Table of Contents

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, 2003

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange 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 ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES ☒ NO ☐

At May 13, 2003, there were 214,039,915 shares of our $.01 par value common stock outstanding.

Table of Contents

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

INDEX TO FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2003

		Page
PART I. Financial Information		
Item 1.	Consolidated Financial Statements (Unaudited):	
	Consolidated Balance Sheets at March 31, 2003 and December 31, 2002	3
	Consolidated Statements of Operations for the Three Months Ended March 31, 2003 and 2002	4
	Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2003 and 2002	5
	Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended March 31, 2003 and 2002	6
	Notes to Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	27
Item 4.	Controls and Procedures	31
PART II. Other Information		
Item 1.	Legal Proceedings	32

Item 2.	Changes in Securities and Use of Proceeds	32
Item 3.	Defaults Upon Senior Securities	32
Item 4.	Submission of Matters to a Vote of Security Holders	32
Item 5.	Other Information	32
Item 6.	Exhibits and Reports on Form 8-K	32

Table of Contents

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2003	December 31, 2002
	($ in thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 38,004	$ 247,637
Restricted cash	333	82
Accounts receivable:		
Oil and gas sales	228,797	109,246
Joint interest, net of allowance of $1,432,000 and $1,433,000, respectively	20,943	22,760
Short-term derivatives	622	16,498
Related parties	2,544	2,155
Other	16,064	13,471
Deferred income tax asset	12,304	8,109
Short-term derivative instruments	8,620	—
Inventory and other	14,096	15,359
Total Current Assets	342,327	435,317
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full-cost accounting:		
Evaluated oil and gas properties	5,282,363	4,334,833
Unevaluated properties	148,282	72,506
Less: accumulated depreciation, depletion and amortization	(2,189,502)	(2,123,773)
	3,241,143	2,283,566
Other property and equipment	163,015	154,092
Less: accumulated depreciation and amortization	(50,116)	(47,774)
Total Property and Equipment	3,354,042	2,389,884
OTHER ASSETS:		
Deferred income tax asset	—	2,071
Long-term derivative instruments	17,319	2,666
Long-term investments	29,075	9,075
Other assets	26,819	36,595
Total Other Assets	73,213	50,407
TOTAL ASSETS	$ 3,769,582	$ 2,875,608
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ —	$ —
Accounts payable	97,389	86,001
Accrued interest	50,128	35,025
Derivative payable	7,181	—
Short-term derivative instruments	31,574	33,697
Other accrued liabilities	65,882	56,465
Revenues and royalties due others	88,380	54,364
Total Current Liabilities	340,534	265,552
OTHER LIABILITIES:		
Long-term debt, net	1,948,725	1,651,198

Revenues and royalties due others	14,646	13,797
Long-term derivative instruments	—	30,174
Asset retirement obligation	46,438	—
Other liabilities	6,328	7,012
Deferred income taxes payable	40,368	—
Total Other Liabilities	2,056,505	1,702,181
CONTINGENCIES AND COMMITMENTS (Note 3)		
STOCKHOLDERS' EQUITY:		
Preferred Stock, $.01 par value, 10,000,000 shares authorized,		
6.75% cumulative convertible preferred stock, 2,998,000 issued and outstanding at March 31, 2003 and December 31, 2002, entitled in liquidation to $149.9 million	149,900	149,900
6.00% cumulative convertible preferred stock, 4,600,000 and 0 shares issued and outstanding at March 31, 2003 and December 31, 2002, entitled in liquidation to $230.0 million	230,000	—
Common Stock, $.01 par value, 350,000,000 shares authorized, 218,820,805 and 194,936,912 shares issued at March 31, 2003 and December 31, 2002, respectively	2,188	1,949
Paid-in capital	1,379,051	1,205,554
Accumulated deficit	(365,350)	(426,085)
Accumulated other comprehensive loss, net of tax of $708,000 and $2,307,000, respectively	(1,155)	(3,461)
Less: treasury stock, at cost; 5,071,571 and 4,792,529 common shares at March 31, 2003 and December 31, 2002, respectively	(22,091)	(19,982)
Total Stockholders' Equity	1,372,543	907,875
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,769,582	$ 2,875,608

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

Table of Contents

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2003	**2002**
	(in thousands, except per share amounts)	
REVENUES:		
Oil and gas sales	$ 256,332	$ 141,971
Risk management income (loss)	27,710	(79,468)
Oil and gas marketing sales	90,308	27,333
Total Revenues	374,350	89,836
OPERATING COSTS:		
Production expenses	31,457	22,060
Production taxes	18,597	5,216
General and administrative	5,665	4,294
Oil and gas marketing expenses	89,358	26,507
Oil and gas depreciation, depletion and amortization	76,614	48,619
Depreciation and amortization of other assets	3,684	3,110
Total Operating Costs	225,375	109,806
INCOME (LOSS) FROM OPERATIONS	148,975	(19,970)
OTHER INCOME (EXPENSE):		
Interest and other income	763	1,545
Interest expense	(35,027)	(26,960)
Loss on repurchases of Chesapeake debt	—	(591)
Total Other Income (Expense)	(34,264)	(26,006)
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	114,711	(45,976)
Provision (benefit) for income taxes	43,591	(18,390)
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	71,120	(27,586)

Cumulative effect of accounting change, net of applicable income taxes of $1,464,000	2,389	—
NET INCOME (LOSS)	73,509	(27,586)
Preferred stock dividends	(3,526)	(2,532)
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 69,983	$ (30,118)
EARNINGS (LOSS) PER COMMON SHARE — BASIC:		
Income (loss) before cumulative effect of accounting change	$ 0.34	$ (0.18)
Cumulative effect of accounting change	0.01	—
Net income (loss)	$ 0.35	$ (0.18)
EARNINGS (LOSS) PER COMMON SHARE — ASSUMING DILUTION:		
Income (loss) before cumulative effect of accounting change	$ 0.31	$ (0.18)
Cumulative effect of accounting change	0.01	—
Net income (loss)	$ 0.32	$ (0.18)
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING:		
Basic	197,608	165,372
Assuming dilution	230,672	165,372

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

Table of Contents

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2003	2002
	($ in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME (LOSS)	$ 73,509	$ (27,586)
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation, depletion and amortization	78,680	50,526
Risk management (income) loss	(27,710)	79,468
Deferred income taxes	43,591	(18,390)
Amortization of loan costs	1,618	1,203
Amortization of bond discount	318	244
Cumulative effect of SFAS 143 implementation	(2,389)	—
Other	96	447
Cash provided by operating activities before changes in assets and liabilities	167,713	85,912
Changes in assets and liabilities	(68,661)	31,385
Cash provided by operating activities	99,052	117,297
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration and development of oil and gas properties	(136,271)	(75,894)
Acquisition of unproved oil and gas properties	(95,792)	(7,387)
Acquisition of proved oil and gas properties	(741,642)	(894)
Sales of oil and gas properties	667	—
Investment in Pioneer Drilling Company	(20,000)	—
Additions to long-term investments	—	(2,408)
Proceeds from sale of RAM Energy notes	—	4,215
Other	(9,251)	(7,591)
Cash used in investing activities	(1,002,289)	(89,959)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	139,000	—
Payments on long-term borrowings	(139,000)	—
Cash received from issuance of senior notes	297,306	—
Cash paid for issuance costs of senior notes	(6,386)	—
Proceeds from issuance of preferred stock, net of issuance costs	222,907	—
Proceeds from issuance of common stock, net of issuance costs	177,526	—
Net increase in outstanding payments in excess of cash balances	11,676	—
Cash paid for common stock dividend	(5,705)	—
Cash paid for preferred stock dividend	(2,530)	(2,587)
Cash paid to repurchase senior notes	—	(21,440)
Cash paid for treasury stock	(2,109)	—
Cash received from exercise of stock options and warrants	1,514	1,181
Other	(595)	(134)
Cash provided by (used in) financing activities	693,604	(22,980)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(209,633)	4,358
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	247,637	117,594
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 38,004	$ 121,952

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

Table of Contents

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended March 31,	
	2003	2002
	($ in thousands)	
Net income (loss)	$ 73,509	$ (27,586)
Other comprehensive income (loss), net of income tax:		
Change in fair value of derivative instruments	(48,555)	(10,730)
Reclassification of (gain) loss on settled contracts	50,891	(14,086)
Ineffective portion of derivatives qualifying for cash flow hedge accounting	(30)	494
Comprehensive income (loss)	$ 75,815	$ (51,908)

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

Table of Contents

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited consolidated financial statements of Chesapeake Energy Corporation and Subsidiaries 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, 2003 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, 2003 (the “Current Quarter”) and the three months ended March 31, 2002 (the “Prior Quarter”).

Stock Options

Chesapeake has elected to follow APB No. 25, *Accounting for Stock Issued to Employees* and related interpretations in accounting for its employee stock options. Under APB No. 25, compensation expense is recognized for the difference between the option price and market value on the measurement date. In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44 which provided clarification regarding the application of APB No. 25. FIN 44 specifically addressed the accounting consequences of various modifications to the terms of a previously granted fixed–price stock option. Pursuant to FIN 44, we recognized compensation income of $22,600 and compensation expense of $162,500 in the Current Quarter and the Prior Quarter, respectively, as a result of modifications to fixed-price stock options that were made during the years ended December 31, 2001 and 2000. No compensation income or expense has

been recognized for stock options issued in 2003 or 2002 because the exercise price of the stock options granted under the plans equaled the market price of the underlying stock on the date of grant and there have been no modification to these options.

Pro forma information applying the fair value method follows:

	Three Months Ended March 31,	
	2003	2002
	($ in thousands, except per share amounts)	
Net Income (Loss)		
As reported [1]	$ 73,509	$ (27,586)
Compensation expense, net of tax	(2,475)	(2,067)
Pro forma	$ 71,034	$ (29,653)
Basic earnings (loss) per common share		
As reported	$ 0.35	$ (0.18)
Compensation expense, net of tax	(0.01)	(0.01)
Pro forma	$ 0.34	$ (0.19)
Diluted earnings (loss) per common share		
As reported	$ 0.32	$ (0.18)
Compensation expense, net of tax	(0.01)	(0.01)
Pro forma	$ 0.31	$ (0.19)

(1) Net income includes adjustments related to FIN 44 of $22,600 of income and $162,500 of expense in the Current Quarter and the Prior Quarter, respectively.

For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period, which is four years. Because our stock options vest over four years and additional awards are typically made each year, the above pro forma disclosures are not likely to be representative of the effects on pro forma net income for future quarters.

Critical Accounting Policies

We consider accounting policies related to stock options, hedging, oil and gas properties, income taxes, and business combinations to be critical policies. These policies are summarized in Management's Discussion and

Table of Contents

Analysis of Financial Condition and Results of Operations in our annual report on Form 10-K for the year ended December 31, 2002, except for our accounting policy related to stock options which is summarized in Note 1 of our annual report on Form 10-K.

2. Financial Instruments and Hedging Activities

Oil and Gas Hedging Activities

Our results of operations and operating cash flows are impacted by changes in market prices for oil and gas. To mitigate a portion of the exposure to adverse market changes, we have entered into various derivative instruments. As of March 31, 2003, our oil and gas derivative instruments were comprised of swaps, cap-swaps and basis protection swaps. These instruments allow us to predict with greater certainty the effective oil and gas prices to be received for our hedged production. Although derivatives often fail to achieve 100% effectiveness for accounting purposes, we believe our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended.

- For swap instruments, we receive a fixed price for the hedged commodity and pay a floating market price, as defined in each instrument, to the counterparty. The fixed-price payment and the floating-price payment are netted, resulting in a net amount due to or from the counterparty.
- For cap-swaps, we receive a fixed price for the hedged commodity and pay a floating market price. The fixed price received by Chesapeake includes a premium in exchange for a "cap" limiting the counterparty's exposure.
- Basis protection swaps are arrangements that guarantee a price differential of oil or gas from a specified delivery point. Chesapeake receives a payment from the counterparty if the price differential is greater than the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract.

From time to time, we close certain swap and cap-swap transactions designed to hedge a portion of our oil or natural gas production by entering into a counter-swap instrument. Under the counter-swap we receive a floating price for the hedged commodity and pay a fixed price to the counterparty. To the extent the counter-swap, which does not qualify for hedge accounting under SFAS 133, is designed to lock the value of an existing SFAS 133 cash flow hedge, the net value is frozen and shown as a derivative asset or liability. To the extent the counter-swap is designed to lock the value of an existing SFAS 133 cash flow hedge and both the counter-swap and existing swap are with the same counterparty, the net value of the swap and the counter-swap is frozen and shown as a derivative receivable or payable in the consolidated balance sheets. At the same time, the original swap is designated as a non-qualifying cash flow hedge under SFAS 133. The net receivable or payable is frozen until the related month of production and is then recognized as an increase or decrease to oil and gas sales. Changes in fair value occurring after the original swap has been designated as a non-qualifying cash flow hedge under SFAS 133 are included in results of operations. To the extent the counter-swap is designed to lock the value of a non-qualifying cash flow hedge under SFAS 133, the value of the counter-swap is shown as a derivative asset or liability in the consolidated balance sheets and referred to below as a fixed-price counter-swap. Any changes in the fair value of the counter-swap are included in results of operations.

Pursuant to SFAS 133, our cap-swaps, counter-swaps and basis protection swaps do not qualify for designation as cash flow hedges. Therefore, changes in the fair value of these instruments that occur prior to their maturity, together with any changes in the fair value of qualifying cash flow hedges resulting from ineffectiveness, are reported in the consolidated statements of operations as risk management income (loss). Amounts recorded in risk management income (loss) do not represent cash gains or losses. Rather, these amounts are temporary valuation swings in contracts or portions of contracts that are not entitled to receive SFAS 133 cash flow hedge accounting treatment. All amounts initially recorded in this caption related to commodity derivatives are ultimately reversed within this same caption and included in oil and gas sales over the respective contract terms.

Table of Contents

The estimated fair values of our oil and gas derivative instruments as of March 31, 2003 are provided below. The associated carrying values of these instruments are equal to the estimated fair values.

	March 31,	
	2003	2002
	($ in thousands)	
Derivative assets (liabilities):		
Fixed-price gas swaps	$ 2,701	$ (18,504)
Fixed-price gas collars	—	7,046
Fixed-price gas cap-swaps	(61,752)	25,949
Fixed-price gas counter-swaps	55,813	2,239
Fixed-price gas locked swaps	(5,935)	43,716
Gas basis protection swaps	30,882	(6,222)
Gas straddles	—	(25,825)
Gas strangles	—	(31,004)
Fixed-price crude oil cap-swaps	(2,329)	(2,286)
Fixed-price crude oil locked swaps	—	1,404
Estimated fair value	$ 19,380	$ (3,487)(a)

(a) After adjusting for the $40.9 million premium paid to Chesapeake by the counterparty at the inception of the straddle and strangle contracts (which is recorded in cash provided by operating activities on the accompanying consolidated statements of cash flows), the net value of the combined hedging portfolio at March 31, 2002 was $37.4 million.

Based upon the market prices at March 31, 2003, we expect to transfer approximately $1.2 million of the loss included in the balance in accumulated other comprehensive loss to earnings during the next 12 months when the transactions actually occur. All transactions hedged as of March 31, 2003 are expected to mature by February 2004, with the exception of the basis protection swaps which extend to 2009.

Additional information concerning the fair value of our oil and gas derivative instruments is as follows:

	2003	2002
	($ in thousands)	
Fair value of contracts outstanding at January 1	$ (14,533)	$ 157,309
Change in fair value of contracts during the quarter	126,771	(69,712)
Contracts realized or otherwise settled during the quarter	(92,858)	(48,554)
Fair value of new contracts when entered into during the quarter	—	(42,530)
Fair value of contracts outstanding at March 31	$ 19,380	$ (3,487)

Risk management income (loss) related to our oil and gas derivatives is comprised of the following:

	Three Months Ended March 31,	
	2003	2002
	($ in thousands)	
Risk management income (loss):		
Change in fair value of derivatives not qualifying for cash flow hedge accounting	$ 18,864	$ (53,414)
Reclassification of (gain) loss on settled contracts	10,775	(25,077)
Ineffective portion of derivatives qualifying for cash flow hedge accounting	48	(824)
Total	$ 29,687	$ (79,315)

Interest Rate Hedging

We also utilize hedging strategies to manage interest rate exposure. Results from interest rate hedging transactions are reflected as adjustments to interest expense in the corresponding months covered by the derivative agreement.

In July 2002, we closed an interest rate swap for a gain of $7.5 million. As of March 31, 2003, the remaining balance to be amortized as a reduction to interest expense was $2.1 million. During the Current Quarter, $0.5 million was recognized as a reduction to interest expense.

In July 2002, we closed an additional interest rate swap for a gain of $1.1 million. As of March 31, 2003, the remaining balance to amortize as a reduction to interest expense was $0.7 million. During the Current Quarter, $0.2 million was recognized as a reduction to interest expense.

Table of Contents

In April 2002, we entered into a swaption agreement in order to monetize the embedded call option in our 8.50% senior notes. We received $7.8 million from the counterparty at the time we entered into this agreement. The terms of the swaption are as follows:

Term	Notional Amount	Fixed Rate	Floating Rate
March 2004 – March 2012	$142,665,000	8.500%	U.S. six-month LIBOR plus 75 basis points

Under the terms of the swaption agreement, the counterparty will have the option to initiate an interest rate swap on March 11, 2004 pursuant to the terms shown above. If the counterparty chooses to initiate the interest rate swap, the payments under the swap will coincide with the semi-annual interest payments on our 8.50% senior notes which are paid on September 15 and March 15 of each year. On each payment date, if the fixed rate exceeds the floating rate, we will pay the counterparty and if the floating rate exceeds the fixed rate, the counterparty will pay us accordingly. If the counterparty does not choose to initiate the interest rate swap, the swaption agreement will expire and no future obligations will exist for either party.

According to SFAS 133, a fair value hedge relationship exists between the embedded call option in the 8.50% senior notes and the swaption agreement. Accordingly, the mark-to-market value of the swaption is recorded on the consolidated balance sheets as an asset or liability with a corresponding increase or decrease to the debt's carrying value. Any change in the fair value of the swaption resulting from ineffectiveness is recorded currently in the consolidated statements of operations as risk management income (loss).

We have recorded a decrease in the carrying value of the debt of $18.8 million since the inception of the swaption as of March 31, 2003. Of this amount, $23.8 million represents a decline in the fair value of the swaption, offset by a loss of $5.0 million from estimated ineffectiveness of the swaption as determined under SFAS 133. See Note 5 for the adjustments made to the carrying value of the debt at March 31, 2003. Results of the interest rate swap, if initiated, will be reflected as adjustments to interest expense in the corresponding months covered by the swaption agreement.

Risk management income (loss) related to our fair value interest rate hedges is comprised of the following:

	Three Months Ended March 31,	
	2003	2002
	($ in thousands)	
Risk management income (loss):		
Change in fair value of derivatives not qualifying for fair value hedge accounting	$ —	$ (153)
Reclassification of (gain) loss on settled contracts	(527)	—
Ineffective portion of derivatives qualifying for fair value hedge accounting	(1,450)	—
Total	$ (1,977)	$ (153)

Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*. We have determined the estimated fair value amounts by using available market information and valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying values of items comprising current assets and current liabilities approximate fair values due to the short-term maturities of these instruments. We estimate the fair value of our long-term, fixed-rate debt using primarily quoted market prices. Our carrying amount for such debt at March 31, 2003 and December 31, 2002 was $1,966.9 million and $1,669.3 million, respectively, compared to approximate fair values of $2,067.5 million and $1,744.7 million, respectively. The carrying amount for our 6.75% convertible preferred stock at March 31, 2003 and December 31, 2002 was $149.9 million, with a fair value of $190.7 million and $181.5 million, respectively. The carrying amount of our 6.00% convertible preferred stock was $230.0 million which approximated its fair value as of March 31, 2003.

Concentration of Credit Risk

A significant portion of our liquidity is concentrated in cash and cash equivalents, including restricted cash, and derivative instruments that enable us to hedge a portion of our exposure to price volatility from producing oil

Table of Contents

and natural gas. These arrangements expose us to credit risk from our counterparties. Other financial instruments which potentially subject us to concentrations of credit risk consist principally of investments in debt instruments and accounts receivables. Our accounts receivable are primarily from purchasers of oil and natural gas products and exploration and production companies which own interests in properties we operate. The industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that our customers may be similarly affected by changes in economic, industry or other conditions. We generally require letters of credit for receivables from customers which are judged to have sub-standard credit, unless the credit risk can otherwise be mitigated. Cash and cash equivalents are deposited with major banks or institutions and may at times exceed the federally insured limits.

3. Contingencies and Commitments

Royalty Owner Litigation. Royalty owners have commenced litigation against a number of oil and gas producers claiming that amounts paid for production attributable to the royalty owners' interest violated the terms of applicable leases and state law, that deductions from the proceeds of oil and gas production were unauthorized under the leases, and that amounts received by upstream sellers should be used to compute the amounts paid to the royalty owners. Typically this litigation has taken the form of class action suits. There are presently four such suits filed against Chesapeake, two in Texas and two in Oklahoma. No class has been certified in any of them. In one of the Oklahoma cases, we determined that a portion of the marketing fee we had charged royalty owners should be refunded. We have deposited with the court the aggregate amount of the fees we estimated should be refunded, $3.6 million, in an interest-bearing account for distribution to affected royalty owners. This amount was charged to general and administrative expenses, of which $0.3 million was charged in the Current Quarter. We do not believe any other claims made by royalty owners in the cases pending against us are valid. Even if the claims were upheld, we believe any damages awarded would not be material. This is a developing area of the law, however, and as new cases are decided our potential liability relating to the marketing of oil and gas may increase or decrease. We will continue to monitor court decisions to ensure that our operations and practices minimize any exposure and to recognize any charges that may be appropriate when we can reasonably estimate a liability.

Chesapeake is currently involved in various other routine disputes incidental to its business operations. 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 our consolidated financial position or results of operations.

Chesapeake has employment agreements with its chief executive officer, chief operating officer, chief financial officer and various other senior management personnel, which provide for annual base salaries, bonus compensation and various benefits. The agreements provide for the continuation of salary and benefits for varying terms in the event of termination of employment without cause. The agreements with the chief executive officer and chief operating officer have terms of five years commencing July 1, 2002. The term of each agreement is automatically extended for one additional year on each June 30 unless one of the parties provides 30 days notice of non-extension. The agreements with the chief financial officer and other senior managers expire on June 30, 2006. The employment agreements with the chief executive officer and chief operating officer provide that in the event of a change in control, under some circumstances, each is entitled to receive a payment in the amount of five times his base compensation and the prior year's benefits, plus a tax gross-up payment.

