

Registration No. 333-_____

FORM S-8

Registration Statement under the Securities Act of 1933

CHESAPEAKE ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Oklahoma (State or other jurisdiction of incorporation or organization)	73-1395733 (I.R.S. Employer Identification No.)
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6100 North Western Avenue Oklahoma City, Oklahoma (Address of Principal Executive Offices)	73118 (Zip Code)
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CHESAPEAKE ENERGY CORPORATION

1996 STOCK OPTION PLAN
(Full title of the plan)

Aubrey K. McClendon Chairman of the Board and Chief Executive Officer Chesapeake Energy Corporation 6100 North Western Avenue Oklahoma City, Oklahoma 73118 (Name and address of agent for service)	Copies to: W. Chris Coleman, Esq. McAfee & Taft A Professional Corporation Tenth Floor Two Leadership Square Oklahoma City, Oklahoma 73102
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405/848-8000
(Telephone number, including area code, of agent for service)

Calculation of Registration Fee

Title of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, \$.01 par value	6,000,000 shares*	\$15.75**	\$94,500,000**	\$28,636**

* Such indeterminable, additional amount of common stock, par value \$.01 per share, is hereby registered as may be required by reason of the anti-dilution provisions of the Chesapeake Energy Corporation 1996 Stock Option Plan.

** Calculated pursuant to Rule 457(h) of the Securities Act of 1933, based on the average of the high and low prices of Chesapeake Energy Corporation common stock as reported on the New York Stock Exchange on May 16, 1997.

PART II

INFORMATION REQUIRED IN REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

Chesapeake Energy Corporation (the "Registrant") incorporates herein by reference the following documents filed with the Securities and Exchange Commission:

(a) The Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1996 filed with the Commission on September 30, 1996, and as amended on October 28, 1996;

(b) The Registrant's Prospectus filed as part of the Registrant's Registration Statement on Form S-4 (Registration No. 333-24995) as filed with the Commission on April 11, 1997;

(c) All other reports filed by the Registrant pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") since the end of the fiscal year covered by the annual report referred to in (a) above; and

(d) The description of the Registrant's common stock contained in its Registration Statement on Form 8-B declared effective on December 12, 1996.

All documents hereafter filed by the Registrant pursuant to Sections 13(a), 13(c), 14, and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all of the shares of the Registrant's common stock covered by this Registration Statement have been sold or which deregisters all such shares then remaining unsold, shall be deemed to be incorporated herein by reference and to be a part hereof from the date of filing of such documents.

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

None.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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 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. In addition, the Registrant maintains insurance which insures its directors and officers against certain liabilities.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

ITEM 8. EXHIBITS.

4.1 Certificate of Incorporation of the Registrant. Incorporated herein by reference to Exhibit 3.1 to Registrant's Registration Statement on Form 8-B declared effective on December 12, 1996.

4.2 Bylaws of the Registrant. Incorporated herein by reference to Exhibit 3.2 to Registrant's Registration Statement on Form 8-B declared effective on December 12, 1996.

5 Opinion of McAfee & Taft A Professional Corporation

23.1 Consent of Coopers & Lybrand L.L.P.

23.2 Consent of Price Waterhouse LLP

23.3 Consent of McAfee & Taft A Professional Corporation (included in Exhibit 5)

99 Chesapeake Energy Corporation 1996 Stock Option Plan.

ITEM 9. UNDERTAKINGS.

The undersigned 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 the 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 the registration statement;

(iii) To include any material information with respect to the

plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (1)(i) and (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 the registration statement.

(2) That, for the purposes 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.

The undersigned 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 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement 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.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

THE REGISTRANT. Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and 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 May 20, 1997.

CHESAPEAKE ENERGY CORPORATION

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 by the following persons in the capacities indicated on May 20, 1997.

