

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

CANAAN ENERGY CORPORATION  
(Name of Issuer)

COMMON STOCK, \$.01 PAR VALUE  
(Title of Class of Securities)

134743 10 3  
(CUSIP Number)

JAMES M. PRINCE  
VINSON & ELKINS L.L.P.  
2300 FIRST CITY TOWER  
1001 FANNIN STREET  
HOUSTON, TEXAS 77002-6760  
PHONE: 713-758-3710

(Name, Address and Telephone Number of Person Authorized to  
Receive Notices and Communications)

DECEMBER 3, 2001  
(Date of Event Which Requires the Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Sections 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. [ ]

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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1. Name of Reporting Person Chesapeake Energy Corporation  
 I. R. S. Identification Nos. of Above Persons 73-1395733

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2. Check the Appropriate Box if a Member of a Group (See Instructions) (a) [ ]  
 (b) [ ]

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3. SEC Use Only

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4. Source of Funds (See Instructions): WC

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5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d)  
 or 2(e) [ ]

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6. Citizenship or Place of Organization: Oklahoma

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Number of	7. Sole Voting Power	333,149
Shares		
Beneficially	8. Shared Voting Power	0
Owned by Each		
Reporting	9. Sole Dispositive Power	333,149
Person		
With:	10. Shared Dispositive Power	0

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11. Aggregate Amount Beneficially Owned by Each Reporting Person 333,149

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12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares [ ]  
 (See Instructions)

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13. Percent of Class Represented by Amount in Row (11) 7.65%

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14. Type of Reporting Person (See Instructions) CO

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ITEM 1. SECURITY AND ISSUER

The class of equity securities to which this Schedule 13D relates is the Common Stock, \$.01 par value per share (the "Common Stock"), of Canaan Energy Corporation, an Oklahoma corporation ("Canaan"). The principal executive offices of Canaan are located at 211 North Robinson, Suite N1000, Oklahoma City, Oklahoma 73102.

ITEM 2. IDENTITY AND BACKGROUND

This Schedule 13D is being filed by Chesapeake Energy Corporation ("Chesapeake"), an Oklahoma corporation. Chesapeake's principal office is located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118. Chesapeake is engaged in the acquisition, ownership, development and operation of oil and gas assets with a primary emphasis on the Mid-Continent area of the United States. The executive officers and directors of Chesapeake are set forth below.

Aubrey K. McClendon  
Chairman of the Board and Chief Executive Officer  
6100 North Western Avenue  
Oklahoma City, Oklahoma 73118

Tom L. Ward  
Director, Chief Operating Officer and President  
6100 North Western Avenue  
Oklahoma City, Oklahoma 73118

Marcus C. Rowland  
Chief Financial Officer and Executive Vice President  
6100 North Western Avenue  
Oklahoma City, Oklahoma 73118

Martha A. Burger  
Treasurer and Senior Vice President  
6100 North Western Avenue  
Oklahoma City, Oklahoma 73118

Michael A. Johnson  
Senior Vice President - Accounting  
6100 North Western Avenue  
Oklahoma City, Oklahoma 73118

Edgar F. Heizer, Jr.  
Director  
c/o Chesapeake Energy Corporation  
6100 North Western Avenue  
Oklahoma City, Oklahoma 73118

Breene M. Kerr  
Director  
c/o Chesapeake Energy Corporation  
6100 North Western Avenue  
Oklahoma City, Oklahoma 73118

Shannon Self  
Director  
c/o Chesapeake Energy Corporation  
6100 North Western Avenue  
Oklahoma City, Oklahoma 73118

Frederick B. Whittemore  
Director  
c/o Chesapeake Energy Corporation  
6100 North Western Avenue  
Oklahoma City, Oklahoma 73118

Chesapeake and each of the listed individuals have not, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) and have not been or become subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws. Each individual is a United States citizen.

#### ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

The consideration for the 333,149 shares of Common Stock acquired or to be acquired by Chesapeake is \$12.00 per share, or \$3,997,788 in the aggregate. The purchase price for the prior purchase was payable in cash and the purchase price under the Purchase Agreements (as defined in Item 5) will be payable in cash. In each case the payment was or will be funded from Chesapeake's cash on hand. Each of the purchase transactions are described in Item 5.

#### ITEM 4. PURPOSE OF TRANSACTION

The purpose of acquiring the Common Stock is to acquire a significant equity position in Canaan. Chesapeake may seek a business combination or other transaction with Canaan or Canaan's shareholders for the purpose of acquiring control of Canaan or ownership of all of the outstanding Common Stock.

In early 2001 Chesapeake had preliminary informal discussions and exchanged correspondence with Canaan's management regarding a possible combination with Chesapeake. On May 23, 2001, Chesapeake forwarded to Canaan's management a written proposal for Chesapeake to acquire Canaan at a substantial premium to the then market price. After retaining a financial advisor, Canaan's management and board of directors rejected Chesapeake's proposal and refused to negotiate with Chesapeake.

In September 2001, Chesapeake and several Canaan shareholders with substantial expertise in the oil and gas industry engaged in informal discussions regarding a proposed purchase by Chesapeake of Common Stock owned by each of such shareholders. On or about October 29,

2001, one shareholder sold to Chesapeake in a private transaction 111,918 shares of Common Stock for cash consideration of \$12.00 per share, which represented a total purchase price of \$1,343,016.

On or about November 19, 2001, Chesapeake and three other Canaan shareholders entered into three separate stock purchase agreements for the purchase by Chesapeake in private transactions of an aggregate 560,169 shares of Common Stock for cash consideration of \$12.00 per share, which represented a total purchase price for all three transactions of \$6,722,028. The foregoing shares were subject to a right of first refusal in favor of Canaan pursuant to that certain Shareholder's Agreement executed in 2000 among Canaan, Leo E. Woodard, John Penton, Michael S. Mewbourn, Thomas H. Henson, Dunning Family Limited Partnership, Larry D. Hartzog, Michael C. Black, as Trustee of the Michael C. Black Revocable Trust and Anthony Lasuzzo (the "Shareholder's Agreement"). Canaan exercised the right of first refusal to purchase all 560,169 shares of Common Stock to be purchased by Chesapeake and announced the purchase on November 27, 2001, when the Common Stock was trading at \$7.60 per share.

On December 3, 2001, Chesapeake offered to purchase the remaining shares that are purportedly subject to the Shareholder's Agreement and held by two of the shareholders with whom Chesapeake had been conducting discussions. After Canaan's election not to exercise the right of first refusal under the Shareholder's Agreement, Chesapeake entered into definitive purchase agreements to purchase 221,231 shares of Common Stock for cash consideration of \$12.00 per share. Chesapeake expects to close on 131,000 of such shares of Common Stock on or about December 20, 2001, and expects to close on the remaining shares on or about January 3, 2002. The closing of each of the purchase transactions is subject to satisfaction of closing conditions in the purchase agreements.

Chesapeake continues to believe that a combination of the two companies would be in the best interest of the shareholders of Canaan by providing liquidity to Canaan's shareholders at a premium to the market price of the Common Stock. Based on the foregoing, Chesapeake has retained or will retain legal and financial advisors to assist in reviewing and evaluating Chesapeake's strategic alternatives with respect to Canaan. The possible strategic alternatives may include: (a) proposing or seeking to acquire control of Canaan, which may include seeking proxies to elect a majority of Canaan's board of directors; (b) proposing or seeking a corporate transaction with Canaan such as a business combination, an acquisition or merger; (c) making further acquisitions of some or all of the outstanding shares of Common Stock, either in negotiated acquisitions or by commencement of a tender offer; (d) proposing changes in Canaan's certificates of incorporation or bylaws at shareholders' meetings of Canaan that may be supportive of a transaction between Canaan and Chesapeake; (e) effecting any other transaction or matter that would constitute or result in any of the transactions, matters or effects enumerated in Item 4 (a)-(j) of Schedule 13D; or (f) discussions with other shareholders of Canaan regarding any or all of the foregoing. Members of Chesapeake management intend to contact members of Canaan's senior management for the purpose of discussing a possible business combination of Chesapeake and Canaan.