Due to the nature of the oil and gas business, Chesapeake and its subsidiaries are exposed to possible environmental risks. Chesapeake has implemented various policies and procedures to avoid environmental contamination and risks from environmental contamination. Chesapeake is not aware of any potential material environmental issues or claims.

4. Net Income (Loss) Per Share

Statement of Financial Accounting Standards No. 128, *Earnings Per Share*, requires presentation of "basic" and "diluted" earnings per share, as defined, on the face of the statements of operations for all entities with complex capital structures. SFAS 128 requires a reconciliation of the numerator and denominator of the basic and diluted EPS computations.

The following securities were not included in the calculation of diluted earnings per share, as the effect was antidilutive:

- For the quarters ended March 31, 2003 and 2002, outstanding warrants to purchase 0.4 million and 1.1 million shares of common stock at a weighted-average exercise price of $14.55 and $12.61 were

Table of Contents

antidilutive because the exercise prices of the warrants were greater than the average market price of the common stock.

- For the quarters ended March 31, 2003 and 2002, outstanding options to purchase 0.4 million and 0.8 million shares of common stock at a weighted-average exercise price of $14.84 and $10.05, respectively, were antidilutive because the exercise prices of the options were greater than the average market price of the common stock.
- As a result of the Prior Quarter's net loss to common shareholders, the diluted shares do not include the effect of outstanding stock options to purchase 5.2 million shares of common stock at a weighted-average exercise price of $3.81, the assumed conversion of the outstanding 6.75% preferred stock (convertible into 19.5 million common shares), or warrants to purchase 6,567 shares of common stock at a weighted-average exercise price of $0.05 as the effects were antidilutive.

A reconciliation for the quarter ended March 31, 2003 is as follows:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share data)		
For the Quarter Ended March 31, 2003:			
Basic EPS			
Income available to common shareholders	$ 69,983	197,608	$ 0.35
Effect of Dilutive Securities			
Assumed conversion at the beginning of the period of preferred shares outstanding during the period:			
Preferred dividends	3,526	—	
Common shares assumed issued for 6.00% preferred stock	—	6,707	
Common shares assumed issued for 6.75% preferred stock	—	19,468	
Employee stock options	—	6,889	
Diluted EPS			
Income available to common shareholders and assumed conversions	$ 73,509	230,672	$ 0.32

5. Senior Notes and Revolving Credit Facility

At March 31, 2003, our long-term debt consisted of the following ($ in thousands):

7.875% senior notes, due 2004	$ 42,137[1]
8.375% senior notes, due 2008	250,000
8.125% senior notes, due 2011	800,000
8.500% senior notes, due 2012	142,665
9.000% senior notes, due 2012	300,000
7.500% senior notes, due 2013	300,000
7.750% senior notes, due 2015	150,000
Revolving bank credit facility	—
Discount on senior notes	(17,858)
Discount for interest rate swaps and swaption	(18,219)
Total	$ 1,948,725

[1]This amount has been classified as long-term debt based on our ability to satisfy this obligation with funding from our credit facility.

On March 5, 2003, we issued $300.0 million principal amount of 7.50% senior notes due 2013, which have not been registered under the Securities Act of 1933.

On December 20, 2002, we issued $150.0 million principal amount of 7.75% senior notes due 2015, which were exchanged on February 20, 2003 for substantially identical notes registered under the Securities Act of 1933.

On August 12, 2002, we issued $250.0 million principal amount of 9.00% senior notes due 2012, which were exchanged on October 24, 2002 for substantially identical notes registered under the Securities Act of 1933. In a private offering on November 14, 2002 we issued an additional $50.0 million principal amount of 9.00% senior notes due 2012 which were exchanged on February 20, 2003 for substantially identical notes registered under the Securities Act of 1933.

On March 31, 2003, we had a $250 million revolving bank credit facility (with a committed borrowing base of $250 million) which matures in June 2005. As of March 31, 2003, we had no outstanding borrowings under this facility and were using $15.4 million of the facility to secure various letters of credit. Borrowings under the facility are collateralized by certain producing oil and gas properties and bear interest at either the reference rate of Union Bank of California, N.A., or London Interbank Offered Rate (LIBOR), at our option, plus a margin that varies

according to total facility usage. The unused portion of the facility is subject to an annual commitment fee of 0.50%. Interest is payable quarterly. The collateral value and borrowing base are redetermined periodically.

The credit agreement contains various covenants and restrictive provisions which limit our ability to incur additional indebtedness, sell properties, pay dividends, purchase or redeem our capital stock, make investments or loans, purchase certain of our senior notes, create liens, and make acquisitions. The credit agreement requires us to maintain a current ratio of at least 1 to 1 (as defined in the credit facility) and a fixed charge coverage ratio for the trailing twelve month period of at least 2.5 to 1. At March 31, 2003, our current ratio was 1.7 to 1 and our fixed charge coverage ratio was 2.8 to 1. If we should fail to perform our obligations under these and other covenants, the revolving credit commitment could be terminated and any outstanding borrowings under the facility could be declared immediately due and payable. If such an acceleration involved principal in excess of $10.0 million, the acceleration would constitute an event of default under our senior note indentures, which could in turn result in the acceleration of our senior note indebtedness. The credit agreement also has cross default provisions that apply to other indebtedness we may have with an outstanding principal amount in excess of $5.0 million.

Our senior notes are unsecured senior obligations of Chesapeake and rank equally with all of our other unsecured indebtedness. The senior note indentures contain covenants limiting us and our guarantor subsidiaries with respect to asset sales; 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 senior note indentures also limit our ability to make restricted payments (as defined), including the payment of cash dividends, unless the debt incurrence and other tests are met. We may redeem the senior notes at any time at specified make-whole or redemption prices as provided in the indentures.

Chesapeake is a holding company and owns no operating assets and has no significant operations independent of its subsidiaries. Our obligations under our outstanding senior notes have been fully and unconditionally guaranteed, on a joint and several basis, by each of our "restricted subsidiaries" (as defined in the respective indentures governing these notes) (collectively, the "guarantor subsidiaries"). Each guarantor subsidiary is a direct or indirect wholly-owned subsidiary.

Set forth below are condensed consolidating financial statements of the parent, guarantor subsidiaries and Chesapeake Energy Marketing, Inc., a wholly owned subsidiary which is not a guarantor of the senior notes and was a non-guarantor subsidiary for all periods presented. All of our other wholly-owned subsidiaries were guarantor subsidiaries during all periods presented.

CONDENSED CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2003
($ in thousands)

	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Parent	Eliminations	Consolidated
ASSETS					

CURRENT ASSETS:					
Cash and cash equivalents, including restricted cash	$ 1,079	$ 36,908	$ 350	$ —	$ 38,337
Accounts receivable	224,226	142,469	3,525	(101,872)	268,348
Short-term derivative receivable	622	—	—	—	622
Short-term derivative instruments	8,620	—	—	—	8,620
Deferred income tax asset	—	—	12,304	—	12,304
Inventory and other	12,984	1,097	15	—	14,096
Total Current Assets	247,531	180,474	16,194	(101,872)	342,327
PROPERTY AND EQUIPMENT:					
Oil and gas properties	5,282,363	—	—	—	5,282,363
Unevaluated leasehold	148,282	—	—	—	148,282
Other property and equipment	65,779	32,156	65,080	—	163,015
Less: accumulated depreciation, depletion and Amortization	(2,213,754)	(21,314)	(4,550)	—	(2,239,618)
Net Property and Equipment	3,282,670	10,842	60,530	—	3,354,042
OTHER ASSETS:					
Investments in subsidiaries and intercompany advances	—	—	469,204	(469,204)	—
Long-term notes receivable	—	12	—	(12)	—
Long-term derivative instruments	17,319	—	—	—	17,319
Long-term investments	—	—	29,075	—	29,075
Other assets	4,525	—	22,294	—	26,819
Total Other Assets	21,844	12	520,573	(469,216)	73,213
TOTAL ASSETS	$ 3,552,045	$ 191,328	$ 597,297	$ (571,088)	$ 3,769,582

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:					
Notes payable and current maturity of long-term debt	$ —	$ —	$ —	$ —	$ —
Accounts payable	93,172	150,291	—	(146,074)	97,389
Accrued interest	—	—	50,128	—	50,128
Accrued liabilities	50,492	2,532	12,870	(12)	65,882
Short-term derivative instruments	—	—	31,574	—	31,574
Derivative payable	7,181	—	—	—	7,181
Revenues and royalties due others	44,178	—	—	44,202	88,380
Total Current Liabilities	195,023	152,823	94,572	(101,884)	340,534
OTHER LIABILITIES:					
Long-term debt	—	—	1,948,725	—	1,948,725
Revenues and royalties due others	14,646	—	—	—	14,646
Asset retirement obligation	46,438	—	—	—	46,438
Deferred income tax liability (asset)	132,193	1,917	(93,742)	—	40,368
Other liabilities	5,002	1,326	—	—	6,328
Intercompany payables (receivables)	2,726,213	(1,412)	(2,724,801)	—	—
Total Other Liabilities	2,924,492	1,831	(869,818)	—	2,056,505
STOCKHOLDERS' EQUITY:					
Common stock	56	1	2,188	(57)	2,188
Preferred stock	—	—	379,900	—	379,900
Other	432,474	36,673	990,455	(469,147)	990,455
Total Stockholders' Equity	432,530	36,674	1,372,543	(469,204)	1,372,543
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,552,045	$ 191,328	$ 597,297	$ (571,088)	$ 3,769,582

Table of Contents

CONDENSED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2002
($ in thousands)

	Guarantor Subsidiary	Non-Guarantor Subsidiary	Parent	Eliminations	Consolidated

ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents, including restricted cash	$ (31,893)	$ 24,448	$ 255,164	$ —	$ 247,719
Accounts receivable	122,074	69,362	3,006	(46,810)	147,632
Short-term derivative instruments	16,498	—	—	—	16,498
Deferred income tax asset	—	—	8,109	—	8,109
Inventory and other	14,202	1,157	—	—	15,359
Total Current Assets	120,881	94,967	266,279	(46,810)	435,317
PROPERTY AND EQUIPMENT:					
Oil and gas properties	4,334,833	—	—	—	4,334,833
Unevaluated leasehold	72,506	—	—	—	72,506
Other property and equipment	64,475	30,818	58,799	—	154,092
Less: accumulated depreciation, depletion and amortization	(2,146,538)	(20,789)	(4,220)	—	(2,171,547)
Net Property and Equipment	2,325,276	10,029	54,579	—	2,389,884
OTHER ASSETS:					
Investments in subsidiaries and intercompany advances	—	—	357,698	(357,698)	—
Deferred income tax asset (liability)	(124,455)	(1,941)	128,467	—	2,071
Long-term derivative instruments	2,666	—	—	—	2,666
Long-term investments	—	—	9,075	—	9,075
Other assets	20,246	57	16,349	(57)	36,595
Total Other Assets	(101,543)	(1,884)	511,589	(357,755)	50,407
TOTAL ASSETS	$ 2,344,614	$103,112	$ 832,447	$ (404,565)	$ 2,875,608
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$ 82,083	$ 71,316	$ —	$ (67,398)	$ 86,001
Accrued interest	—	—	35,025	—	35,025
Accrued liabilities	46,231	1,960	8,326	(52)	56,465
Short-term derivative instruments	33,697	—	—	—	33,697
Revenues and royalties due others	33,776	—	—	20,588	54,364
Total Current Liabilities	195,787	73,276	43,351	(46,862)	265,552
OTHER LIABILITIES:					
Long-term debt	—	—	1,651,198	—	1,651,198
Revenues and royalties due others	13,797	—	—	—	13,797
Long-term derivative instruments	—	—	30,174	—	30,174
Other liabilities	5,687	1,325	—	—	7,012
Intercompany payables (receivable)	1,801,833	(1,677)	(1,800,151)	(5)	—
Total Other Liabilities	1,821,317	(352)	(118,779)	(5)	1,702,181
STOCKHOLDERS' EQUITY:					
Common stock	56	1	1,949	(57)	1,949
Preferred stock	—	—	149,900	—	149,900
Other	327,454	30,187	756,026	(357,641)	756,026
Total Stockholders' Equity	327,510	30,188	907,875	(357,698)	907,875
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,344,614	$103,112	$ 832,447	$ (404,565)	$ 2,875,608

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
($ in thousands)

	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Parent	Eliminations	Consolidated
For the Three Months Ended March 31, 2003:					

REVENUES:					
Oil and gas sales	$ 256,332	$ —	$ —	$ —	$ 256,332
Risk management income (loss)	29,687	—	(1,977)	—	27,710
Oil and gas marketing sales	—	294,151	—	(203,843)	90,308
Total Revenues	286,019	294,151	(1,977)	(203,843)	374,350
OPERATING COSTS:					
Production expenses	31,457	—	—	—	31,457
Production taxes	18,597	—	—	—	18,597
General and administrative	4,947	583	135	—	5,665
Oil and gas marketing expenses	—	293,201	—	(203,843)	89,358
Oil and gas depreciation, depletion and amortization	76,614	—	—	—	76,614
Depreciation and amortization of other assets	2,298	525	861	—	3,684
Total Operating Costs	133,913	294,309	996	(203,843)	225,375
INCOME (LOSS) FROM OPERATIONS	152,106	(158)	(2,973)	—	148,975
OTHER INCOME (EXPENSE):					
Interest and other income	18	94	35,665	(35,014)	763
Interest expense	(33,834)	—	(36,207)	35,014	(35,027)
Equity in net earnings of subsidiaries	—	—	75,688	(75,688)	—
Total Other Income (Expense)	(33,816)	94	75,146	(75,688)	(34,264)
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	118,290	(64)	72,173	(75,688)	114,711
Income tax expense (benefit)	44,951	(24)	(1,336)	—	43,591
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	73,339	(40)	73,509	(75,688)	71,120
Cumulative effect of accounting change, net of tax	2,389	—	—	—	2,389
NET INCOME (LOSS)	$ 75,728	$ (40)	$ 73,509	$ (75,688)	$ 73,509

	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Parent	Eliminations	Consolidated
For the Three Months Ended March 31, 2002:					
REVENUES:					
Oil and gas sales	$ 141,971	$ —	$ —	$ —	$ 141,971
Risk management loss	(79,315)	—	(153)	—	(79,468)
Oil and gas marketing sales	—	89,465	—	(62,132)	27,333
Total Revenues	62,656	89,465	(153)	(62,132)	89,836
OPERATING COSTS:					
Production expenses	22,060	—	—	—	22,060
Production taxes	5,216	—	—	—	5,216
General and administrative	3,630	451	213	—	4,294
Oil and gas marketing expenses	—	88,639	—	(62,132)	26,507
Oil and gas depreciation, depletion and amortization	48,619	—	—	—	48,619
Other depreciation and amortization	2,171	277	662	—	3,110
Total Operating Costs	81,696	89,367	875	(62,132)	109,806
INCOME (LOSS) FROM OPERATIONS	(19,040)	98	(1,028)	—	(19,970)
OTHER INCOME (EXPENSE):					
Interest and other income	209	99	28,115	(27,469)	954
Interest expense	(26,569)	—	(27,860)	27,469	(26,960)
Equity in net earnings of subsidiaries	—	—	(27,122)	27,122	—
Total Other Income (Expense)	(26,360)	99	(26,867)	27,122	(26,006)
INCOME (LOSS) BEFORE INCOME TAXES	(45,400)	197	(27,895)	27,122	(45,976)
Income tax expense (benefit)	(18,160)	79	(309)	—	(18,390)
NET INCOME (LOSS)	$ (27,240)	$ 118	$(27,586)	$ 27,122	$ (27,586)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in thousands)

	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Parent	Eliminations	Consolidated
For the Three Months Ended March 31, 2003:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 236,904	$ (150,974)	$ 88,810	$ (75,688)	$ 99,052
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties, net	(192,369)	—	(780,669)	—	(973,038)
Investment in Pioneer Drilling Company	—	—	(20,000)	—	(20,000)
Other	(1,633)	(1,338)	(6,280)	—	(9,251)
Cash (used in) provided by investing activities	(194,002)	(1,338)	(806,949)	—	(1,002,289)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from revolving bank credit facility	139,000	—	—	—	139,000
Payments on revolving bank credit facility	(139,000)	—	—	—	(139,000)
Net increase in outstanding payments in excess of cash balances	11,676	—	—	—	11,676
Cash received from issuance of senior notes	—	—	297,306	—	297,306
Cash paid for issuance costs of senior notes	—	—	(6,386)	—	(6,386)
Cash paid for treasury stocks	—	—	(2,109)	—	(2,109)
Proceeds from issuance of common stock, net of issuance costs	—	—	177,526	—	177,526
Proceeds from issuance of preferred stock, net of issuance costs	—	—	222,907	—	222,907
Cash dividends paid on preferred stock and common stock	—	—	(8,235)	—	(8,235)
Exercise of stock options and warrants	—	—	1,514	—	1,514
Other	(373)	—	(222)	—	(595)
Intercompany advances, net	(21,233)	164,772	(219,227)	75,688	—
Cash provided by (used in) financing activities	(9,930)	164,772	463,074	75,688	693,604
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,972	12,460	(255,065)	—	(209,633)
CASH, BEGINNING OF PERIOD	(31,975)	24,448	255,164	—	247,637
CASH, END OF PERIOD	$ 997	$ 36,908	$ 99	$ —	$ 38,004

	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Parent	Eliminations	Consolidated
For the Three Months Ended March 31, 2002:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 107,118	$ (7,847)	$ (9,096)	$ 27,122	$ 117,297
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties, net	(84,175)	—	—	—	(84,175)
Additions to other property, plant and equipment and other	(2,020)	(268)	(5,303)	—	(7,591)
Other investments, net	—	—	1,807	—	1,807
Cash (used in) provided by investing activities	(86,195)	(268)	(3,496)	—	(89,959)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Cash paid for repurchase of senior notes	—	—	(21,440)	—	(21,440)
Cash dividends paid on preferred stock	—	—	(2,587)	—	(2,587)
Exercise of stock options	—	—	1,181	—	1,181
Other	—	—	(134)	—	(134)
Intercompany advances, net	(38,654)	(1,463)	67,239	(27,122)	—
Cash (used in) provided by financing activities	(38,654)	(1,463)	44,259	(27,122)	(22,980)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,731)	(9,578)	31,667	—	4,358
CASH, BEGINNING OF PERIOD	(11,313)	19,714	109,193	—	117,594
CASH, END OF PERIOD	$ (29,044)	$ 10,136	$ 140,860	$ —	$ 121,952

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
($ in thousands)

	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Parent	Eliminations	Consolidated
For the Three Months Ended March 31, 2003:					
Net income (loss)	$ 75,728	$ (40)	$ 73,509	$ (75,688)	$ 73,509
Other comprehensive income (loss)—net of income tax:					
Change in fair value of derivative instruments	(48,555)	—	—	—	(48,555)
Reclassification of loss on settled contracts	50,891	—	—	—	50,891
Ineffectiveness portion of derivatives qualifying for cash flow hedge accounting	(30)	—	—	—	(30)
Equity in net other comprehensive income (loss) of subsidiaries	—	—	2,306	(2,306)	—
Comprehensive income (loss)	$ 78,034	$ (40)	$ 75,815	$ (77,994)	$ 75,815

	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Parent	Eliminations	Consolidated
For the Three Months Ended March 31, 2002:					
Net income (loss)	$ (27,240)	$ 118	$(27,586)	$ 27,122	$ (27,586)
Other comprehensive income (loss)—net of income tax:					
Change in fair value of derivative instruments	(10,730)	—	—	—	(10,730)
Reclassification of gain on settled contracts	(14,086)	—	—	—	(14,086)
Ineffectiveness portion of derivatives qualifying for cash flow hedge accounting	494	—	—	—	494
Equity in net other comprehensive income (loss) of subsidiaries	—	—	(24,322)	24,322	—
Comprehensive income (loss)	$ (51,562)	$ 118	$(51,908)	$ 51,444	$ (51,908)

Table of Contents

6. Segment Information

Chesapeake has two reportable segments under SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, consisting of exploration and production, and marketing. The reportable segment information can be derived from Note 5 as Chesapeake Energy Marketing, Inc., which is our marketing segment, is the only non-guarantor subsidiary for all income statement periods presented.

7. Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS 143 is effective for fiscal years beginning after June 15, 2002 and establishes an accounting standard requiring the recording of the fair value of liabilities associated with the retirement of long-term assets (mainly plugging and abandonment costs for depleted wells) in the period in which the liability is incurred (at the time the wells are drilled or acquired). In the Current Quarter, we have recorded a $30.5 million liability and a cumulative effect for the change in accounting principle as an increase to earnings of $2.4 million (net of income taxes) and an increase in net oil and gas properties of $34.3 million. We do not expect this standard to have a material impact on our financial position or results of operations in future periods.

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. SFAS 145 is effective for fiscal years beginning after May 15, 2002. We adopted this standard in 2002, and it did not have a significant effect on our results of operations or our financial position in 2002 or in the Current Quarter.

In July 2002, the FASB issued SFAS No. 146, *Accounting For Costs Associated with Exit or Disposal Activities*. SFAS 146 is effective for exit or disposal activities initiated after December 31, 2002. We adopted this standard in the Current Quarter and it did not have any impact on our financial position or results of operations.

On December 31, 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure – An Amendment of SFAS 123*. The standard provides additional transition guidance for companies that elect to voluntarily adopt the accounting provisions of SFAS 123, *Accounting for Stock-Based Compensation*. SFAS 148 does not change the provisions of SFAS 123 that permit entities to continue to apply the intrinsic value method of APB 25, *Accounting for Stock Issued to Employees*. As we continue to follow APB 25, our accounting for stock-based compensation will not change as a result of SFAS 148. SFAS 148 does require certain new disclosures in both annual and interim financial statements. The required disclosures have been included in our 2002 annual report and Current Quarter consolidated financial statements.

In November 2002, the FASB issued FASB Interpretation, or FIN 45 *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantee of Indebtedness of Others*. FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. FIN 45's provisions for initial recognition and measurement should be applied on a prospective basis to guarantees issued or modified after December 31, 2002. The guarantor's previous accounting for guarantees that were issued before the date of FIN 45's initial application may not be revised or restated to reflect the effect of the recognition and measurement provisions of the Interpretation. The disclosure requirements are effective for financial statements of both interim and annual periods that end after December 15, 2002. Chesapeake is not a guarantor under any significant guarantees and thus this interpretation did not have a significant effect on the company's financial position or results of operations in 2002 or in the Current Quarter.

