

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT
OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-13726

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.)

6100 NORTH WESTERN AVENUE
OKLAHOMA CITY, OKLAHOMA
(Address of principal executive offices)

73118
(Zip Code)

(405) 848-8000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

YES NO

At May 9, 2000, there were 118,471,102 shares of the registrant's \$.01 par
value Common Stock outstanding.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
INDEX TO FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2000

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CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2000	DECEMBER 31, 1999
	----- (UNAUDITED) (\$ IN THOUSANDS)	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 26,231	\$ 38,658
Restricted cash	3,073	192
Accounts receivable:		
Oil and gas sales	20,790	17,045
Oil and gas marketing sales	21,814	18,199
Joint interest and other, net of allowances of \$3,249,000 and \$3,218,000, respectively	11,976	11,247
Related parties	3,805	4,574
Inventory	4,063	4,582
Other	5,784	3,049
	-----	-----
Total Current Assets	97,536	97,546
	-----	-----
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full-cost accounting:		
Evaluated oil and gas properties	2,362,596	2,315,348
Unevaluated properties	36,409	40,008
Less: accumulated depreciation, depletion and amortization	(1,694,927)	(1,670,542)
	-----	-----
Other property and equipment	704,078	684,814
Less: accumulated depreciation and amortization	68,724	67,712
	-----	-----
Total Property and Equipment	738,477	719,097
	-----	-----
OTHER ASSETS	29,358	33,890
	-----	-----
TOTAL ASSETS	\$ 865,371	\$ 850,533
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	\$ 781	\$ 763
Accounts payable	22,346	24,822
Accrued liabilities and other	38,260	34,713
Revenues and royalties due others	24,756	27,888
	-----	-----
Total Current Liabilities	86,143	88,186
	-----	-----
LONG-TERM DEBT, NET	960,416	964,097
	-----	-----
REVENUES AND ROYALTIES DUE OTHERS	8,752	9,310
	-----	-----
DEFERRED INCOME TAXES	6,650	6,484
	-----	-----
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred Stock, \$.01 par value, 10,000,000 shares authorized; 3,921,400 and 4,596,400 shares of 7% cumulative convertible stock issued and outstanding at March 31, 2000 and December 31, 1999, respectively, entitled in liquidation (including dividends in arrears) to \$216.4 million and \$249.1 million, respectively	196,070	229,820
Common Stock, par value of \$.01, 250,000,000 shares authorized; 108,561,616 and 105,858,580 shares issued at March 31, 2000 and December 31, 1999, respectively	1,086	1,059
Paid-in capital	684,755	682,905
Accumulated earnings (deficit)	(1,065,465)	(1,093,929)
Accumulated other comprehensive income (loss)	(282)	196
Less: treasury stock, at cost; 3,806,185 and 10,856,185 common shares at March 31, 2000 and December 31, 1999, respectively	(12,754)	(37,595)
	-----	-----
Total Stockholders' Equity (Deficit)	(196,590)	(217,544)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 865,371	\$ 850,533
	=====	=====

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

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

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
REVENUES:		
Oil and gas sales	\$ 87,293	\$ 51,806
Oil and gas marketing sales	27,368	13,871
Total revenues	114,661	65,677
OPERATING COSTS:		
Production expenses	12,545	13,992
Production taxes	5,216	1,990
General and administrative	3,032	4,024
Oil and gas marketing expenses	26,544	13,285
Oil and gas depreciation, depletion and amortization	24,483	23,153
Depreciation and amortization of other assets	1,866	2,166
Total operating costs	73,686	58,610
INCOME FROM OPERATIONS	40,975	7,067
OTHER INCOME (EXPENSE):		
Interest and other income	1,192	873
Interest expense	(20,864)	(19,890)
Total other income (expense)	(19,672)	(19,017)
INCOME (LOSS) BEFORE INCOME TAX	21,303	(11,950)
INCOME TAX EXPENSE:		
Current	--	--
Deferred	101	--
Total income tax expense	101	--
NET INCOME (LOSS)	21,202	(11,950)
Preferred stock dividends	(4,042)	(4,026)
Gain on redemption of preferred stock	10,414	--
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$ 27,574	\$ (15,976)
EARNINGS (LOSS) PER COMMON SHARE:		
Basic	\$ 0.27	\$ (0.17)
Assuming Dilution	\$ 0.15	\$ (0.17)
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING:		
Basic	101,681	96,710
Assuming Dilution	140,130	96,710

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
	----- (\$ IN THOUSANDS) -----	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 21,202	\$(11,950)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	25,420	24,550
Amortization of loan costs	909	769
Amortization of bond discount	21	21
(Gain) loss on sale of fixed assets and other	(80)	78
Equity in losses of equity investees	119	--
Income tax expense	101	--
	-----	-----
Cash provided by operating activities before changes in current assets and liabilities	47,692	13,468
Changes in current assets and liabilities	(9,477)	12,830
	-----	-----
Cash provided by operating activities	38,215	26,298
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration and development of oil and gas properties	(40,252)	(44,590)
Purchases of oil and gas properties	(4,564)	(3,988)
Sales of oil and gas properties	985	2,070
Sales of non-oil and gas assets	177	1,062
Additions to other property and equipment	(1,191)	(712)
Other	(2,045)	327
	-----	-----
Cash used in investing activities	(46,890)	(45,831)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	45,000	--
Payments on long-term borrowings	(48,500)	--
Cash received from exercise of stock options	226	--
	-----	-----
Cash used in financing activities	(3,274)	--
	-----	-----
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH	(478)	816
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,427)	(18,717)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	38,658	29,520
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 26,231	\$ 10,803
	=====	=====

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
	----- (\$ in thousands) -----	
Net income (loss)	\$ 21,202	\$(11,950)
Other comprehensive income (loss) - foreign currency translation adjustments	(478)	816
Comprehensive income (loss)	\$ 20,724 =====	\$(11,134) =====

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2000
(UNAUDITED)

1. ACCOUNTING PRINCIPLES

The accompanying unaudited consolidated financial statements of Chesapeake Energy Corporation and Subsidiaries (the "Company") have been prepared in accordance with the instructions to Form 10-Q as prescribed by the Securities and Exchange Commission. All material adjustments (consisting solely of normal recurring adjustments) which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods have been reflected. The results for the three months ended March 31, 2000 are not necessarily indicative of the results to be expected for the full year.

This Form 10-Q relates to the three months ended March 31, 2000 (the "Current Quarter") and March 31, 1999 (the "Prior Quarter").