#### ITEM 5. INTEREST IN SECURITIES OF THE ISSUER

(a) Chesapeake beneficially owns 333,149 shares of Common Stock. Those shares represent 7.65% of the outstanding shares of Common Stock based on the 4,913,815 shares

outstanding as of November 13, 2001 (reported in Canaan's quarterly report for the quarter ended September 30, 2001, filed with the Securities and Exchange Commission on November 13, 2001) less the 560,169 shares of Common Stock which were reportedly purchased by Canaan after such date. If the number of outstanding shares of Common Stock is not adjusted for the subsequent purchases by Canaan, Chesapeake's beneficial ownership is 6.78% of the outstanding shares of Common Stock. Of the 333,149 shares beneficially owned, Chesapeake has the right and the obligation to acquire: (i) 90,231 shares of Common Stock pursuant to the Stock Purchase Agreement (the "Hartzog Purchase Agreement") dated effective December 12, 2001, between Chesapeake and Larry D. Hartzog ("Hartzog"); and (ii) 131,000 shares of Common Stock pursuant to the Stock Purchase Agreement (the "Cibola Purchase Agreement") dated December 12, 2001, between Chesapeake and Cibola Corporation. The Hartzog Purchase Agreement and the Cibola Purchase Agreement (collectively, the Purchase Agreements) are subject to satisfaction of customary closing conditions.

(b) Chesapeake has sole power to vote or direct the vote and sole power to dispose or direct the disposition of the 111,918 shares of Common Stock it presently holds. With respect to the 221,231 shares of Common Stock it has the right and the obligation to acquire under the Purchase Agreements, Chesapeake will have sole power to vote or direct the vote and sole power to dispose or direct the disposition of such shares after consummation of the Purchase Agreements. Prior to the consummation of the Purchase Agreements, Hartzog and Cibola will have the sole power to vote or direct the vote of the 90,231 and 131,000 shares of Common Stock covered by their respective Purchase Agreements.

(c) Chesapeake purchased 111,918 shares of Common Stock on or about October 29, 2001, in a private transaction. The purchase price was \$12.00 per share, which was paid out of Chesapeake's available cash.

(d) No person other than Chesapeake has the right to receive or the power to direct the receipt of dividends or the proceeds of sale with respect to the 111,918 shares of Common Stock Chesapeake presently holds. Hartzog and Cibola have the right to receive dividends on the shares of Common Stock covered by the Purchase Agreements prior to the execution of the Purchase Agreements and Chesapeake has the right to receive such dividends after the execution of the Purchase Agreements unless the purchases under the Purchase Agreements are not consummated. Hartzog and Cibola have the right to receive the proceeds from the sale of Common Stock to Chesapeake pursuant to their respective Purchase Agreements. No other person has the power to receive or the power to direct the receipt of proceeds from the sale of the 333,149 shares of Common Stock reported in this Schedule 13D.

(e) Not applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER

Chesapeake has the right to acquire: (a) an aggregate of 90,231 shares of Common Stock pursuant to the Hartzog Purchase Agreement filed herewith as Exhibit "1" to this Schedule 13D, which is incorporated by this reference; and (b) the right to acquire 131,000 shares of Common Stock pursuant to the Cibola Purchase Agreement filed herewith as Exhibit "2" to this Schedule 13D, incorporated by this reference. Chesapeake may terminate either Purchase Agreement if it determines that the representations and warranties of the Seller under the Purchase Agreement

are untrue as of the closing date. There are no other contracts, arrangements, understandings or relationships between Chesapeake and any person with respect to the securities of Canaan.

Based on the advice of counsel, Chesapeake believes that: (a) the shares of Common Stock to be acquired by Chesapeake pursuant to the Purchase Agreements will not continue to be subject to the Shareholder's Agreement after such acquisitions; and (b) Chesapeake will not be bound by any of the restrictions or obligations under the Shareholder's Agreement as a result of such purchases. However, Canaan may assert that Chesapeake's purchase of shares of Common Stock pursuant to the Purchase Agreements may subject such shares of Common Stock or Chesapeake, or both, to the provisions of the Shareholder's Agreement. Accordingly, a copy of the Shareholder's Agreement is incorporated in this Schedule 13D as Exhibit "3" hereto.

ITEM NO. 7. MATERIAL TO BE FILED AS EXHIBITS

The following agreements are filed as exhibits:

1. Stock Purchase Agreement dated December 12, 2001 between Chesapeake Energy Corporation and Larry D. Hartzog.
2. Stock Purchase Agreement dated December 12, 2001 between Chesapeake Energy Corporation and Cibola Corporation.
3. Shareholder's Agreement dated \_\_\_\_\_, 2000, among Canaan, Leo E. Woodard, John Penton, Michael S. Mewbourn, Thomas H. Henson, Dunning Family Limited Partnership, Larry D. Hartzog, Michael C. Black, as Trustee of the Michael C. Black Revocable Trust and Anthony Lasuzzo is filed as Exhibit 10.4 to the S-4 filed by Canaan Energy Corporation on February 14, 2000, and is incorporated herein by this reference.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Aubrey K. McClendon

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Name: Aubrey K. McClendon  
Title: Chairman and Chief Executive Officer

Date: December 13, 2001

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
1.	Stock Purchase Agreement dated December 12, 2001 between Chesapeake Energy Corporation and Larry D. Hartzog.
2.	Stock Purchase Agreement dated December 12, 2001 between Chesapeake Energy Corporation and Cibola Corporation.
3.	Shareholder's Agreement dated _____, 2000, among Canaan, Leo E. Woodard, John Penton, Michael S. Mewbourn, Thomas H. Henson, Dunning Family Limited Partnership, Larry D. Hartzog, Michael C. Black, as Trustee of the Michael C. Black Revocable Trust and Anthony Lasuzzo is filed as Exhibit 10.4 to the S-4 filed by Canaan Energy Corporation on February 14, 2000, and is incorporated herein by this reference.



## STOCK PURCHASE AGREEMENT

THIS AGREEMENT is entered into effective the 12th day of December, 2001, between LARRY D. HARTZOG, an individual (the "Seller"), and CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Buyer").

## BACKGROUND:

A. The Seller owns Ninety Thousand Two Hundred Thirty-One (90,231) shares of common stock, par value \$.01 (the "Common Stock"), of Canaan Energy Corporation, an Oklahoma corporation (the "Corporation").

B. The Buyer desires to acquire and the Seller desires to sell to the Buyer the Ninety Thousand Two Hundred Thirty-One (90,231) shares of Common Stock owned by the Seller together with all distributions with respect to such shares of Common Stock having a record date or received after the date of this Agreement (collectively, the "Shares") on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Sale Agreement. Subject to the terms and conditions of this Agreement, the Buyer agrees to purchase and the Seller agrees to sell the Shares. On the Closing Date (as hereafter defined) absolute ownership of the Shares will be transferred to the Buyer free and clear of all liens, claims and encumbrances other than restrictions that are imposed under applicable federal and state securities laws or reflected by legends on the certificates evidencing the Shares as permitted under paragraph 4 of this Agreement.

2. Purchase Price. On the Closing Date, in consideration for the sale of the Shares to the Buyer, the Buyer will pay in immediately available funds an amount equal to Twelve Dollars (\$12.00) multiplied by the number of Shares (the "Purchase Price"). The Purchase Price is equal to One Million Eighty-Two Thousand Seven Hundred Seventy-Two Dollars (\$1,082,772.00).

3. Representations and Warranties. As an inducement to the Buyer to enter into this Agreement, the Seller represents and warrants to the Buyer that as of the execution of this Agreement and the Closing Date (as hereafter defined):

3.1 Ownership of Shares. The Seller has and will have good and valid title to the Shares free and clear of all liens, encumbrances, charges, equities, proxies, voting trusts, restrictions, agreements, rights of first refusal and imperfections of title other than those items listed at Schedule "3.1" attached as a part hereof. No person or entity other than the Buyer or a person claiming by, through or under the Buyer will have after the Closing Date: (a) any interest in the Shares, either of record or beneficially; (b) the right to own, vote or possess the Shares; or (c) the right to rescind, revoke, disaffirm, terminate or invalidate this Agreement or the conveyance of the Shares.