On January 17, 2003, the FASB issued FIN 46, *Consolidation of Variable Interest Entities, An Interpretation of ARB 51*. The primary objectives of FIN 46 are to provide guidance on how to identify entities for which control is achieved through means other than through voting rights (variable interest entities or VIEs) and how to determine when and which business enterprise should consolidate the VIE. This new model for consolidation applies to an entity in which either (1) the equity investors do not have a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. We do not expect the adoption of this standard to have any impact on our financial position or results of operations.

In March 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. We do not expect the adoption of this standard to have any significant impact on our financial position or results of operations.

Table of Contents

8. Asset Retirement Obligations

Effective January 1, 2003, Chesapeake adopted SFAS No. 143, *Accounting for Asset Retirement Obligations.* This statement applies to obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction and development of the assets.

SFAS 143 requires that the fair value of a liability for a retirement obligation be recognized in the period in which the liability is incurred. For oil and gas properties, this is the period in which an oil or gas well is acquired or drilled. The asset retirement obligation is capitalized as part of the carrying amount of the asset at its discounted fair value. The liability is then accreted each period until the liability is settled or the asset is sold, at which time the liability is reversed and any gain or loss resulting from the settlement of the obligation is recorded.

We identified and estimated all of our asset retirement obligations for tangible, long-lived assets as of January 1, 2003. These obligations were for plugging and abandonment costs for depleted oil and gas wells. Prior to the adoption of SFAS 143, we included an estimate of our asset retirement obligations related to our oil and gas properties in our calculation of oil and gas depreciation, depletion and amortization expense. Upon adoption of SFAS 143, we recorded the discounted fair value of our expected future obligations. The cumulative effect of the change in accounting standard was a $2.4 million after-tax gain which was recorded in the consolidated statement of operations for the Current Quarter. Had SFAS 143 been adopted as of January 1, 2002, Chesapeake's Prior Quarter net income would have increased by $0.2 million and there would have been no effect to the reported earnings per share.

The components of the change in our asset retirement obligations are shown below. Information for the Prior Quarter is shown on a pro forma basis.

	Three Months Ended March 31,	
	2003	2002
	($ in thousands)	
Asset retirement obligations, beginning of the quarter	$ 30,479	$ 23,051
Additions and revisions	15,297	405
Settlements and disposals	—	—
Accretion expense	662	435
Asset retirement obligations, end of the quarter	$ 46,438	$ 23,891

9. Acquisitions and Related Financing

We completed an acquisition of Mid-Continent gas assets from a wholly-owned subsidiary of ONEOK, Inc. in January 2003 for $296 million, $15 million of which was paid in 2002. In March 2003, we acquired El Paso Corporation's Anadarko Basin assets in western Oklahoma and the Texas Panhandle for $500 million and Vintage Petroleum, Inc.'s assets in the Bray Field in southern Oklahoma for $29 million.

On March 5, 2003, we issued 23 million shares of common stock pursuant to a shelf registration statement for net proceeds of $177.5 million. We also issued 4.6 million shares of 6.00% cumulative convertible preferred stock with a liquidation value of $230 million. The net proceeds from the preferred stock were $222.9 million. These proceeds, along with the net proceeds of $290.9 million from the issuance of the $300 million in aggregate principal amount of 7.50% senior notes issued at the same time, were used to fund acquisitions completed in March 2003 and to repay credit facility indebtedness. Each share of the 6% preferred stock is convertible at any time at the option of the holder into 4.8605 shares of our common stock, subject to adjustment. At March 31, 2003, 41,825,848 shares of our common stock were reserved for issuance upon conversion of the 6.00% and 6.75% cumulative convertible preferred stock.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

The following table sets forth certain information regarding the production volumes, oil and gas sales, average sales prices received and expenses for the periods indicated:

	Three Months Ended March 31,	
	2003	2002

Net Production:		
Oil (mbbl)	1,060	830
Gas (mmcf)	50,392	36,933
Gas equivalent (mmcfe)	56,752	41,913
Oil and Gas Sales ($ in thousands):		
Oil	$ 28,902	$ 19,958
Gas	227,430	122,013
Total oil and gas sales	$ 256,332	$ 141,971
Average Sales Price:		
Oil ($ per bbl)	$ 27.27	$ 24.05
Gas ($ per mcf)	$ 4.51	$ 3.30
Gas equivalent ($ per mcfe)	$ 4.52	$ 3.39
Expenses ($ per mcfe):		
Production expenses and taxes	$ 0.88	$ 0.65
General and administrative	$ 0.10	$ 0.10
Depreciation, depletion and amortization	$ 1.35	$ 1.16
Net Wells Drilled	94	57
Net Producing Wells at End of Period	5,326	3,620

Significant Developments During Current Quarter

We completed an acquisition of Mid-Continent gas assets from a wholly-owned subsidiary of ONEOK, Inc. in January 2003. We paid $296 million in cash for these assets, $15 million of which was paid in late 2002.

On March 5, 2003, we issued 23 million shares of common stock pursuant to a shelf registration statement for net proceeds of $177.5 million. We also issued 4.6 million shares of 6.00% convertible preferred stock with a liquidation value of $230 million. The net proceeds were $222.9 million.

Also on March 5, 2003, we closed a private offering of $300 million in aggregate principal amount of 7.50% senior notes due 2013. The net proceeds were $290.9 million. These proceeds, along with the net proceeds from the common stock and preferred stock offerings, were used to fund acquisitions completed in March 2003 and to repay credit facility indebtedness.

On March 13, 2003, we acquired El Paso Corporation's Anadarko Basin assets in western Oklahoma and the Texas Panhandle for $500 million.

On March 31, 2003, we acquired Vintage Petroleum Inc.'s assets in the Bray Field in southern Oklahoma for $29 million.

Results of Operations — Three Months Ended March 31, 2003 ("Current Quarter") vs. March 31, 2002 ("Prior Quarter")

General. For the Current Quarter, Chesapeake had net income of $73.5 million, or $0.32 per diluted common share, on total revenues of $374.4 million. This compares to a net loss of $27.6 million, or $0.18 per diluted common share, on total revenues of $89.8 million during the Prior Quarter. The Current Quarter net income includes, on a pre-tax basis, $27.7 million in risk management income. The Prior Quarter net loss included, on a pre-tax basis, $79.5 million in risk management loss. The Current Quarter also includes a $2.4 million after tax gain relate to a change in accounting standard.

Oil and Gas Sales. During the Current Quarter, oil and gas sales were $256.3 million versus $142.0 million in the Prior Quarter. Chesapeake produced 56.8 bcfe during the Current Quarter and 41.9 bcfe in the Prior Quarter. The weighted-average prices, inclusive of

Table of Contents

hedging effects were $4.52 per mcfe in the Current Quarter and $3.39 per mcfe in the Prior Quarter. Before hedging effects, Chesapeake received a weighted-average price of $6.16 per mcfe in the Current Quarter, compared to $2.23 per mcfe in the Prior Quarter. The increase in prices in the Current Quarter resulted in an increase in revenue of $64 million along with an increase of $50 million due to increased production, for a net increase in revenues of $114 million. The change in oil and gas prices has a significant impact on our oil and gas revenues and cash flows. Assuming the Current Quarter production levels, a change of $.10 per mcf of natural gas would result in a quarterly increase/decrease in revenues and cash flow of approximately $5.0 million and $4.7 million, respectively, and a change of $1.00 per barrel of oil would result in a quarterly increase/decrease in revenues and cash flows of approximately $1.1 million and $1.0 million, respectively, without considering the effect of hedging activities.

For the Current Quarter, we realized an average price per barrel of oil of $27.27, compared to $24.05 in the Prior Quarter. Natural gas prices realized per mcf were $4.51 and $3.30 in the Current Quarter and Prior Quarter, respectively. Our hedging activities resulted in a decrease in oil and gas revenues of $92.9 million, or $1.64 per mcfe, in the Current Quarter compared to an increase of $48.6 million, or $1.16 per mcfe, in the Prior Quarter.

The following table shows our production by region for the Current Quarter and the Prior Quarter:

	For the Three Months Ended March 31,			
	2003		2002	
Operating Areas	(Mmcfe)	Percent	(Mmcfe)	Percent
Mid-Continent	48,781	86%	31,793	76%
Gulf Coast	5,348	9	7,261	17
Permian Basin	1,849	3	2,064	5
Williston Basin and Other	774	2	795	2
Total Production	56,752	100%	41,913	100%

Natural gas production represented approximately 89% of our total production volume on an equivalent basis in the Current Quarter, compared to 88% in the Prior Quarter.

Risk Management Income (Loss). Chesapeake recognized $27.7 million of risk management income in the Current Quarter compared to $79.5 million of risk management loss in the Prior Quarter. Risk management income for the Current Quarter consisted of gains of $18.9 million related to changes in the fair value of derivatives not qualifying as cash flow hedges, $10.7 million of reclassifications of losses on the settlement of such contracts and a $0.1 million gain associated with the ineffective portion of derivatives qualifying for cash flow hedge accounting. It also included $0.5 million related to reclassifications of gains realized on the settlement of interest rate swaps to interest expense and a $1.5 million loss associated with the ineffective portion of our swaption. Risk management loss for the Prior Quarter consisted of a loss of $53.4 million related to changes in the fair value of derivatives not designated as cash flow hedges, $25.1 million of reclassifications of gains related to the settlement of such contracts, $0.8 million associated with the ineffective portion of derivatives qualifying for cash flow hedge accounting and $0.2 million loss associated with the portion of our interest rate swap that did not qualify for fair value hedge accounting.

Pursuant to SFAS 133, our cap-swaps, counter-swaps and basis protection swaps do not qualify for designation as cash flow hedges. Therefore, changes in the fair value of these instruments that occur prior to their maturity, together with any changes in the fair value of qualifying hedges resulting from ineffectiveness, are reported in the consolidated statement of operations as risk management income (loss). Amounts recorded in risk management income (loss) do not represent cash gains or losses. Rather, these amounts are temporary valuation swings in contracts or portions of contracts that are not entitled to receive either SFAS 133 cash flow or fair value hedge accounting treatment. All amounts initially recorded in this caption are ultimately reversed within this same caption and included in oil and gas sales and interest expense, as applicable, over the respective contract terms.

Oil and Gas Marketing Sales. Chesapeake realized $90.3 million in oil and gas marketing sales for third parties in the Current Quarter, with corresponding oil and gas marketing expenses of $89.4 million, for a net margin of $0.9 million. This compares to sales of $27.3 million, expenses of $26.5 million, and a net margin of $0.8 million in the Prior Quarter. The increased activity in the Current Quarter is primarily the result of higher prices received in the Current Quarter combined with an increase in volumes resulting from acquisitions that occurred in 2002 and the Current Quarter.

Production Expenses. Production expenses, which include lifting costs and ad valorem taxes, were $31.5 million in the Current Quarter, a $9.4 million increase from the $22.1 million of production expenses incurred in the Prior Quarter. On a unit of production basis, production expenses were $0.55 and $0.53 per mcfe in the Current and Prior Quarters, respectively. The increase in costs on a per unit basis in 2003 compared to 2002 is due primarily to increased field service costs and higher production costs associated with properties acquired in 2002. We expect that production expenses per mcfe produced for the remainder of 2003 will range from $0.53 to $0.57.

Table of Contents

Production Taxes. Production taxes were $18.6 million and $5.2 million in the Current and Prior Quarters, respectively. On a unit of production basis, production taxes were $0.33 per mcfe in the Current Quarter compared to $0.12 per mcfe in the Prior Quarter. The increase in the Current Quarter of $13.4 million was due to an increase in production volumes of 35% as well as an increase in the average wellhead prices received for natural gas. In general, production taxes are calculated using value-based formulas that produce higher per unit costs when oil and gas prices are higher. We expect production taxes for the remainder of 2003 will range from $0.31 to $0.33 per mcfe based on our assumption that oil and natural gas wellhead prices will range from $4.50 to $5.00 per mcfe produced.

General and Administrative Expense. General and administrative expenses, which are net of internal payroll and non-payroll costs capitalized in our oil and gas properties, were $5.7 million in the Current Quarter compared to $4.3 million in the Prior Quarter. The increase in the Current Quarter is the result of the company's growth related to acquisitions completed during the Current Quarter and in 2002. On a per unit of production basis, general and administrative expenses were $0.10 in both the Current and Prior Quarters. We expect general and administrative expenses for the remainder of 2003 to be between $0.09 and $0.10 per mcfe produced.

Chesapeake follows the full-cost method of accounting under which all costs associated with property acquisition, exploration and development activities are capitalized. We capitalize internal costs that can be directly identified with our acquisition, exploration and development activities and do not include any costs related to production, general corporate overhead or similar activities. We capitalized $7.3 million and $5.6 million of internal costs in the Current Quarter and Prior Quarter, respectively, directly related to our oil and gas exploration and development efforts.

Oil and Gas Depreciation, Depletion and Amortization. Depreciation, depletion and amortization of oil and gas properties for the Current Quarter was $76.6 million, compared to $48.6 million in the Prior Quarter. The average DD&A rate per mcfe, which is a function of capitalized costs, estimated salvage value, future development costs, and the related underlying reserves in the periods presented, increased from $1.16 in the Prior Quarter to $1.35 in the Current Quarter. The increase in the average rate in the Current Quarter is primarily the result of higher drilling costs and higher costs associated with acquisitions. We expect the DD&A rate for the remainder of 2003 to be between $1.32 and $1.37 per mcfe produced.

Effective January 1, 2003, Chesapeake adopted SFAS 143, *Accounting for Asset Retirement Obligations.* SFAS 143 requires that the fair value of a liability for a retirement obligation be recognized in the period in which the liability is incurred. For oil and gas properties, this is the period in which an oil or gas well is acquired or drilled. The liability is capitalized as part of the carrying amount of our oil and gas properties at its discounted fair value. The asset retirement obligation is then accreted each period until the liability is settled or the well is sold. This accretion expense is included in DD&A expense on oil and gas properties. In addition, SFAS 143 effectively reduces previous DD&A rates prior to accretion expense by including the capitalized retirement obligation at its discounted fair value. During the Current Quarter, accretion expense related to asset retirement obligations was $0.7 million and is included in oil and gas depreciation, depletion and amortization expense.

Depreciation and Amortization of Other Assets. Depreciation and amortization of other assets was $3.7 million in the Current Quarter, compared to $3.1 million in the Prior Quarter. The increase in the Current Quarter was primarily the result of higher depreciation costs on recently acquired fixed assets. Other property and equipment costs are depreciated on a straight-line basis. Buildings are depreciated over 31.5 years, drilling rigs are depreciated over 12 years and all other property and equipment are depreciated over the estimated useful lives of the assets, which range from three to seven years. To the extent the drilling rigs are used to drill our wells, a substantial portion of the depreciation is capitalized in oil and gas properties as exploration or development costs. We expect depreciation and amortization of other assets to be between $0.08 and $0.10 per mcfe produced for the remainder of 2003.

Interest and Other Income. Interest and other income was $0.8 million in the Current Quarter compared to $1.5 million in the Prior Quarter. The decrease in the Current Quarter was the result of a decrease in miscellaneous non-oil and gas income and a decrease in interest income.

Interest Expense. Interest expense increased to $35.0 million in the Current Quarter from $27.0 million in the Prior Quarter. The increase in the Current Quarter is due to a $422.4 million increase in average long-term borrowings in the Current Quarter compared to the Prior Quarter. In addition to the interest expense reported, we capitalized $1.9 million of interest during the Current Quarter, compared to $1.1 million capitalized in the Prior Quarter, on significant investments in unproved properties that were not being currently depreciated, depleted or amortized and on which exploration activities were in progress. Interest is capitalized using the weighted average

interest rate on our outstanding borrowings. We expect interest expense for the remainder of 2003 to be between $0.65 and $0.70 per mcfe produced.

Provision (Benefit) for Income Taxes. Chesapeake recorded income tax expense of $43.6 million in the Current Quarter, compared to income tax benefit of $18.4 million in the Prior Quarter. We anticipate that the effective tax rate for 2003 will be approximately 38% and all 2003 income tax expense will be deferred.

Cash Flows From Operating, Investing and Financing Activities

Cash Flows from Operating Activities. Cash provided by operating activities decreased 16% to $99.1 million during the Current Quarter compared to $117.3 million during the Prior Quarter. The decrease was due primarily to a decrease in working capital in the Current Quarter partially offset by increased cash flows resulting from higher natural gas and oil prices.

Cash Flows from Investing Activities. Cash used in investing activities increased to $1,002.3 million during the Current Quarter from $90.0 million in the Prior Quarter. During the Current Quarter, we expended approximately $136.3 million to initiate drilling on 207 (98 net) wells and invested approximately $95.8 million in unproved properties. This compares to $75.9 million to initiate drilling on 119 (57 net) wells and $7.4 million to purchase unproved properties in the Prior Quarter. During the Current Quarter, we completed acquisitions of proved oil and gas properties of $741.6 million and completed $0.7 million of divestitures of oil and gas properties. This compares to cash used in acquisitions of proved oil and gas properties of $0.9 million and no divestitures in the Prior Quarter. During the Current Quarter, we had additional investments in drilling rig equipment and other fixed assets of $9.3 million compared to $7.6 million in the Prior Quarter. The Current Quarter included an investment of $20.0 million in the common stock of Pioneer Drilling Company (AMEX: PDC). The Prior Quarter included additional investments in the common stock of two oil and gas companies totaling $2.4 million and $4.2 million in proceeds from the sale of RAM Energy, Inc. notes.

Cash Flows from Financing Activities. Financing activities provided $693.6 million of cash in the Current Quarter, compared to $23.0 million of cash used in financing activities in the Prior Quarter. During the Current Quarter, we borrowed $139.0 million under our bank credit facility and made repayments under this facility of $139.0 million. In the Current Quarter, we received $297.3 million from the issuance of our $300 million principal amount of 7.50% senior notes and paid $6.4 million in costs related to the issuance of these notes. We issued 23 million shares of common stock and received $177.5 of net proceeds. We issued 4.6 million shares of 6.00% cumulative convertible preferred stock, $50 per share liquidation preference, or $230 million in the aggregate, and received $222.9 million of net proceeds. During the Current Quarter, we used $5.7 million to pay common stock dividends, $2.5 million to pay dividends on our 6.75% preferred stock and $2.1 million to purchase treasury stock. We received $1.5 million from the exercise of stock options and warrants, and we had $11.7 million of outstanding payments in excess of our funded cash balances as of March 31, 2003. The activity in the Prior Quarter included $21.4 million to purchase $21.0 million principal amount of our 7.875% senior notes, $18.2 million in cash received from the exercise of stock options, and $2.6 million for the payment of dividends on our 6.75% preferred stock.

Liquidity and Capital Resources

Sources of Liquidity

Chesapeake had net working capital of $1.8 million at March 31, 2003, including $38.0 million in cash. Another source of liquidity is our $250 million revolving bank credit facility (with a committed borrowing base of $250 million) which matures in June 2005. At March 31 and May 13, 2003, we had no indebtedness under the bank credit facility, and utilized $15.4 million and $18.2 million, respectively, of the facility for various letters of credit.

We believe we will have adequate resources, including budgeted cash flows from operating activities before changes in assets and liabilities, working capital and proceeds from our revolving bank credit facility, to fund our capital expenditure budget for drilling, land and seismic activities during the remainder of 2003, which is currently estimated to be between $575 and $600 million. However, higher drilling and field operating costs, unfavorable drilling results or other factors could cause us to reduce our drilling program, which is largely discretionary. Any operating cash flow not needed to fund our drilling program will be available for acquisitions, debt repayment or other general corporate purposes in 2003.

A significant portion of our liquidity at March 31, 2003 is concentrated in cash, cash equivalents and accounts receivable. Financial instruments which potentially subject us to concentrations of credit risk consist principally of investments in debt instruments, equity securities and accounts receivables. Our accounts receivable are primarily

from purchasers of oil and natural gas products and exploration and production companies which own interests in properties we operate. The industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that our customers may be similarly affected by changes in economic, industry or other conditions. We generally require letters of credit for receivables from customers which are judged to have sub-standard credit, unless the credit risk can otherwise be mitigated. Cash and cash equivalents are deposited with major banks or institutions with high credit ratings.

Our liquidity is not dependent on the use of off-balance sheet financing arrangements, such as the securitization of receivables or obtaining access to assets through special purpose entities. We have not relied on off-balance sheet financing arrangements in the past and we do not intend to rely on such arrangements in the future as a source of liquidity. We are not a commercial paper issuer.

Contractual Obligations

We have a $250 million revolving bank credit facility (with a committed borrowing base of $250 million) which matures in June 2005. As of March 31, 2003, we had no outstanding borrowings under this facility and utilized $15.4 million of the facility for various letters of credit. Borrowings under the facility are collateralized by certain producing oil and gas properties and bear interest at either the reference rate of Union Bank of California, N.A., or London Interbank

Offered Rate (LIBOR), at our option, plus a margin that varies according to total facility usage. The collateral value and borrowing base are redetermined periodically. The unused portion of the facility is subject to an annual commitment fee of 0.50%. Interest is payable quarterly.

The credit agreement contains various covenants and restrictive provisions which limit our ability to incur additional indebtedness, sell properties, pay dividends, purchase or redeem our capital stock, make investments or loans or purchase certain of our senior notes, create liens, and make acquisitions. The credit agreement requires us to maintain a current ratio (as defined) of at least 1 to 1 and a fixed charge coverage ratio for the trailing twelve month period (as defined) of at least 2.5 to 1. At March 31, 2003, our current ratio was 1.7 to 1 and our fixed charge coverage ratio was 2.8 to 1. If we should fail to perform our obligations under these and other covenants, the revolving credit commitment could be terminated and any outstanding borrowings under the facility could be declared immediately due and payable. Such acceleration, if involving a principal amount of $10 million or more, would constitute an event of default under our senior note indentures, which could in turn result in the acceleration of our senior note indebtedness. The credit agreement also has cross default provisions that apply to other indebtedness we may have with an outstanding principal amount in excess of $5.0 million.

As of March 31, 2003, senior notes represented approximately $2.0 billion of our long-term debt and consisted of the following ($ in thousands):

7.875% senior notes due 2004	$	42,137
8.375% senior notes due 2008		250,000
8.125% senior notes due 2011		800,000
9.000% senior notes due 2012		300,000
8.500% senior notes due 2012		142,665
7.500% senior notes due 2013		300,000
7.750% senior notes due 2015		150,000
	$	1,984,802

There are no scheduled principal payments required on any of the senior notes until March 2004, when $42.1 million is due. Debt ratings for the senior notes are Ba3 by Moody's Investor Service, B+ by Standard & Poor's Ratings Services and BB- by Fitch Ratings as of March 31, 2003. Debt ratings for our secured bank credit facility are Ba2 by Moody's Investor Service, BB by Standard & Poor's Ratings Services and BB+ by Fitch Ratings.