2. LEGAL PROCEEDINGS

Bayard Securities Litigation

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

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

Patent Litigation

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

West Panhandle Field Cessation Cases

A subsidiary of the Company, Chesapeake Panhandle Limited Partnership ("CP") (f/k/a MC Panhandle, Inc.), and two subsidiaries of Kinder Morgan, Inc. are defendants in 13 lawsuits filed between June 1997 and January 1999 by royalty owners seeking the cancellation of oil and gas leases in the West Panhandle Field in Texas. The Company acquired MC Panhandle, Inc. on April 28, 1998. MC Panhandle, Inc. has owned the leases since January 1, 1997, and the co-defendants are prior lessees. Plaintiffs claim the leases terminated upon the cessation

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2000

(UNAUDITED)

of production for various periods primarily during the 1960s. In addition, plaintiffs seek to recover conversion damages, exemplary damages, attorneys' fees and interest. Defendants assert that any cessation of production was excused and have pled affirmative defenses of limitations, waiver, temporary estoppel, laches and title by adverse possession.

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

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

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

3. NET INCOME (LOSS) PER SHARE

Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS 128") requires presentation of "basic" and "diluted" earnings per share, as defined, on the face of the statement of operations for all entities with complex capital structures. SFAS 128 requires a reconciliation of the numerators and denominators of the basic and diluted EPS computations. For the Prior Quarter there was no difference between actual weighted average shares outstanding, which are used in computing basic EPS, and diluted weighted average shares, which are used in computing diluted EPS. Options to purchase 14.8 million shares and 13.7 million shares of common stock at a weighted average exercise price of \$1.83 and \$1.71 were outstanding during the Current Quarter and Prior Quarter, respectively. In the Prior Quarter the outstanding options were not included in the computation of diluted EPS because the effect of those outstanding options would be antidilutive. A reconciliation for the Current Quarter is as follows:

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2000
(UNAUDITED)

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
	-----	-----	-----
FOR THE QUARTER ENDED MARCH 31, 2000:			
BASIC EPS			
Income available to common stockholders	\$ 27,574	101,681	\$ 0.27
			=====
EFFECT OF DILUTIVE SECURITIES			
Assumed conversion of preferred stock at beginning of period	4,042	32,951	
Gain on redemption of preferred stock	(10,414)	--	
Employee stock options	--	5,498	
	-----	-----	
DILUTED EPS			
Income available to common stockholders and assumed conversions	\$ 21,202	140,130	\$ 0.15
	=====	=====	=====

In the Current Quarter, the Company engaged in a number of separate stock exchange transactions with institutional investors. The Company exchanged a total of 9.5 million shares of common stock (both newly issued and treasury shares) for 675,000 shares of its issued and outstanding preferred stock with a liquidation value of \$33.8 million plus dividends in arrears of \$3.2 million. All preferred shares acquired in these transactions were cancelled and retired and will have the status of authorized but unissued shares of undesignated preferred stock. A gain on redemption of the preferred shares equal to \$10.4 million was recognized as an increase to net income in the Current Quarter in determining basic earnings per share. The gain represented the excess of (i) the liquidation value of the preferred shares that were retired plus dividends in arrears which had reduced prior EPS over (ii) the market value of the common stock issued in exchange for the preferred shares.

Between April 1 and May 9, 2000, the Company engaged in additional transactions in which a total of 13.5 million shares of common stock were exchanged for 1,055,658 shares of its issued and outstanding preferred stock with a liquidation value of \$52.8 million plus dividends in arrears of \$5.8 million. Including the stock exchange transactions through May 9, 2000, a total of 23.0 million shares of common stock have been exchanged for 1,730,658 shares of preferred stock. These transactions have reduced (i) the number of preferred shares from 4.6 million to 2.9 million, (ii) the liquidation value of the preferred stock from \$229.8 million to \$143.3 million, and (iii) dividends in arrears from \$25.0 million to \$16.0 million. A gain on redemption of all preferred shares exchanged through May 9, 2000 of \$16.4 million (\$10.4 million related to the Current Quarter) will be reflected in net income available to common shareholders in determining earnings per share.

4. SENIOR NOTES

9.625% Notes

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

9.125% Notes

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2000
(UNAUDITED)

7.875% Notes

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

8.5% Notes

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

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

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

These senior note indentures also limit the Company's ability to make restricted payments (as defined), including the payment of preferred stock dividends, unless certain tests are met. From December 31, 1998 through March 31, 2000, the Company was unable to meet the requirements to incur additional unsecured indebtedness, and consequently was not able to pay cash dividends on its 7% cumulative convertible preferred stock. The Company had accumulated dividends in arrears of \$20.3 million related to its preferred stock as of March 31, 2000. Including accrued dividends from April 1 through May 9, 2000, this amount has subsequently been reduced to approximately \$16.0 million as of May 9, 2000 as a result of additional stock exchange transactions. This restriction does not affect the Company's ability to borrow under or expand its secured commercial bank facility. The Company was unable to pay a dividend on the preferred stock on May 1, 2000, the sixth consecutive dividend payment date on which dividends have not been paid. If the Company fails to pay dividends for six quarterly periods, the holders of preferred stock are entitled to elect two new directors to the Board. Based on current projections of cash flow and fixed charges, the Company expects to be able to pay a dividend on the preferred stock on August 1, 2000, although there are no assurances the Board of Directors will declare a dividend, even if the Company is able to resume paying dividends.

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

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF MARCH 31, 2000
(\$ IN THOUSANDS)

	ASSETS				
	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
CURRENT ASSETS:					
Cash and cash equivalents	\$ (10,964)	\$ 23,031	\$ 17,237	\$ --	\$ 29,304
Accounts receivable, net	51,313	21,629	95	(14,652)	58,385
Inventory	3,917	146	--	--	4,063
Other	4,602	815	367	--	5,784
	-----	-----	-----	-----	-----
Total Current Assets	48,868	45,621	17,699	(14,652)	97,536
	-----	-----	-----	-----	-----
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,362,596	--	--	--	2,362,596
Unevaluated leasehold	36,409	--	--	--	36,409
Other property and equipment	29,655	20,537	18,532	--	68,724
Less: accumulated depreciation, depletion and amortization	(1,709,363)	(17,892)	(1,997)	--	(1,729,252)
	-----	-----	-----	-----	-----
Net Property and Equipment	719,297	2,645	16,535	--	738,477
	-----	-----	-----	-----	-----
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	806,181	--	493,738	(1,299,919)	--
	-----	-----	-----	-----	-----
OTHER ASSETS	10,699	8,389	17,956	(7,686)	29,358
	-----	-----	-----	-----	-----
TOTAL ASSETS	\$ 1,585,045	\$ 56,655	\$ 545,928	\$(1,322,257)	\$ 865,371
	=====	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	\$ 781	\$ --	\$ --	\$ --	\$ 781
Accounts payable and other	51,163	22,696	26,110	(14,607)	85,362
	-----	-----	-----	-----	-----
Total Current Liabilities	51,944	22,696	26,110	(14,607)	86,143
	-----	-----	-----	-----	-----
LONG-TERM DEBT	41,235	--	919,181	--	960,416
	-----	-----	-----	-----	-----
REVENUES AND ROYALTIES DUE OTHERS	8,752	--	--	--	8,752
	-----	-----	-----	-----	-----
DEFERRED INCOME TAXES	6,650	--	--	--	6,650
	-----	-----	-----	-----	-----
INTERCOMPANY PAYABLES	1,371,729	(2,773)	(1,368,911)	(45)	--
	-----	-----	-----	-----	-----
STOCKHOLDERS' EQUITY (DEFICIT):					
Common Stock	26	1	1,076	(17)	1,086
Other	104,709	36,731	968,472	(1,307,588)	(197,676)
	-----	-----	-----	-----	-----
	104,735	36,732	969,548	(1,307,605)	(196,590)
	-----	-----	-----	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 1,585,045	\$ 56,655	\$ 545,928	\$(1,322,257)	\$ 865,371
	=====	=====	=====	=====	=====