AUBREY K. MCCLENDON
Aubrey K. McClendon, Chairman
of the Board, Chief Executive
Officer (Principal Executive
Officer) and Director

TOM L. WARD
Tom L. Ward, President, Chief
Operating Officer and Director
(Principal Operating Officer)

MARCUS C. ROWLAND
Marcus C. Rowland, Vice
President - Finance and Chief
Financial Officer (Principal
Financial Officer)

RONALD A. LEFAIVE
Ronald A. Lefaive, Controller
and Chief Accounting Officer
(Principal Accounting Officer)

E. F. HEIZER, JR.
E. F. Heizer, Jr., Director

BREENE M. KERR
Breene M. Kerr, Director

SHANNON SELF
Shannon Self, Director

FREDERICK B. WHITTEMORE
Frederick B. Whittemore,
Director

WALTER C. WILSON
Walter C. Wilson, Director

INDEX TO EXHIBITS

Exhibit Number	Brief Description	Method of Filing
5	Opinion of McAfee & Taft A Professional Corporation	Filed herewith electronically
23.1	Consent of Coopers & Lybrand L.L.P.	Filed herewith electronically
23.2	Consent of Price Waterhouse LLP	Filed herewith electronically
99	Chesapeake Energy Corporation 1996 Stock Option Plan	Filed herewith electronically

LAW OFFICES
MCAFEE & TAFT
A PROFESSIONAL CORPORATION
TENTH FLOOR, TWO LEADERSHIP SQUARE
211 NORTH ROBINSON
OKLAHOMA CITY, OKLAHOMA 73102-7101

(405) 235-9621
WRITER'S DIRECT DIAL
FAX (405) 235-0439

May 20, 1997

Chesapeake Energy Corporation
6100 North Western
Oklahoma City, Oklahoma 73118

Re: Shares of Common Stock, Par Value \$.01, to be
issued pursuant to Chesapeake Energy Corpora-
tion 1996 Stock Option Plan

Gentlemen:

We have examined the Registration Statement on Form S-8 to be filed by you with the Securities and Exchange Commission in connection with the Chesapeake Energy Corporation 1996 Stock Option Plan (the "Plan"), which Registration Statement covers the offer and sale of 6,000,000 shares of common stock, par value \$.01 per share, of Chesapeake Energy Corporation (the "Company"). We have also examined 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:

1. The Company is duly organized and existing under the laws of the State of Oklahoma.
2. The shares to be purchased pursuant to the exercise of options granted under the Plan, when issued in accordance with the Plan, will be legally issued, fully paid and nonassessable in accordance with the Oklahoma General Corporation Law.

Consent is hereby given for the inclusion of this opinion as part of the referenced Registration Statement.

Very truly yours,

MCAFEE & TAFT A PROFESSIONAL CORPORATION
McAfee & Taft A Professional Corporation

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of (a) our report dated September 13, 1996, except for the first paragraph of Note 9 which is as of March 7, 1997, on the consolidated financial statements of Chesapeake Energy Corporation (the "Company") for the year ended June 30, 1996 and (b) our report dated September 13, 1996 on the financial statements of Chesapeake Exploration Limited Partnership for the year ended June 30, 1996, each appearing in the Company's Registration Statement on Form S-4 (File No. 333-24995).

COOPERS & LYBRAND L.L.P.
Coopers & Lybrand L.L.P.

Oklahoma City, Oklahoma
May 9, 1997

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-8 of Chesapeake Energy Corporation (the "Company") of (a) our report dated September 20, 1995, except for the first and fourth paragraphs of Note 9 which are as of March 7, 1997, relating to the consolidated financial statements of the Company appearing on page F-3 of the Registration Statement on Form S-4 (No. 333-24995) and (b) our report dated September 20, 1995 relating to the financial statements of Chesapeake Exploration Limited Partnership, appearing on page F-3 of the Registration Statement on Form S-4 (No. 333-24995). We also consent to the reference to us under the heading "Experts" in such prospectus.