Our senior notes are unsecured senior obligations of Chesapeake and rank equally with all of our other unsecured indebtedness. All of our wholly owned subsidiaries except Chesapeake Energy Marketing, Inc. guarantee the notes. The indentures permit us to redeem the senior notes at any time at specified make-whole or redemption prices. The indentures for the 8.125%, 8.375%, 9.000%, 7.750% and 7.500% senior notes contain covenants limiting our ability and our restricted subsidiaries' ability to incur additional indebtedness; pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness; make investments and other restricted payments; create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries; incur liens; engage in transactions with affiliates; sell assets; and consolidate, merge or transfer assets. The debt incurrence covenants do not affect our ability to borrow under or expand our secured credit facility. As of March 31, 2003, we estimate that secured commercial bank indebtedness of approximately $770 million could have been incurred under the most restrictive indenture covenant. The indenture covenants do not apply to Chesapeake Energy Marketing, Inc., which is our only unrestricted subsidiary.

Table of Contents

Some of our commodity price and financial risk management arrangements require us to deliver cash collateral or other assurances of performance to the counterparties in the event that our payment obligations with respect to our commodity price and financial risk management transactions exceed certain levels. At March 31, 2003, we were required to post $14.5 million of collateral which was secured by a letter of credit under our credit facility. Future collateral requirements are uncertain and will depend on arrangements with our counterparties, highly volatile natural gas and oil prices, and fluctuations in interest rates.

Investing and Financing Transactions

We completed an acquisition of Mid-Continent gas assets from a wholly-owned subsidiary of ONEOK, Inc. in January 2003. We paid $296 million in cash for these assets, $15 million of which was paid in late 2002.

On March 5, 2003, we closed a private offering of $300 million in aggregate principal amount of senior notes, issued 23 million shares of common stock pursuant to a shelf registration statement and issued $230 million liquidation amount of convertible preferred stock in a private placement. Net proceeds from these transactions were used to finance the acquisition of oil and gas properties from El Paso Corporation and Vintage Petroleum, Inc. as discussed below and to repay indebtedness under our bank credit facility.

On March 13, 2003, we acquired El Paso Corporation's Anadarko Basin assets in western Oklahoma and the Texas Panhandle for $500 million.

On March 31, 2003, we acquired Vintage Petroleum, Inc.'s assets in the Bray field in southern Oklahoma for $29 million.

On March 31, 2003, Chesapeake bought 5.3 million newly issued common shares of Pioneer Drilling Company, or 24.6% of its outstanding common shares, at $3.75 per share, for a total investment of $20 million.

Contingencies

Royalty owners have commenced litigation against a number of oil and gas producers claiming that amounts paid for production attributable to the royalty owners' interest violated the terms of applicable leases and state law, that deductions from the proceeds of oil and gas production were unauthorized under the leases, and that amounts received by upstream sellers should be used to compute the amounts paid to the royalty owners. Typically this litigation has taken the form of class action suits. There are presently four such suits filed against Chesapeake, two in Texas and two in Oklahoma. No class has been certified in any of them. In one of the Oklahoma cases, we determined that a portion of the marketing fee we had charged royalty owners should be refunded. We have deposited with the court the aggregate amount of the fees we estimated should be refunded, $3.6 million, in an interest-bearing account for distribution to affected royalty owners. This amount was charged to general and administrative expenses of which $0.3 million was charged in the Current Quarter. We do not believe any other claims made by royalty owners in the cases pending against us are valid. Even if the claims were upheld, we believe any damages awarded would not be material. This is a developing area of the law, however, and as new cases are decided, our potential liability relating to the marketing of oil and gas may increase or decrease. We will continue to monitor court decisions to ensure that our operations and practices minimize any exposure and to recognize any charges that may be appropriate when we can reasonably estimate a liability.

Critical Accounting Policies

We consider accounting policies related to stock options, hedging, oil and gas properties, and income taxes and business combinations to be critical policies. These policies are summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in our annual report on Form 10-K for the year ended December 31, 2002, except for our accounting policy related to stock options which is summarized in Note 1 of our annual report on Form 10-K.

Recently Issued Accounting Standards

See Note 7 of the notes to the consolidated financial statements included in this report for a summary of recently issued accounting standards.

Forward-Looking Statements

This report 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. Forward-looking statements give our current expectations or forecasts of future events. They include statements regarding oil and gas reserve estimates, planned

capital expenditures, the drilling of oil and gas wells and future acquisitions, expected oil and gas production, cash flow and anticipated liquidity, business strategy and other plans and objectives for future operations, expected future expenses and utilization of net operating loss carryforwards. Statements concerning the fair values of derivative contracts and their estimated contribution to our future results of operations are based upon market information as of a specific date. These market prices are subject to significant volatility.

Although we believe the expectations and forecasts reflected in these and other forward-looking statements are reasonable, we can give no assurance they will prove to have been correct. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Factors that could cause actual results to differ materially from expected results are described under "Risk Factors" in Item 1 of our Form 10-K for the year ended December 31, 2002. These factors include:

- the volatility of oil and gas prices,
- our substantial indebtedness and preferred stock obligations,
- the strength and financial resources of our competitors,
- the cost and availability of drilling and production services,
- our commodity price risk management activities, including counterparty contract performance risk,
- uncertainties inherent in estimating quantities of oil and gas reserves, projecting future rates of production and the timing of development expenditures,
- our ability to replace reserves,
- the availability of capital,
- uncertainties in evaluating oil and gas reserves of acquired properties and associated potential liabilities,
- declines in the values of our oil and gas properties resulting in ceiling test write-downs,
- drilling and operating risks,
- our ability to generate future taxable income sufficient to utilize our NOLs before expiration,
- future ownership changes which could result in additional limitations to our NOLs,
- adverse effects of governmental and environmental regulation,
- the loss of officers or key employees,
- our ability to incur additional indebtedness, and
- losses possible from pending or future litigation.

We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report, and we undertake no obligation to update this information. We urge you to carefully review and consider the disclosures made in this and our other filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business.

ITEM 3. *Quantitative and Qualitative Disclosures About Market Risk*

Oil and Gas Hedging Activities

Our results of operations and operating cash flows are impacted by changes in market prices for oil and gas. To mitigate a portion of the exposure to adverse market changes, we have entered into various derivative instruments. As of March 31, 2003, our oil and gas derivative instruments were comprised of swaps, cap-swaps, and basis protection swaps. These instruments allow us to predict with greater certainty the effective oil and gas prices to be received for our hedged production. Although derivatives often fail to achieve 100% effectiveness for accounting purposes, we believe our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended.

- For swap instruments, we receive a fixed price for the hedged commodity and pay a floating market price, as defined in each instrument, to the counterparty. The fixed-price payment and the floating-price payment are netted, resulting in a net amount due to or from the counterparty.
- For cap-swaps, we receive a fixed price for the hedged commodity and pay a floating market price. The fixed price received by Chesapeake includes a premium in exchange for a "cap" limiting the counterparty's exposure.
- Basis protection swaps are arrangements that guarantee a price differential of oil or gas from a specified delivery point. Chesapeake receives a payment from the counterparty if the price differential is greater than

the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract.

From time to time, we close certain swap and cap-swap transactions designed to hedge a portion of our oil or natural gas production by entering into a counter-swap instrument which does not qualify for hedge accounting under SFAS 133. Under the counter-swap we receive a floating price for the hedged commodity and pay a fixed price to the counterparty. To the extent the counter-swap is designed to lock the value of an existing SFAS 133 cash flow hedge, the net value is frozen and shown as a derivative asset or liability. To the extent the counter-swap is designed to lock the value of an existing SFAS 133 cash flow hedge and both the counter-swap and existing swap are with the same counterparty, the net value of the swap and the counter-swap is frozen and shown as a derivative receivable or payable in the consolidated balance sheets. At the same time, the original swap is designated as a non-qualifying cash flow hedge under SFAS 133. The net receivable or payable is frozen until the related month of production and is then recognized as an increase or decrease to revenues. Changes in fair value occurring after the original swap has been designated as a non-qualifying cash flow hedge under SFAS 133 are included in results of operations. To the extent the counter-swap is designed to lock the value of a non-qualifying cash flow hedge under SFAS 133, the value of the counter-swap is shown as a derivative asset or liability in the consolidated balance sheets and referred to below as a fixed-price counter-swap. Any changes in the fair value of the counter-swap are included in results of operations.

Pursuant to SFAS 133, our cap-swaps, counter-swaps and basis protection swaps do not qualify for designation as cash flow hedges. Therefore, changes in the fair value of these instruments that occur prior to their maturity, together with any changes in the fair value of qualifying cash flow hedges resulting from ineffectiveness, are reported in the consolidated statements of operations as risk management income (loss). Amounts recorded in risk management income (loss) do not represent cash gains or losses. Rather, these amounts are temporary valuation swings in contracts or portions of contracts that are not entitled to receive SFAS 133 cash flow hedge accounting treatment. All amounts initially recorded in this caption related to commodity derivatives are ultimately reversed within this same caption and included in oil and gas sales over the respective contract terms.

As of March 31, 2003, we had the following open oil and gas derivative instruments designed to hedge a portion of our oil and gas production for periods after March 2003:

	Volume	Weighted-Average Strike Price	Weighted-Average Put Strike Price	Weighted Average Differential to NYMEX	Qualifies As SFAS 133 Hedge	Fair Value at March 31, 2003 ($ in thousands)
Natural Gas (mmbtu):						
Swaps:						
2003	54,370,000	5.18	—	—	Yes	2,473
2004	600,000	5.69	—	—	Yes	228
Cap-Swaps:						
2003	38,500,000	3.54	2.54	—	No	(61,752)
Counter-Swaps:						
2003	(38,500,000)	3.69	—	—	No	55,813
Basis Protection Swaps:						
2003	110,000,000	—	—	(0.19)	No	11,182
2004	146,400,000	—	—	(0.17)	No	8,226
2005	98,550,000	—	—	(0.16)	No	5,547
2006	36,500,000	—	—	(0.16)	No	1,695
2007	63,875,000	—	—	(0.17)	No	1,595
2008	64,050,000	—	—	(0.17)	No	1,526
2009	36,500,000	—	—	(0.16)	No	1,111
Locked Swaps:						
2003	—	—	—	—	No	(6,728)
2004	—	—	—	—	No	793
Total Gas						21,709
Oil (bbls):						
Cap-Swaps:						
2003	2,475,000	28.12	—	—	No	(2,329)
Total Oil						(2,329)
Total Gas and Oil						$ 19,380

We have established the fair value of all derivative instruments using estimates of fair value reported by our counterparties and subsequently evaluated internally using established index prices and other sources. The actual contribution to our future results of operations will be based on the market prices at the time of settlement and may be more or less than the fair value estimates used at March 31, 2003.

Additional information concerning the fair value of our oil and gas derivative instruments is as follows:

	2003	2002
	($ in thousands)	
Fair value of contracts outstanding at January 1	$ (14,533)	$ 157,309
Change in fair value of contracts during the quarter	126,771	(69,712)
Contracts realized or otherwise settled during the quarter	(92,858)	(48,554)
Fair value of new contracts when entered into during the quarter	—	(42,530)
Fair value of contracts outstanding at March 31	$ 19,380	$ (3,487)

Table of Contents

Risk management income (loss) related to our oil and gas derivatives is comprised of the following:

	Three Months Ended March 31,	
	2003	2002
	($ in thousands)	
Risk management income (loss):		
Change in fair value of derivatives not qualifying for cash flow hedge accounting	$ 18,864	$ (53,414)
Reclassification of (gain) loss on settled contracts	10,775	(25,077)
Ineffective portion of derivatives qualifying for cash flow hedge accounting	48	(824)
Total	$ 29,687	$ (79,315)

Derivative instruments reflected as current in the consolidated balance sheet represent the estimated fair value of derivative instrument settlements scheduled to occur over the subsequent twelve-month period based on market prices for oil and gas as of the consolidated balance sheet date. The derivative settlement amounts are not due and payable until the month in which the related underlying hedged transaction occurs.

Based upon the market prices at March 31, 2003, we expect to transfer approximately $1.2 million of the loss included in the balance in accumulated other comprehensive loss to earnings during the next 12 months when the transactions actually occur. All transactions hedged as of March 31, 2003 are expected to mature by February 2004, with the exception of the basis protection swaps which extend to 2009.

Interest Rate Hedging

We also utilize hedging strategies to manage interest rate exposure. Results from interest rate hedging transactions are reflected as adjustments to interest expense in the corresponding months covered by the derivative agreement.

In July 2002, we closed an interest rate swap for a gain of $7.5 million. As of March 31, 2003, the remaining balance to be amortized as a reduction to interest expense was $2.1 million. During the Current Quarter, $0.5 million was recognized as a reduction to interest expense.

In July 2002, we closed an additional interest rate swap for a gain of $1.1 million. As of March 31, 2003, the remaining balance to amortize as a reduction to interest expense was $0.7 million. During the Current Quarter, $0.2 million was recognized as a reduction to interest expense.

In April 2002, we entered into a swaption agreement in order to monetize the embedded call option in our 8.50% senior notes. We received $7.8 million from the counterparty at the time we entered into this agreement. The terms of the swaption are as follows:

Term	Notional Amount	Fixed Rate	Floating Rate
March 2004 – March 2012	$142,665,000	8.500%	U.S. six-month LIBOR plus 75 basis points

Under the terms of the swaption agreement, the counterparty will have the option to initiate an interest rate swap on March 11, 2004 pursuant to the terms shown above. If the counterparty chooses to initiate the interest rate swap, the payments under the swap will coincide with the semi-annual interest payments on our 8.50% senior notes which are paid on September 15 and March 15 of each year. On each payment date, if the fixed rate exceeds the floating rate, we will pay the counterparty and if the floating rate exceeds the fixed rate, the counterparty will pay us accordingly. If the counterparty does not choose to initiate the interest rate swap, the swaption agreement will expire and no future obligations will exist for either party.

According to SFAS 133, a fair value hedge relationship exists between the embedded call option in the 8.50% senior notes and the swaption agreement. Accordingly, the mark-to-market value of the swaption is recorded on the consolidated balance sheets as an asset or liability with a corresponding increase or decrease to the debt's carrying value. Any change in the fair value of the swaption resulting from ineffectiveness is recorded currently in the consolidated statements of operations as risk management income (loss).

We have recorded a decrease in the carrying value of the debt of $18.8 million since the inception of the swaption as of March 31, 2003. Of this amount, $23.8 million represents a decline in the fair value of the swaption, offset by a loss of $5.0 million from estimated ineffectiveness of the swaption as determined under SFAS 133. See Note 5 of the notes to consolidated financial statements of this report for the adjustments made to the carrying value

Table of Contents

of the debt at March 31, 2003. Results of the interest rate swap, if initiated, will be reflected as adjustments to interest expense in the corresponding months covered by the swaption agreement.

Risk management income (loss) related to our fair value interest rate hedges is comprised of the following:

	Three Months Ended March 31,	
	2003	2002
	($ in thousands)	
Risk management income (loss):		
Change in fair value of derivatives not qualifying for fair value hedge accounting	$ —	$ (153)
Reclassification of (gain) loss on settled contracts	(527)	—
Ineffective portion of derivatives qualifying for fair value hedge accounting	(1,450)	—
Total	$ (1,977)	$ (153)

Interest Rate Risk

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

	March 31, 2003							
	Years of Maturity							
	2004	2005	2006	2007	2008	Thereafter	Total	Fair Value
	($ in millions)							
Liabilities:								
Long-term debt, including current portion — fixed rate	$42.1	$—	$—	$—	$250.0	$1,692.7	$1,984.8(1)	$2,067.5
Average interest rate	7.9%	—	—	—	8.4%	8.2%	8.2%	8.2%

(1) This amount does not include the discount of $(17.9) million, the value of the interest rate swap of $0.6 million and the value of the swaption of ($18.8) million which are all included in long-tem debt on the consolidated balance sheet.

ITEM 4. ***Controls and Procedures***

Within the 90-day period prior to the filing of this report, the company carried out an evaluation, under the supervision and with the participation of the company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures are effective in timely alerting them to material information relating to the company (including its consolidated subsidiaries) required to be included in the company's periodic SEC filings. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Table of Contents

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

We are subject to ordinary routine litigation incidental to our business, none of which is expected to have a material adverse effect on Chesapeake. In addition, Chesapeake is a defendant in other pending actions which are described in Note 3 of the notes to the consolidated financial statements included in this report and Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2002.

Item 2. ***Changes in Securities and Use of Proceeds***

On March 5, 2003, we completed a private offering of 4,600,000 shares of 6.00% Cumulative Convertible Preferred Stock (liquidation preference $50 per share). The preferred stock was sold by us to Credit Suisse First Boston LLC, Morgan Stanley & Co. Incorporated, Salomon Smith Barney Inc., Bear, Stearns & Co. Inc., Lehman Brothers Inc., CIBC World Markets Corp., Johnson Rice & Company L.L.C., RBC Dain Rauscher Inc., and Simmons & Company International, which companies resold the shares of preferred stock pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") at the liquidation preference. We were paid $48.50 per share, or an aggregate of $223.1 million. Net proceeds to us, after expenses, were $222.9 million.

The preferred stock was sold in a transaction exempt from registration pursuant to Section 4(2) of the Securities Act. Each of the purchasers represented that it is an accredited investor within the meaning of Regulation D under the Securities Act. No public solicitation was made in connection with the offering of the preferred stock.

Each share of preferred stock is convertible at any time at the option of the holder into 4.8605 shares of common stock (which is calculated using an initial conversion price of $10.287 per share of common stock), subject to adjustment upon the occurrence of certain events related to the common stock.

At any time on or after March 20, 2006, we may, at our option, cause each share of preferred stock to be automatically converted into that number of shares of common stock equal to $50.00 divided by the then prevailing conversion price. We may exercise this right only if the closing price of our common stock equals

or exceeds 130% of the then prevailing conversion price for at least 20 trading days in any consecutive 30-day trading period ending on the trading day prior to our issuance of a press release announcing the mandatory conversion. In addition, if there are less than 250,000 share of preferred stock outstanding, we may, at any time on or after March 20, 2008, at our option, cause each share of preferred stock to be automatically converted into that number of shares of common stock equal to $50.00 divided by the lessor of (i) the then prevailing conversion price and (ii) the market value for the five trading day period ending on the second trading day immediately prior to the conversion date.

Upon a change of control (as defined in the certificate of designation), holders of preferred stock shall, if the market value at such time is less than the conversion price, have a one-time option to convert all of their outstanding shares of preferred stock into shares of common stock at an adjusted conversion price equal to the greater of (1) the market value as of the change of control date and (2) $5.47. In lieu of issuing the shares of common stock issuable upon conversion in the event of a change of control, we may, at our option, make a cash payment equal to the market value for each share of such common stock otherwise issuable.

Item 3. ***Defaults Upon Senior Securities***

Not applicable

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 Number	Description
3.1	Chesapeake's Restated Certificate of Incorporation together with Chesapeake's Certificate of Designation for the 6.75% Cumulative Convertible Preferred Stock, Certificate of Elimination of 2,000 shares of the 6.75% Cumulative Convertible Preferred Stock, Certificate of Designation for the Series A Junior Participating Preferred Stock and Certificate of Designation for the 6.00% Cumulative Convertible Preferred Stock. Incorporated herein by reference to Exhibit 3.1 to Chesapeake's registration statement on Form S-3 (No. 333-104394) filed April 9, 2003.
4.1.1*	Thirteenth Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of March 15, 1997 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York (formerly United States Trust Company of New York), as Trustee, with respect to 7.875% Senior Notes due 2004.
4.2.1*	Thirteenth Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of March 15, 1997 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York (formerly United States Trust Company of New York), as Trustee, with respect to 8.50% Senior Notes due 2012.
4.3.1*	Eighth Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of April 6, 2001 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York (formerly United States Trust Company of New York), as Trustee, with respect to 8.125% Senior Notes due 2011.
4.4.1*	Fifth Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of November 5, 2001 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 8.375% Senior Notes due 2008.
4.5.1*	Second Supplemental Indenture dated May 1, 2003 to Indenture dated as of August 12, 2002 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 9.0% Senior Notes due 2012.
4.6.1*	Second Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of December 20, 2002 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 7.75% Senior Notes due 2015.
4.7	Indenture dated as of March 5, 2003 among Chesapeake, as issuer, the subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 7.50% Senior Notes due 2013. Incorporated herein by reference to Exhibit 4.7 to Chesapeake's registration statement on Form S-4 (No. 333-104396) filed April 9, 2003.
4.7.1*	First Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of March 5, 2003 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 7.50% Senior Notes due 2013.
4.9.1	Fifth Amendment dated March 3, 2003 with respect to Second Amended and Restated Credit Agreement dated as of June 11, 2001 among Chesapeake Energy Corporation, Chesapeake Exploration Limited Partnership, as Borrower, Bear, Stearns Corporate Lending Inc., as Syndication Agent, Union Bank of California, N.A., as Administrative Agent and Collateral Agent, BNP Paribas and Toronto Dominion (Texas), Inc., as Co-Documentation Agents and other lender parties thereto. Incorporated herein by reference to Exhibit 4.9.1 to Chesapeake's registration statement on Form S-4 (No. 333-104396) filed April 9, 2003.

4.18	Registration Rights Agreement dated March 5, 2003 between Chesapeake and Salomon Smith Barney Inc., Bear Stearns & Co., Inc., Credit Suisse First Boston LLC, Lehman Brothers Inc., Morgan Stanley & Co. Incorporated, BNP Paribas Securities Corp., Credit Lyonnais Securities

	(USA) Inc., and TD Securities (USA) Inc. Incorporated herein by reference to Exhibit 4.18 to Chesapeake's registration statement on Form S-4 (No. 333-104396) filed April 9, 2003.
4.19	Registration Rights Agreement dated March 5, 2003 between Chesapeake and Credit Suisse First Boston LLC, Morgan Stanley & Co., Incorporated, Salomon Smith Barney Inc., Bear Stearns & Co., Inc. Lehman Brothers Inc., CIBC World Markets Corp., Johnson Rice & Company L.L.C., RBC Dain Rauscher Inc. and Simmons & Company International. Incorporated herein by reference to Exhibit 4.19 to Chesapeake's registration statement on Form S-3 (No. 333-104394) filed April 9, 2003.
10.2.3†*	Employment Agreement dated as of April 1, 2003 between Marcus C. Rowland and Chesapeake.
10.2.8†*	Employment Agreement dated as of April 1, 2003 between Michael A. Johnson and Chesapeake.
10.2.9†*	Employment Agreement dated as of April 1, 2003 between Martha A. Burger and Chesapeake.
12.1*	Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
21*	Subsidiaries of Chesapeake.
99.1*	Aubrey K. McClendon, Chairman and Chief Executive Officer, Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2*	Marcus C. Rowland, Executive Vice President and Chief Financial Officer, Certification Pursuant to 18 U.S.C Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

† Management contract or compensatory plan or arrangement.