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 1999
(\$ IN THOUSANDS)

	ASSETS				
	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
CURRENT ASSETS:					
Cash and cash equivalents	\$ (6,964)	\$ 20,409	\$ 25,405	\$ --	\$ 38,850
Accounts receivable	45,170	18,297	73	(12,475)	51,065
Inventory	4,183	399	--	--	4,582
Other	1,997	700	352	--	3,049
	-----	-----	-----	-----	-----
Total Current Assets	44,386	39,805	25,830	(12,475)	97,546
	-----	-----	-----	-----	-----
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,311,633	3,715	--	--	2,315,348
Unevaluated leasehold	40,008	--	--	--	40,008
Other property and equipment	29,088	20,521	18,103	--	67,712
Less: accumulated depreciation, depletion and amortization	(1,683,890)	(18,205)	(1,876)	--	(1,703,971)
	-----	-----	-----	-----	-----
Net Property and Equipment	696,839	6,031	16,227	--	719,097
	-----	-----	-----	-----	-----
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	806,180	--	493,738	(1,299,918)	--
	-----	-----	-----	-----	-----
OTHER ASSETS	16,402	8,409	16,765	(7,686)	33,890
	-----	-----	-----	-----	-----
TOTAL ASSETS	\$ 1,563,807	\$ 54,245	\$ 552,560	\$(1,320,079)	\$ 850,533
	=====	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	\$ --	\$ 763	\$ --	\$ --	\$ 763
Accounts payable and other	63,194	19,265	17,466	(12,502)	87,423
	-----	-----	-----	-----	-----
Total Current Liabilities	63,194	20,028	17,466	(12,502)	88,186
	-----	-----	-----	-----	-----
LONG-TERM DEBT	43,500	1,437	919,160	--	964,097
	-----	-----	-----	-----	-----
REVENUES AND ROYALTIES DUE OTHERS	9,310	--	--	--	9,310
	-----	-----	-----	-----	-----
DEFERRED INCOME TAXES	6,484	--	--	--	6,484
	-----	-----	-----	-----	-----
INTERCOMPANY PAYABLES	1,356,466	(2,450)	(1,354,043)	27	--
	-----	-----	-----	-----	-----
STOCKHOLDERS' EQUITY (DEFICIT):					
Common Stock	27	1	1,048	(17)	1,059
Other	84,826	35,229	968,929	(1,307,587)	(218,603)
	-----	-----	-----	-----	-----
	84,853	35,230	969,977	(1,307,604)	(217,544)
	-----	-----	-----	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 1,563,807	\$ 54,245	\$ 552,560	\$(1,320,079)	\$ 850,533
	=====	=====	=====	=====	=====

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
(\$ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
FOR THE THREE MONTHS ENDED MARCH 31, 2000:					
REVENUES:					
Oil and gas sales	\$ 86,221	\$ 347	\$ --	\$ 725	\$ 87,293
Oil and gas marketing sales	--	69,850	--	(42,482)	27,368
Total Revenues	86,221	70,197	--	(41,757)	114,661
OPERATING COSTS:					
Production expenses and taxes	17,681	80	--	--	17,761
General and administrative	2,720	291	21	--	3,032
Oil and gas marketing expenses	--	68,301	--	(41,757)	26,544
Oil and gas depreciation, depletion and amortization	24,383	100	--	--	24,483
Other depreciation and amortization	1,026	20	820	--	1,866
Total Operating Costs	45,810	68,792	841	(41,757)	73,686
INCOME (LOSS) FROM OPERATIONS	40,411	1,405	(841)	--	40,975
OTHER INCOME (LOSS):					
Interest and other income	798	336	20,967	(20,909)	1,192
Interest expense	(20,955)	(34)	(20,784)	20,909	(20,864)
	(20,157)	302	183	--	(19,672)
INCOME (LOSS) BEFORE INCOME TAXES	20,254	1,707	(658)	--	21,303
INCOME TAX EXPENSE (BENEFIT)	101	--	--	--	101
NET INCOME (LOSS)	\$ 20,153	\$ 1,707	\$ (658)	\$ --	\$ 21,202
	=====	=====	=====	-----	=====
FOR THE THREE MONTHS ENDED MARCH 31, 1999:					
REVENUES:					
Oil and gas sales	\$ 51,209	\$ --	\$ --	\$ 597	\$ 51,806
Oil and gas marketing sales	--	35,435	--	(21,564)	13,871
Total Revenues	51,209	35,435	--	(20,967)	65,677
OPERATING COSTS:					
Production expenses and taxes	15,982	--	--	--	15,982
General and administrative	3,522	457	45	--	4,024
Oil and gas marketing expenses	--	34,252	--	(20,967)	13,285
Oil and gas depreciation, depletion and amortization	23,153	--	--	--	23,153
Other depreciation and amortization	1,338	20	808	--	2,166
Total Operating Costs	43,995	34,729	853	(20,967)	58,610
INCOME (LOSS) FROM OPERATIONS	7,214	706	(853)	--	7,067
OTHER INCOME (LOSS):					
Interest and other income	267	437	29,140	(28,971)	873
Interest expense	(28,406)	--	(20,455)	28,971	(19,890)
	(28,139)	437	8,685	--	(19,017)
INCOME (LOSS) BEFORE INCOME TAXES	(20,925)	1,143	7,832	--	(11,950)
INCOME TAX EXPENSE (BENEFIT)	--	--	--	--	--
NET INCOME (LOSS)	\$ (20,925)	\$ 1,143	\$ 7,832	\$ --	\$ (11,950)
	=====	=====	=====	-----	=====