PRICE WATERHOUSE LLP
Price Waterhouse LLP

Houston, Texas
May 9, 1997

CHESAPEAKE ENERGY CORPORATION

1996 STOCK OPTION PLAN

CHESAPEAKE ENERGY CORPORATION

1996 STOCK OPTION PLAN

TABLE OF CONTENTS

	Page
ARTICLE I	
Purpose.....	1
Section 1.1 Purpose.....	1
Section 1.2 Establishment.....	1
Section 1.3 Shares Subject to the Plan.....	1
Section 1.4 Shareholder Approval.....	1
ARTICLE II	
Definitions.....	1
ARTICLE III	
Administration.....	3
Section 3.1 Administration of the Plan; the Committee.....	3
Section 3.2 Committee to Make Rules and Interpret Plan.....	4
ARTICLE IV	
Grant of Options.....	4
ARTICLE V	
Eligibility.....	5
ARTICLE VI	
Stock Options.....	5
Section 6.1 Grant of Options.....	5
Section 6.2 Conditions of Options.....	5
Section 6.3 Options Not Qualifying as Incentive Stock Options.....	7
ARTICLE VII	
Stock Adjustments.....	7
ARTICLE VIII	
General.....	8
Section 8.1 Amendment or Termination of Plan.....	8
Section 8.2 Acceleration of Otherwise Unexercisable Stock Options on Death, Disability or Other Special Circumstances.....	8
Section 8.3 Nonassignability.....	9
Section 8.4 Withholding Taxes.....	9
Section 8.5 Amendments to Options.....	9
Section 8.6 Regulatory Approval and Listings.....	9
Section 8.7 Right to Continued Employment.....	10
Section 8.8 Reliance on Reports.....	10
Section 8.9 Construction.....	10
Section 8.10 Governing Law.....	10
ARTICLE IX	
Acceleration of Options Upon Corporate Event.....	10
Section 9.1 Procedures for Acceleration and Exercise.....	10
Section 9.2 Certain Additional Payments by the Company.....	11

ARTICLE I

Purpose

Section 1.1 Purpose. This Stock Option Plan is established by Chesapeake Energy Corporation (the "Company") to create incentives which are designed to motivate Participants to put forth maximum effort toward the success and growth of the Company and to enable the Company to attract and retain experienced individuals who by their position, ability and diligence are able to make important contributions to the Company's success. Toward these objectives, the Plan provides for the granting of Options to Participants on the terms and subject to the conditions set forth in the Plan.

Section 1.2 Establishment. The Plan is effective as of October 15, 1996 and for a period of 10 years from such date. The Plan will terminate on October 14, 2006, however, it will continue in effect until all matters relating to the exercise of Options and administration of the Plan have been settled.

Section 1.3 Shares Subject to the Plan. Subject to Articles IV, VII and IX of this Plan, shares of stock covered by Options shall consist of Three Million (3,000,000) shares of Common Stock.

Section 1.4 Shareholder Approval. The Plan shall be approved by the holders of a majority of the outstanding shares of Common Stock, present, or represented, and entitled to vote at a meeting called for such purposes, which approval must occur within the period ending twelve months after the date the Plan is adopted by the Board. Pending such approval by the shareholders, Options under the Plan may be granted to Participants, but no such Options may be exercised prior to receipt of shareholder approval. In the event shareholder approval is not obtained within such twelve-month period, all such Options shall be void.

ARTICLE II

Definitions

Section 2.1 "Board" means the Board of Directors of the Company.

Section 2.2 "Code" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any Section of the Code shall be deemed to include any amendments or successor provisions to such Section and any regulations under such Section.

Section 2.3 "Common Stock" means the common stock, par value \$.10 per share, of the Company, and after substitution, such other stock as shall be substituted therefor as provided in Article VII or Article IX of the Plan.

Section 2.4 "Date of Grant" means the date on which the granting of an Option is authorized by the Committee or such later date as may be specified by the Committee in such authorization.

Section 2.5 "Disability" shall have the meaning set forth in Section 22(e)(3) of the Code.

Section 2.6 "Eligible Employee" means any employee of the Company, a Subsidiary or a partnership or limited liability company which the Company controls.

Section 2.7 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

Section 2.8 "Executive Officer Participants" means Participants who are subject to the provisions of Section 16 of the Exchange Act.

Section 2.9 "Fair Market Value" means (A) during such time as the Common Stock is listed upon the New York Stock Exchange or other exchanges or the NASDAQ/ National Market System, the closing price of the Common Stock on such stock exchange or exchanges or the NASDAQ/ National Market System on the day for which such value is to be determined, or if no sale of the Common Stock shall have been made on any such stock exchange or the NASDAQ/ National Market System that day, on the next preceding day on which there was a sale of such Common Stock or (B) during any such time as the Common Stock is not listed upon an established stock exchange or the NASDAQ/ National Market System, the mean between dealer "bid" and "ask" prices of the Common Stock in the over-the-counter market on the day for which such value is to be determined, as reported by the National Association of Securities Dealers, Inc.

Section 2.10 "Incentive Stock Option" means an Option within the meaning of Section 422 of the Code.