(b) *Reports on Form 8-K*

During the quarter ended March 31, 2003, we filed the following current reports on Form 8-K:

On January 10, 2003, we filed a current report on Form 8-K, reporting under Item 5 that we issued a press release on January 9, 2003 announcing an update on our natural gas hedging program for 2003.

On January 24, 2003, we filed a current report on Form 8-K, furnishing under Item 9 a press release we issued on January 24, 2003 announcing fourth quarter and 2002 full-year earnings release date and conference call.

On February 4, 2003, we filed a current report on Form 8-K, reporting under Item 5 that we issued a press release on February 3, 2003 announcing completion of the acquisition of $300 million of Mid-Continent gas reserves from ONEOK, Inc and furnishing under Item 9 additional statements made in connection with the acquisition.

On February 21, 2003, we filed a current report on Form 8-K, furnishing under Item 9 a press release we issued on February 20, 2003 announcing a change in the timing of our fourth quarter and 2002 full-year earnings conference call.

On February 25, 2003 (as amended on February 27, 2003), we filed a current report on Form 8-K, furnishing under Item 9 (1) a press release we issued on February 24, 2003 announcing financial and operating results for the fourth quarter and full-year 2002, (2) a press release we issued on February 24, 2003 announcing agreements to acquire assets from El Paso Corporation and Vintage Petroleum, Inc., (3) information regarding the posting of an updated outlook on our website, and (4) highlights of investor presentations attached as Exhibit 99.1.

On February 25, 2003, we filed a current report on Form 8-K, furnishing under Item 9 a press release we issued on February 25, 2003 announcing private offerings of senior notes and convertible preferred stock.

On February 25, 2003, we filed a current report on Form 8-K, furnishing under Item 9 a press release we issued on February 25, 2003 announcing a public offering of common stock.

On February 28, 2003, we filed a current report on Form 8-K, reporting under Item 5 that we issued a press release on February 28, 2003 announcing the pricing of our public offering of common stock.

On February 28, 2003, we filed a current report on Form 8-K, reporting under Item 5 that we issued a press release on February 28, 2003 announcing the pricing of our private offering of 6.00% Cumulative Convertible Preferred Stock.

On February 28, 2003, we filed a current report on Form 8-K, reporting under Item 5 that we issued a press release on February 28, 2003 announcing the pricing of $300 million of 7.5% Senior Notes due 2013.

On March 4, 2003, we filed a current report on Form 8-K, reporting under Item 5 that we entered into an underwriting agreement with Credit Suisse First Boston LLC, Morgan Stanley & Co. Incorporated, Salomon Smith Barney Inc., Bear, Stearns & Co. Inc., Lehman Brothers Inc., CIBC World Markets Corp., Johnson Rice & Company L.L.C., RBC Dain Rauscher Inc., and Simmons & Company International in connection with the issuance and sale of 20,000,000 shares of our common stock, plus an additional 3,000,000 shares of common stock pursuant to the underwriters' over-allotment option. In addition, we filed the underwriting agreement under Item 7.

On March 14, 2003, we filed a current report on Form 8-K, reporting under Item 5 that we issued a press release on March 13, 2003 announcing the completion of an acquisition of $500 million of Mid-Continent gas reserves from El Paso Corporation and furnishing under Item 9 additional statements made in connection with the acquisition.

On March 19, 2003, we filed a current report on Form 8-K, reporting under Item 5 that we issued a press release on March 19, 2003 announcing the declaration of quarterly common and preferred stock dividends.

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)

By: /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ MARCUS C. ROWLAND

Marcus C. Rowland
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 15, 2003

Table of Contents

CERTIFICATION

I, Aubrey K. McClendon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chesapeake Energy Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ AUBREY K. MCCLENDON
Aubrey K. McClendon
Chairman and Chief Executive Officer
(Principal Executive Officer)

Table of Contents

CERTIFICATION

I, Marcus C. Rowland certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chesapeake Energy Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ MARCUS C. ROWLAND
Marcus C. Rowland
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Chesapeake's Restated Certificate of Incorporation together with Chesapeake's Certificate of Designation for the 6.75% Cumulative Convertible Preferred Stock, Certificate of Elimination of 2,000 shares of the 6.75% Cumulative Convertible Preferred Stock, Certificate of Designation for the Series A Junior Participating Preferred Stock and Certificate of Designation for the 6.00% Cumulative Convertible Preferred Stock. Incorporated herein by reference to Exhibit 3.1 to Chesapeake's registration statement on Form S-3 (No. 333-104394) filed April 9, 2003.
4.1.1*	Thirteenth Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of March 15, 1997 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York (formerly United States Trust Company of New York), as Trustee, with respect to 7.875% Senior Notes due 2004.
4.2.1*	Thirteenth Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of March 15, 1997 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York (formerly United States Trust Company of New York), as Trustee, with respect to 8.50% Senior Notes due 2012.
4.3.1*	Eighth Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of April 6, 2001 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York (formerly United States Trust Company of New York), as Trustee, with respect to 8.125% Senior Notes due 2011.
4.4.1*	Fifth Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of November 5, 2001 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 8.375% Senior Notes due 2008.
4.5.1*	Second Supplemental Indenture dated May 1, 2003 to Indenture dated as of August 12, 2002 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 9.0% Senior Notes due 2012.
4.6.1*	Second Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of December 20, 2002 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 7.75% Senior Notes due 2015.
4.7	Indenture dated as of March 5, 2003 among Chesapeake, as issuer, the subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 7.50% Senior Notes due 2013. Incorporated herein by reference to Exhibit 4.7 to Chesapeake's registration statement of Form S-4 (No. 333-104396) filed April 9, 2003.
4.7.1*	First Supplemental Indenture dated as of May 1, 2003 to Indenture dated as of March 5, 2003 among Chesapeake, as issuer, its subsidiaries signatory thereto as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 7.50% Senior Notes due 2013.
4.9.1	Fifth Amendment dated March 3, 2003 with respect to Second Amended and Restated Credit Agreement dated as of June 11, 2001 among Chesapeake Energy Corporation, Chesapeake Exploration Limited Partnership, as Borrower, Bear, Stearns Corporate Lending Inc., as Syndication Agent, Union Bank of California, N.A., as Administrative Agent and Collateral Agent, BNP Paribas and Toronto Dominion (Texas), Inc., as Co-Documentation Agents and other lender parties thereto. Incorporated herein by reference to Exhibit 4.9.1 to Chesapeake's registration statement on Form S-4 (No. 333-104396) filed April 9, 2003.

4.18	Registration Rights Agreement dated March 5, 2003 between Chesapeake and Salomon Smith Barney Inc., Bear Stearns & Co., Inc., Credit Suisse First Boston LLC, Lehman Brothers Inc., Morgan Stanley & Co. Incorporated, BNP Paribas Securities Corp., Credit Lyonnais Securities (USA) Inc., and TD Securities (USA) Inc. Incorporated herein by reference to Exhibit 4.18 to Chesapeake's registration statement on Form S-4 (No. 333-104396) filed April 9, 2003.
4.19	Registration Rights Agreement dated March 5, 2003 between Chesapeake and Credit Suisse First Boston LLC, Morgan Stanley & Co., Incorporated, Salomon Smith Barney Inc., Bear Stearns & Co., Inc. Lehman Brothers Inc., CIBC World Markets Corp., Johnson Rice & Company L.L.C., RBC Dain Rauscher Inc. and Simmons & Company International. Incorporated herein by reference to Exhibit 4.19 to Chesapeake's registration statement on Form S-3 (No. 333-104394) filed April 9, 2003.
10.2.3†*	Employment Agreement dated as of April 1, 2003 between Marcus C. Rowland and Chesapeake.
10.2.8†*	Employment Agreement dated as of April 1, 2003 between Michael A. Johnson and Chesapeake.
10.2.9†*	Employment Agreement dated as of April 1, 2003 between Martha A. Burger and Chesapeake.
12.1*	Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
21*	Subsidiaries of Chesapeake.
99.1*	Aubrey K. McClendon, Chairman and Chief Executive Officer, Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2*	Marcus C. Rowland, Executive Vice President and Chief Financial Officer, Certification Pursuant to 18 U.S.C Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

† Management contract or compensatory plan or arrangement.

EXHIBIT 4.1.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

---

7 7/8% SENIOR NOTES DUE 2004

THIRTEENTH SUPPLEMENTAL INDENTURE

DATED AS OF May 1, 2003

THE BANK OF NEW YORK

as successor Trustee to

United States Trust Company of New York

THIS THIRTEENTH SUPPLEMENTAL INDENTURE, dated as of May 1, 2003, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "*Company*"), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the "*Subsidiary Guarantors*") and The Bank of New York, as successor to United States Trust Company of New York, as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of March 15, 1997, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $150,000,000 in principal amount of 7 7/8% Senior Notes due 2004 (the "*Notes*"); and

WHEREAS, Section 9.1(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the addition of any Subsidiary Guarantor, as provided for in the Indenture; and

WHEREAS, the Board of Directors of the Company has designated MC Mineral Company, L.L.C. as a Restricted Subsidiary of the Company and desires to add such entity as a Subsidiary Guarantor under the Indenture; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Thirteenth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Thirteenth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Thirteenth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

From this date, in accordance with Section 10.3 and by executing this Thirteenth Supplemental Indenture, MC Mineral Company, L.L.C., an Oklahoma limited liability company, is subject to the provisions of the Indenture as a Subsidiary Guarantor to the extent provided for in Article X thereunder.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Thirteenth Supplemental Indenture. This Thirteenth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. The Company hereby notifies the Trustee that MC Mineral Company, L.L.C. has been designated by the Board of Directors of the Company as a Restricted Subsidiary (as that term is defined in the Indenture).

Section 3.04. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS THIRTEENTH SUPPLEMENTAL INDENTURE.

Section 3.05. The parties may sign any number of copies of this Thirteenth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Thirteenth Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

SUBSIDIARY GUARANTORS:

CHESAPEAKE DELTA CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE EP CORPORATION
CHESAPEAKE OPERATING, INC.
NOMAC DRILLING CORPORATION
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE ENO ACQUISITION, L.L.C.
CHESAPEAKE FOCUS, L.L.C.
CHESAPEAKE KNAN ACQUISITION, L.L.C.
CHESAPEAKE MOUNTAIN FRONT, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC ENERGY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
SAP ACQUISITION, L.L.C.
THE AMES COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.
CHESAPEAKE SIGMA, L.P.

By: Chesapeake Operating, Inc. as general partner of each representative entity

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

TRUSTEE:

THE BANK OF NEW YORK, as successor to United States Trust Company of New York, as Trustee

By /s/ Louis P. Young

Name: Louis P. Young

Title: Vice President

EXHIBIT 4.2.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

8 1/2% SENIOR NOTES DUE 2012

THIRTEENTH SUPPLEMENTAL INDENTURE

DATED AS OF May 1, 2003

THE BANK OF NEW YORK

as successor Trustee to

United States Trust Company of New York

THIS THIRTEENTH SUPPLEMENTAL INDENTURE, dated as of May 1, 2003, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "*Company*"), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the "*Subsidiary Guarantors*") and The Bank of New York, as successor to United States Trust Company of New York, as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of March 15, 1997, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $150,000,000 in principal amount of 8 1/2% Senior Notes due 2012 (the "*Notes*"); and

WHEREAS, Section 9.1(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the addition of any Subsidiary Guarantor, as provided for in the Indenture; and

WHEREAS, the Board of Directors of the Company has designated MC Mineral Company, L.L.C. as a Restricted Subsidiary of the Company and desires to add such entity as a Subsidiary Guarantor under the Indenture; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Thirteenth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Thirteenth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Thirteenth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

From this date, in accordance with Section 10.3 and by executing this Thirteenth Supplemental Indenture, MC Mineral Company, L.L.C., an Oklahoma limited liability company, is subject to the provisions of the Indenture as a Subsidiary Guarantor to the extent provided for in Article X thereunder.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Thirteenth Supplemental Indenture. This Thirteenth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. The Company hereby notifies the Trustee that MC Mineral Company, L.L.C. has been designated by the Board of Directors of the Company as a Restricted Subsidiary (as that term is defined in the Indenture).

Section 3.04. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS THIRTEENTH SUPPLEMENTAL INDENTURE.

Section 3.05. The parties may sign any number of copies of this Thirteenth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Thirteenth Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

SUBSIDIARY GUARANTORS:

CHESAPEAKE DELTA CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE EP CORPORATION
CHESAPEAKE OPERATING, INC.
NOMAC DRILLING CORPORATION
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE ENO ACQUISITION, L.L.C.
CHESAPEAKE FOCUS, L.L.C.
CHESAPEAKE KNAN ACQUISITION, L.L.C.
CHESAPEAKE MOUNTAIN FRONT, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC ENERGY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
SAP ACQUISITION, L.L.C.
THE AMES COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.
CHESAPEAKE SIGMA, L.P.

By: Chesapeake Operating, Inc. as general partner of each representative entity

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

TRUSTEE:

THE BANK OF NEW YORK, as successor to United States Trust Company of New York, as Trustee

By /s/ Louis P. Young

Name: Louis P. Young

Title: Vice President

EXHIBIT 4.3.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

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8 1/8% SENIOR NOTES DUE 2011

EIGHTH SUPPLEMENTAL INDENTURE

DATED AS OF May 1, 2003

THE BANK OF NEW YORK

as successor Trustee to

United States Trust Company of New York

THIS EIGHTH SUPPLEMENTAL INDENTURE, dated as of May 1, 2003, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "*Company*"), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the "*Subsidiary Guarantors*") and The Bank of New York, as successor to United States Trust Company of New York, as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of April 6, 2001, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $800,000,000 in principal amount of 8 1/8% Senior Notes due 2011 (the "*Notes*"); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the addition of any Subsidiary Guarantor, as provided for in the Indenture; and

WHEREAS, the Board of Directors of the Company has designated MC Mineral Company, L.L.C. as a Restricted Subsidiary of the Company and desires to add such entity as a Subsidiary Guarantor under the Indenture; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Eighth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Eighth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Eighth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

From this date, in accordance with Section 10.03 and by executing this Eighth Supplemental Indenture, MC Mineral Company, L.L.C., an Oklahoma limited liability company, is subject to the provisions of the Indenture as a Subsidiary Guarantor to the extent provided for in Article Ten thereunder.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Eighth Supplemental Indenture. This Eighth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. The Company hereby notifies the Trustee that MC Mineral Company, L.L.C. has been designated by the Board of Directors of the Company as a Restricted Subsidiary (as that term is defined in the Indenture).

Section 3.04. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS EIGHTH SUPPLEMENTAL INDENTURE.

Section 3.05. The parties may sign any number of copies of this Eighth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Eighth Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

SUBSIDIARY GUARANTORS:

CHESAPEAKE DELTA CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE EP CORPORATION
CHESAPEAKE OPERATING, INC.
NOMAC DRILLING CORPORATION
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE ENO ACQUISITION, L.L.C.
CHESAPEAKE FOCUS, L.L.C.
CHESAPEAKE KNAN ACQUISITION, L.L.C.
CHESAPEAKE MOUNTAIN FRONT, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC ENERGY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
SAP ACQUISITION, L.L.C.
THE AMES COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.
CHESAPEAKE SIGMA, L.P.

By: Chesapeake Operating, Inc. as general partner of each representative entity

By /s/ Aubrey K. McClendon

Name:	Aubrey K. McClendon
Title:	Chief Executive Officer

TRUSTEE:

THE BANK OF NEW YORK, as successor to United States Trust Company of New York, as Trustee

By	/s/ Louis P. Young
Name:	Louis P. Young
Title:	Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

8.375% SENIOR NOTES DUE 2008

FIFTH SUPPLEMENTAL INDENTURE

DATED AS OF May 1, 2003

THE BANK OF NEW YORK

as Trustee

THIS FIFTH SUPPLEMENTAL INDENTURE, dated as of May 1, 2003, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "*Company*"), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the "*Subsidiary Guarantors*") and The Bank of New York, as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of November 5, 2001, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $250,000,000 in principal amount of 8.375% Senior Notes due 2008 (the "*Notes*"); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the addition of any Subsidiary Guarantor, as provided for in the Indenture; and

WHEREAS, the Board of Directors of the Company has designated MC Mineral Company, L.L.C. as a Restricted Subsidiary of the Company and desires to add such entity as a Subsidiary Guarantor under the Indenture; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Fifth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Fifth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Fifth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

From this date, in accordance with Section 10.03 and by executing this Fifth Supplemental Indenture, MC Mineral Company, L.L.C., an Oklahoma limited liability company, is subject to the provisions of the Indenture as a Subsidiary Guarantor to the extent provided for in Article Ten thereunder.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Fifth Supplemental Indenture. This Fifth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and

conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. The Company hereby notifies the Trustee that MC Mineral Company, L.L.C. has been designated by the Board of Directors of the Company as a Restricted Subsidiary (as that term is defined in the Indenture).

Section 3.04. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS FIFTH SUPPLEMENTAL INDENTURE.

Section 3.05. The parties may sign any number of copies of this Fifth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

SUBSIDIARY GUARANTORS:

CHESAPEAKE DELTA CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE EP CORPORATION
CHESAPEAKE OPERATING, INC.
NOMAC DRILLING CORPORATION
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE ENO ACQUISITION, L.L.C.
CHESAPEAKE FOCUS, L.L.C.
CHESAPEAKE KNAN ACQUISITION, L.L.C.
CHESAPEAKE MOUNTAIN FRONT, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC ENERGY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
SAP ACQUISITION, L.L.C.
THE AMES COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.
CHESAPEAKE SIGMA, L.P.

By: Chesapeake Operating, Inc. as general partner of each representative entity

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

TRUSTEE:

THE BANK OF NEW YORK, as Trustee

By /s/ Louis P. Young

Name: Louis P. Young

Title: Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

9% SENIOR NOTES DUE 2012

SECOND SUPPLEMENTAL INDENTURE

DATED AS OF May 1, 2003

THE BANK OF NEW YORK

as Trustee

THIS SECOND SUPPLEMENTAL INDENTURE, dated as of May 1, 2003, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "*Company*"), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the "*Subsidiary Guarantors*") and The Bank of New York, as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of August 12, 2002, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $250,000,000 in principal amount of 9% Senior Notes due 2012 (the "*Notes*"); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the addition of any Subsidiary Guarantor, as provided for in the Indenture; and

WHEREAS, the Board of Directors of the Company has designated MC Mineral Company, L.L.C. as a Restricted Subsidiary of the Company and desires to add such entity as a Subsidiary Guarantor under the Indenture; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Second Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Second Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Second Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

From this date, in accordance with Section 10.03 and by executing this Second Supplemental Indenture, MC Mineral Company, L.L.C., an Oklahoma limited liability company, is subject to the provisions of the Indenture as a Subsidiary Guarantor to the extent provided for in Article Ten thereunder.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Second Supplemental Indenture. This Second Supplemental Indenture is executed and accepted by the Trustee subject to all the

terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. The Company hereby notifies the Trustee that MC Mineral Company, L.L.C. has been designated by the Board of Directors of the Company as a Restricted Subsidiary (as that term is defined in the Indenture).

Section 3.04. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS SECOND SUPPLEMENTAL INDENTURE.

Section 3.05. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

SUBSIDIARY GUARANTORS:

CHESAPEAKE DELTA CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE EP CORPORATION
CHESAPEAKE OPERATING, INC.
NOMAC DRILLING CORPORATION
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE ENO ACQUISITION, L.L.C.
CHESAPEAKE FOCUS, L.L.C.
CHESAPEAKE KNAN ACQUISITION, L.L.C.
CHESAPEAKE MOUNTAIN FRONT, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC ENERGY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
SAP ACQUISITION, L.L.C.
THE AMES COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.
CHESAPEAKE SIGMA, L.P.

By: Chesapeake Operating, Inc. as general partner of each representative entity

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

TRUSTEE:

THE BANK OF NEW YORK, as Trustee

By /s/ Louis P. Young

Name: Louis P. Young

Title: Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.75% SENIOR NOTES DUE 2015

SECOND SUPPLEMENTAL INDENTURE

DATED AS OF May 1, 2003

THE BANK OF NEW YORK

as Trustee

THIS SECOND SUPPLEMENTAL INDENTURE, dated as of May 1, 2003, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "*Company*"), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the "*Subsidiary Guarantors*") and The Bank of New York, as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of December 20, 2002, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $150,000,000 in principal amount of 7.75% Senior Notes due 2015 (the "*Notes*"); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the addition of any Subsidiary Guarantor, as provided for in the Indenture; and

WHEREAS, the Board of Directors of the Company has designated MC Mineral Company, L.L.C. as a Restricted Subsidiary of the Company and desires to add such entity as a Subsidiary Guarantor under the Indenture; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Second Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Second Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Second Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

From this date, in accordance with Section 10.03 and by executing this Second Supplemental Indenture, MC Mineral Company, L.L.C., an Oklahoma limited liability company, is subject to the provisions of the Indenture as a Subsidiary Guarantor to the extent provided for in Article Ten thereunder.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Second Supplemental Indenture. This Second Supplemental Indenture is executed and accepted by the Trustee subject to all the

terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. The Company hereby notifies the Trustee that MC Mineral Company, L.L.C. has been designated by the Board of Directors of the Company as a Restricted Subsidiary (as that term is defined in the Indenture).

Section 3.04. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS SECOND SUPPLEMENTAL INDENTURE.

Section 3.05. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

SUBSIDIARY GUARANTORS:

CHESAPEAKE DELTA CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE EP CORPORATION
CHESAPEAKE OPERATING, INC.
NOMAC DRILLING CORPORATION
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE ENO ACQUISITION, L.L.C.
CHESAPEAKE FOCUS, L.L.C.
CHESAPEAKE KNAN ACQUISITION, L.L.C.
CHESAPEAKE MOUNTAIN FRONT, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC ENERGY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
SAP ACQUISITION, L.L.C.
THE AMES COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.
CHESAPEAKE SIGMA, L.P.