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
(\$ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
FOR THE THREE MONTHS ENDED MARCH 31, 2000:					
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 29,595	\$ (289)	\$ 8,909	\$ --	\$ 38,215
	-----	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties, net	(47,546)	3,715	--	--	(43,831)
Proceeds from sale of assets	177	--	--	--	177
Additions to other property and equipment	(753)	(16)	(422)	--	(1,191)
Other additions	(35)	--	(2,010)	--	(2,045)
	-----	-----	-----	-----	-----
	(48,157)	3,699	(2,432)	--	(46,890)
	-----	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES	12,159	(788)	(14,645)	--	(3,274)
	-----	-----	-----	-----	-----
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH	(478)	--	--	--	(478)
	-----	-----	-----	-----	-----
NET INCREASE (DECREASE) IN CASH	(6,881)	2,622	(8,168)	--	(12,427)
CASH, BEGINNING OF PERIOD	(7,156)	20,409	25,405	--	38,658
	-----	-----	-----	-----	-----
CASH, END OF PERIOD	\$(14,037)	\$ 23,031	\$ 17,237	\$ --	\$ 26,231
	=====	=====	=====	=====	=====
FOR THE THREE MONTHS ENDED MARCH 31, 1999:					
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,617	\$ 7,490	\$ 17,191	\$ --	\$ 26,298
	-----	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties, net	(46,508)	--	--	--	(46,508)
Proceeds from sale of assets	1,062	--	--	--	1,062
Additions to other property and equipment	240	(195)	(757)	--	(712)
Other additions	327	--	--	--	327
	-----	-----	-----	-----	-----
	(44,879)	(195)	(757)	--	(45,831)
	-----	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES	44,819	(2,888)	(41,931)	--	--
	-----	-----	-----	-----	-----
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH	816	--	--	--	816
	-----	-----	-----	-----	-----
NET INCREASE (DECREASE) IN CASH	2,373	4,407	(25,497)	--	(18,717)
CASH, BEGINNING OF PERIOD	(17,319)	7,000	39,839	--	29,520
	-----	-----	-----	-----	-----
CASH, END OF PERIOD	\$(14,946)	\$ 11,407	\$ 14,342	\$ --	\$ 10,803
	=====	=====	=====	=====	=====

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(\$ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
FOR THE THREE MONTHS ENDED MARCH 31, 2000:					
Net income (loss)	\$ 20,153	\$1,707	\$ (658)	\$ --	\$ 21,202
Other comprehensive income (loss) - foreign currency translation	(478)	--	--	--	(478)
Comprehensive income	\$ 19,675	\$1,707	\$ (658)	\$ --	\$ 20,724
	-----	=====	=====	=====	=====
FOR THE THREE MONTHS ENDED MARCH 31, 1999:					
Net income (loss)	\$(20,925)	\$1,143	\$ 7,832	\$ --	\$(11,950)
Other comprehensive income (loss) - foreign currency translation	816	--	--	--	816
Comprehensive income (loss)	\$(20,109)	\$1,143	\$ 7,832	\$ --	\$(11,134)
	-----	=====	=====	=====	=====

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - Three Months Ended March 31, 2000 vs. March 31, 1999

General. For the three months ended March 31, 2000 (the "Current Quarter"), the Company realized net income of \$21.2 million, or \$0.15 per diluted common share. This compares to a net loss of \$12.0 million, or a loss of \$0.17 per diluted common share, in the three months ended March 31, 1999 (the "Prior Quarter"). The loss in the Prior Quarter was primarily caused by low oil and gas prices.

Oil and Gas Sales. During the Current Quarter, oil and gas sales increased 69% to \$87.3 million from \$51.8 million in the Prior Quarter. For the Current Quarter, the Company produced 33.9 billion cubic feet equivalent ("bcfe"), consisting of 0.9 million barrels of oil ("mbo") and 28.7 billion cubic feet of natural gas ("bcf"), compared to 1.3 mbo and 25.7 bcf, or 33.3 bcfe, in the Prior Quarter. Average oil prices realized were \$24.58 per barrel of oil ("bo") in the Current Quarter compared to \$10.92 per bo in the Prior Quarter, an increase of 125%. Average gas prices realized were \$2.30 per thousand cubic feet ("mcf") in the Current Quarter compared to \$1.48 per mcf in the Prior Quarter, an increase of 55%.

For the Current Quarter, the Company realized an average price of \$2.57 per thousand cubic feet equivalent ("mcf"), compared to \$1.56 per mcf in the Prior Quarter. The Company's hedging activities resulted in decreased oil and gas revenues of \$2.2 million, or \$0.06 per mcf, in the Current Quarter, compared to increases in oil and gas revenues of \$0.3 million, or \$0.01 per mcf, in the Prior Quarter.

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

OPERATING AREAS	FOR THE THREE MONTHS ENDED MARCH 31,			
	2000		1999	
	(mmcfe)	PERCENT	(mmcfe)	PERCENT
Mid-Continent	18,772	55%	16,184	49%
Gulf Coast	10,182	30	11,400	34
Canada	2,925	9	2,431	7
Other Areas	2,052	6	3,297	10
Total	33,931	100%	33,312	100%
	=====	===	=====	===

Natural gas production represented approximately 85% of the Company's total production volume on an equivalent basis in the Current Quarter, compared to 77% in the Prior Quarter.

Oil and Gas Marketing Sales. The Company realized \$27.4 million in oil and gas marketing sales for third parties in the Current Quarter, with corresponding oil and gas marketing expenses of \$26.5 million, for a margin of \$0.9 million. This compares to sales of \$13.9 million, expenses of \$13.3 million, and a margin of \$0.6 million in the Prior Quarter. The increase in marketing sales and cost of sales was due primarily to higher oil and gas prices in the Current Quarter as compared to the Prior Quarter.

Production Expenses. Production expenses decreased to \$12.5 million in the Current Quarter, a \$1.5 million decrease from the \$14.0 million of production expenses incurred in the Prior Quarter. On a unit of production basis, production expenses were \$0.37 and \$0.42 per mcf in the Current and Prior Quarters, respectively. The decrease in production expenses between periods is due primarily to the sale of certain oil and gas properties with high per-unit operating costs as well as other cost cutting measures such as staff reductions and office closings. The Company anticipates production expenses will not vary significantly from current levels during the remainder of 2000.

Production Taxes. Production taxes, which consist primarily of wellhead severance taxes, were \$5.2 million and \$2.0 million in the Current and Prior Quarters, respectively. On a per unit basis, production taxes were \$0.15 per mcfe in the Current Quarter compared to \$0.06 per mcfe in the Prior Quarter. The increase in the Current Quarter is due to higher oil and gas prices. In general, production taxes are calculated using value-based formulas that produce higher per unit costs when oil and gas prices are higher.

Oil and Gas Depreciation, Depletion and Amortization. Depreciation, depletion and amortization of oil and gas properties ("DD&A") for the Current Quarter was \$24.5 million, compared to \$23.2 million in the Prior Quarter. The DD&A rate per mcfe increased from \$0.70 in the Prior Quarter to \$0.72 in the Current Quarter. The Company expects DD&A will increase moderately from current levels during the remainder of 2000.

Depreciation and Amortization of Other Assets. Depreciation and amortization of other assets ("D&A") was \$1.9 million in the Current Quarter compared to \$2.2 million in the Prior Quarter. The Company anticipates D&A will continue at current levels during the remainder of 2000.