Section 2.11 "Non-Executive Officer Participants" means Participants who are not subject to the provisions of Section 16 of the Exchange Act.

Section 2.12 "Nonqualified Stock Option" means an Option which is not an Incentive Stock Option.

Section 2.13 "Option" means an Option granted under Article VI of the Plan and includes both Nonqualified Stock Options and Incentive Stock Options to purchase shares of Common Stock.

Section 2.14 "Option Agreement" means any written instrument that establishes the terms, conditions, restrictions, and/or limitations applicable to an Option in addition to those established by this Plan and by the Committee's exercise of its administrative powers.

Section 2.15 "Participant" means an Eligible Employee to whom an Option has been granted by the Committee under the Plan.

Section 2.16 "Plan" means the Chesapeake Energy Corporation 1996 Stock Option Plan.

Section 2.17 "Regular Stock Option Committee" means a committee designated by the Board which shall consist of not less than two members of the Board.

Section 2.18 "Special Stock Option Committee" means a committee designated by the Board which shall consist of not less than two members of the Board who meet the definition of "non-employee directors" pursuant to Rule 16b-3, or any successor rule, promulgated under Section 16 of the Exchange Act.

Section 2.19 "Subsidiary" shall have the meaning set forth in Section 424 of the Code.

ARTICLE III

Administration

Section 3.1 Administration of the Plan; the Committee. For purposes of administration, the Plan shall be deemed to consist of two separate stock option plans, a "Non-Executive Officer Participant Plan" which is limited to Non-Executive Officer Participants and an "Executive Officer Participant Plan" which is limited to Executive Officer Participants. Except for administration and the category of Participants eligible to receive Options, the terms of the Non-Executive Officer Participant Plan and the Executive Officer Participant Plan are identical.

The Non-Executive Officer Participant Plan shall be administered by the Regular Stock Option Committee and the Executive Officer Participant Plan shall be administered by the Special Stock Option Committee. Accordingly, with respect to decisions relating to Non-Executive Officer Participants, including the grant of Options, the term "Committee" shall mean only the Regular Stock Option Committee; and, with respect to all decisions relating to the Executive Officer Participants, including the grant of Options, the term "Committee" shall mean only the Special Stock Option Committee.

Unless otherwise provided in the by-laws of the Company or the resolutions adopted from time to time by the Board establishing the Committee, the Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, shall be filled by the Board. The Committee shall hold meetings at such times and places as it may determine. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present or acts reduced to or approved in writing by a majority of the members of the Committee shall be the valid acts of the Committee.

Subject to the provisions of the Plan, the Committee shall have exclusive power to:

- (a) Select the Participants to be granted Options.
- (b) Determine the time or times when Options will be granted.

(c) Determine the form of an Option, whether an Incentive Stock Option or a Nonqualified Stock Option, the number of shares of Common Stock subject to the Option, all the terms, conditions (including performance requirements), restrictions and/or limitations, if any, of an Option, including the time and conditions of exercise or vesting, and the terms of any Option Agreement, which may include the waiver or amendment of prior terms and conditions or acceleration or early vesting under certain circumstances determined by the Committee.

- (d) Determine whether Options will be granted singly or in

combination.

(e) Accelerate the vesting or exercise of an Option when such action or actions would be in the best interest of the Company.

(f) Take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

Section 3.2 Committee to Make Rules and Interpret Plan. The Committee in its sole discretion shall have the authority, subject to the provisions of the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee's interpretation of the Plan or any Options granted pursuant hereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties.

ARTICLE IV

Grant of Options

The Committee may, from time to time, grant Options to one or more Participants, provided, however, that:

(a) Subject to Article VII, the aggregate number of shares of Common Stock made subject to the grant of Options to any Participant in any fiscal year of the Company may not exceed 500,000.

(b) Any shares of Common Stock related to Options which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of shares of Common Stock shall be available again for grant under the Plan.

(c) Common Stock delivered by the Company upon exercise of an Option under the Plan may be authorized and unissued Common Stock or Common Stock held in the treasury of the Company or may be purchased on the open market or by private purchase.

(d) The Committee shall, in its sole discretion, determine the manner in which fractional shares arising under this Plan shall be treated.

(e) Separate certificates representing Common Stock to be delivered to a Participant upon the exercise of any Option will be issued to such Participant.