By: Chesapeake Operating, Inc. as general partner of each representative entity

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

TRUSTEE:

THE BANK OF NEW YORK, as Trustee

By /s/ Louis P. Young

Name: Louis P. Young

Title: Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.5% SENIOR NOTES DUE 2013

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF May 1, 2003

THE BANK OF NEW YORK

as Trustee

THIS FIRST SUPPLEMENTAL INDENTURE, dated as of May 1, 2003, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "*Company*"), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the "*Subsidiary Guarantors*") and The Bank of New York, as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of March 5, 2003 (the "*Indenture*"), pursuant to which the Company has originally issued $300,000,000 in principal amount of 7.5% Senior Notes due 2013 (the "*Notes*"); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the addition of any Subsidiary Guarantor, as provided for in the Indenture; and

WHEREAS, the Board of Directors of the Company has designated MC Mineral Company, L.L.C. as a Restricted Subsidiary of the Company and desires to add such entity as a Subsidiary Guarantor under the Indenture; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this First Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This First Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This First Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

From this date, in accordance with Section 10.03 and by executing this First Supplemental Indenture, MC Mineral Company, L.L.C., an Oklahoma limited liability company, is subject to the provisions of the Indenture as a Subsidiary Guarantor to the extent provided for in Article Ten thereunder.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this First Supplemental Indenture. This First Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. The Company hereby notifies the Trustee that MC Mineral Company, L.L.C. has been designated by the Board of Directors of the Company as a Restricted Subsidiary (as that term is defined in the Indenture).

Section 3.04. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS FIRST SUPPLEMENTAL INDENTURE.

Section 3.05. The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

SUBSIDIARY GUARANTORS:

CHESAPEAKE DELTA CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE EP CORPORATION
CHESAPEAKE OPERATING, INC.
NOMAC DRILLING CORPORATION
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE ENO ACQUISITION, L.L.C.
CHESAPEAKE FOCUS, L.L.C.
CHESAPEAKE KNAN ACQUISITION, L.L.C.
CHESAPEAKE MOUNTAIN FRONT, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC ENERGY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
SAP ACQUISITION, L.L.C.
THE AMES COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.
CHESAPEAKE SIGMA, L.P.

By: Chesapeake Operating, Inc. as general partner of each representative entity

By /s/ Aubrey K. McClendon

Name: Aubrey K. McClendon

Title: Chief Executive Officer

TRUSTEE:

THE BANK OF NEW YORK, as Trustee

By /s/ Louis P. Young

Name: Louis P. Young

Title: Vice President

EXHIBIT 10.2.3

AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

between

MARCUS C. ROWLAND

and

CHESAPEAKE ENERGY CORPORATION

Effective April 1, 2003

TABLE OF CONTENTS

			Page
1.	Employment		1
2.	Executive's Duties		1
	2.1	Specific Duties	1
	2.2	Supervision	1
	2.3	Rules and Regulations	1
	2.4	Stock Investment	2
3.	Other Activities		2
4.	Executive's Compensation		2
	4.1	Base Salary	2
	4.2	Bonus	2
	4.3	Equity Compensation	2
	4.4	Benefits	2
		4.4.1 Vacation	3
		4.4.2 Membership Dues	3
		4.4.3 Automobile Allowance	3
	4.5	Change of Control Payment	3
	4.6	Compensation Review	5
5.	Term		5
6.	Termination		5
	6.1	Termination by Company	5
		6.1.1 Termination without Cause	5
		6.1.2 Termination for Cause	5
	6.2	Termination by Executive	6
	6.3	Incapacity of Executive	6
	6.4	Death of Executive	6
	6.5	Effect of Termination	6
7.	Confidentiality		7
8.	Noncompetition		7
9.	Proprietary Matters		8

TABLE OF CONTENTS (continued)

10.	Arbitration	8
11.	Miscellaneous	9
	11.1 Time	9
	11.2 Notices	9
	11.3 Assignment	9
	11.4 Construction	9
	11.5 Entire Agreement	9
	11.6 Binding Effect	10
	11.7 Legal Fees	10
	11.8 Supersession	10

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective April 1, 2003, between CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), and MARCUS C. ROWLAND, an individual (the "Executive") and replaces and supersedes that certain Employment Agreement between Company and Executive dated August 1, 2000.

W I T N E S S E T H:

WHEREAS, the Company desires to retain the services of the Executive and the Executive desires to make the Executive's services available to the Company.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company and the Executive agree as follows:

1. Employment. The Company hereby employs the Executive and the Executive hereby accepts such employment subject to the terms and conditions contained in this Agreement. The Executive is engaged as an employee of the Company, and the Executive and the Company do not intend to create a joint venture, partnership or other relationship which might impose a fiduciary obligation on the Executive or the Company in the performance of this Agreement.

2. Executive's Duties. The Executive is employed on a full-time basis. Throughout the term of this Agreement, the Executive will use the Executive's best efforts and due diligence to assist the Company in achieving the most profitable operation of the Company and the Company's affiliated entities consistent with developing and maintaining a quality business operation.

2.1 Specific Duties. The Executive will serve as Chief Financial Officer and Executive Vice President for the Company. The Executive will perform all of the services required to fully and faithfully execute the office and position to which the Executive is appointed and such other services as may be reasonably requested by the Executive's supervisor. During the term of this Agreement, the Executive may be nominated for election or appointed to serve as a director or officer of the Company's subsidiaries as determined in the board of directors' sole discretion.

2.2 Supervision. The services of the Executive will be requested and directed by the Chief Executive Officer, Mr. Aubrey K. McClendon.

2.3 Rules and Regulations. The Company currently has an Employment Policies Manual which sets forth the general human resources policies of the Company and addresses frequently asked questions regarding the Company. The Executive agrees to comply with the Employment Policies Manual except to the extent inconsistent with this Agreement. The

Employment Policies Manual is subject to change without notice in the sole discretion of the Company at any time.

2.4 Stock Investment. The Executive agrees to hold not less than five thousand (5,000) shares of the Company's common stock during the term of this Agreement.

3. Other Activities. The Executive currently conducts oil and gas activities individually and through various related or family-owned entities, including Infinity Resources, L.L.C. The Executive will be permitted to continue oil and gas activities individually, and directly or indirectly through Infinity Resources, L.L.C., provided that the Executive, subsequent to August 1, 2000, will not acquire, attempt to acquire or aid another in the acquisition or attempted acquisition of an interest in oil and gas assets, oil and gas production, oil and gas leases, mineral interests, oil and gas wells or other such oil and gas exploration, development or production activities within five (5) miles of any operations or ownership interests of the Company or its affiliated corporations, partnerships or entities. In the event the Executive or the Company becomes aware of any oil and gas activities by the Executive that may violate the foregoing provision, the party discovering the activity will immediately notify the other party in writing and Executive will use his good faith efforts to correct the situation by sale or transfer to the Company.

4. Executive's Compensation. The Company agrees to compensate the Executive as follows:

4.1 Base Salary. A base salary (the "Base Salary"), at the initial annual rate of not less than Three Hundred Fifty Thousand Dollars ($350,000.00) will be paid to the Executive in equal semi-monthly installments beginning April 15, 2003 during the term of this Agreement.

4.2 Bonus. In addition to the Base Salary described at paragraph 4.1 of this Agreement, the Company may periodically pay bonus compensation to the Executive. Any bonus compensation will be at the absolute discretion of the Company in such amounts and at such times as the board of directors of the Company may determine.

4.3 Equity Compensation. In addition to the compensation set forth in paragraphs 4.1 and 4.2 of this Agreement, the Executive may periodically receive grants of stock options or awards from the Company's various equity compensation plans, subject to the terms and conditions thereof.

4.4 Benefits. The Company will provide the Executive such retirement benefits, reimbursement of reasonable expenditures for dues, travel and entertainment and such other benefits as are customarily provided by the Company and as are set forth in and governed by the Company's Employment Policies Manual. The Company will also provide the Executive the opportunity to apply for coverage under the Company's medical, life and disability plans, if any. If the Executive is accepted for coverage under such

plans, the Company will make such coverage available to the Executive on the same terms as is customarily provided by the Company to the plan participants as modified from time to time. The following specific benefits will also be provided to the Executive at the expense of the Company:

4.4.1 Vacation. The Executive will be entitled to take three (3) weeks of paid vacation each twelve months during the term of this Agreement. No additional compensation will be paid for failure to take vacation and no vacation may be carried forward from one twelve month period to another.

4.4.2 Membership Dues. The Company will reimburse the Executive for: (a) the monthly dues necessary to maintain a full membership in a country club in the Oklahoma City area selected by the Executive; and (b) the reasonable cost of any approved business entertainment at such country club. All other costs, including, without implied limitation, any initiation costs, initial membership costs, personal use and business entertainment unrelated to the Company will be the sole obligation of the Executive and the Company will have no liability with respect to such amounts.

4.4.3 Automobile Allowance. The Executive will receive a monthly cash allowance in the amount of One Thousand Dollars ($1,000.00) to defer a portion of the Executive's cost of acquiring, operating and maintaining an automobile for use in the Executive's employment.

4.5 Change of Control Payment. If, during the term of this Agreement, there is a "Change of Control" the Executive will be entitled to a payment (in addition to any other amounts payable to the Executive under this Agreement or otherwise) in an amount equal to the Executive's then current Base Salary under paragraph 4.1 of this Agreement plus the actual bonuses paid to the Executive during the twelve (12) calendar months preceding the

Change of Control under paragraph 4.2 of this Agreement or its predecessor. The right to such compensation is subject to the Executive's continued compliance with each of the provisions of this Agreement. If the foregoing amount is not paid within thirty (30) days after a Change of Control the unpaid amount will bear interest at the per annum rate equal to twelve percent (12%). For the purpose of this Agreement, a "Change of Control" means the occurrence of any of the following:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the

"Outstanding Company Voting Securities"). For purposes of this paragraph, the following acquisitions by a Person will not constitute a Change of Control: (i) any acquisition directly from the Company; (ii) any acquisition by the Company; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (c) below;

(b) the individuals who, as of the date hereof, constitute the board of directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the board of directors. Any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board as of the date hereof, but any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board will not be deemed a member of the Incumbent Board as of the date hereof;

(c) the consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), unless following such Business Combination: (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation

resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or,

(d) the approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

4.6 Compensation Review. The compensation of the Executive will be reviewed not less frequently than annually by the board of directors of the Company.

5. Term. The employment relationship evidenced by this Agreement is an "at will" employment relationship and the Company reserves the right to terminate the Executive at any time with or without cause. In the absence of such termination, this Agreement will extend for a term of three (3) years commencing on April 1, 2003, and ending on June 30, 2006 (the "Expiration Date").

6. Termination. This Agreement will continue in effect until the expiration of the term stated at paragraph 5 of this Agreement unless earlier terminated pursuant to this paragraph 6.

6.1 Termination by Company. The Company will have the following rights to terminate this Agreement:

6.1.1 Termination without Cause. The Company may terminate this Agreement without cause at any time by the service of written notice of termination to the Executive specifying an effective date of such termination not sooner than sixty (60) business days after the date of such notice (the "Termination Date"). In the event the Executive is terminated without cause, or the Company elects not to renew this Agreement, the Executive will receive as termination compensation: (a) Base Salary for a period of ninety (90) days; (b) any benefits payable by operation of paragraph 4.4 of this Agreement; and (c) any vacation pay accrued through the Termination Date. The right to the foregoing termination compensation under clause (a) above: (i) is subject to the Executive's execution of the Company's standard termination agreement releasing all legally waivable claims against the Company and the Executive's compliance with each of the provisions of this Agreement; and (ii) will be reduced by the number of days remaining in the one year period after any change of control payment under paragraph 4.5 of this Agreement.

6.1.2 Termination for Cause. The Company may terminate this Agreement for cause if the Executive: (a) misappropriates the property of the Company or commits any other act of dishonesty; (b) engages in personal misconduct which materially injures the Company; (c) willfully violates any law or regulation relating to the business of the Company which results in injury to the Company;

or (d) willfully and repeatedly fails to perform the Executive's duties hereunder. In the event this Agreement is terminated for cause, the Company will not have any obligation to provide any further payments or benefits to the Executive after the Termination Date.

6.2 Termination by Executive. The Executive may voluntarily terminate this Agreement with or without cause by the service of written notice of such termination to the Company specifying a Termination Date no sooner than thirty (30) days after the date of such notice. In the event this Agreement is terminated by the Executive, neither the Company nor the Executive will have any further obligations hereunder including, without limitation, any obligation of the Company to provide any further payments or benefits to the Executive after the Termination Date.

6.3 Incapacity of Executive. If the Executive suffers from a physical or mental condition which in the reasonable judgment of the Company's management prevents the Executive in whole or in part from performing the duties specified herein for a period of three (3) consecutive months, the

Executive may be terminated. Although the termination may be deemed as a termination for cause, any compensation payable under paragraph 4 of this Agreement will be continued for ninety (90) days following the Termination Date. Notwithstanding the foregoing, the Executive's Base Salary specified in paragraph 4.1 of this Agreement will be reduced by any benefits payable under any disability plans.

6.4 Death of Executive. If the Executive dies during the term of this Agreement, the Company may thereafter terminate this Agreement without compensation to the Executive's estate except: (a) the obligation to continue the Base Salary payments under paragraph 4.1 of this Agreement for ninety (90) days following the date of the Executive's death; and (b) the benefits described in paragraph 4.4 of this Agreement accrued through the date of the Executive's death.

6.5 Effect of Termination. The termination of this Agreement will terminate all obligations of the Executive to render services on behalf of the Company from and after the Termination Date, provided that the Executive will maintain the confidentiality of all information acquired by the Executive during the term of Executive's employment in accordance with paragraph 7 of this Agreement. Except as otherwise provided in paragraph 6 of this Agreement, no accrued bonus, severance pay or other form of compensation will be payable by the Company to the Executive by reason of the termination of this Agreement. All keys, entry cards, credit cards, files, records, financial information, furniture, furnishings, equipment, supplies and other items relating to the Company in the Executive's possession will remain the property of the Company. The Executive will have the right to retain and remove all personal property and effects which are owned by the Executive and located in the offices of the Company. All such personal items will be

removed from such offices no later than two (2) days after the Termination Date, and the Company is hereby authorized to discard any items remaining and to reassign the Executive's office space after such date. Prior to the Termination Date, the Executive will render such services to the Company as might be reasonably required to provide for the orderly termination of the Executive's employment.

7. Confidentiality. The Executive recognizes that the nature of the Executive's services are such that the Executive will have access to information which constitutes trade secrets, is of a confidential nature, is of great value to the Company or is the foundation on which the business of the Company is predicated. The Executive agrees not to disclose to any person other than the Company's employees or the Company's legal counsel nor use for any purpose, other than the performance of this Agreement, any confidential information ("Confidential Information"). Confidential Information includes data or material (regardless of form) which is: (a) a trade secret; (b) provided, disclosed or delivered to Executive by the Company, any officer, director, employee, agent, attorney, accountant, consultant, or other person or entity employed by the Company in any capacity, any customer, borrower or business associate of the Company or any public authority having jurisdiction over the Company of any business activity conducted by the Company; or (c) produced, developed, obtained or prepared by or on behalf of Executive or the Company (whether or not such information was developed in the performance of this Agreement) with respect to the Company or any assets oil and gas prospects, business activities, officers, directors, employees, borrowers or customers of the foregoing. However, Confidential Information shall not include any information, data or material which at the time of disclosure or use was generally available to the public other than by a breach of this Agreement, was available to the party to whom disclosed on a non-confidential basis by disclosure or access provided by the Company or a third party, or was otherwise developed or obtained independently by the person to whom disclosed without a breach of this Agreement. On request by the Company, the Company will be entitled to the return of any Confidential Information in the possession of the Executive. The Executive also agrees that the provisions of this paragraph 7 will survive the termination, expiration or cancellation of this Agreement for a period of three (3) years. The Executive will deliver to the Company all originals and copies of the documents or materials containing Confidential Information. For purposes of paragraphs 7, 8, and 9 of this Agreement, the Company expressly includes any of the Company's affiliated corporations, partnerships or entities.

8. Noncompetition. For a period of twelve (12) months after Executive is no longer employed by the Company as a result of either the resignation by the Executive pursuant to paragraph 6.2 above or termination for cause pursuant to paragraph 6.1.2 above, the Executive will not solicit, induce, entice or attempt to entice any employee, contractor, customer, vendor or subcontractor to terminate or breach any relationship with the Company or the Company's affiliates for the Executive's own account or for the benefit of another party. The Executive further agrees that the Executive will not circumvent or attempt to circumvent the foregoing agreements by any future arrangement or through the actions of a third party.

9. Proprietary Matters. The Executive expressly understands and agrees that any and all improvements, inventions, discoveries, processes, know-how or intellectual property that

are generated or conceived by the Executive during the term of this Agreement, whether generated or conceived during the Executive's regular working hours or otherwise, will be the sole and exclusive property of the Company. Whenever requested by the Company (either during the term of this Agreement or thereafter), the Executive will assign or execute any and all applications, assignments and or other instruments and do all things which the Company deems necessary or appropriate in order to permit the Company to: (a) assign and convey or otherwise make available to the Company the sole and exclusive right, title, and interest in and to said improvements, inventions, discoveries, processes, know-how, applications, patents, copyrights, trade names or trademarks; or (b) apply for, obtain, maintain, enforce and defend patents, copyrights, trade names, or trademarks of the United States or of foreign countries for said improvements, inventions, discoveries, processes or know-how. However, the improvements, inventions, discoveries, processes or know-how generated or conceived by the Executive and referred to above (except as they may be included in the patents, copyrights or registered trade names or trademarks of the Company, or corporations, partnerships or other entities which may be affiliated with the Company) shall not be exclusive property of the Company at any time after having been disclosed or revealed or have otherwise become available to the public or to a third party on a non-confidential basis other than by a breach of this Agreement, or after they have been independently developed or discussed without a breach of this Agreement by a third party who has no obligation to the Company or its affiliates.

10. Arbitration. The parties will attempt to promptly resolve any dispute or controversy arising out of or relating to this Agreement or termination of the Executive by the Company. Any negotiations pursuant to this paragraph 10 are confidential and will be treated as compromise and settlement negotiations for all purposes. If the parties are unable to reach a settlement amicably, the dispute will be submitted to binding arbitration before a single arbitrator in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association. The arbitrator will be instructed and empowered to take reasonable steps to expedite the arbitration and the arbitrator's judgment will be final and binding upon the parties subject solely to challenge on the grounds of fraud or gross misconduct. Except for damages arising out of a breach of paragraphs 7, 8 or 9 of this Agreement, the arbitrator is not empowered to award total damages (including compensatory damages) which exceed 200% of compensatory damages and each party hereby irrevocably waives any damages in excess of that amount. The arbitration will be held in Oklahoma County, Oklahoma. Judgment upon any verdict in arbitration may be entered in any court of competent jurisdiction and the parties hereby consent to the jurisdiction of, and proper venue in, the federal and state courts located in Oklahoma County, Oklahoma. Each party will bear its own costs in connection with the arbitration and the costs of the arbitrator will be borne by the party who the arbitrator determines did not prevail in the matter. Unless otherwise expressly set forth in this Agreement, the procedures specified in this paragraph 10 will be the sole and exclusive procedures for the resolution of disputes and controversies between the parties arising out of or relating to this Agreement. Notwithstanding the foregoing, a party may seek a preliminary injunction or other provisional judicial relief if in such party's judgment such action is necessary to avoid irreparable damage or to preserve the status quo.

11. Miscellaneous. The parties further agree as follows:

11.1 Time. Time is of the essence of each provision of this Agreement.

11.2 Notices. Any notice, payment, demand or communication required or permitted to be given by any provision of this Agreement will be in writing and will be deemed to have been given when delivered personally or by telefacsimile to the party designated to receive such notice, or on the date following the day sent by overnight courier, or on the third (3rd) business day after the same is sent by certified mail, postage and charges prepaid, directed to the following address or to such other or additional addresses as any party might designate by written notice to the other party:

To the Company:	Chesapeake Energy Corporation Post Office Box 18496 Oklahoma City, OK 73154-0496 Attn: Aubrey K. McClendon
To the Executive:	Marcus C. Rowland 15000 Wilson Road Edmond, OK 73013

11.3 Assignment. Neither this Agreement nor any of the parties' rights or obligations hereunder can be transferred or assigned without the prior written consent of the other parties to this Agreement; provided, however, the Company may assign this Agreement to any wholly owned affiliate or subsidiary of the Company without Executive's consent.

11.4 Construction. If any provision of this Agreement or the application thereof to any person or circumstances is determined, to any extent, to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which the same is held invalid or unenforceable, will not be affected thereby, and each term and provision of this Agreement will be valid and enforceable to the fullest extent permitted by law. This Agreement is intended to be interpreted, construed and enforced in accordance with the laws of the State of Oklahoma and any litigation relating to this Agreement will be conducted in a court of competent jurisdiction located in Oklahoma County, Oklahoma.

11.5 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter herein contained, and no modification hereof will be effective unless made by a supplemental written agreement executed by all of the parties hereto.

11.6 Binding Effect. This Agreement will be binding on the parties and their respective successors, legal representatives and permitted assigns. In the event of a merger, consolidation, combination, dissolution or liquidation of the Company, the performance of this Agreement will be assumed by any entity which succeeds to or is transferred the business of the Company as a result

thereof, and the Executive waives the consent requirement of paragraph 11.3 to effect such assumption.

11.7 Legal Fees. If any party institutes an action or proceeding against any other party relating to the provisions of this Agreement or any default hereunder, the unsuccessful party to such action or proceeding will reimburse the successful party therein for the reasonable expenses of any legal fees incurred by the successful party, except with respect to any arbitration proceeding conducted pursuant to paragraph 10 above.

11.8 Supersession. On execution of this Agreement by the Company and the Executive, the relationship between the Company and the Executive will be bound by the terms of this Agreement and the Employment Policies Manual and not by any other agreements or otherwise. In the event of a conflict between the Employment Policies Manual and this Agreement, this Agreement will control in all respects.

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective the date first above written.

CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation

By: ______________________________

Aubrey K. McClendon, Chief Executive Officer
(the "Company")

By: ______________________________

Marcus C. Rowland, Individually
(the "Executive")

EXHIBIT 10.2.8

EMPLOYMENT AGREEMENT

between

MICHAEL A. JOHNSON

and

CHESAPEAKE ENERGY CORPORATION

Effective April 1, 2003

TABLE OF CONTENTS

		Page
1.	Employment	1
2.	Executive's Duties	1
2.1	Specific Duties	1
2.2	Supervision	1
2.3	Rules and Regulations	1
2.4	Stock Investment	2
3.	Other Activities	2
4.	Executive's Compensation	2
4.1	Base Salary	2
4.2	Bonus	2
4.3	Equity Compensation	2
4.4	Benefits	2
4.4.1	Vacation	3
4.4.2	Membership Dues	3
4.5	Change of Control Payment	3
4.6	Compensation Review	5
5.	Term	5
6.	Termination	5
6.1	Termination by Company	5
6.1.1	Termination without Cause	5
6.1.2	Termination for Cause	5
6.2	Termination by Executive	6
6.3	Incapacity of Executive	6
6.4	Death of Executive	6
6.5	Effect of Termination	6
7.	Confidentiality	7
8.	Noncompetition	7
9.	Proprietary Matters	8

TABLE OF CONTENTS (continued)

10.	Arbitration	8
11.	Miscellaneous	9
11.1	Time	9
11.2	Notices	9
11.3	Assignment	9
11.4	Construction	9
11.5	Entire Agreement	9
11.6	Binding Effect	10
11.7	Legal Fees	10
11.8	Supersession	10

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective April 1, 2003, between CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), and MICHAEL A. JOHNSON, an individual (the "Executive") and replaces and supersedes that certain Employment Agreement between Company and Executive dated July 1, 2000.

