

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

THREE MONTHS ENDED:	September 30, 2009	June 30, 2009	September 30, 2008^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,132	\$ 737	\$ 1,588
Adjustments:			
Changes in assets and liabilities	(14)	269	(343)
OPERATING CASH FLOW^(b)	<u>\$ 1,118</u>	<u>\$ 1,006</u>	<u>\$ 1,245</u>

THREE MONTHS ENDED:	September 30, 2009	June 30, 2009	September 30, 2008^(a)
NET INCOME	\$ 192	\$ 243	\$ 3,322
Income tax expense	115	145	2,079
Interest expense	43	22	34
Depreciation and amortization of other assets	62	58	48
Natural gas and oil depreciation, depletion and amortization	295	295	480
EBITDA^(c)	<u>\$ 707</u>	<u>\$ 763</u>	<u>\$ 5,963</u>

THREE MONTHS ENDED:	September 30, 2009	June 30, 2009	September 30, 2008^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,132	\$ 737	\$ 1,588
Changes in assets and liabilities	(14)	269	(343)
Interest expense	43	22	34
Unrealized gains (losses) on natural gas and oil derivatives	(285)	(216)	4,618
Impairment of other assets	(86)	(5)	—
Loss on sale of other property and equipment	(38)	—	—
Restructuring costs	15	(29)	—
Other non-cash items	(60)	(15)	66
EBITDA^(c)	<u>\$ 707</u>	<u>\$ 763</u>	<u>\$ 5,963</u>

(a) Adjusted for the retrospective application of ASC 470-20, *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)

NINE MONTHS ENDED:	September 30, 2009	September 30, 2008^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,131	\$ 4,387
Adjustments:		
Changes in assets and liabilities	(8)	(142)
OPERATING CASH FLOW^(b)	<u>\$ 3,123</u>	<u>\$ 4,245</u>

NINE MONTHS ENDED:	September 30, 2009	September 30, 2008^(a)
NET INCOME (LOSS)	\$ (5,306)	\$ 1,600
Income tax expense (benefit)	(3,184)	1,002
Interest expense	52	186
Depreciation and amortization of other assets	177	124
Natural gas and oil depreciation, depletion and amortization	1,037	1,518
EBITDA^(c)	<u>\$ (7,224)</u>	<u>\$ 4,430</u>

NINE MONTHS ENDED:	September 30, 2009	September 30, 2008^(a)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,131	\$ 4,387
Changes in assets and liabilities	(8)	(142)
Interest expense	52	186
Unrealized gains (losses) on natural gas and oil derivatives	(401)	80
Impairment of natural gas and oil properties and other assets	(9,721)	—
Loss on sale of other property and equipment	(38)	—
Impairment of investments	(153)	—
Restructuring costs	(14)	—
Other non-cash items	(72)	(81)
EBITDA^(c)	<u>\$ (7,224)</u>	<u>\$ 4,430</u>

(a) Adjusted for the retrospective application of ASC 470-20, *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:	September 30, 2009	June 30, 2009	September 30, 2008 ^(a)
Net income available to common shareholders	\$ 186	237	\$ 3,291
Adjustments:			
Unrealized (gains) losses on derivatives, net of tax	166	109	(2,846)
Impairment other assets, net of tax	54	3	—
Loss on sale of other property and equipment, net of tax	24	—	—
Impairment of investments, net of tax	—	6	—
Restructuring costs, net of tax	—	21	—
Loss on exchanges of Chesapeake debt, net of tax	10	1	19
Consent fees on senior notes, net of tax	—	—	6
Loss on conversions or exchanges of preferred stock	—	—	25
Adjusted net income available to common shareholders ^(b)	440	377	495
Preferred stock dividends	6	6	6
Interest on contingent convertible notes, net of tax	—	—	10
Total adjusted net income	<u>\$ 446</u>	<u>\$ 383</u>	<u>\$ 511</u>
Weighted average fully diluted shares outstanding ^(c)	637	622	589
Adjusted earnings per share assuming dilution ^(b)	<u>\$ 0.70</u>	<u>\$ 0.62</u>	<u>\$ 0.87</u>

(a) Adjusted for the retrospective application of ASC 470-20, *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)

NINE MONTHS ENDED:	September 30, 2009	September 30, 2008 ^(a)
Net income (loss) available to common shareholders	\$ (5,324)	\$ 1,506
Adjustments:		
Unrealized (gains) losses on derivatives, net of tax	184	(55)
Impairment of natural gas and oil properties and other assets, net of tax	6,076	—
Loss on sale of other property and equipment, net of tax	24	—
Impairment of investments, net of tax	102	—
Restructuring cost, net of tax	21	—
Loss on exchanges of Chesapeake debt, net of tax	11	19
Consent fees on senior notes, net of tax	—	6
Loss on conversions or exchanges of preferred stock	—	67
Adjusted net income available to common shareholders ^(b)	1,094	1,543
Preferred stock dividends	18	27
Interest on contingent convertible notes, net of tax	—	12
Total adjusted net income	\$ 1,112	\$ 1,582
Weighted average fully diluted shares outstanding ^(c)	625	564
Adjusted earnings per share assuming dilution ^(b)	\$ 1.78	\$ 2.81