The Seller has taken all actions necessary under the Shareholder's Agreement (as defined on Schedule "3.1" of this Agreement) to convey the Shares to the Buyer and to satisfy any right of first refusal in favor of the Corporation. The Corporation declined to acquire the Shares in accordance with the Shareholder's Agreement.

- 3.2 No Assumption of Obligations. Except as set forth in Schedule "3.2" attached as a part hereof, the execution and consummation of this Agreement by the Buyer will not obligate the Buyer with respect to (or result in the assumption by the Buyer of) any obligation of the Seller under or with respect to any liability, agreement or commitment relating to the Shares, including, without limitation, any shareholder agreement or similar agreement relating to the Shares or regulating the business, affairs, properties or finances of the Corporation.
- 3.3 Consents and Approvals. Except as disclosed in Schedule "3.3" attached as a part hereof, the execution, delivery, performance and consummation of this Agreement does not and will not: (a) violate, conflict with or constitute a default or an event that, with notice or lapse of time or both, would be a default, breach or violation under any term or provision of any instrument, agreement, contract, commitment, license, promissory note, conditional sales contract, indenture, mortgage, deed of trust, trust agreement, lease, formation document or other agreement, instrument or arrangement to which the Seller is a party or is bound; (b) violate, conflict with or constitute a breach of any statute, regulation or judicial or administrative order, award, judgment or decree to which the Seller is a party or is bound; or (c) result in the creation, imposition or continuation of any adverse claim or interest, or any lien, encumbrance, charge, equity or restriction of any nature whatsoever, on or affecting the Seller or the Shares.
- 3.4 Litigation. Except as listed in Schedule "3.4" attached as a part hereof, there is no: (1) action, suit or proceeding relating to the Shares or the Seller's interest in the Shares pending or threatened in writing; or (2) proceeding, investigation, charge, audit or inquiry threatened in writing or pending before or by any federal, state, municipal or other governmental court, department, commission, board, bureau, agency or instrumentality which might result in an adverse effect on title to the Shares or the Seller's interest in the Shares.
- 3.5 Authority. The Seller has taken all necessary action to authorize the execution, delivery and performance of this Agreement and has adequate power, authority and legal right to enter into, execute, deliver and perform this Agreement and to consummate the transaction contemplated hereby. This Agreement is legal, valid and binding with respect to the Seller and is enforceable in accordance with its terms. On execution, delivery and performance of this Agreement in accordance with the terms of this Agreement, the Buyer will receive ownership of one hundred percent (100%) of the Shares free of all claims, liens, encumbrances, obligations and liabilities of any kind. The foregoing expressly: (1) excludes restrictions that are imposed under applicable federal and state securities laws or reflected by legends on the certificates evidencing the Shares, the provisions of the Corporation's Certificate of Incorporation

or the provisions of the Corporation's bylaws; and (2) includes, without limitation, the right of any person to rescind, revoke, disaffirm, terminate or invalidate this Agreement or the conveyance of the Shares.

3.6 Exclusion. The Buyer has not made any representation or warranty to the Seller other than those made expressly in paragraph 10 of this Agreement in favor of the Seller. Without limiting the generality of the foregoing the Buyer has not made to the Seller any representation or warranty with respect to the operation, future revenue, expenses or success of the Corporation, financial condition or other matter regarding the Corporation.

4. Conditions. On or before the date the Closing Date, the Buyer will conduct such investigation and inspection with respect to the Seller's title to the Shares as the Buyer deems appropriate. If the Reissued Certificate (as hereafter defined) cannot be issued within a reasonable period of time after the Closing Date as a result of the following or if the Buyer determines that (1) the certificates evidencing the Shares contain a legend other than as set forth in Schedule "4" attached as a part hereof or (2) any of the Seller's representations and warranties under this Agreement are untrue as of such date, then the Buyer will have the option to terminate this Agreement by written notice to the Seller or to provide written notice to the Seller setting forth the Buyer's objections. If the Seller is unable to satisfy the Buyer's objections, the Buyer will have the option to waive such objections or to terminate this Agreement by written notice to the Seller and direct the Escrow Agent (as hereafter defined) to return the Seller Closing Documents to the Seller and return the Buyer Closing Documents to the Buyer. On termination of this Agreement as provided under this paragraph 4 all parties will be released from any and all obligations under this Agreement.

5. The Closing. This Agreement will be consummated as follows:

5.1 Buyer's Deliveries. On or before January 3, 2002 (the "Closing Date"), the Buyer will deliver or cause to be delivered to Hartzog Conger Cason & Neville, as escrow agent (the "Escrow Agent"), the following items (all documents will be duly executed and acknowledged where required) (the "Buyer Closing Documents"):

5.1.1 Purchase Price. The Purchase Price for the Shares in immediately available funds; and

5.1.2 Additional Documents. Such additional documents as might be reasonably requested by the Seller to consummate this Agreement.

5.2 Seller's Deliveries. On the Closing Date, the Seller will deliver or cause to be delivered to the Escrow Agent the following items (all documents will be duly executed and acknowledged where required) (the "Seller Closing Documents"):

5.2.1 Shares. Each original stock certificate evidencing the Shares and a completed and executed stock power separate from certificate with signature guaranteed; and

5.2.2 Additional Documents. Such additional documents as might be reasonably requested by the Buyer to consummate this Agreement.

5.3 Escrow Disbursement. On the Closing Date, the parties will take the following actions:

5.3.1 Transfer. The Escrow Agent will cause the certificates evidencing the Shares and the related transfer documents to be submitted to the Corporation or the Corporation's transfer agent with instructions for: (a) transfer of the Shares to and for issuance in the name of the Buyer or the Buyer's designee; (b) the delivery of the Reissued Certificate (as hereafter defined) to the Escrow Agent; and (c) the delivery of the certificate evidencing Common Stock in excess of the Shares to the Seller. In the event that any distributions or dividends are declared or received with respect to the Shares the Seller will deliver such distribution to the Escrow Agent to be held as part of the Shares and delivered in accordance with the terms of this Agreement.

5.3.2 Distribution of Documents. On receipt by the Escrow Agent of a stock certificate evidencing the Shares in the name of the Buyer or the Buyer's designee (the "Reissued Certificate") in strict accordance with the terms of this Agreement, the Escrow Agent will: (a) deliver the Seller Closing Documents (including the Reissued Certificate) to the Buyer; and (b) deliver the Buyer Closing Documents to the Seller together with any excess Common Stock not previously returned to the Seller as provided in paragraph 5.3.1 of this Agreement. If this Agreement is terminated in accordance with paragraph 4 of this Agreement the Buyer Closing Documents and the Seller Closing Documents will be delivered in accordance therewith. All interest earned on the funds held by the Escrow Agent will be paid to the party that receives the funds representing the Purchase Price.

5.3.3 Escrow Agent Matters. The duties and obligations of the Escrow Agent will be determined solely by the express provisions of this Agreement and the Escrow Agent will not be liable except for the performance of the duties and obligations specifically set out in this Agreement. The Escrow Agent acts hereunder as a depository only, and is not responsible or liable for the sufficiency, correctness, genuineness or validity of the subject matter of the escrow, or any part thereof, or for the form or execution of the Buyer Closing Documents and the Seller Closing Documents, or for the identity or authority of any person. The Escrow Agent will not be responsible for any failure or inability of any party to this Agreement or of anyone else, to deliver cash, papers, letters or other documents to the Escrow Agent or otherwise honor any of the provisions of this Agreement. In the event the Escrow Agent becomes involved in litigation in connection with the escrow, the Seller and the Buyer jointly and severally agree to indemnify and hold the Escrow Agent harmless from all losses, costs, damages, expenses and attorney fees suffered or incurred by the Escrow Agent as a result thereof. The obligations of the

Escrow Agent under this Agreement will be performed at the office of the Escrow Agent in Oklahoma City, Oklahoma. For the services to be rendered hereunder, the Escrow Agent will be entitled to reimbursement of all out of pocket costs and expenses.

5.4 Costs. The Seller will pay the Seller's attorney fees, the Buyer will pay the Buyer's attorney fees and the Seller and the Buyer will each pay fifty percent (50%) of the Escrow Agent's costs.

