 3,565,128</u>	<u>\$ 3,766,213</u>

**Ebitda represents net income 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 agreement and is used in the financial covenants in our bank credit agreement 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. Ebitda is reconciled to cash provided by operating activities as follows:

NINE MONTHS ENDED:	September 30, 2007	September 30, 2006
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,388,539	\$ 2,982,419
Changes in assets and liabilities	(103,984)	(32,787)
Interest expense	278,518	220,226
Unrealized gains (losses) on oil and natural gas derivatives	(113,092)	452,593
Other noncash items	<u>115,147</u>	<u>143,762</u>
EBITDA	<u>\$ 3,565,128</u>	<u>\$ 3,766,213</u>

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON SHAREHOLDERS
(\$ in 000's, except per share amounts)
(unaudited)

THREE MONTHS ENDED:	September 30, 2007	June 30, 2007	September 30, 2006
Net income available to common shareholders	\$ 346,282	\$ 492,309	\$ 522,582
Adjustments:			
Unrealized (gains) losses on derivatives, net of tax	(15,947)	(98,559)	(149,457)
Gain on sale of investment, net of tax	<u>—</u>	<u>(51,277)</u>	<u>—</u>
Adjusted net income available to common shareholders*	330,335	342,473	373,125
Preferred dividends	<u>25,836</u>	<u>25,836</u>	<u>25,753</u>
Total adjusted net income	<u>\$ 356,171</u>	<u>\$ 368,309</u>	<u>\$ 398,878</u>
Weighted average fully diluted shares outstanding**	516,735	515,159	483,273
Adjusted earnings per share assuming dilution	<u>\$ 0.69</u>	<u>\$ 0.71</u>	<u>\$ 0.83</u>

*Adjusted net income available to common 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:

- a. Management uses adjusted net income available to common to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- b. Adjusted net income available to common is more comparable to earnings estimates provided by securities analysts.
- c. 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.

**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 000's)
(unaudited)

THREE MONTHS ENDED:	September 30, 2007	June 30, 2007	September 30, 2006
EBITDA	\$ 1,239,693	\$ 1,401,354	\$ 1,329,260
Adjustments, before tax:			
Unrealized (gains) losses on oil and natural gas derivatives	(44,863)	(151,589)	(238,518)
Gain on sale of investment	<u>—</u>	<u>(82,705)</u>	<u>—</u>
Adjusted ebitda*	<u>\$ 1,194,830</u>	<u>\$ 1,167,060</u>	<u>\$ 1,090,742</u>

*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:

- a. Management uses adjusted ebitda to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- b. Adjusted ebitda is more comparable to estimates provided by securities analysts.
- c. 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 ADJUSTED NET INCOME AVAILABLE TO COMMON SHAREHOLDERS
(\$ in 000's, except per share amounts)
(unaudited)

NINE MONTHS ENDED:	September 30, 2007	September 30, 2006
Net income available to common shareholders	\$ 1,070,744	\$ 1,458,612
Adjustments:		
Unrealized (gains) losses on derivatives, net of tax	78,134	(281,076)
Gain on sale of investment, net of tax	(51,277)	(72,786)
Loss on conversion/exchange of preferred stock	—	10,556
Employee retirement expense, net of tax	—	33,947
Cumulative impact of income tax rate change	—	15,000
Legal settlement, net of tax	—	(7,192)
Adjusted net income available to common shareholders*	1,097,601	1,157,061
Preferred dividends	<u>77,508</u>	<u>62,793</u>
Total adjusted net income	<u>\$ 1,175,109</u>	<u>\$ 1,219,854</u>
Weighted average fully diluted shares outstanding**	515,563	450,680
Adjusted earnings per share assuming dilution	<u>\$ 2.28</u>	<u>\$ 2.71</u>

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- a. Management uses adjusted net income available to common to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- b. Adjusted net income available to common is more comparable to earnings estimates provided by securities analysts.
- c. 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.

**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 000's)
(unaudited)

NINE MONTHS ENDED:	September 30, 2007	September 30, 2006
EBITDA	\$ 3,565,128	\$ 3,766,213
Adjustments, before tax:		
Unrealized (gains) losses on oil and natural gas derivatives	113,092	(452,593)
Gain on sale of investment	(82,705)	(117,396)
Employee retirement expense	—	54,753
Legal settlement	—	(11,600)
Adjusted EBITDA*	<u>\$ 3,595,515</u>	<u>\$ 3,239,377</u>

*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:

- a. Management uses adjusted ebitda to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- b. Adjusted ebitda is more comparable to estimates provided by securities analysts.
- c. 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 ADDITIONS TO OIL AND NATURAL GAS PROPERTIES
NINE MONTHS ENDED SEPTEMBER 30, 2007
(\$ in 000's, except per unit amounts)
(unaudited)

	Cost	Reserves (in mcf)	\$/mcf
Exploration and development costs	\$ 3,648,333	1,681,836 ^(a)	2.17
Acquisition of proved properties	<u>622,517</u>	<u>354,786</u>	1.75
Subtotal	<u>4,270,850</u>	<u>2,036,622</u>	2.10
Divestitures	(228)	(118)	
Geological and geophysical costs	<u>245,410</u>	<u>—</u>	
Adjusted subtotal	<u>4,516,032</u>	<u>2,036,504</u>	2.22
Revisions – price	—	79,389	
Leasehold acquisition costs	630,344	—	
Lease brokerage costs and recording fees	150,057	—	
Acquisition of unproved properties and other	922,979	—	
Capitalized interest on leasehold and unproved property	<u>181,555</u>	<u>—</u>	
Adjusted subtotal	<u>6,400,967</u>	<u>2,115,893</u>	3.03
Tax basis step-up	129,705	—	
Asset retirement obligation and other	<u>14,700</u>	<u>—</u>	
Total	<u>\$ 6,545,372</u>	<u>2,115,893</u>	3.09

(a) Includes positive performance revisions of 859 bcfe and excludes positive revisions of 79 bcfe resulting from oil and natural gas price increases between December 31, 2006 and September 30, 2007.

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
NINE MONTHS ENDED SEPTEMBER 30, 2007
(unaudited)

	Mmcf
Beginning balance, 01/01/07	8,955,614
Extensions and discoveries	822,879
Acquisitions	354,786
Divestitures	(118)
Revisions – performance	858,957
Revisions – price	79,389
Production	<u>(510,079)</u>
Ending balance, 9/30/07	<u>10,561,428</u>
Reserve replacement	2,115,893
Reserve replacement ratio ^(a)	415%

(a) The company uses the reserve replacement ratio as an indicator of the company's ability to replenish annual production volumes and grow its reserves, thereby providing some information on the sources of future production. 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.