General and Administrative. General and administrative expenses ("G&A"), which are net of capitalized internal payroll and non-payroll expenses, were \$3.0 million in the Current Quarter compared to \$4.0 million in the Prior Quarter. The decrease was due primarily to various actions taken to lower corporate overhead, including staff reduction and office closings, which occurred throughout 1999, and an increase in capitalized internal costs between periods. The Company capitalized \$1.9 million of internal costs in the Current Quarter directly related to the Company's oil and gas exploration and development efforts, compared to \$1.2 million in the Prior Quarter. The Company anticipates that G&A costs during the remainder of 2000 will remain at approximately the same level as the Current Quarter.

Interest and Other Income. Interest and other income for the Current Quarter was \$1.2 million compared to \$0.9 million in the Prior Quarter.

Interest Expense. Interest expense increased to \$20.9 million in the Current Quarter from \$19.9 million in the Prior Quarter. In addition to the interest expense reported, the Company capitalized \$0.7 million of interest during the Current Quarter compared to \$1.1 million capitalized in the Prior Quarter.

Provision for Income Taxes. The Company recorded income tax expense of \$0.1 million for the Current Quarter and none in the Prior Quarter. The income tax expense recorded in the Current Quarter is related to the Company's Canadian operations. At March 31, 2000, the Company had a net operating loss carryforward of approximately \$636 million for regular federal income taxes which will expire in future years beginning in 2007. Management believes that it cannot be demonstrated at this time that it is more likely than not that the deferred income tax assets generated for U.S. income tax purposes, comprised primarily of the net operating loss carryforward, will be realizable in future years, and therefore a valuation allowance of \$434 million has been recorded.

RISK MANAGEMENT ACTIVITIES

See Item 3 - "Quantitative and Qualitative Disclosures About Market Risks".

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of \$11.4 million at March 31, 2000 and a cash balance of \$29.3 million. The Company has a \$50 million revolving bank credit facility, which matures in July 2002, with a committed borrowing base of \$50 million. As of March 31, 2000, the Company had borrowed \$40.0 million under this facility. Borrowings under the facility are secured by certain producing oil and gas properties and bear interest at variable rates, which averaged 9.4% per annum as of March 31, 2000.

At March 31, 2000, the Company's senior notes represented \$919.2 million of its \$960.4 million of long-term debt. Debt ratings for the senior notes are B2 by Moody's Investors Service and B by Standard & Poor's Corporation as

of May 1, 2000. There are no scheduled principal payments required on any of the senior notes until March 2004, when \$150 million is due.

The senior note indentures restrict the ability of the Company and its restricted subsidiaries to incur additional indebtedness. This restriction does not affect the Company's ability to borrow under or expand its secured commercial bank facility. As of March 31, 2000, the Company estimates that secured commercial bank indebtedness of \$149 million could have been incurred under the indentures. The indenture restrictions do not apply to borrowings incurred by CEMI, an unrestricted subsidiary.

The senior note indentures also limit the Company's ability to make restricted payments (as defined), including the payment of preferred stock dividends, unless certain tests are met. From December 31, 1998 through March 31, 2000, the Company was unable to meet the requirements to incur additional unsecured indebtedness, and consequently was not able to pay cash dividends on its 7% cumulative convertible preferred stock. The Company had accumulated dividends in arrears of \$20.3 million related to its preferred stock as of March 31, 2000. Including accrued dividends from April 1 through May 9, 2000, this amount has subsequently been reduced to approximately \$16.0 million as of May 9, 2000 as a result of stock exchange transactions described below. The Company was unable to pay a dividend on the preferred stock on May 1, 2000, the sixth consecutive dividend payment date on which dividends have not been paid. If the Company fails to pay dividends for six quarterly periods, the holders of preferred stock are entitled to elect two new directors to the Board. Based on current projections of cash flow and fixed charges, the Company expects to be able to pay a dividend on the preferred stock on August 1, 2000, although there are no assurances the Board of Directors will declare a dividend, even if the Company is able to resume paying dividends.

In the Current Quarter, the Company engaged in a number of separate stock exchange transactions with institutional investors. The Company exchanged a total of 9.5 million shares of common stock (both newly issued and treasury shares) for 675,000 shares of its issued and outstanding preferred stock with a liquidation value of \$33.8 million plus dividends in arrears of \$3.2 million. All preferred shares acquired in these transactions were cancelled and retired and will have the status of authorized but unissued shares of undesignated preferred stock.

Between April 1 and May 9, 2000, the Company engaged in additional transactions in which a total of 13.5 million shares of common stock were exchanged for 1,055,658 shares of its issued and outstanding preferred stock with a liquidation value of \$52.8 million plus dividends in arrears of \$5.8 million. Including the stock exchange transactions through May 9, 2000, a total of 23.0 million shares of common stock have been exchanged for 1,730,658 shares of preferred stock. These transactions have reduced (i) the number of preferred shares from 4.6 million to 2.9 million, (ii) the liquidation value of the preferred stock from \$229.8 million to \$143.3 million, and (iii) dividends in arrears from \$25.0 million to \$16.0 million. A gain on redemption of all preferred shares exchanged through May 9, 2000 of \$16.4 million (\$10.4 million related to the Current Quarter) will be reflected in net income available to common shareholders in determining earnings per share.

The Company believes it has adequate resources, including cash on hand, budgeted cash flow from operations and proceeds from miscellaneous asset sales, to more than fund its capital expenditure budget for exploration and development activities during 2000, which are currently estimated to be approximately \$130-\$140 million. However, low oil and gas prices or unfavorable drilling results could cause the Company to reduce its drilling program, which is largely discretionary. Based on current oil and gas prices, the Company expects to generate excess cash flow that will be available to fund acquisitions, reduce debt, make preferred stock dividend payments, or a combination of the above.

The Company's cash provided by operating activities increased 45% to \$38.2 million during the Current Quarter compared to \$26.3 million during the Prior Quarter. The increase was due primarily to higher oil and gas prices realized during the Current Quarter.

Cash used in investing activities increased to \$46.9 million during the Current Quarter from \$45.8 million in the Prior Quarter. During the Current Quarter the Company expended approximately \$34.8 million to initiate drilling

on 51 gross (27.7 net) wells and invested approximately \$5.4 million in leasehold acquisitions. This compares to \$40.2 million to initiate drilling on 41 gross (25.6 net) wells and \$4.4 million to purchase leasehold in the Prior Quarter. During the Current Quarter, the Company had acquisitions of oil and properties of \$4.6 million and divestitures of oil and gas properties of \$1.0 million. This compares to acquisitions of \$4.0 million and divestitures of \$2.1 million in the Prior Quarter.

There was \$3.3 million of cash used in financing activities in the Current Quarter, compared to none in the Prior Quarter. The activity in the Current Quarter reflects the net reduction in borrowings under the Company's commercial bank credit facility of \$3.5 million, partially offset by cash received through the exercise of stock options.

RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

FORWARD LOOKING STATEMENTS

This Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, statements regarding oil and gas reserve estimates, planned capital expenditures, expected oil and gas production, the Company's financial position, business strategy and other plans and objectives for future operations, expected future expenses and preferred stock dividend payments, and realization of deferred tax assets, are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Factors that could cause actual results to differ materially from those expected by the Company, including, without limitation, factors discussed under Risk Factors in the Company's Form 10-K for the period ended December 31, 1999, are substantial indebtedness, impairment of asset value, need to replace reserves, substantial capital requirements, ability to supplement capital resources with asset sales, fluctuations in the prices of oil and gas, uncertainties inherent in estimating quantities of oil and gas reserves, projecting future rates of production and the timing of development expenditures, competition, operating risks, restrictions imposed by lenders, liquidity and capital requirements, the effects of governmental and environmental regulation, pending litigation, and adverse changes in the market for the Company's oil and gas production. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in the Company's business strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

COMMODITY PRICE RISK

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

HEDGING ACTIVITIES

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

- (i) swap arrangements that establish an index-related price above which the Company pays the counterparty and below which the Company is paid by the counterparty,
- (ii) the purchase of index-related puts that provide for a "floor" price below which the counterparty pays the Company the amount by which the price of the commodity is below the contracted floor,
- (iii) the sale of index-related calls that provide for a "ceiling" price above which the Company pays the counterparty the amount by which the price of the commodity is above the contracted ceiling, and
- (iv) basis protection swaps, which are arrangements that guarantee the price differential of oil or gas from a specified delivery point or points.

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

As of March 31, 2000, the Company had the following open natural gas swap arrangements designed to hedge a portion of the Company's domestic gas production for periods after March 2000:

MONTHS -----	VOLUME (MMBtu) -----	NYMEX-INDEX STRIKE PRICE (PER MMBtu) -----
April 2000.....	8,900,000	\$ 2.59
May 2000.....	3,410,000	2.74
June 2000.....	3,300,000	2.74
July 2000.....	3,410,000	2.74
August 2000.....	3,410,000	2.74
September 2000.....	2,100,000	2.70
October 2000.....	2,170,000	2.70

If the swap arrangements listed above had been settled on March 31, 2000, the Company would have incurred a loss of \$7.0 million. Subsequent to March 31, 2000 the Company settled the natural gas swaps for April and May 2000. A loss of \$2.7 million and \$1.2 million will be recognized as price adjustments in April and May, respectively. Additionally, the Company has closed certain of its natural gas swaps that were open at March 31, 2000. The Company has closed hedges on 5,530,000 MMBTU and will recognize a loss of \$1.8 million, which will be recognized as price adjustments, from June through October, 2000.

As of March 31, 2000, the Company had the following open crude oil swap arrangement designed to hedge a portion of the Company's domestic crude oil production for periods after March 2000:

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

If the swap arrangement listed above had been settled on March 31, 2000, the Company would have incurred a loss of \$67,000.

The Company has also closed transactions designed to hedge a portion of the Company's domestic oil and natural gas production. The net unrecognized losses resulting from these transactions, \$1.7 million as of March 31, 2000, will be recognized as price adjustments in the months of related production. These hedging gains and losses are set forth below (\$ in thousands):

MONTH	HEGDING GAINS (LOSSES)		
	GAS	OIL	TOTAL
April 2000	\$ 71	\$ (647)	\$ (576)
May 2000	73	(668)	(595)
June 2000	71	(647)	(576)
July 2000	73	(231)	(158)
August 2000	73	--	73
September 2000	71	--	71
October 2000	73	--	73
	<u>\$ 505</u>	<u>\$(2,193)</u>	<u>\$(1,688)</u>

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

INTEREST RATE RISK

The Company also utilizes hedging strategies to manage fixed-interest rate exposure. Through the use of a swap arrangement, the Company has reduced its interest expense by \$2.7 million from May 1998 through December 1999. During the Current Quarter, the Company's interest rate swap resulted in a \$147,000 reduction of interest expense. The terms of the swap agreement are as follows:

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

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

If the interest rate swap agreement listed above had been settled on March 31, 2000, the Company would have been required to pay the counterparty approximately \$16.7 million. However, because of the knock-out provision discussed above and the volatility of interest rates, the Company does not believe that this worst-case scenario is a fair measure of the market value of the swap agreement and, therefore, would not pay this amount to cancel the transaction. Results from interest rate hedging transactions are reflected as adjustments to interest expense in the corresponding months covered by the swap agreement.

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

LIABILITIES:	MARCH 31, 2000							TOTAL	FAIR VALUE
	YEARS OF MATURITY								
	2000	2001	2002	2003	2004	THEREAFTER			

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to ordinary routine litigation incidental to its business. In addition, the Company and certain of its officers and directors are defendants in other pending actions which are described in Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

During the quarter ended March 31, 2000, the Company exchanged 9,493,750 shares of common stock for 675,000 shares of its outstanding preferred stock in private transactions with institutional investors. The exchanges were exempt from registration under Section 3(a) (9) of the Securities Act of 1933 inasmuch as the Company exchanged securities exclusively with its existing shareholders and no commission or other remuneration was paid with respect to the exchanges.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES OR DIVIDEND ARREARAGES

May 1, 2000 was the sixth consecutive payment date on which the Company failed to pay dividends on its 7% cumulative convertible preferred stock. Dividends accrue at the annual rate of \$3.50 per share. Dividends which are not declared and paid when due compound quarterly on each dividend payment date at the dividend payment rate. Accrued and unpaid dividends on 2,865,742 shares outstanding as of May 15, 2000 were \$16.2 million. Additional information on preferred stock dividends is provided in Part I, Item 2 under "Liquidity and Capital Resources", the third paragraph of which is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- - Not applicable

ITEM 5. OTHER INFORMATION

- - Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed as a part of this report:

Exhibit No.	

10.1.6	Chesapeake Energy Corporation 2000 Employee Stock Option Plan
10.1.7	Chesapeake Energy Corporation 2000 Executive Officer Stock Option Plan
12	Schedule of Ratios
27	Financial Data Schedule

(b) Reports on Form 8-K

During the quarter ended March 31, 2000, the Company filed the following Current Reports on Form 8-K:

On February 28, 2000, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release announcing record financial results and proved reserve levels.

On March 9, 2000, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release announcing the dismissal of 1997 securities litigation against the Company.

On March 16, 2000, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release announcing a restructured joint venture agreement with Gothic Energy Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHESAPEAKE ENERGY CORPORATION
(Registrant)

May 15, 2000

Date

/s/ Aubrey K. McClendon

Aubrey K. McClendon
Chairman and
Chief Executive Officer

May 15, 2000

Date

/s/ Marcus C. Rowland

Marcus C. Rowland
Executive Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
10.1.6	Chesapeake Energy Corporation 2000 Employee Stock Option Plan
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27	Financial Data Schedule

CHESAPEAKE ENERGY CORPORATION
2000 EMPLOYEE STOCK OPTION PLAN

CHESAPEAKE ENERGY CORPORATION
2000 EMPLOYEE STOCK OPTION PLAN

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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 Eligible Employees 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 Eligible Employees on the terms and subject to the conditions set forth in the Plan.