5.5 Risk of Loss. Effective on the Closing Date, beneficial ownership and the risk of loss of the Shares will pass from the Seller to the Buyer subject to the rights of the Buyer under paragraph 4 of this Agreement.

6. Seller's Indemnification. The Seller agrees to pay, defend, indemnify, reimburse and hold harmless the Buyer for, from and against any loss, damage, claim, liability, debt, obligation or expense (including interest, reasonable legal fees, and expenses of litigation) incurred, suffered, paid by or resulting to the Buyer and which results from, arises out of or in connection with, is based upon, or exists by reason of: (1) any misrepresentation of facts regarding title to the Shares contained in paragraphs 3.1, 3.2, 3.3 and 3.5 of this Agreement; or (2) any breach or default in performance by the Seller of any covenant or obligation set forth in this Agreement. However, the foregoing indemnification obligation will not apply to claims based solely on matters not set forth in clauses (a) and (b) of this paragraph. In addition to the foregoing, the Seller will pay to the Buyer interest on the amount of any loss, damage, claim, liability, debt, obligation or expense the payment of which is or becomes due to the Buyer by the Seller, such interest to be at a floating rate of interest equal to the prime rate published from time to time in The Wall Street Journal. Claims for indemnification involving the payment of money by the Seller to the Buyer will be paid within ten (10) days after notification thereof. Claims for indemnification involving amounts due to third parties will be promptly paid by the Seller when due, subject to the Seller's right to contest the same in good faith.

7. Buyer's Indemnification. The Buyer agrees to pay, defend, indemnify, reimburse and hold harmless the Seller for, from and against any loss, damage, claim, liability, debt, obligation or expense (including interest, reasonable legal fees, and expenses of litigation) incurred, suffered, paid by or resulting to the Seller and which results from, arises out of or in connection with, is based upon, or exists by reason of any: (1) misrepresentation by the Buyer of the facts contained in paragraphs 10.1 or 10.2 of this Agreement; or (2) breach or default in performance by the Buyer of any covenant or obligation set forth in this Agreement. However, the foregoing indemnification obligation will not apply to claims based solely on matters not set forth in clauses (a) and (b) of this paragraph. In addition to the foregoing, the Buyer will pay to the Seller interest on the amount of any loss, damage, claim, liability, debt, obligation or expense the payment of which is or becomes due to the Seller by the Buyer, such interest to be at a floating rate of interest equal to the prime rate published from time to time in The Wall Street Journal. Claims for indemnification involving the payment of money by the Buyer to the Seller will be paid within ten (10) days after notification thereof. Claims for indemnification involving amounts due to third parties will be promptly paid by the Buyer when due, subject to the Buyer's right to contest the same in good faith.

8. Indemnification Procedures. Each claim for indemnification under paragraph 6 or 7 of this Agreement (a "Claim") will be subject to the provisions of this paragraph. Any party seeking indemnification under this Agreement will promptly notify the indemnifying party in writing of the existence of such Claim and the particulars of the Claim. The indemnifying party may at its option undertake the defense of the Claim and select counsel to defend the Claim subject to the indemnified party's reasonable approval of such counsel. Failure by a party to give prompt notice of a Claim will not affect the indemnifying party's obligations hereunder except to the extent the indemnifying party is materially prejudiced by the indemnified party's failure to provide such notice. If the indemnifying party, within thirty (30) days after notice of any such Claim, or such shorter period as is reasonably required, fails to diligently and competently assume the defense of such Claim, the indemnified party will have the right, but not the obligation, to undertake the defense, compromise or settlement of such Claim on behalf of and for the account and risk, and at the expense, of the indemnifying party. Anything in this paragraph to the contrary notwithstanding, the indemnifying party is prohibited from entering into a settlement or compromise of any action, suit or proceeding or consent to the entry of any judgment: (a) which does not include as an unconditional term thereof the delivery by the claimant or plaintiff to the indemnified party of a written release from all liability in respect of such action, suit or proceeding; or (b) for other than monetary damages to be paid by the indemnifying party without the prior written consent of the indemnified party, which consent will not be unreasonably withheld.

9. Default. If a party fails to perform any obligation contained in this Agreement, the party claiming default will serve written notice to the other party specifying the nature of such default and demanding performance. If such default has not been cured within ten (10) days after receipt of such default notice, the nondefaulting party will be entitled to exercise all remedies arising at law or in equity by reason of such default, including, without limitation, specific performance of this Agreement.

10. Buyer's Representations. The Buyer represents and warrants to the Seller as follows:

10.1 Authority. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Oklahoma and has taken all necessary action to authorize the execution, delivery and performance of this Agreement and has adequate power, authority and legal right to enter into, execute, deliver and perform this Agreement and to consummate the transaction contemplated hereby. This Agreement is legal, valid and binding with respect to the Buyer and is enforceable in accordance with its terms. The execution, delivery, performance and consummation of this Agreement does not and will not violate, conflict with or constitute a breach of any statute, regulation or judicial or administrative order, award, judgment or decree to which the Buyer is a party or is bound.

10.2 Restricted Legend. The Buyer is acquiring the Shares for investment purposes only for the Buyer's own account and not with a view to, or for resale in connection with, any distribution of such Shares within the meaning of the Securities Act of 1933, as amended (the "Securities Act"). The Shares will not be sold, transferred or otherwise disposed of by the Buyer without registration under the Securities Act and state securities laws or qualification for exemptions therefrom. The Buyer agrees that the

Corporation may place a stop transfer order with the Corporation's transfer agent, if any, with respect to any noncomplying transfer of any certificate representing any of the Shares, which stop transfer order will be removed upon compliance with the provisions hereof. The legend will consist of the following:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED IN A TRANSACTION IN WHICH RULE 145 UNDER THE SECURITIES ACT OF 1933 APPLIES AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IN COMPLIANCE WITH THE REQUIREMENTS OF RULE 145 OR PURSUANT TO A REGISTRATION STATEMENT UNDER SAID ACT OR AN EXEMPTION FROM SUCH REGISTRATION.

10.3 Exclusion. The Seller has not made to the Buyer any representation or warranty other than those made expressly in this paragraph 3 in favor of the Buyer. Without limiting the generality of the foregoing the Seller has not made to the Buyer any representation or warranty with respect to the operation, future revenue, expenses or success of the Corporation, financial condition or other matter regarding the Corporation.

11. Arbitration. Any dispute under this Agreement will be submitted to binding arbitration to be conducted in Oklahoma City, Oklahoma, in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that there will be one arbitrator selected by the Buyer, one arbitrator selected by the Seller, and a third arbitrator selected by those two arbitrators. The arbitrators will be instructed and empowered to take reasonable steps to expedite the arbitration and the arbitrators' judgment will be final and binding upon the parties subject solely to challenge on the grounds of fraud or gross misconduct. The arbitration will be held in Oklahoma County, Oklahoma. Judgment upon any verdict in arbitration may be entered in any court of competent jurisdiction. Unless otherwise expressly set forth in this Agreement, the procedures specified in this paragraph 11 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.

12. Miscellaneous. It is further agreed as follows:

12.1 Time. Time is of the essence of this Agreement.

12.2 Notices. Any notice, 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 and received 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 addresses or to such other or additional addresses as any party might designate by written notice to the other parties:

To the Buyer: Mr. Aubrey K. McClendon  
Chesapeake Energy Corporation  
6100 North Western  
Oklahoma City, Oklahoma 73118  
Telephone: (405) 848-8000  
Telefacsimile: (405) 879-9580

With a copy to: Shannon Self, Esquire  
Commercial Law Group, P.C.  
2725 Oklahoma Tower  
210 Park Avenue  
Oklahoma City, Oklahoma 73102  
Telephone: (405) 232-3001  
Telefacsimile: (405) 232-5553

To the Seller: Mr. Larry D. Hartzog  
6804 N.W. Grand Boulevard  
Oklahoma City, Oklahoma 73116  
Telephone: (405) 235-7000  
Telefacsimile: (405) 235-7329

With a copy to: Armand Paliotta, Esquire  
Hartzog Conger Cason & Neville  
1600 Bank of Oklahoma Plaza  
201 Robert S. Kerr  
Oklahoma City, Oklahoma 73102  
Telephone: (405) 235-7000  
Telefacsimile: (405) 235-7329

12.3 Representations and Warranties. The respective representations, warranties and covenants of the Seller and the Buyer contained herein or in any certificates or other documents delivered prior to or at the Closing Date will not be deemed waived or otherwise affected by any investigation made by any party hereto. Each and every representation and warranty of the Seller and the Buyer contained herein will survive the Closing Date and will not be terminated or extinguished. This paragraph 12.3 will have no effect on any other obligation of the parties hereto, whether to be performed before or after the Closing Date.