ARTICLE V

Eligibility

Subject to the provisions of the Plan, the Committee shall, from time to time, select from the Eligible Employees those to whom Options shall be granted and shall determine the type or types of Options to be granted and shall establish in the related Option Agreements the terms, conditions, restrictions and/or limitations, if any, applicable to the Options in addition to those set forth in the Plan and the administrative rules and regulations issued by the Committee.

ARTICLE VI

Stock Options

Section 6.1 Grant of Options. The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant Options to Participants. These Options may be Incentive Stock Options or Nonqualified Stock Options, or a combination of both. Each grant of an Option shall be evidenced by an Option Agreement executed by the Company and the Participant, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the requirements of Section 6.2.

Section 6.2 Conditions of Options. Each Option so granted shall be subject to the following conditions:

(a) Exercise Price. As limited by Section 6.2(e) below, each Option shall state the exercise price which shall be set by the Committee at the Date of Grant; provided, however, no Nonqualified Stock Option shall be granted at an exercise price which is less than 75% of the Fair Market Value of the Common Stock on the Date of Grant.

(b) Form of Payment. The exercise price of an Option may be paid (i) in cash or by check, bank draft or money order payable to the order of the Company; (ii) by delivering shares of Common Stock having a Fair Market Value on the date of payment equal to the amount of the exercise price; (iii) by directing the Company to withhold from the shares of Common Stock to be delivered to the Participant upon exercise of the Option shares of Common Stock having a Fair Market Value on the date of

payment equal to the amount of the exercise price; or (iv) a combination of the foregoing. In addition to the foregoing, any Option granted under the Plan may be exercised by a broker-dealer acting on behalf of a Participant if (A) the broker-dealer has received from the Participant or the Company a notice evidencing the exercise of such Option and instructions signed by the Participant requesting the Company to deliver the shares of Common Stock subject to such Option to the broker-dealer on behalf of the Participant and specifying the account into which such shares should be deposited, (B) adequate provision has been made with respect to the payment of any withholding taxes due upon such exercise or, in the case of an Incentive Stock Option, upon the premature disposition of such shares and (C) the broker-dealer and the Participant have otherwise complied with Section 220.3(e)(4) of Regulation T, 12 CFR, Part 220 and any successor rules and regulations applicable to such exercise.

(c) Exercise of Options. Options granted under the Plan shall be exercisable, in whole or in such installments and at such times, and shall expire at such time, as shall be provided by the Committee in the Option Agreement. Exercise of an Option shall be by written notice stating the election to exercise in the form and manner determined by the Committee. Every share of Common Stock acquired through the exercise of an Option shall be deemed to be fully paid at the time of exercise and payment of the exercise price.

(d) Other Terms and Conditions. Among other conditions that may be imposed by the Committee, if deemed appropriate, are those relating to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which Participants must be employed by the Company, its Subsidiaries or a partnership or limited liability company which is controlled by the Company, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) conditions under which such Options or shares may be subject to forfeiture; (v) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time and (vi) the achievement by the Company of specified performance criteria.

(e) Special Restrictions Relating to Incentive Stock Options. Options issued in the form of Incentive Stock Options shall not be granted to directors who are not also Eligible Employees, in addition to being subject to all applicable terms, conditions, restrictions and/or limitations established by the Committee, comply with the requirements of Section 422 of the Code (or any successor Section thereto), including, without limitation, the requirement that the exercise price of an Incentive Stock Option not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant, the requirement that each Incentive Stock Option, unless sooner exercised, terminated or cancelled, expire no later than 10 years from its Date of Grant, the requirement that Incentive Stock Options be granted only to Eligible Employees of the Company or a Subsidiary, and the requirement that the aggregate Fair Market Value (determined on the Date of Grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan of the Company or any Subsidiary) not exceed \$100,000. Incentive Stock Options which are in excess of the applicable \$100,000 limitation will be automatically recharacterized as Nonqualified Stock Options as provided under Section 6.3 of this Plan. No Incentive Stock Options shall be granted to any Eligible Employee if, immediately before the grant of an Incentive Stock Option, such Eligible Employee owns more than 10% of the total combined voting power of all classes of stock of the Company or its Subsidiaries (as determined in accordance with the stock attribution rules contained in Sections 422 and 424(d) of the Code). Provided, the preceding sentence shall not apply if, at the time the Incentive Stock Option is granted, the exercise price is at least 110% of the Fair Market Value of the Common Stock subject to the Incentive Stock Option, and such Incentive Stock Option by its terms is exercisable no more than five years from the date such Incentive Stock Option is granted.