(a) Adjusted for the retrospective application of ASC 470-20, *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:	September 30, 2009	June 30, 2009	September 30, 2008 ^(a)
EBITDA	\$ 707	\$ 763	\$ 5,963
Adjustments, before tax:			
Unrealized (gains) losses on natural gas and oil derivatives	285	216	(4,618)
Loss on exchanges of Chesapeake debt	17	2	31
Impairment other assets	86	5	—
Loss on sale of other property and equipment	38	—	—
Impairment of investments	—	10	—
Restructuring costs	—	34	—
Consent fees on senior notes	—	—	10
Adjusted ebitda ^(b)	<u>\$ 1,133</u>	<u>\$ 1,030</u>	<u>\$ 1,386</u>

NINE MONTHS ENDED:	September 30, 2009	September 30, 2008 ^(a)
EBITDA	\$ (7,224)	\$ 4,430
Adjustments, before tax:		
Unrealized (gains) losses on natural gas and oil derivatives	401	(80)
Loss on exchanges of Chesapeake debt	19	31
Impairment of natural gas and oil properties and other assets	9,721	—
Loss on sale of other property and equipment	38	—
Impairment of investments	162	—
Restructuring costs	34	—
Consent fees on senior notes	—	10
Adjusted ebitda ^(b)	<u>\$ 3,151</u>	<u>\$ 4,391</u>

(a) Adjusted for the retrospective application of ASC 470-20, *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 ADDITIONS TO NATURAL GAS AND OIL PROPERTIES
(\$ in millions, except per-unit data)
(unaudited)

THREE MONTHS ENDED SEPTEMBER 30, 2009	Cost	Reserves (in bcfe)	\$/mcf
Exploration and development costs	\$ 631	989 ^(a)	0.64
Acquisition of proved properties	43	22	1.96
Divestitures of proved properties	(379)	(123)	3.08
Other	10 ^(b)	—	—
Drilling and net acquisition cost	<u>305</u>	<u>888</u>	<u>0.34</u>
Revisions – price	—	(1,191)	—
Acquisition of unproved properties and leasehold	516	—	—
Divestiture of unproved properties and leasehold	(1,124)	—	—
Capitalized interest	151 ^(c)	—	—
Geological and geophysical costs	23	—	—
Leasehold, capitalized interest, geological and geophysical	<u>(434)</u>	<u>—</u>	<u>—</u>
Subtotal	<u>(129)</u>	<u>(303)</u>	<u>0.43</u>
Asset retirement obligation and other	(1)	—	—
Total	<u>\$ (130)</u>	<u>(303)</u>	<u>0.43</u>

(a) Includes 325 bcfe of performance revisions (211 bcfe relating to infill drilling and increased density locations and 114 bcfe of other performance-related revisions) and excludes downward revisions of 1.191 tcf resulting primarily from natural gas price decreases between June 30, 2009 and September 30, 2009.

(b) Includes adjustments to certain acquisitions and divestitures that closed during prior periods.

(c) Includes capitalized interest on unproved leasehold and geological and geophysical costs.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADDITIONS TO NATURAL GAS AND OIL PROPERTIES
(\$ in millions, except per-unit data)
(unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2009	Cost	Reserves (in bcfe)	\$/mcf
Exploration and development costs	\$ 2,541	2,958 ^(a)	0.86
Acquisition of proved properties	60	35	1.70
Divestitures of proved properties	(572)	(221)	2.58
Other	128 ^(b)	—	—
Drilling and net acquisition cost	<u>2,157</u>	<u>2,772</u>	<u>0.78</u>
Revisions – price	—	(2,164)	—
Acquisition of unproved properties and leasehold	1,262	—	—
Divestiture of unproved properties and leasehold	(1,124)	—	—
Capitalized interest	464 ^(c)	—	—
Geological and geophysical costs	120	—	—
Leasehold, capitalized interest, geological and geophysical	<u>722</u>	<u>—</u>	<u>—</u>
Subtotal	<u>2,879</u>	<u>608</u>	<u>4.74</u>
Asset retirement obligation and other	(3)	—	—
Total	<u>\$ 2,876</u>	<u>608</u>	<u>4.73</u>

(a) Includes 1.503 tcf of performance revisions (703 bcfe relating to infill drilling and increased density locations and 800 bcfe of other performance-related revisions) and excludes downward revisions of 2.164 tcf resulting primarily from natural gas price decreases between December 31, 2008 and September 30, 2009.

(b) Includes adjustments to certain acquisitions and divestitures that closed during prior periods.

(c) Includes capitalized interest on unproved leasehold and geological and geophysical costs.

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
THREE MONTHS ENDED SEPTEMBER 30, 2009
(unaudited)

	Bcfe
Beginning balance, 07/01/09	12,525
Production	(228)
Extensions and discoveries	664
Revisions – performance	325
Revisions – price	(1,191)
Acquisitions	22
Divestitures	(123)
Ending balance, 09/30/09	<u>11,994</u>
Reserve replacement	(303)
Reserve replacement ratio ^(a)	(133)%

- (a) The company uses the reserve replacement ratio as an indicator of the company's ability to replenish 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
ROLL-FORWARD OF PROVED RESERVES
NINE MONTHS ENDED SEPTEMBER 30, 2009
(unaudited)

	Bcfe
Beginning balance, 01/01/09	12,051
Production	(665)
Extensions and discoveries	1,455
Revisions – performance	1,503
Revisions – price	(2,164)
Acquisitions	35
Divestitures	(221)
Ending balance, 09/30/09	<u>11,994</u>
Reserve replacement	608
Reserve replacement ratio ^(a)	91%

- (a) The company uses the reserve replacement ratio as an indicator of the company's ability to replenish 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.