12.4 Cooperation. Prior to termination of this Agreement and at all times following the consummation of this Agreement, the parties agree to execute and deliver, or cause to be executed and delivered, such documents and do, or cause to be done, such other



acts and things as might reasonably be requested by any party to this Agreement to assure that the benefits of this Agreement are realized by the parties.

- 12.5 Choice of Law. This Agreement will be interpreted, construed and enforced in accordance with the laws of the State of Oklahoma.
- 12.6 Headings. The paragraph headings contained in this Agreement are for reference purposes only and are not intended to affect in any way the meaning or interpretation of this Agreement.
- 12.7 Entire Agreement. This Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and there are no agreements, understandings, warranties or representations except as set forth herein.
- 12.8 Assignment. It is agreed that the parties may not assign such party's rights nor delegate such party's duties under this Agreement without the express written consent of the other parties to this Agreement.
- 12.9 Amendment. Neither this Agreement, nor any of the provisions hereof can be changed, waived, discharged or terminated, except by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.
- 12.10 Severability. If any clause or provision of this Agreement is illegal, invalid or unenforceable under any present or future law, the remainder of this Agreement will not be affected thereby. It is the intention of the parties that if any such provision is held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible and to be legal, valid and enforceable.
- 12.11 Attorney Fees. If any party institutes an action or proceeding against any other party relating to the provisions of this Agreement, the party to such action or proceeding which does not prevail will reimburse the prevailing party therein for the reasonable expenses of attorney fees and disbursements incurred by the prevailing party.
- 12.12 Waiver. Waiver of performance of any obligation or term contained in this Agreement by any party, or waiver by one party of the other party's default hereunder will not operate as a waiver of performance of any other obligation or term of this Agreement or a future waiver of the same obligation or a waiver of any future default.
- 12.13 Brokerage. The Seller represents to the Buyer that the Seller has dealt with no broker in connection with the transaction contemplated hereby. The Seller agrees to indemnify and hold the Buyer harmless from any claim for brokerage commissions asserted by any other party as a result of dealings with the Seller. The Buyer represents to the Seller that the Buyer has dealt with no broker in connection with the

transaction contemplated hereby. The Buyer agrees to indemnify and hold the Seller harmless from any claim for brokerage commissions asserted by any party as a result of dealings with the Buyer.

- 12.14 Counterparts. This Agreement may be executed in multiple counterparts, each of which will be an original instrument, but all of which will constitute one agreement.
- 12.15 JOINT ACKNOWLEDGMENT. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.
- 12.16 WAIVER OF JURY TRIAL, PUNITIVE DAMAGES, ETC. EACH OF THE BUYER AND THE SELLER HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY (A) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR ASSOCIATED HERewith, (B) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES," AS DEFINED BELOW, (C) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (D) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTION CONTEMPLATED HEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS PARAGRAPH. AS USED IN THIS PARAGRAPH, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

IN WITNESS WHEREOF, the Seller and the Buyer have executed this Agreement effective as of the date first above written.

/s/ Larry D. Hartzog

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LARRY D. HARTZOG, individually

(the "Seller")

CHESAPEAKE ENERGY CORPORATION, an  
Oklahoma corporation

By /s/ Aubrey K. McClendon

-----  
Aubrey K. McClendon, Chief Executive Officer

(the "Buyer")

The undersigned Escrow Agent executes this Agreement this 13th day of December, 2001, solely for the purpose of accepting the escrow pursuant to the provisions of paragraph 5 of this Agreement and the Escrow Agent will not otherwise be bound by any of then terms or conditions hereof.

HARTZOG CONGER CASON & NEVILLE

By /s/ Armand Paliotta

-----  
Armand Paliotta, Esquire

(the "Escrow Agent")

SCHEDULE "3.1"

Ownership of Shares

1. The Shareholders Agreement dated effective \_\_\_\_\_, 2000 among Canaan Energy Corporation, Leo E. Woodard, John Penton, Michael S. Mewbourn, Thomas H. Henson, Dunning Family Limited Partnership, Larry D. Hartzog, Michael C. Black, as Trustee of the Michael C. Black Revocable Trust and Anthony Lasuzzo.

SCHEDULE "3.2"

Assumed Obligations

Any applicable provisions of the Corporation's Certificate of Incorporation or Bylaws.

SCHEDULE "3.3"

Consents and Approvals

- 1) The Shareholders Agreement dated effective \_\_\_\_\_, 2000 among Canaan Energy Corporation, Leo E. Woodard, John Penton, Michael S. Mewbourn, Thomas H. Henson, Dunning Family Limited Partnership, Larry D. Hartzog, Michael C. Black, as Trustee of the Michael C. Black Revocable Trust and Anthony Lasuzzo.
- 2) Applicable federal and states securities laws.

SCHEDULE "3.4"

Litigation

None.

SCHEDULE "4"

Legends

ANY SALE, ASSIGNMENT, TRANSFER OR OTHER DISTRIBUTION OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE IS RESTRICTED BY AND SUBJECT TO THE TERMS AND PROVISIONS OF THE SHAREHOLDER'S AGREEMENT BETWEEN CANAAN ENERGY CORPORATION AND HOLDER THEREOF AND CERTAIN OTHER PARTIES. ANY TRANSFEREE, INCLUDING A LENDER, TAKING THE COMMON STOCK REPRESENTED BY THIS CERTIFICATE AS COLLATERAL, IS SUBJECT TO ALL THE RESTRICTIONS AND DUTIES CONTAINED IN SUCH AGREEMENT. A COPY OF SUCH AGREEMENT IS ON FILE WITH THE SECRETARY OF THE COMPANY. BY ACCEPTANCE OF THIS CERTIFICATE, THE HOLDER HEREOF AGREES TO BE BOUND BY THE TERMS OF SUCH AGREEMENT.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED IN A TRANSACTION IN WHICH RULE 145 UNDER THE SECURITIES ACT OF 1933 APPLIES AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IN COMPLIANCE WITH THE REQUIREMENTS OF RULE 145 OR PURSUANT TO REGISTRATION STATEMENT UNDER SAID ACT OR AN EXEMPTION FROM SUCH REGISTRATION.



## STOCK PURCHASE AGREEMENT

THIS AGREEMENT is entered into effective the 12th day of December, 2001, between CIBOLA CORPORATION, a Wyoming corporation (the "Seller"), and CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Buyer").

## BACKGROUND:

A. The Seller owns One Hundred Thirty-One Thousand (131,000) shares of common stock, par value \$.01 (the "Common Stock"), of Canaan Energy Corporation, an Oklahoma corporation (the "Corporation").

B. The Buyer desires to acquire and the Seller desires to sell to the Buyer the One Hundred Thirty-One Thousand (131,000) shares of Common Stock owned by the Seller together with all distributions with respect to such shares of Common Stock having a record date or received after the date of this Agreement (collectively, the "Shares") on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Sale Agreement. Subject to the terms and conditions of this Agreement, the Buyer agrees to purchase and the Seller agrees to sell the Shares. On the Closing Date (as hereafter defined) absolute ownership of the Shares will be transferred to the Buyer free and clear of all liens, claims and encumbrances other than restrictions that are imposed under applicable federal and state securities laws or reflected by legends on the certificates evidencing the Shares as permitted under paragraph 4 of this Agreement.

2. Purchase Price. On the Closing Date, in consideration for the sale of the Shares to the Buyer, the Buyer will pay in immediately available funds an amount equal to Twelve Dollars (\$12.00) multiplied by the number of Shares (the "Purchase Price"). The Purchase Price is equal to One Million Five Hundred Seventy-Two Thousand Dollars (\$1,572,000.00).