(f) Application of Funds. The proceeds received by the Company from the sale of Common Stock pursuant to Options will be used for general corporate purposes.

(g) Shareholder Rights. No Participant shall have a right as a shareholder with respect to any share of Common Stock subject to an Option prior to purchase of such shares of Common Stock by exercise of the Option.

Section 6.3 Options Not Qualifying as Incentive Stock Options. With respect to all or any portion of any Option granted under this Plan not qualifying as an "incentive stock option" under Section 422 of the Code, such Option shall be considered as a Nonqualified Stock Option granted under this Plan for all purposes. Further, this Plan and any Incentive Stock Options granted hereunder shall be deemed to have incorporated by reference all the provisions and requirements of Section 422 of the Code (and the Treasury Regulations issued thereunder) which are required to provide that all Incentive Stock Options granted hereunder shall be

"incentive stock options" described in Section 422 of the Code. Further, in the event that the Committee grants Incentive Stock Options under this Plan to a Participant, and, in the event that the applicable limitation contained in Section 6.2(e) herein is exceeded, then, such Incentive Stock Options in excess of such limitation shall be treated as Nonqualified Stock Options under this Plan subject to the terms and provisions of the applicable Option Agreement, except to the extent modified to reflect recharacterization of the Incentive Stock Options as Nonqualified Stock Options.

ARTICLE VII

Stock Adjustments

Subject to the provision of Article IX of this Plan, in the event that the shares of Common Stock, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, stock split, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend, or a dividend on the shares of Common Stock or rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each share available under and subject to the Plan as provided in Section 1.3 hereof, and each share theretofore appropriated or thereafter subject or which may become subject to Options under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be, on a fair and equivalent basis in accordance with the applicable provisions of Section 424 of the Code; provided, however, in no such event will such adjustment result in a modification of any Option as defined in Section 424(h) of the Code. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock, or any stock or other securities into which the Common Stock shall have been changed or for which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the shares available under and subject to the Plan, or in any Option theretofore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination, except that no adjustment of the number of shares of Common Stock available under the Plan or to which any Option relates that would otherwise be required shall be made unless and until such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of at least 1% in the number of shares of Common Stock available under the Plan or to which any Option relates immediately prior to the making of such adjustment (the "Minimum Adjustment"). Any adjustment representing a change of less than such minimum amount shall be carried forward and made as soon as such adjustment together with other adjustments required by this Article VII and not previously made would result in a Minimum Adjustment. Notwithstanding the foregoing, any adjustment required by this Article VII which otherwise would not result in a Minimum Adjustment shall be made with respect to shares of Common Stock relating to any Option immediately prior to exercise of such Option.

No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

ARTICLE VIII

General

Section 8.1 Amendment or Termination of Plan. The Board may suspend or terminate the Plan at any time. In addition, the Board may, from time to time, amend the Plan in any manner, but may not without shareholder approval adopt any amendment which would increase the aggregate number of shares of Common Stock available under the Plan (except by operation of Article VII); provided, that any amendment to the Plan shall require approval of the shareholders if, in the opinion of counsel to the Company, such approval is required by any Federal or state law or any regulations or rules promulgated thereunder.

Section 8.2 Acceleration of Otherwise Unexercisable Stock Options on Death, Disability or Other Special Circumstances. The Committee, in its sole discretion, may permit (i) a Participant who terminates employment due to a Disability; (ii) the personal representative of a deceased Participant; or (iii) any other Participant who terminates employment upon the occurrence of special circumstances (as determined by the Committee) to purchase all or any part of the shares subject to any unvested Option on the date of the Participant's death, termination of his employment due to a Disability, or as the Committee otherwise so determines. With respect to Options which have already vested at the date of such termination or the

vesting of which is accelerated by the Committee in accordance with the foregoing provision, the Participant or the personal representative of a deceased Participant, shall automatically have the right to exercise such vested Options within three months of such date of termination of employment or one year in the case of a Participant suffering a Disability or three years in the case of a deceased Participant.