W I T N E S S E T H:

WHEREAS, the Company desires to retain the services of the Executive and the Executive desires to make the Executive's services available to the Company.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company and the Executive agree as follows:

1. Employment. The Company hereby employs the Executive and the Executive hereby accepts such employment subject to the terms and conditions contained in this Agreement. The Executive is engaged as an employee of the Company, and the Executive and the Company do not intend to create a joint venture, partnership or other relationship which might impose a fiduciary obligation on the Executive or the Company in the performance of this Agreement.

2. Executive's Duties. The Executive is employed on a full-time basis. Throughout the term of this Agreement, the Executive will use the Executive's best efforts and due diligence to assist the Company in achieving the most profitable operation of the Company and the Company's affiliated entities consistent with developing and maintaining a quality business operation.

2.1 Specific Duties. The Executive will serve as Senior Vice President and Controller for the Company. The Executive will perform all of the services required to fully and faithfully execute the office and position to which the Executive is appointed and such other services as may be reasonably requested by the Executive's supervisor. During the term of this Agreement, the Executive may be nominated for election or appointed to serve as a director or officer of the Company's subsidiaries as determined in the board of directors' sole discretion.

2.2 Supervision. The services of the Executive will be requested and directed by the Chief Financial Officer and Executive Vice President, Mr. Marcus C. Rowland, and the Chief Executive Officer, Mr. Aubrey K. McClendon.

2.3 Rules and Regulations. The Company currently has an Employment Policies Manual which sets forth the general human resources policies of the Company and addresses frequently asked questions regarding the Company. The Executive agrees to comply with the Employment Policies Manual except to the extent inconsistent with this Agreement. The

Employment Policies Manual is subject to change without notice in the sole discretion of the Company at any time.

2.4 Stock Investment. The Executive agrees to hold not less than one thousand (1,000) shares of the Company's common stock during the term of this Agreement.

3. Other Activities. Unless the Executive has obtained the prior written approval of the board of directors of the Company, the Executive will not: (a) engage in business independent of the Executive's employment by the Company; (b) serve as an officer, general partner or member in any corporation, partnership, company, or firm; (c) directly or indirectly invest in, participate in or acquire an interest in any oil and gas business, including, without limitation, (i) producing oil and gas, (ii) drilling, owning or operating oil and gas leases or wells, (iii) providing services or materials to the oil and gas industry, (iv) marketing or refining oil or gas, or (v) owning any interest in any corporation, partnership, company or entity which conducts any of the foregoing activities. The limitation in this paragraph 3 will not prohibit an investment by the Executive in publicly traded securities; or the continued direct ownership and operation of oil and gas interests and leases to the extent such interests were owned by the Executive on the Executive's first date of employment with the Company. The Executive agrees not to directly or indirectly acquire any additional oil and gas interests or increase ownership of any oil and gas interests owned by the Executive on the Executive's first date of employment with the Company.

4. Executive's Compensation. The Company agrees to compensate the Executive as follows:

4.1 Base Salary. A base salary (the "Base Salary"), at the initial annual rate of not less than Two Hundred Five Thousand Dollars ($205,000.00) will be paid to the Executive in equal semi-monthly installments beginning April 15, 2003 during the term of this Agreement.

4.2 Bonus. In addition to the Base Salary described at paragraph 4.1 of this Agreement, the Company may periodically pay bonus compensation to the Executive. Any bonus compensation will be at the absolute discretion of the Company in such amounts and at such times as the board of directors of the Company may determine.

4.3 Equity Compensation. In addition to the compensation set forth in paragraphs 4.1 and 4.2 of this Agreement, the Executive may periodically receive grants of stock options or awards from the Company's various equity compensation plans, subject to the terms and conditions thereof.

4.4 Benefits. The Company will provide the Executive such retirement benefits, reimbursement of reasonable expenditures for dues, travel and entertainment and such other benefits as are customarily provided by the Company and as are set forth in and governed by the Company's Employment Policies Manual. The Company will also provide the Executive

the opportunity to apply for coverage under the Company's medical, life and disability plans, if any. If the Executive is accepted for coverage under such plans, the Company will make such coverage available to the Executive on the same terms as is customarily provided by the Company to the plan participants as modified from time to time. The following specific benefits will also be provided to the Executive at the expense of the Company:

4.4.1 Vacation. The Executive will be entitled to take three (3) weeks of paid vacation each twelve months during the term of this Agreement. No additional compensation will be paid for failure to take vacation and no vacation may be carried forward from one twelve month period to another.

4.4.2 Membership Dues. The Company will reimburse the Executive for: (a) the monthly dues necessary to maintain a full membership in a country club in the Oklahoma City area selected by the Executive in an amount not to exceed Five Hundred Dollars ($500.00) per month; and (b) the reasonable cost of any approved business entertainment at such country club. All other costs, including, without implied limitation, any initiation costs, initial membership costs, personal use and business entertainment unrelated to the Company will be the sole obligation of the Executive and the Company will have no liability with respect to such amounts.

4.5 Change of Control Payment. If, during the term of this Agreement, there is a "Change of Control" the Executive will be entitled to a payment (in addition to any other amounts payable to the Executive under this Agreement or otherwise) in an amount equal to the Executive's then current Base Salary under paragraph 4.1 of this Agreement plus the actual bonuses paid to the Executive during the twelve (12) calendar months preceding the Change of Control under paragraph 4.2 of this Agreement or its predecessor. The right to such compensation is subject to the Executive's continued

compliance with each of the provisions of this Agreement. If the foregoing amount is not paid within thirty (30) days after a Change of Control the unpaid amount will bear interest at the per annum rate equal to twelve percent (12%). For the purpose of this Agreement, a "Change of Control" means the occurrence of any of the following:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"). For purposes of this paragraph, the following acquisitions by a Person will not constitute a

Change of Control: (i) any acquisition directly from the Company; (ii) any acquisition by the Company; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (c) below;

(b) the individuals who, as of the date hereof, constitute the board of directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the board of directors. Any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board as of the date hereof, but any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board will not be deemed a member of the Incumbent Board as of the date hereof;

(c) the consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), unless following such Business Combination: (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the

Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or,

(d) the approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

4.6 Compensation Review. The compensation of the Executive will be reviewed not less frequently than annually by the board of directors of the Company.

5. Term. The employment relationship evidenced by this Agreement is an "at will" employment relationship and the Company reserves the right to terminate the Executive at any time with or without cause. In the absence of such termination, this Agreement will extend for a term of three (3) years commencing on April 1, 2003, and ending on June 30, 2006 (the "Expiration Date").

6. Termination. This Agreement will continue in effect until the expiration of the term stated at paragraph 5 of this Agreement unless earlier terminated pursuant to this paragraph 6.

6.1 Termination by Company. The Company will have the following rights to terminate this Agreement:

6.1.1 Termination without Cause. The Company may terminate this Agreement without cause at any time by the service of written notice of termination to the Executive specifying an effective date of such termination not sooner than sixty (60) business days after the date of such notice (the "Termination Date"). In the event the Executive is terminated without cause, or the Company elects not to renew this Agreement, the Executive will receive as termination compensation: (a) Base Salary for a period of ninety (90) days; (b) any benefits payable by operation of paragraph 4.4 of this Agreement; and (c) any vacation pay accrued through the Termination Date. The right to the foregoing termination compensation under clause (a) above: (i) is subject to the Executive's execution of the Company's standard termination agreement releasing all legally waivable claims against the Company and the Executive's compliance with each of the provisions of this Agreement; and (ii) will be reduced by the number of days remaining in the one year period after any change of control payment under paragraph 4.5 of this Agreement.

6.1.2 Termination for Cause. The Company may terminate this Agreement for cause if the Executive: (a) misappropriates the property of the Company or commits any other act of dishonesty; (b) engages in personal misconduct which materially injures the Company; (c) willfully violates any law or regulation relating to the business of the Company which results in injury to the Company; or (d) willfully and repeatedly fails to perform the Executive's

duties hereunder. In the event this Agreement is terminated for cause, the Company will not have any obligation to provide any further payments or benefits to the Executive after the Termination Date.

6.2 Termination by Executive. The Executive may voluntarily terminate this Agreement with or without cause by the service of written notice of such termination to the Company specifying a Termination Date no sooner than thirty (30) days after the date of such notice. In the event this Agreement is terminated by the Executive, neither the Company nor the Executive will have any further obligations hereunder including, without limitation, any obligation of the Company to provide any further payments or benefits to the Executive after the Termination Date.

6.3 Incapacity of Executive. If the Executive suffers from a physical or mental condition which in the reasonable judgment of the Company's management prevents the Executive in whole or in part from performing the duties specified herein for a period of three (3) consecutive months, the Executive may be terminated. Although the termination may be deemed as a termination for cause, any compensation payable under paragraph 4 of

this Agreement will be continued for ninety (90) days following the Termination Date. Notwithstanding the foregoing, the Executive's Base Salary specified in paragraph 4.1 of this Agreement will be reduced by any benefits payable under any disability plans.

6.4 Death of Executive. If the Executive dies during the term of this Agreement, the Company may thereafter terminate this Agreement without compensation to the Executive's estate except: (a) the obligation to continue the Base Salary payments under paragraph 4.1 of this Agreement for ninety (90) days following the date of the Executive's death; and (b) the benefits described in paragraph 4.4 of this Agreement accrued through the date of the Executive's death.

6.5 Effect of Termination. The termination of this Agreement will terminate all obligations of the Executive to render services on behalf of the Company from and after the Termination Date, provided that the Executive will maintain the confidentiality of all information acquired by the Executive during the term of Executive's employment in accordance with paragraph 7 of this Agreement. Except as otherwise provided in paragraph 6 of this Agreement, no accrued bonus, severance pay or other form of compensation will be payable by the Company to the Executive by reason of the termination of this Agreement. All keys, entry cards, credit cards, files, records, financial information, furniture, furnishings, equipment, supplies and other items relating to the Company in the Executive's possession will remain the property of the Company. The Executive will have the right to retain and remove all personal property and effects which are owned by the Executive and located in the offices of the Company. All such personal items will be removed from such offices no later than two (2) days after the Termination

Date, and the Company is hereby authorized to discard any items remaining and to reassign the Executive's office space after such date. Prior to the Termination Date, the Executive will render such services to the Company as might be reasonably required to provide for the orderly termination of the Executive's employment.

7. Confidentiality. The Executive recognizes that the nature of the Executive's services are such that the Executive will have access to information which constitutes trade secrets, is of a confidential nature, is of great value to the Company or is the foundation on which the business of the Company is predicated. The Executive agrees not to disclose to any person other than the Company's employees or the Company's legal counsel nor use for any purpose, other than the performance of this Agreement, any confidential information ("Confidential Information"). Confidential Information includes data or material (regardless of form) which is: (a) a trade secret; (b) provided, disclosed or delivered to Executive by the Company, any officer, director, employee, agent, attorney, accountant, consultant, or other person or entity employed by the Company in any capacity, any customer, borrower or business associate of the Company or any public authority having jurisdiction over the Company of any business activity conducted by the Company; or (c) produced, developed, obtained or prepared by or on behalf of Executive or the Company (whether or not such information was developed in the performance of this Agreement) with respect to the Company or any assets oil and gas prospects, business activities, officers, directors, employees, borrowers or customers of the foregoing. However, Confidential Information shall not include any information, data or material which at the time of disclosure or use was generally available to the public other than by a breach of this Agreement, was available to the party to whom disclosed on a non-confidential basis by disclosure or access provided by the Company or a third party, or was otherwise developed or obtained independently by the person to whom disclosed without a breach of this Agreement. On request by the Company, the Company will be entitled to the return of any Confidential Information in the possession of the Executive. The Executive also agrees that the provisions of this paragraph 7 will survive the termination, expiration or cancellation of this Agreement for a period of three (3) years. The Executive will deliver to the Company all originals and copies of the documents or materials containing Confidential Information. For purposes of paragraphs 7, 8, and 9 of this Agreement, the Company expressly includes any of the Company's affiliated corporations, partnerships or entities.

8. Noncompetition. For a period of twelve (12) months after Executive is no longer employed by the Company as a result of either the resignation by the Executive pursuant to paragraph 6.2 above or termination for cause pursuant to paragraph 6.1.2 above, the Executive will not solicit, induce, entice or attempt to entice any employee, contractor, customer, vendor or subcontractor to terminate or breach any relationship with the Company or the Company's affiliates for the Executive's own account or for the benefit of another party. The Executive further agrees that the Executive will not circumvent or attempt to circumvent the foregoing agreements by any future arrangement or through the actions of a third party.

9. Proprietary Matters. The Executive expressly understands and agrees that any and all improvements, inventions, discoveries, processes, know-how or intellectual property that are generated or conceived by the Executive during the term of this Agreement, whether

generated or conceived during the Executive's regular working hours or otherwise, will be the sole and exclusive property of the Company. Whenever requested by the Company (either during the term of this Agreement or thereafter), the Executive will assign or execute any and all applications, assignments and or other instruments and do all things which the Company deems necessary or appropriate in order to permit the Company to: (a) assign and convey or otherwise make available to the Company the sole and exclusive right, title, and interest in and to said improvements, inventions, discoveries, processes, know-how, applications, patents, copyrights, trade names or trademarks; or (b) apply for, obtain, maintain, enforce and defend patents, copyrights, trade names, or trademarks of the United States or of foreign countries for said improvements, inventions, discoveries, processes or know-how. However, the improvements, inventions, discoveries, processes or know-how generated or conceived by the Executive and referred to above (except as they may be included in the patents, copyrights or registered trade names or trademarks of the Company, or corporations, partnerships or other entities which may be affiliated with the Company) shall not be exclusive property of the Company at any time after having been disclosed or revealed or have otherwise become available to the public or to a third party on a non-confidential basis other than by a breach of this Agreement, or after they have been independently developed or discussed without a breach of this Agreement by a third party who has no obligation to the Company or its affiliates.

10. Arbitration. The parties will attempt to promptly resolve any dispute or controversy arising out of or relating to this Agreement or termination of the Executive by the Company. Any negotiations pursuant to this paragraph 10 are confidential and will be treated as compromise and settlement negotiations for all purposes. If the parties are unable to reach a settlement amicably, the dispute will be submitted to binding arbitration before a single arbitrator in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association. The arbitrator will be instructed and empowered to take reasonable steps to expedite the arbitration and the arbitrator's judgment will be final and binding upon the parties subject solely to challenge on the grounds of fraud or gross misconduct. Except for damages arising out of a breach of paragraphs 7, 8 or 9 of this Agreement, the arbitrator is not empowered to award total damages (including compensatory damages) which exceed 200% of compensatory damages and each party hereby irrevocably waives any damages in excess of that amount. The arbitration will be held in Oklahoma County, Oklahoma. Judgment upon any verdict in arbitration may be entered in any court of competent jurisdiction and the parties hereby consent to the jurisdiction of, and proper venue in, the federal and state courts located in Oklahoma County, Oklahoma. Each party will bear its own costs in connection with the arbitration and the costs of the arbitrator will be borne by the party who the arbitrator determines did not prevail in the matter. Unless otherwise expressly set forth in this Agreement, the procedures specified in this paragraph 10 will be the sole and exclusive procedures for the resolution of disputes and controversies between the parties arising out of or relating to this Agreement. Notwithstanding the foregoing, a party may seek a preliminary injunction or other provisional judicial relief if in such party's judgment such action is necessary to avoid irreparable damage or to preserve the status quo.

11. Miscellaneous. The parties further agree as follows:

11.1 Time. Time is of the essence of each provision of this Agreement.

11.2 Notices. Any notice, payment, demand or communication required or permitted to be given by any provision of this Agreement will be in writing and will be deemed to have been given when delivered personally or by telefacsimile to the party designated to receive such notice, or on the date following the day sent by overnight courier, or on the third (3rd) business day after the same is sent by certified mail, postage and charges prepaid, directed to the following address or to such other or additional addresses as any party might designate by written notice to the other party:

To the Company:	Chesapeake Energy Corporation Post Office Box 18496 Oklahoma City, OK 73154-0496 Attn: Aubrey K. McClendon
To the Executive:	Michael A. Johnson 2100 Faircloud Drive Edmond, OK 73034

11.3 Assignment. Neither this Agreement nor any of the parties' rights or obligations hereunder can be transferred or assigned without the prior written consent of the other parties to this Agreement; provided, however, the Company may assign this Agreement to any wholly owned affiliate or subsidiary of the Company without Executive's consent.

11.4 Construction. If any provision of this Agreement or the application thereof to any person or circumstances is determined, to any extent, to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which the same is held invalid or unenforceable, will not be affected thereby, and each term and provision of this Agreement will be valid and enforceable to the fullest extent permitted by law. This Agreement is intended to be interpreted, construed and enforced in accordance with the laws of the State of Oklahoma and any litigation relating to this Agreement will be conducted in a court of competent jurisdiction located in Oklahoma County, Oklahoma.

11.5 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter herein contained, and no modification hereof will be effective unless made by a supplemental written agreement executed by all of the parties hereto.

11.6 Binding Effect. This Agreement will be binding on the parties and their respective successors, legal representatives and permitted assigns. In the event of a merger, consolidation, combination, dissolution or liquidation of the Company, the performance of this Agreement will be assumed by any entity which succeeds to or is transferred the business of the Company as a result thereof, and the Executive waives the consent requirement of paragraph 11.3 to effect such assumption.

11.7 Legal Fees. If any party institutes an action or proceeding against any other party relating to the provisions of this Agreement or any default hereunder, the unsuccessful party to such action or proceeding will reimburse the successful party therein for the reasonable expenses of any legal fees incurred by the successful party, except with respect to any arbitration proceeding conducted pursuant to paragraph 10 above.

11.8 Supersession. On execution of this Agreement by the Company and the Executive, the relationship between the Company and the Executive will be bound by the terms of this Agreement and the Employment Policies Manual and not by any other agreements or otherwise. In the event of a conflict between the Employment Policies Manual and this Agreement, this Agreement will control in all respects.

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective the date first above written.

CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation

By: ______________________________

Aubrey K. McClendon, Chief Executive Officer
(the "Company")

By: ______________________________

Michael A. Johnson, Individually
(the "Executive")

EXHIBIT 10.2.9

EMPLOYMENT AGREEMENT

between

MARTHA A. BURGER

and

CHESAPEAKE ENERGY CORPORATION

Effective April 1, 2003

TABLE OF CONTENTS

				Page
1.	Employment			1
2.	Executive's Duties			1
	2.1	Specific Duties		1
	2.2	Supervision		1
	2.3	Rules and Regulations		1
	2.4	Stock Investment		2
3.	Other Activities			2
4.	Executive's Compensation			2
	4.1	Base Salary		2
	4.2	Bonus		2
	4.3	Equity Compensation		2
	4.4	Benefits		2
		4.4.1	Vacation	3
		4.4.2	Membership Dues	3
	4.5	Change of Control Payment		3
	4.6	Compensation Review		5
5.	Term			5
6.	Termination			5
	6.1	Termination by Company		5
		6.1.1	Termination without Cause	5
		6.1.2	Termination for Cause	5
	6.2	Termination by Executive		6
	6.3	Incapacity of Executive		6
	6.4	Death of Executive		6
	6.5	Effect of Termination		6
7.	Confidentiality			7
8.	Noncompetition			7
9.	Proprietary Matters			8

TABLE OF CONTENTS (continued)

10.	Arbitration		8
11.	Miscellaneous		9
	11.1	Time	9
	11.2	Notices	9
	11.3	Assignment	9
	11.4	Construction	9
	11.5	Entire Agreement	9
	11.6	Binding Effect	10
	11.7	Legal Fees	10
	11.8	Supersession	10

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective April 1, 2003, between CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), and MARTHA A. BURGER, an individual (the "Executive") and replaces and supersedes that certain Employment Agreement between Company and Executive dated July 1, 2000.

W I T N E S S E T H:

WHEREAS, the Company desires to retain the services of the Executive and the Executive desires to make the Executive's services available to the Company.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company and the Executive agree as follows:

1. Employment. The Company hereby employs the Executive and the Executive hereby accepts such employment subject to the terms and conditions contained in this Agreement. The Executive is engaged as an employee of the Company, and the Executive and the Company do not intend to create a joint venture, partnership or other relationship which might impose a fiduciary obligation on the Executive or the Company in the performance of this Agreement.

2. Executive's Duties. The Executive is employed on a full-time basis. Throughout the term of this Agreement, the Executive will use the Executive's best efforts and due diligence to assist the Company in achieving the most profitable operation of the Company and the Company's affiliated entities consistent with developing and maintaining a quality business operation.

2.1 Specific Duties. The Executive will serve as Treasurer and Senior Vice President—Human Resources for the Company. The Executive will perform all of the services required to fully and faithfully execute the office and position to which the Executive is appointed and such other services as may be reasonably requested by the Executive's supervisor. During the term of this Agreement, the Executive may be nominated for election or appointed to serve as a director or officer of the Company's subsidiaries as determined in the board of directors' sole discretion.

2.2 Supervision. The services of the Executive will be requested and directed by the Chief Financial Officer and Executive Vice President, Mr. Marcus C. Rowland, and the Chief Executive Officer, Mr. Aubrey K. McClendon.

2.3 Rules and Regulations. The Company currently has an Employment Policies Manual which sets forth the general human resources policies of the Company and addresses frequently asked questions regarding the Company. The Executive agrees to comply with the Employment Policies Manual except to the extent inconsistent with this Agreement. The

Employment Policies Manual is subject to change without notice in the sole discretion of the Company at any time.

2.4 Stock Investment. The Executive agrees to hold not less than one thousand (1,000) shares of the Company's common stock during the term of this Agreement.