3. Representations and Warranties. As an inducement to the Buyer to enter into this Agreement, the Seller represents and warrants to the Buyer that as of the execution of this Agreement and the Closing Date (as hereafter defined):

- 3.1 Ownership of Shares. The Seller has and will have good and valid title to the Shares free and clear of all liens, encumbrances, charges, equities, proxies, voting trusts, restrictions, agreements, rights of first refusal and imperfections of title other than those items listed at Schedule "3.1" attached as a part hereof. No person or entity other than the Buyer or a person claiming by, through or under the Buyer will have after the Closing Date: (a) any interest in the Shares, either of record or beneficially; (b) the right to own, vote or possess the Shares; or (c) the right to rescind, revoke,

disaffirm, terminate or invalidate this Agreement or the conveyance of the Shares. The Seller has taken all actions necessary under the Shareholder's Agreement (as defined on Schedule "3.1" of this Agreement) to convey the Shares to the Buyer and to satisfy any right of first refusal in favor of the Corporation. The Corporation declined to acquire the Shares in accordance with the Shareholder's Agreement.

- 3.2 No Assumption of Obligations. Except as set forth in Schedule "3.2" attached as a part hereof, the execution and consummation of this Agreement by the Buyer will not obligate the Buyer with respect to (or result in the assumption by the Buyer of) any obligation of the Seller under or with respect to any liability, agreement or commitment relating to the Shares, including, without limitation, any shareholder agreement or similar agreement relating to the Shares or regulating the business, affairs, properties or finances of the Corporation.
- 3.3 Consents and Approvals. Except as disclosed in Schedule "3.3" attached as a part hereof, the execution, delivery, performance and consummation of this Agreement does not and will not: (a) violate, conflict with or constitute a default or an event that, with notice or lapse of time or both, would be a default, breach or violation under any term or provision of any instrument, agreement, contract, commitment, license, promissory note, conditional sales contract, indenture, mortgage, deed of trust, trust agreement, lease, formation document or other agreement, instrument or arrangement to which the Seller is a party or is bound; (b) violate, conflict with or constitute a breach of any statute, regulation or judicial or administrative order, award, judgment or decree to which the Seller is a party or is bound; or (c) result in the creation, imposition or continuation of any adverse claim or interest, or any lien, encumbrance, charge, equity or restriction of any nature whatsoever, on or affecting the Seller or the Shares.
- 3.4 Litigation. Except as listed in Schedule "3.4" attached as a part hereof, there is no: (1) action, suit or proceeding relating to the Shares or the Seller's interest in the Shares pending or threatened in writing; or (2) proceeding, investigation, charge, audit or inquiry threatened in writing or pending before or by any federal, state, municipal or other governmental court, department, commission, board, bureau, agency or instrumentality which might result in an adverse effect on title to the Shares or the Seller's interest in the Shares.
- 3.5 Authority. The Seller is a duly formed Wyoming corporation that is in good standing, has taken all necessary action to authorize the execution, delivery and performance of this Agreement and has adequate power, authority and legal right to enter into, execute, deliver and perform this Agreement and to consummate the transaction contemplated hereby. This Agreement is legal, valid and binding with respect to the Seller and is enforceable in accordance with its terms. On execution, delivery and performance of this Agreement in accordance with the terms of this Agreement, the Buyer will receive ownership of one hundred percent (100%) of the Shares free of all claims, liens, encumbrances, obligations and liabilities of any kind. The foregoing expressly: (1) excludes restrictions that are imposed under applicable federal and state securities laws or reflected by legends on the certificates evidencing

the Shares, the provisions of the Corporation's Certificate of Incorporation or the provisions of the Corporation's bylaws; and (2) includes, without limitation, the right of any person to rescind, revoke, disaffirm, terminate or invalidate this Agreement or the conveyance of the Shares.

- 3.6 Exclusion. The Buyer has not made any representation or warranty to the Seller other than those made expressly in paragraph 10 of this Agreement in favor of the Seller. Without limiting the generality of the foregoing the Buyer has not made to the Seller any representation or warranty with respect to the operation, future revenue, expenses or success of the Corporation, financial condition or other matter regarding the Corporation.

4. Conditions. On or before the date the Closing Date, the Buyer will conduct such investigation and inspection with respect to the Seller's title to the Shares as the Buyer deems appropriate. If the Reissued Certificate (as hereafter defined) cannot be issued within a reasonable period of time after the Closing Date as a result of the following or if the Buyer determines that (1) the certificates evidencing the Shares contain a legend other than as set forth in Schedule "4" attached as a part hereof or (2) any of the Seller's representations and warranties under this Agreement are untrue as of such date, then the Buyer will have the option to terminate this Agreement by written notice to the Seller or to provide written notice to the Seller setting forth the Buyer's objections. If the Seller is unable to satisfy the Buyer's objections, the Buyer will have the option to waive such objections or to terminate this Agreement by written notice to the Seller and direct the Escrow Agent (as hereafter defined) to return the Seller Closing Documents to the Seller and return the Buyer Closing Documents to the Buyer. On termination of this Agreement as provided under this paragraph 4 all parties will be released from any and all obligations under this Agreement.

5. The Closing. This Agreement will be consummated as follows:

- 5.1 Buyer's Deliveries. On or before December 20, 2001 (the "Closing Date"), the Buyer will deliver or cause to be delivered to Hartzog Conger Cason & Neville, as escrow agent (the "Escrow Agent"), the following items (all documents will be duly executed and acknowledged where required) (the "Buyer Closing Documents"):

5.1.1 Purchase Price. The Purchase Price for the Shares in immediately available funds;

5.1.2 Evidence of Authority. Such corporate resolutions, certificates of good standing, incumbency certificates and other evidence of authority with respect to the Buyer as might be reasonably requested by the Seller; and

5.1.3 Additional Documents. Such additional documents as might be reasonably requested by the Seller to consummate this Agreement.

- 5.2 Seller's Deliveries. On or before the Closing Date, the Seller will deliver or cause to be delivered to the Escrow Agent the following items (all documents will be duly executed and acknowledged where required) (the "Seller Closing Documents"):

- 5.2.1 Shares. Each original stock certificate evidencing the Shares and a completed and executed stock power separate from certificate with signature guaranteed;
- 5.2.2 Evidence of Authority. Such corporate resolutions, certificates of good standing, incumbency certificates, corporate certificates and other evidence of authority with respect to the Seller as might be reasonably requested by the Buyer; and
- 5.2.3 Additional Documents. Such additional documents as might be reasonably requested by the Buyer to consummate this Agreement.
- 5.3 Escrow Disbursement. On the Closing Date the parties will take the following actions:
- 5.3.1 Transfer. The Escrow Agent will cause the certificates evidencing the Shares and the related transfer documents to be submitted to the Corporation or the Corporation's transfer agent with instructions for: (a) transfer of the Shares to and for issuance in the name of the Buyer or the Buyer's designee; (b) the delivery of the Reissued Certificate (as hereafter defined) to the Escrow Agent; and (c) the delivery of the certificate evidencing Common Stock in excess of the Shares to the Seller. In the event that any distributions or dividends are declared or received with respect to the Shares the Seller will deliver such distribution to the Escrow Agent to be held as part of the Shares and delivered in accordance with the terms of this Agreement.
- 5.3.2 Distribution of Documents. On receipt by the Escrow Agent of a stock certificate evidencing the Shares in the name of the Buyer or the Buyer's designee (the "Reissued Certificate") in strict accordance with the terms of this Agreement, the Escrow Agent will: (a) deliver the Seller Closing Documents (including the Reissued Certificate) to the Buyer; and (b) deliver the Buyer Closing Documents to the Seller together with any excess Common Stock not previously returned to the Seller as provided in paragraph 5.3.1 of this Agreement. If this Agreement is terminated in accordance with paragraph 4 of this Agreement the Buyer Closing Documents and the Seller Closing Documents will be delivered in accordance therewith. All interest earned on the funds held by the Escrow Agent will be paid to the party that receives the funds representing the Purchase Price.
- 5.3.3 Escrow Agent Matters. The duties and obligations of the Escrow Agent will be determined solely by the express provisions of this Agreement and the Escrow Agent will not be liable except for the performance of the duties and obligations specifically set out in this Agreement. The Escrow Agent acts hereunder as a depository only, and is not responsible or liable for the sufficiency, correctness, genuineness or validity of the subject matter of the escrow, or any part thereof, or for the form or execution of the Buyer Closing Documents and the Seller Closing Documents, or for the identity or authority

of any person. The Escrow Agent will not be responsible for any failure or inability of any party to this Agreement or of anyone else, to deliver cash, papers, letters or other documents to the Escrow Agent or otherwise honor any of the provisions of this Agreement. In the event the Escrow Agent becomes involved in litigation in connection with the escrow, the Seller and the Buyer jointly and severally agree to indemnify and hold the Escrow Agent harmless from all losses, costs, damages, expenses and attorney fees suffered or incurred by the Escrow Agent as a result thereof. The obligations of the Escrow Agent under this Agreement will be performed at the office of the Escrow Agent in Oklahoma City, Oklahoma. For the services to be rendered hereunder, the Escrow Agent will be entitled to reimbursement of all out of pocket costs and expenses.