Section 8.3 Nonassignability. No Option shall be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except for transfer by will or the laws of descent and distribution. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of, or to subject to execution, attachment or similar process, any Option contrary to the provisions hereof, shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Option involved in such attempt.

Section 8.4 Withholding Taxes. A Participant may pay the amount of taxes required by law upon the exercise of an Option (i) in cash; (ii) by delivering to the Company shares of Common Stock having a Fair Market Value on the date of payment equal to the amount of such required withholding taxes; or (iii) by directing the Company to withhold from the shares of Common Stock to be delivered to the Participant upon exercise of the Option shares of Common Stock having a Fair Market Value on the date of payment equal to the amount of such required withholding taxes.

Section 8.5 Amendments to Options. The Committee may at any time unilaterally amend the terms of any Option Agreement, whether or not presently exercisable or vested, to the extent it deems appropriate; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

Section 8.6 Regulatory Approval and Listings. The Company shall use its best efforts to file with the Securities and Exchange Commission as soon as practicable following the Effective Date, and keep continuously effective and usable, a Registration Statement on Form S-8 with respect to shares of Common Stock subject to Options hereunder. Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates representing shares of Common Stock subject to Options prior to:

(a) the obtaining of any approval from, or satisfaction of any waiting period or other condition imposed by, any governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable;

(b) the admission of such shares to listing on the stock exchange on which the Common Stock may be listed; and

(c) the completion of any registration or other qualification of such shares under any state or Federal law or ruling of any governmental body which the Committee shall, in its sole discretion, determine to be necessary or advisable.

Section 8.7 Right to Continued Employment. Participation in the Plan shall not give any Eligible Employee any right to remain in the employ of the Company, any Subsidiary or any partnership or limited liability company controlled by the Company. Further, the adoption of this Plan shall not be deemed to give any Eligible Employee or any other individual any right to be selected as a Participant or to be granted an Option.

Section 8.8 Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its Subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than himself. In no event shall any person who is or shall have been a member of the Committee or of the Board be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

Section 8.9 Construction. Masculine pronouns and other words of masculine gender shall refer to both men and women. The titles and headings of the sections in the Plan are for the convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

Section 8.10 Governing Law. The Plan shall be governed by and construed in accordance with the laws of the State of Oklahoma except as superseded by applicable Federal law.

ARTICLE IX

Acceleration of Options Upon Corporate Event

Section 9.1 Procedures for Acceleration and Exercise. If the Company shall, pursuant to action by the Board, at any time proposes to dissolve or liquidate or merge into, consolidate with, or sell or otherwise transfer all or substantially all of its assets to another corporation and provision is not made pursuant to the terms of such transaction for the assumption by the surviving, resulting or acquiring corporation of outstanding Options under the Plan, or for the substitution of new options therefor, the Committee shall cause written notice of the proposed transaction to be given to each Participant no less than forty days prior to the anticipated effective date of the proposed transaction, and his Option shall become 100% vested and, prior to a date specified in such notice, which shall be not more than ten days prior to the anticipated effective date of the proposed transaction, each Participant shall have the right to exercise his Option to purchase any or all of the Common Stock then subject to such Option. Each Participant, by so notifying the Company in writing, may, in exercising his or her Option, condition such exercise upon, and provide that such exercise shall become effective at the time of, but immediately prior to, the consummation of the transaction, in which event such Participant need not make payment for the Common Stock to be purchased upon exercise of such Option until five days after written notice by the Company to such Participant that the transaction has been consummated. If the transaction is consummated, each Option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date of such consummation. If the transaction is abandoned, (i) any Common Stock not purchased upon exercise of such Option shall continue to be available for purchase in accordance with the other provisions of the Plan and (ii) to the extent that any Option not exercised prior to such abandonment shall have vested solely by operation of this Section 9.1, such vesting shall be deemed voided as of the time such acceleration otherwise occurred pursuant to Section 9.1, and the vesting schedule set forth in the Participant's Option Agreement shall be reinstated, as of the date of such abandonment.

Section 9.2 Certain Additional Payments by the Company. The Committee may, in its sole discretion, provide in any Option Agreement for certain payments by the Company in the event that acceleration of vesting of any Option under the Plan is considered a payment by the Company (a "Payment") subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, interest and penalties, collectively, the "Excise Tax"). An Option Agreement may provide that the Participant shall be entitled to receive a payment (a "Gross-Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Participant retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.