3. Other Activities. Unless the Executive has obtained the prior written approval of the board of directors of the Company, the Executive will not: (a) engage in business independent of the Executive's employment by the Company; (b) serve as an officer, general partner or member in any corporation, partnership, company, or firm; (c) directly or indirectly invest in, participate in or acquire an interest in any oil and gas business, including, without limitation, (i) producing oil and gas, (ii) drilling, owning or operating oil and gas leases or wells, (iii) providing services or materials to the oil and gas industry, (iv) marketing or refining oil or gas, or (v) owning any interest in any corporation, partnership, company or entity which conducts any of the foregoing activities. The limitation in this paragraph 3 will not prohibit an investment by the Executive in publicly traded securities; or the continued direct ownership and operation of oil and gas interests and leases to the extent such interests were owned by the Executive on the Executive's first date of employment with the Company. The Executive agrees not to directly or indirectly acquire any additional oil and gas interests or increase ownership of any oil and gas interests owned by the Executive on the Executive's first date of employment with the Company.

4. Executive's Compensation. The Company agrees to compensate the Executive as follows:

4.1 Base Salary. A base salary (the "Base Salary"), at the initial annual rate of not less than Two Hundred Seventy Five Thousand Dollars ($275,000.00) will be paid to the Executive in equal semi-monthly installments beginning April 15, 2003 during the term of this Agreement.

4.2 Bonus. In addition to the Base Salary described at paragraph 4.1 of this Agreement, the Company may periodically pay bonus compensation to the Executive. Any bonus compensation will be at the absolute discretion of the Company in such amounts and at such times as the board of directors of the Company may determine.

4.3 Equity Compensation. In addition to the compensation set forth in paragraphs 4.1 and 4.2 of this Agreement, the Executive may periodically receive grants of stock options or awards from the Company's various equity compensation plans, subject to the terms and conditions thereof.

4.4 Benefits. The Company will provide the Executive such retirement benefits, reimbursement of reasonable expenditures for dues, travel and entertainment and such other benefits as are customarily provided by the Company and as are set forth in and governed by the Company's Employment Policies Manual. The Company will also provide the Executive

the opportunity to apply for coverage under the Company's medical, life and disability plans, if any. If the Executive is accepted for coverage under such plans, the Company will make such coverage available to the Executive on the same terms as is customarily provided by the Company to the plan participants as modified from time to time. The following specific benefits will also be provided to the Executive at the expense of the Company:

4.4.1 Vacation. The Executive will be entitled to take three (3) weeks of paid vacation each twelve months during the term of this Agreement. No additional compensation will be paid for failure to take vacation and no vacation may be carried forward from one twelve month period to another.

4.4.2 Membership Dues. The Company will reimburse the Executive for: (a) the monthly dues necessary to maintain a full membership in a country club in the Oklahoma City area selected by the Executive in an amount not to exceed Five Hundred Dollars ($500.00) per month; and (b) the reasonable cost of any approved business entertainment at such country club. All other costs, including, without implied limitation, any initiation costs, initial membership costs, personal use and business entertainment unrelated to the Company will be the sole obligation of the Executive and the Company will have no liability with respect to such amounts.

4.5 Change of Control Payment. If, during the term of this Agreement, there is a "Change of Control" the Executive will be entitled to a payment (in addition to any other amounts payable to the Executive under this Agreement or otherwise) in an amount equal to the Executive's then current Base Salary under paragraph 4.1 of this Agreement plus the actual bonuses paid to the Executive during the twelve (12) calendar months preceding the Change of Control under paragraph 4.2 of this Agreement or its predecessor. The right to such compensation is subject to the Executive's continued compliance with each of the provisions of this Agreement. If the foregoing amount is not paid within thirty (30) days after a Change of Control the unpaid amount will bear interest at the per annum rate equal to twelve percent (12%). For the purpose of this Agreement, a "Change of Control" means the occurrence of any of the following:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the

combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"). For purposes of this paragraph, the following acquisitions by a Person will not constitute a

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Change of Control: (i) any acquisition directly from the Company; (ii) any acquisition by the Company; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (c) below;

(b) the individuals who, as of the date hereof, constitute the board of directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the board of directors. Any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board as of the date hereof, but any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board will not be deemed a member of the Incumbent Board as of the date hereof;

(c) the consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), unless following such Business Combination: (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the

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Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or,

(d) the approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

4.6 <u>Compensation Review.</u> The compensation of the Executive will be reviewed not less frequently than annually by the board of directors of the Company.

5. <u>Term.</u> The employment relationship evidenced by this Agreement is an "at will" employment relationship and the Company reserves the right to terminate the Executive at any time with or without cause. In the absence of such termination, this Agreement will extend for a term of three (3) years commencing on April 1, 2003, and ending on June 30, 2006 (the "Expiration Date").

6. <u>Termination</u>. This Agreement will continue in effect until the expiration of the term stated at paragraph 5 of this Agreement unless earlier terminated pursuant to this paragraph 6.

6.1 <u>Termination by Company</u>. The Company will have the following rights to terminate this Agreement:

6.1.1 <u>Termination without Cause</u>. The Company may terminate this Agreement without cause at any time by the service of written notice of termination to the Executive specifying an effective date of such termination not sooner than sixty (60) business days after the date of such notice (the "Termination Date"). In the event the Executive is terminated without cause, or the Company elects not to renew this Agreement, the Executive will receive as termination compensation: (a) Base Salary for a period of ninety (90) days; (b) any benefits payable by operation of paragraph 4.4 of this Agreement; and (c) any vacation pay accrued through the Termination Date. The right to the foregoing termination compensation under clause (a) above: (i) is subject to the Executive's execution of the Company's standard termination agreement releasing all legally waivable claims against the Company and the Executive's compliance with each of the provisions of this Agreement; and (ii) will be reduced by the number of days remaining in the one year period after any change of control payment under paragraph 4.5 of this Agreement.

6.1.2 <u>Termination for Cause</u>. The Company may terminate this Agreement for cause if the Executive: (a) misappropriates the property of the Company or commits any other act of dishonesty; (b) engages in personal misconduct which materially injures the Company; (c) willfully violates any law or regulation relating to the business of the Company which results in injury to the Company; or (d) willfully and repeatedly fails to perform the Executive's

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duties hereunder. In the event this Agreement is terminated for cause, the Company will not have any obligation to provide any further payments or benefits to the Executive after the Termination Date.

6.2 <u>Termination by Executive</u>. The Executive may voluntarily terminate this Agreement with or without cause by the service of written notice of such termination to the Company specifying a Termination Date no sooner than thirty (30) days after the date of such notice. In the event this Agreement is terminated by the Executive, neither the Company nor the Executive will have any further obligations hereunder including, without limitation, any obligation of the Company to provide any further payments or benefits to the Executive after the Termination Date.

6.3 <u>Incapacity of Executive</u>. If the Executive suffers from a physical or mental condition which in the reasonable judgment of the Company's management prevents the Executive in whole or in part from performing the duties specified herein for a period of three (3) consecutive months, the Executive may be terminated. Although the termination may be deemed as a termination for cause, any compensation payable under paragraph 4 of this Agreement will be continued for ninety (90) days following the Termination Date. Notwithstanding the foregoing, the Executive's Base Salary specified in paragraph 4.1 of this Agreement will be reduced by any benefits payable under any disability plans.

6.4 <u>Death of Executive</u>. If the Executive dies during the term of this Agreement, the Company may thereafter terminate this Agreement without compensation to the Executive's estate except: (a) the obligation to continue the Base Salary payments under paragraph 4.1 of this Agreement for ninety (90) days following the date of the Executive's death; and (b) the benefits described in paragraph 4.4 of this Agreement accrued through the date of the Executive's death.

6.5 Effect of Termination. The termination of this Agreement will terminate all obligations of the Executive to render services on behalf of the Company from and after the Termination Date, provided that the Executive will maintain the confidentiality of all information acquired by the Executive during the term of Executive's employment in accordance with paragraph 7 of this Agreement. Except as otherwise provided in paragraph 6 of this Agreement, no accrued bonus, severance pay or other form of compensation will be payable by the Company to the Executive by reason of the termination of this Agreement. All keys, entry cards, credit cards, files, records, financial information, furniture, furnishings, equipment, supplies and other items relating to the Company in the Executive's possession will remain the property of the Company. The Executive will have the right to retain and remove all personal property and effects which are owned by the Executive and located in the offices of the Company. All such personal items will be removed from such offices no later than two (2) days after the Termination

Date, and the Company is hereby authorized to discard any items remaining and to reassign the Executive's office space after such date. Prior to the Termination Date, the Executive will render such services to the Company as might be reasonably required to provide for the orderly termination of the Executive's employment.

7. Confidentiality. The Executive recognizes that the nature of the Executive's services are such that the Executive will have access to information which constitutes trade secrets, is of a confidential nature, is of great value to the Company or is the foundation on which the business of the Company is predicated. The Executive agrees not to disclose to any person other than the Company's employees or the Company's legal counsel nor use for any purpose, other than the performance of this Agreement, any confidential information ("Confidential Information"). Confidential Information includes data or material (regardless of form) which is: (a) a trade secret; (b) provided, disclosed or delivered to Executive by the Company, any officer, director, employee, agent, attorney, accountant, consultant, or other person or entity employed by the Company in any capacity, any customer, borrower or business associate of the Company or any public authority having jurisdiction over the Company of any business activity conducted by the Company; or (c) produced, developed, obtained or prepared by or on behalf of Executive or the Company (whether or not such information was developed in the performance of this Agreement) with respect to the Company or any assets oil and gas prospects, business activities, officers, directors, employees, borrowers or customers of the foregoing. However, Confidential Information shall not include any information, data or material which at the time of disclosure or use was generally available to the public other than by a breach of this Agreement, was available to the party to whom disclosed on a non-confidential basis by disclosure or access provided by the Company or a third party, or was otherwise developed or obtained independently by the person to whom disclosed without a breach of this Agreement. On request by the Company, the Company will be entitled to the return of any Confidential Information in the possession of the Executive. The Executive also agrees that the provisions of this paragraph 7 will survive the termination, expiration or cancellation of this Agreement for a period of three (3) years. The Executive will deliver to the Company all originals and copies of the documents or materials containing Confidential Information. For purposes of paragraphs 7, 8, and 9 of this Agreement, the Company expressly includes any of the Company's affiliated corporations, partnerships or entities.

8. Noncompetition. For a period of twelve (12) months after Executive is no longer employed by the Company as a result of either the resignation by the Executive pursuant to paragraph 6.2 above or termination for cause pursuant to paragraph 6.1.2 above, the Executive will not solicit, induce, entice or attempt to entice any employee, contractor, customer, vendor or subcontractor to terminate or breach any relationship with the Company or the Company's affiliates for the Executive's own account or for the benefit of another party. The Executive further agrees that the Executive will not circumvent or attempt to circumvent the foregoing agreements by any future arrangement or through the actions of a third party.

9. Proprietary Matters. The Executive expressly understands and agrees that any and all improvements, inventions, discoveries, processes, know-how or intellectual property that are generated or conceived by the Executive during the term of this Agreement, whether

generated or conceived during the Executive's regular working hours or otherwise, will be the sole and exclusive property of the Company. Whenever requested by the Company (either during the term of this Agreement or thereafter), the Executive will assign or execute any and all applications, assignments and or other instruments and do all things which the Company deems necessary or appropriate in order to permit the Company to: (a) assign and convey or otherwise make available to the Company the sole and exclusive right, title, and interest in and to said improvements, inventions, discoveries, processes, know-how, applications, patents, copyrights, trade names or trademarks; or (b) apply for, obtain, maintain, enforce and defend patents, copyrights, trade names, or trademarks of the United States or of foreign countries for said improvements, inventions, discoveries, processes or know-how. However, the improvements, inventions, discoveries, processes or know-how generated or conceived by the Executive and referred to above (except as they may be included in the patents, copyrights or registered trade names or trademarks of the Company, or corporations, partnerships or other entities which may be affiliated with the Company) shall not be exclusive property of the Company at any time after having been disclosed or revealed or have otherwise become available to the public or to a third party on a non-confidential basis other than by a breach of this Agreement, or after they have been independently developed or discussed without a breach of this Agreement by a third party who has no obligation to the Company or its affiliates.

10. Arbitration. The parties will attempt to promptly resolve any dispute or controversy arising out of or relating to this Agreement or termination of the Executive by the Company. Any negotiations pursuant to this paragraph 10 are confidential and will be treated as compromise and settlement negotiations for all purposes. If the parties are unable to reach a settlement amicably, the dispute will be submitted to binding arbitration before a single arbitrator in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association. The arbitrator will be instructed and empowered to take reasonable steps to expedite the arbitration and the arbitrator's judgment will be final and binding upon the parties subject solely to challenge on the grounds of fraud or gross misconduct. Except for damages arising out of a breach of paragraphs 7, 8 or 9 of this Agreement, the arbitrator is not empowered to award total damages (including compensatory damages) which exceed 200% of compensatory damages and each party hereby irrevocably waives any damages in excess of that amount. The arbitration will be held in Oklahoma County, Oklahoma. Judgment upon any verdict in arbitration may be entered in any court of competent jurisdiction and the parties hereby consent to the jurisdiction of, and proper venue in, the federal and state courts located in Oklahoma County, Oklahoma. Each party will bear its own costs in connection with the arbitration and the costs of the arbitrator will be borne by the party who the arbitrator determines did not prevail in the matter. Unless otherwise expressly set forth in this Agreement, the procedures specified in this paragraph 10 will be the sole and exclusive procedures for the resolution of disputes and controversies between the parties arising out of or relating to this Agreement. Notwithstanding the foregoing, a party may seek a preliminary injunction or other provisional judicial relief if in such party's judgment such action is necessary to avoid irreparable damage or to preserve the status quo.

11. Miscellaneous. The parties further agree as follows:

11.1 Time. Time is of the essence of each provision of this Agreement.

11.2 Notices. Any notice, payment, demand or communication required or permitted to be given by any provision of this Agreement will be in writing and will be deemed to have been given when delivered personally or by telefacsimile to the party designated to receive such notice, or on the date

following the day sent by overnight courier, or on the third (3rd) business day after the same is sent by certified mail, postage and charges prepaid, directed to the following address or to such other or additional addresses as any party might designate by written notice to the other party:

To the Company:	Chesapeake Energy Corporation Post Office Box 18496 Oklahoma City, OK 73154-0496 Attn: Aubrey K. McClendon
To the Executive:	Martha A. Burger 2608 West Country Club Drive Oklahoma City, OK 73116

11.3 Assignment. Neither this Agreement nor any of the parties' rights or obligations hereunder can be transferred or assigned without the prior written consent of the other parties to this Agreement; provided, however, the Company may assign this Agreement to any wholly owned affiliate or subsidiary of the Company without Executive's consent.

11.4 Construction. If any provision of this Agreement or the application thereof to any person or circumstances is determined, to any extent, to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which the same is held invalid or unenforceable, will not be affected thereby, and each term and provision of this Agreement will be valid and enforceable to the fullest extent permitted by law. This Agreement is intended to be interpreted, construed and enforced in accordance with the laws of the State of Oklahoma and any litigation relating to this Agreement will be conducted in a court of competent jurisdiction located in Oklahoma County, Oklahoma.

11.5 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter herein contained, and no modification hereof will be effective unless made by a supplemental written agreement executed by all of the parties hereto.

11.6 Binding Effect. This Agreement will be binding on the parties and their respective successors, legal representatives and permitted assigns. In the event of a merger, consolidation, combination, dissolution or liquidation of the Company, the performance of this Agreement will be assumed by any entity which succeeds to or is transferred the business of the Company as a result thereof, and the Executive waives the consent requirement of paragraph 11.3 to effect such assumption.

11.7 Legal Fees. If any party institutes an action or proceeding against any other party relating to the provisions of this Agreement or any default hereunder, the unsuccessful party to such action or proceeding will reimburse the successful party therein for the reasonable expenses of any legal fees incurred by the successful party, except with respect to any arbitration proceeding conducted pursuant to paragraph 10 above.

11.8 Supersession. On execution of this Agreement by the Company and the Executive, the relationship between the Company and the Executive will be bound by the terms of this Agreement and the Employment Policies Manual and not by any other agreements or otherwise. In the event of a conflict between the Employment Policies Manual and this Agreement, this Agreement will control in all respects.

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective the date first above written.

CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation

By: ______________________________

Aubrey K. McClendon, Chief Executive Officer
(the "Company")

By: ______________________________

Martha A. Burger, Individually
(the "Executive")

Exhibit 12

CHESAPEAKE ENERGY CORPORATION
RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS
(dollars in 000's)

	Year Ended Dec. 31, 1998	Year Ended Dec. 31, 1999	Year Ended Dec. 31, 2000	Year Ended Dec. 31, 2001	Year Ended Dec. 31, 2002	Three Months Ended March 31, 2003
EBITDA						
Income before income taxes and extraordinary item	(920,520)	35,030	196,162	438,365	67,140	114,711
Interest	68,249	81,052	86,256	98,321	111,280	35,027
Writedown of oil and gas property	826,000	—	—	—	—	—
Writedown of other assets	55,000	—	—	—	—	—
Risk Management Income (Loss)	—	—	—	(84,789)	88,018	(27,710)
Impairments of investments in securities	—	—	—	10,079	—	—
Gain on sale of Canada	—	—	—	(27,000)	—	—
Loss on investment in Seven Seas	—	—	—	—	17,201	—
Loss on repurchases of Chesapeake debt	—	—	—	—	2,626	—
Gothic Stand-by Credit Facility Costs	—	—	—	3,392	—	—
DD&A	154,720	102,854	108,772	181,565	235,198	80,298
EBITDA	183,449	218,936	391,190	619,933	521,463	202,326
Income before income taxes and extraordinary item	$(920,520)	$ 35,030	$ 196,162	$ 438,365	$ 67,140	$ 114,711
Interest	68,249	81,052	86,256	98,321	111,280	35,027
Amortization of capitalized interest	12,240	1,047	1,226	1,784	1,804	522
Bond discount amortization (a)	—	—	—	—	—	—
Loan cost amortization	2,516	3,338	3,669	4,022	4,962	1,618
Earnings	$(837,515)	$ 120,467	$ 287,313	$ 542,492	$ 185,186	$ 151,878
Interest expense	$ 68,249	$ 81,052	$ 86,256	$ 98,321	$ 111,280	$ 35,027
Capitalized interest	6,470	3,356	2,452	4,719	4,976	1,927
Bond discount amortization (a)	—	—	—	—	—	—
Loan cost amortization	2,516	3,338	3,669	4,022	4,962	1,618
Fixed Charges	$ 77,235	$ 87,746	$ 92,377	$ 107,062	$ 121,218	$ 38,572
Preferred Stock Dividends						
Preferred Dividend Requirements	$ 12,077	$ 16,711	$ 8,484	$ 2,050	$ 10,117	$ 3,526
Ratio of income before provision for taxes to Net Income (b)	N/A	1.05	N/A	1.66	1.67	1.61
Subtotal—Preferred Dividends	$ 12,077	$ 17,597	$ 8,484	$ 3,411	$ 16,861	$ 5,687
Combined Fixed Charges and Preferred Dividends	$ 89,312	$ 105,343	$ 100,861	$ 110,473	$ 138,079	$ 44,259
Ratio of Earnings to Fixed Charges	—	1.4	3.1	5.1	1.5	3.9
Insufficient coverage	$ 914,750	$ —	$ —	$ —	$ —	$ —
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends	—	1.1	2.8	4.9	1.3	3.4
Insufficient coverage	$ 926,827	$ —	$ —	$ —	$ —	$ —
RATIO OF EBITDA TO INT. EXP						
EBITDA	183,449	218,936	391,190	619,933	521,463	202,326
Interest expense	68,249	81,052	86,256	98,321	111,280	35,027
Ratio	2.7	2.7	4.5	6.3	4.7	5.8
RATIO OF EBITDA TO INT. EXP plus DIVIDENDS						
EBITDA	183,449	218,936	391,190	619,933	521,463	202,326
Dividends on preferred stock	12,077	16,711	8,484	2,050	10,117	3,526
Interest expense	68,249	81,052	86,256	98,321	111,280	35,027
Ratio	2.3	2.2	4.1	6.2	4.3	5.2
Financial Results—Non Guarantors						
Income from Continuing Ops.	(5,964)	5,565	5,189	3,440	1,412	(64)
Interest	382	96	35	2	10	—
Writedown of oil and gas properties	8,000	—	—	—	—	—
DD&A	126	475	181	80	1,820	525
EBITDA	2,544	6,136	5,405	3,522	3,242	461
PRO FORMA FINANCIAL DATA—ratio of ebitda to interest expense (Restr. Subs. Only)						
EBITDA	180,905	212,800	385,785	616,411	518,221	201,865
Interest expense—actual	67,867	80,956	86,221	98,319	111,270	35,027
Interest expense—new issue				—	—	—
Ratio	2.7	2.6	4.5	6.3	4.7	5.8
PRO FORMA FINANCIAL DATA—ratio of ebitda to interest expense and dividends (Restr. Subs. Only)						
EBITDA	180,905	212,800	385,785	616,411	518,221	201,865
Interest expense—actual	67,867	80,956	86,221	98,319	111,270	35,027
Interest expense—new issue						
Preferred Stock Dividend	12,077	16,711	8,484	2,050	10,117	3,526
Total interest expense and preferred stock div	79,944	97,667	94,705	100,369	121,387	38,553
Ratio	2.3	2.2	4.1	6.1	4.3	5.2

(a) Bond discount excluded since its included in interest expense

(b) Represents income (loss) before income taxes and extraordinary item divided by income (loss) before extraordinary item, which adjusts dividends on preferred stock to a pre-tax basis.

SUBSIDIARIES OF CHESAPEAKE ENERGY CORPORATION

Corporations

Chesapeake Delta Corp.
Chesapeake Energy Louisiana Corporation
Chesapeake Energy Marketing, Inc.
Chesapeake EP Corporation
Chesapeake Operating, Inc.
Nomac Drilling Corporation

Limited Liability Companies

The Ames Company, L.L.C.
Carmen Acquisition, L.L.C.
Chesapeake Acquisition, L.L.C.
Chesapeake ENO Acquisition, L.L.C.
Chesapeake Focus, L.L.C.
Chesapeake KNAN Acquisition, L.L.C.
Chesapeake Mountain Front, L.L.C.
Chesapeake ORC, L.L.C.
Chesapeake Royalty, L.L.C.
Gothic Energy, L.L.C.
Gothic Production, L.L.C.
MC Mineral Company, L.L.C.
Sap Acquisition, L.L.C.

Partnerships

Chesapeake Exploration Limited Partnership
Chesapeake Louisiana, L.P.
Chesapeake Panhandle Limited Partnership
Chesapeake Sigma, L.P.
Chesapeake-Staghorn Acquisition L.P.

Exhibit 99.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Chesapeake Energy Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Aubrey K. McClendon, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ AUBREY K. MCCLENDON
Aubrey K. McClendon
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2003

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Chesapeake Energy Corporation (the "Company") on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marcus C. Rowland, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARCUS C. ROWLAND
Marcus C. Rowland
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: May 15, 2003

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.