5.4 Costs. The Seller will pay the Seller's attorney fees, the Buyer will pay the Buyer's attorney fees and the Seller and the Buyer will each pay fifty percent (50%) of the Escrow Agent's costs.

5.5 Risk of Loss. Effective on the Closing Date, beneficial ownership and the risk of loss of the Shares will pass from the Seller to the Buyer subject to the rights of the Buyer under paragraph 4 of this Agreement.

6. Seller's Indemnification. The Seller agrees to pay, defend, indemnify, reimburse and hold harmless the Buyer for, from and against any loss, damage, claim, liability, debt, obligation or expense (including interest, reasonable legal fees, and expenses of litigation) incurred, suffered, paid by or resulting to the Buyer and which results from, arises out of or in connection with, is based upon, or exists by reason of: (1) any misrepresentation of facts regarding title to the Shares contained in paragraphs 3.1, 3.2, 3.3 and 3.5 of this Agreement; or (2) any breach or default in performance by the Seller of any covenant or obligation set forth in this Agreement. However, the foregoing indemnification obligation will not apply to claims based solely on matters not set forth in clauses (a) and (b) of this paragraph. In addition to the foregoing, the Seller will pay to the Buyer interest on the amount of any loss, damage, claim, liability, debt, obligation or expense the payment of which is or becomes due to the Buyer by the Seller, such interest to be at a floating rate of interest equal to the prime rate published from time to time in The Wall Street Journal. Claims for indemnification involving the payment of money by the Seller to the Buyer will be paid within ten (10) days after notification thereof. Claims for indemnification involving amounts due to third parties will be promptly paid by the Seller when due, subject to the Seller's right to contest the same in good faith.

7. Buyer's Indemnification. The Buyer agrees to pay, defend, indemnify, reimburse and hold harmless the Seller for, from and against any loss, damage, claim, liability, debt, obligation or expense (including interest, reasonable legal fees, and expenses of litigation) incurred, suffered, paid by or resulting to the Seller and which results from, arises out of or in connection with, is based upon, or exists by reason of any: (1) misrepresentation by the Buyer of the facts contained in paragraphs 10.1 or 10.2 of this Agreement; or (2) breach or default in performance by the Buyer of any covenant or obligation set forth in this Agreement. However, the foregoing indemnification obligation will not apply to claims based solely on matters not set forth in clauses (a) and (b) of this paragraph. In addition to the foregoing, the Buyer will pay to the Seller interest on the amount of

any loss, damage, claim, liability, debt, obligation or expense the payment of which is or becomes due to the Seller by the Buyer, such interest to be at a floating rate of interest equal to the prime rate published from time to time in The Wall Street Journal. Claims for indemnification involving the payment of money by the Buyer to the Seller will be paid within ten (10) days after notification thereof. Claims for indemnification involving amounts due to third parties will be promptly paid by the Buyer when due, subject to the Buyer's right to contest the same in good faith.

8. Indemnification Procedures. Each claim for indemnification under paragraph 6 or 7 of this Agreement (a "Claim") will be subject to the provisions of this paragraph. Any party seeking indemnification under this Agreement will promptly notify the indemnifying party in writing of the existence of such Claim and the particulars of the Claim. The indemnifying party may at its option undertake the defense of the Claim and select counsel to defend the Claim subject to the indemnified party's reasonable approval of such counsel. Failure by a party to give prompt notice of a Claim will not affect the indemnifying party's obligations hereunder except to the extent the indemnifying party is materially prejudiced by the indemnified party's failure to provide such notice. If the indemnifying party, within thirty (30) days after notice of any such Claim, or such shorter period as is reasonably required, fails to diligently and competently assume the defense of such Claim, the indemnified party will have the right, but not the obligation, to undertake the defense, compromise or settlement of such Claim on behalf of and for the account and risk, and at the expense, of the indemnifying party. Anything in this paragraph to the contrary notwithstanding, the indemnifying party is prohibited from entering into a settlement or compromise of any action, suit or proceeding or consent to the entry of any judgment: (a) which does not include as an unconditional term thereof the delivery by the claimant or plaintiff to the indemnified party of a written release from all liability in respect of such action, suit or proceeding; or (b) for other than monetary damages to be paid by the indemnifying party without the prior written consent of the indemnified party, which consent will not be unreasonably withheld.

9. Default. If a party fails to perform any obligation contained in this Agreement, the party claiming default will serve written notice to the other party specifying the nature of such default and demanding performance. If such default has not been cured within ten (10) days after receipt of such default notice, the nondefaulting party will be entitled to exercise all remedies arising at law or in equity by reason of such default, including, without limitation, specific performance of this Agreement.

10. Buyer's Representations. The Buyer represents and warrants to the Seller as follows:

10.1 Authority. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Oklahoma and has taken all necessary action to authorize the execution, delivery and performance of this Agreement and has adequate power, authority and legal right to enter into, execute, deliver and perform this Agreement and to consummate the transaction contemplated hereby. This Agreement is legal, valid and binding with respect to the Buyer and is enforceable in accordance with its terms. The execution, delivery, performance and consummation of this Agreement does not and will not violate, conflict with or constitute a breach of any statute, regulation or judicial or administrative order, award, judgment or decree to which the Buyer is a party or is bound.

10.2 Restricted Legend. The Buyer is acquiring the Shares for investment purposes only for the Buyer's own account and not with a view to, or for resale in connection with, any distribution of such Shares within the meaning of the Securities Act of 1933, as amended (the "Securities Act"). The Shares will not be sold, transferred or otherwise disposed of by the Buyer without registration under the Securities Act and state securities laws or qualification for exemptions therefrom. The Buyer agrees that the Corporation may place a stop transfer order with the Corporation's transfer agent, if any, with respect to any noncomplying transfer of any certificate representing any of the Shares, which stop transfer order will be removed upon compliance with the provisions hereof. The legend will consist of the following:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED IN A TRANSACTION IN WHICH RULE 145 UNDER THE SECURITIES ACT OF 1933 APPLIES AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IN COMPLIANCE WITH THE REQUIREMENTS OF RULE 145 OR PURSUANT TO A REGISTRATION STATEMENT UNDER SAID ACT OR AN EXEMPTION FROM SUCH REGISTRATION.

10.3 Exclusion. The Seller has not made to the Buyer any representation or warranty other than those made expressly in this paragraph 3 in favor of the Buyer. Without limiting the generality of the foregoing the Seller has not made to the Buyer any representation or warranty with respect to the operation, future revenue, expenses or success of the Corporation, financial condition or other matter regarding the Corporation.

11. Arbitration. Any dispute under this Agreement will be submitted to binding arbitration to be conducted in Oklahoma City, Oklahoma, in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that there will be one arbitrator selected by the Buyer, one arbitrator selected by the Seller, and a third arbitrator selected by those two arbitrators. The arbitrators will be instructed and empowered to take reasonable steps to expedite the arbitration and the arbitrators' judgment will be final and binding upon the parties subject solely to challenge on the grounds of fraud or gross misconduct. The arbitration will be held in Oklahoma County, Oklahoma. Judgment upon any verdict in arbitration may be entered in any court of competent jurisdiction. Unless otherwise expressly set forth in this Agreement, the procedures specified in this paragraph 11 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.