SECTION 1.2 Establishment. The Plan is effective as of April 26, 2000 and for a period of 10 years from such date. The Plan will terminate on April 25, 2010; 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 Two Million Five Hundred Thousand (2,500,000) shares of Common Stock.

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 "Committee" has the meaning set forth in Section 3.1.

SECTION 2.4 "Common Stock" means the common stock, par value \$.01 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 2.5 "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 2.6 "Disability" has the meaning set forth in Section 22(e)(3) of the Code.

SECTION 2.7 "Eligible Employee" means any employee of the Company, a Subsidiary or a partnership or limited liability company which the Company controls.

SECTION 2.8 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

SECTION 2.9 "Executive Officer Participants" means Participants who are subject to the provisions of Section 16 of the Exchange Act with respect to the Common Stock.

SECTION 2.10 "Fair Market Value" means, as of any date, (i) if the principal market for the Common Stock is a national securities exchange or the Nasdaq stock market, the closing price of the Common Stock on that date on the principal exchange on which the Common Stock is then listed or admitted to trading; or (ii) if sale prices are not available or if the principal market for the Common Stock is not a national securities exchange and the Common Stock is not quoted on the Nasdaq stock market, the average of the highest bid and lowest asked prices for the Common Stock on such day as reported on the Nasdaq OTC Bulletin Board Service or by the National Quotation Bureau, Incorporated or a comparable service. If the day is not a business day, and as a result, clauses (i) and (ii) are inapplicable, the Fair Market Value of the Common Stock shall be determined as of the last preceding business day. If clauses (i) and (ii) are otherwise inapplicable, the Fair Market Value of the Common Stock shall be determined in good faith by the Committee.

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 to purchase shares of Common Stock which is not an incentive stock option within the meaning of Section 422(b) of the Code.

SECTION 2.13 "Option" means a Nonqualified Stock Option granted under Article VI of the Plan.

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 2000 Employee 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 same meaning set forth in Section 424 of the Code.

ARTICLE III

ADMINISTRATION

SECTION 3.1 Administration of the Plan; the Committee. The Regular Stock Option Committee shall administer the Plan with respect to Non-Executive Officer Participants, including the grant of Options, and the Special Stock Option Committee shall administer the Plan with respect to Executive Officer Participants, including the grant of Options. Accordingly, as used in the Plan, the term "Committee" shall mean the Regular Stock Option Committee if it refers to Plan administration affecting Non-Executive Officer Participants or the Special Stock Option Committee if it refers to Plan administration affecting Executive Officer Participants. If in either case the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

Unless otherwise provided in the by-laws of the Company or 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 shall be the valid acts of the Committee. Any action which may be taken at a meeting of the Committee may be taken without a meeting if all the members of the Committee consent to the action in writing.

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

- (a) Select the Eligible Employees to participate in the Plan.
- (b) Determine the time or times when Options will be granted.

(c) Determine the number of shares of Common Stock subject to any 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 of the vesting or exercise of an Option under certain circumstances determined by the Committee.

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

(e) 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 reserves the right to modify outstanding Options and awards unilaterally in any manner that is not adverse to the Option or award holder. 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) At least a majority of the shares of Common Stock underlying Options granted under the Plan, during the shorter of the three-year period commencing on the effective date of the Plan or the term of the Plan, must be granted to employees who are not Executive Officer Participants or directors of the Company.

(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 will be authorized and unissued shares or issued shares which have been reacquired by the Company (i.e., treasury shares).

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

(e) Upon the exercise of any Option, the Company shall issue and deliver to the Participant who exercised the Option a certificate representing the number of shares of Common Stock purchased thereby.

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 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 Nonqualified Stock Options to Eligible Employees. 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. The Option Agreement for each Option shall state the exercise price which shall be set by the Committee on the Date of Grant. No Option shall be granted at an exercise price which is less than the Fair Market Value of the Common Stock on the Date of Grant, except that Options for the purchase of up to ten percent (10%) of the shares subject to the Plan may be granted at an exercise price which is not less than eighty-five percent (85%) of the Fair Market Value of the Common Stock on the Date of Grant.

(b) Form of Payment. The payment of the exercise price of an Option shall be subject to the following:

- (i) The full exercise price for shares of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in clause (iii) below, payment may be made as soon as practicable after the exercise).
- (ii) The exercise price shall be payable in cash (including a check acceptable to the Committee, bank draft or money order) or by tendering, by either actual delivery of shares or by attestation, shares of Common Stock acceptable to the Committee and valued at Fair Market Value as of the day of exercise, or any combination thereof, as determined by the Committee.
- (iii) The Committee may permit a Participant to elect to pay the exercise price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from 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 or its Subsidiaries, 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) Application of Funds. The proceeds received by the Company from the sale of Common Stock issued upon the exercise of Options will be used for general corporate purposes.

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

ARTICLE VII

STOCK ADJUSTMENTS

Subject to the provisions 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 or 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 then subject 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% of 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 in accordance with applicable federal or state laws or regulations.

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 termination of employment due to a Disability, death or special circumstances, 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 have the right to exercise such vested Options within such period(s) as the Committee shall determine.

SECTION 8.3 Nonassignability. Options are not transferable otherwise than by will or the laws of descent and distribution. Any attempted transfer, assignment, pledge, hypothecation or other disposition of, or the levy of execution, attachment or similar process upon, 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 must pay to the Company the amount of taxes required by law upon the exercise of an Option in cash.

SECTION 8.5 Amendments to Options. The Committee may at any time unilaterally amend the terms of any Option Agreement, whether or not the Option granted thereunder is 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 date this Plan is effective, 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 evidencing 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 listing of such shares on any 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 regulation 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 Participant any right to remain in the employ of the Company or 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 the Committee or Board member. 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. 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 propose 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 the Participant's Option shall become 100% vested. 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 or her 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 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 receipt of 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 such transaction is consummated. 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 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 such acceleration of vesting of any Option.

CHESAPEAKE ENERGY CORPORATION
2000 EXECUTIVE OFFICER STOCK OPTION PLAN

CHESAPEAKE ENERGY CORPORATION
2000 EXECUTIVE OFFICER STOCK OPTION PLAN

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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 Executive Officers 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 Executive Officers on the terms and subject to the conditions set forth in the Plan.

SECTION 1.2 Establishment. The Plan is effective as of April 26, 2000 and for a period of 10 years from such date. The Plan will terminate on April 25, 2010; 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 Two Million Five Hundred Thousand (2,500,000) shares of Common Stock.