12. Miscellaneous. It is further agreed as follows:

12.1 Time. Time is of the essence of this Agreement.

12.2 Notices. Any notice, 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 and received 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 addresses or to such other or additional addresses as any party might designate by written notice to the other parties:

To the Buyer: Mr. Aubrey K. McClendon  
Chesapeake Energy Corporation  
6100 North Western  
Oklahoma City, Oklahoma 73118  
Telephone: (405) 848-8000  
Telefacsimile: (405) 879-9580

With a copy to: Shannon Self, Esquire  
Commercial Law Group, P.C.  
2725 Oklahoma Tower  
210 Park Avenue  
Oklahoma City, Oklahoma 73102  
Telephone: (405) 232-3001  
Telefacsimile: (405) 232-5553

To the Seller: Mr. Michael C. Black  
Cibola Corporation  
Suite 206  
1131 13th Street  
Cody, Wyoming 82414-3648  
Telephone: (405) 516-1121  
Telefacsimile: (405) 516-1101

With a copy to: Armand Paliotta, Esquire  
Hartzog Conger Cason & Neville  
1600 Bank of Oklahoma Plaza  
201 Robert S. Kerr  
Oklahoma City, Oklahoma 73102  
Telephone: (405) 235-7000  
Telefacsimile: (405) 235-7329

12.3 Representations and Warranties. The respective representations, warranties and covenants of the Seller and the Buyer contained herein or in any certificates or other documents delivered prior to or at the Closing Date will not be deemed waived or otherwise affected by any investigation made by any party hereto. Each and every representation and warranty of the Seller and the Buyer contained herein will survive the Closing Date and will not be terminated or extinguished. This paragraph 12.3



will have no effect on any other obligation of the parties hereto, whether to be performed before or after the Closing Date.

- 12.4 Cooperation. Prior to termination of this Agreement and at all times following the consummation of this Agreement, the parties agree to execute and deliver, or cause to be executed and delivered, such documents and do, or cause to be done, such other acts and things as might reasonably be requested by any party to this Agreement to assure that the benefits of this Agreement are realized by the parties.
- 12.5 Choice of Law. This Agreement will be interpreted, construed and enforced in accordance with the laws of the State of Oklahoma.
- 12.6 Headings. The paragraph headings contained in this Agreement are for reference purposes only and are not intended to affect in any way the meaning or interpretation of this Agreement.
- 12.7 Entire Agreement. This Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and there are no agreements, understandings, warranties or representations except as set forth herein.
- 12.8 Assignment. It is agreed that the parties may not assign such party's rights nor delegate such party's duties under this Agreement without the express written consent of the other parties to this Agreement.
- 12.9 Amendment. Neither this Agreement, nor any of the provisions hereof can be changed, waived, discharged or terminated, except by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.
- 12.10 Severability. If any clause or provision of this Agreement is illegal, invalid or unenforceable under any present or future law, the remainder of this Agreement will not be affected thereby. It is the intention of the parties that if any such provision is held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible and to be legal, valid and enforceable.
- 12.11 Attorney Fees. If any party institutes an action or proceeding against any other party relating to the provisions of this Agreement, the party to such action or proceeding which does not prevail will reimburse the prevailing party therein for the reasonable expenses of attorney fees and disbursements incurred by the prevailing party.
- 12.12 Waiver. Waiver of performance of any obligation or term contained in this Agreement by any party, or waiver by one party of the other party's default hereunder will not operate as a waiver of performance of any other obligation or term of this Agreement or a future waiver of the same obligation or a waiver of any future default.

- 12.13 Brokerage. The Seller represents to the Buyer that the Seller has dealt with no broker in connection with the transaction contemplated hereby. The Seller agrees to indemnify and hold the Buyer harmless from any claim for brokerage commissions asserted by any other party as a result of dealings with the Seller. The Buyer represents to the Seller that the Buyer has dealt with no broker in connection with the transaction contemplated hereby. The Buyer agrees to indemnify and hold the Seller harmless from any claim for brokerage commissions asserted by any party as a result of dealings with the Buyer.
- 12.14 Counterparts. This Agreement may be executed in multiple counterparts, each of which will be an original instrument, but all of which will constitute one agreement.
- 12.15 JOINT ACKNOWLEDGMENT. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.
- 12.16 WAIVER OF JURY TRIAL, PUNITIVE DAMAGES, ETC. EACH OF THE BUYER AND THE SELLER HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY (A) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR ASSOCIATED HEREWITH, (B) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES," AS DEFINED BELOW, (C) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (D) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTION CONTEMPLATED HEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS PARAGRAPH. AS USED IN THIS PARAGRAPH, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

IN WITNESS WHEREOF, the Seller and the Buyer have executed this Agreement effective as of the date first above written.

CIBOLA CORPORATION, a Wyoming corporation

By /s/ Michael C. Black

-----  
Michael C. Black, President

(the "Seller")

CHESAPEAKE ENERGY CORPORATION, an  
Oklahoma corporation

By /s/ Aubrey K. McClendon

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Aubrey K. McClendon, Chief Executive Officer

(the "Buyer")

The undersigned Escrow Agent executes this Agreement this 13th day of December, 2001, solely for the purpose of accepting the escrow pursuant to the provisions of paragraph 5 of this Agreement and the Escrow Agent will not otherwise be bound by any of then terms or conditions hereof.

HARTZOG CONGER CASON & NEVILLE

By /s/ Armand Paliotta

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Armand Paliotta, Esquire

(the "Escrow Agent")

SCHEDULE "3.1"

Ownership of Shares

1. The Shareholders Agreement dated effective \_\_\_\_\_, 2000 among Canaan Energy Corporation, Leo E. Woodard, John Penton, Michael S. Mewbourn, Thomas H. Henson, Dunning Family Limited Partnership, Larry D. Hartzog, Michael C. Black, as Trustee of the Michael C. Black Revocable Trust and Anthony Lasuzzo.

SCHEDULE "3.2"

Assumed Obligations

Any applicable provisions of the Corporation's Certificate of Incorporation or Bylaws.

SCHEDULE "3.3"

Consents and Approvals

- 1) The Shareholders Agreement dated effective \_\_\_\_\_, 2000 among Canaan Energy Corporation, Leo E. Woodard, John Penton, Michael S. Mewbourn, Thomas H. Henson, Dunning Family Limited Partnership, Larry D. Hartzog, Michael C. Black, as Trustee of the Michael C. Black Revocable Trust and Anthony Lasuzzo.
- 2) Applicable federal and states securities laws.

SCHEDULE "3.4"

Litigation

None.

SCHEDULE "4"

Legends

ANY SALE, ASSIGNMENT, TRANSFER OR OTHER DISTRIBUTION OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE IS RESTRICTED BY AND SUBJECT TO THE TERMS AND PROVISIONS OF THE SHAREHOLDER'S AGREEMENT BETWEEN CANAAN ENERGY CORPORATION AND HOLDER THEREOF AND CERTAIN OTHER PARTIES. ANY TRANSFEREE, INCLUDING A LENDER, TAKING THE COMMON STOCK REPRESENTED BY THIS CERTIFICATE AS COLLATERAL, IS SUBJECT TO ALL THE RESTRICTIONS AND DUTIES CONTAINED IN SUCH AGREEMENT. A COPY OF SUCH AGREEMENT IS ON FILE WITH THE SECRETARY OF THE COMPANY. BY ACCEPTANCE OF THIS CERTIFICATE, THE HOLDER HEREOF AGREES TO BE BOUND BY THE TERMS OF SUCH AGREEMENT.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED IN A TRANSACTION IN WHICH RULE 145 UNDER THE SECURITIES ACT OF 1933 APPLIES AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IN COMPLIANCE WITH THE REQUIREMENTS OF RULE 145 OR PURSUANT TO REGISTRATION STATEMENT UNDER SAID ACT OR AN EXEMPTION FROM SUCH REGISTRATION.