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 "Committee" means the Special Stock Option Committee of the Board, which is a committee designated by the Board consisting 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 2.4 "Common Stock" means the common stock, par value \$.01 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 2.5 "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 2.6 "Disability" has the meaning set forth in Section 22(e)(3) of the Code.

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

SECTION 2.8 "Executive Officer" means any employee of the Company, a Subsidiary or a partnership or limited liability company which the Company controls who is subject to the provisions of Section 16 of the Exchange Act with respect to the Common Stock.

SECTION 2.9 "Fair Market Value" means, as of any date, (i) if the principal market for the Common Stock is a national securities exchange or the Nasdaq stock market, the closing price of the Common Stock on that date on the principal exchange on which the Common Stock is then listed or admitted to trading; or (ii) if sale prices are not available or if the principal market for the Common Stock is not a national securities exchange and the Common Stock is not quoted on the Nasdaq stock market, the average of the highest bid and lowest asked prices for the Common Stock on such day as reported on the Nasdaq OTC Bulletin Board Service or by the National Quotation Bureau, Incorporated or a comparable service. If the day is not a business day, and as a result, clauses (i) and (ii) are inapplicable, the Fair Market Value of the Common Stock shall be determined as of the last preceding business day. If clauses (i) and (ii) are

otherwise inapplicable, the Fair Market Value of the Common Stock shall be determined in good faith by the Committee.

SECTION 2.10 "Nonqualified Stock Option" means an option to purchase shares of Common Stock which is not an incentive stock option within the meaning of Section 422(b) of the Code.

SECTION 2.11 "Option" means a Nonqualified Stock Option granted under Article VI of the Plan.

SECTION 2.12 "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 2.13 "Participant" means an Executive Officer to whom an Option has been granted by the Committee under the Plan.

SECTION 2.14 "Plan" means the Chesapeake Energy Corporation 2000 Executive Officer Stock Option Plan.

SECTION 2.15 "Subsidiary" shall have the same meaning set forth in Section 424 of the Code.

ARTICLE III

ADMINISTRATION

SECTION 3.1 Administration of the Plan; the Committee. The Plan shall be administered by the Committee. If the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

Unless otherwise provided in the by-laws of the Company or 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 shall be the valid acts of the Committee. Any action which may be taken at a meeting of the Committee may be taken without a meeting if all the members of the Committee consent to the action in writing.

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

(a) Select the Executive Officers to participate in the Plan.

(b) Determine the time or times when Options will be granted.

(c) Determine the number of shares of Common Stock subject to any 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 of the vesting or exercise of an Option under certain circumstances determined by the Committee.

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

(e) 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 reserves the right to modify outstanding Options and awards unilaterally in any manner that is not adverse to the Option or award holder. 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) 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.

(b) Common Stock delivered by the Company upon exercise of an Option under the Plan will be issued shares which have been reacquired by the Company (i.e., treasury shares).

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

(d) Upon the exercise of any Option, the Company shall issue and deliver to the Participant who exercised the Option a certificate representing the number of shares of Common Stock purchased thereby.

ARTICLE V

ELIGIBILITY

Subject to the provisions of the Plan, the Committee shall, from time to time, select from the Executive Officers those to whom Options shall 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 Nonqualified Stock Options to Executive Officers. 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. The Option Agreement for each Option shall state the exercise price which shall be set by the Committee on the Date of Grant. No Option shall be granted at an exercise price which is less than the Fair Market Value of the Common Stock on the Date of Grant, except that Options for the purchase of up to ten percent (10%) of the shares subject to the Plan may be granted at an exercise price

which is not less than eighty-five percent (85%) of the Fair Market Value of the Common Stock on the Date of Grant.

(b) Form of Payment. The payment of the exercise price of an Option shall be subject to the following:

- (i) The full exercise price for shares of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in clause (iii) below, payment may be made as soon as practicable after the exercise).
- (ii) The exercise price shall be payable in cash (including a check acceptable to the Committee, bank draft or money order) or by tendering, by either actual delivery of shares or by attestation, shares of Common Stock acceptable to the Committee and valued at Fair Market Value as of the day of exercise, or any combination thereof, as determined by the Committee.
- (iii) The Committee may permit a Participant to elect to pay the exercise price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from 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 or its Subsidiaries, 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) Application of Funds. The proceeds received by the Company from the sale of Common Stock issued upon the exercise of Options will be used for general corporate purposes.

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

ARTICLE VII

STOCK ADJUSTMENTS

Subject to the provisions 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 or 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 then subject 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% of 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 in accordance with applicable federal or state laws or regulations.

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 termination of employment due to a Disability, death or special circumstances, 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 have the right to exercise such vested Options within such period(s) as the Committee shall determine.

SECTION 8.3 Nonassignability. Options are not transferable otherwise than by will or the laws of descent and distribution. Any attempted transfer, assignment, pledge, hypothecation or other disposition of, or the levy of execution, attachment or similar process upon, 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 must pay to the Company the amount of taxes required by law upon the exercise of an Option in cash.

SECTION 8.5 Amendments to Options. The Committee may at any time unilaterally amend the terms of any Option Agreement, whether or not the Option granted thereunder is 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 date this Plan is effective, 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 evidencing 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 listing of such shares on any 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 regulation 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 Participant any right to remain in the employ of the Company or 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 Executive Officer 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 the Committee or Board member. 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. 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 propose 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 the Participant's Option shall become 100% vested. 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 or her 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 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 receipt of 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 such transaction is consummated. 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 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 such acceleration of vesting of any Option.

EXHIBIT 12

	QUARTER ENDED MAR. 31, 2000 -----	QUARTER ENDED MAR. 31, 1999 -----
	\$ in 000's	
RATIO OF EARNINGS TO FIXED CHARGES		
Income before income taxes and extraordinary item	\$21,303	\$(11,950)
Interest	20,864	19,890
Bond discount amortization(a)	--	--
Loan cost amortization	909	769
	-----	-----
Earnings	\$43,076	\$ 8,709
Interest expense	\$20,864	\$ 19,890
Capitalized interest	690	1,050
Bond discount amortization(a)	--	--
Loan cost amortization	909	769
	-----	-----
Fixed Charges	\$22,463	\$ 21,709
Preferred Stock Dividends	\$ 4,042	\$ 4,026
Fixed Charges and Preferred Stock Dividends	\$26,505	\$ 25,735
Ratio	1.63	0.34
(A) Bond discount excluded since its included in interest expense		
Insufficient coverage	\$ --	\$17,026

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM BALANCE SHEET AS OF MARCH 31, 2000 AND STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000.

1,000

3-MOS	DEC-31-2000	
	JAN-01-2000	
	MAR-31-2000	
		29,304
		0
		62,157
		3,249
		4,063
		97,536
		2,467,729
		1,729,252
		865,371
86,143		960,416
		0
		196,070
		1,086
		(393,746)
865,371		114,661
		115,853
		73,686
		94,550
		0
		31
		20,864
		21,303
		101
21,202		0
		0
		0
		21,202
		0.27
		0.15