AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 7, 2000
REGISTRATION NO. 333-

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

FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CHESAPEAKE ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

OKLAHOMA	1311	73-1395733
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

6100 NORTH WESTERN AVENUE, OKLAHOMA CITY, OKLAHOMA 73118
(405) 848-8000
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

AUBREY K. MCCLENDON
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER
6100 NORTH WESTERN AVENUE
OKLAHOMA CITY, OKLAHOMA 73118
(405) 848-8000
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:
CONNIE S. STAMETS
WINSTEAD SECHREST & MINICK P.C.
5400 RENAISSANCE TOWER
1201 ELM STREET
DALLAS, TEXAS 75270
(214) 745-5400

- ----------

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, par value $0.01 per share	20,000,000	(1)	$ 136,900,000	$ 36,142

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933, based on the average of the high and low prices reported on the New York Stock Exchange on June 29, 2000 of $6.845 per share.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION DATED JULY 7, 2000

PROSPECTUS
_____, 2000

CHESAPEAKE ENERGY CORPORATION

20,000,000 SHARES OF COMMON STOCK

The selling shareholders described in this prospectus may offer and sell from time to time 9,468,985 shares of common stock they received in connection with their sale of 14?% Series B Senior Secured Discount Notes due 2006 of Gothic Energy Corporation to our wholly owned subsidiary Chesapeake Energy Marketing, Inc. CEMI acquired the Discount Notes on June 27, 2000 for a combination of those shares and cash.

This prospectus also relates to shares of common stock we may issue in connection with an adjustment to be made to the purchase price paid to the selling shareholders for the Discount Notes. The adjustment will occur on _____ __, 2000 and may be settled in cash or common stock by the selling shareholders or CEMI, as the case may be. The selling shareholders will receive additional cash or shares of common stock only if the average trading price of the common stock for the 30 calendar days following the date of this prospectus is less than $5.825 per share.

Additional shares covered by this prospectus may be issued in connection with future purchases by CEMI of other Gothic Energy Corporation Discount Notes of the same series. Presently, approximately 4% of the series is not held by CEMI.

We will not receive any proceeds from the sale of shares of common stock by the selling shareholders, but we will bear all of the expenses, other than commissions or discounts of broker-dealers.

On _____, 2000, the last reported sale price of the common stock (symbol "CHK") on the New York Stock Exchange was _____.

SEE "RISK FACTORS" BEGINNING ON PAGE 3 FOR FACTORS THAT YOU SHOULD CONSIDER BEFORE BUYING SHARES OF OUR COMMON STOCK.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

TABLE OF CONTENTS

	PAGE
Forward-Looking Statements	2
The Company	3
Risk Factors	3
Use of Proceeds	7
Dividend Policy	7
Market Price of Common Stock	8
Selected Financial Data	9
Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Quantitative and Qualitative Disclosures About Market Risks	17
Business	19
Management	31
Executive Compensation	34
Certain Transactions	39
Security Ownership	41
Selling Shareholders	43
Description of the Capital Stock	44
Plan of Distribution	52
Legal Matters	53
Experts	53
Where You Can Find More Information About Us	53
Glossary	54
Index to Financial Statements	F-1

FORWARD-LOOKING STATEMENTS

This prospectus 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 include statements regarding oil and gas reserve estimates, planned capital expenditures, expected oil and gas production, the Company's financial position, business strategy and other plans and objectives for future operations, expected future expenses, realization of deferred tax assets, the proposed acquisition of Gothic Energy Corporation and the combined entity's future operations. Although we believe that the expectations reflected in these and other forward-looking statements are reasonable, we can give no assurance that our expectations will prove to have been correct. Factors that could cause actual results to differ materially from those expected by the Company, including, without limitation, factors discussed under "Risk Factors," are substantial indebtedness; impairment of asset value; need to replace reserves; substantial capital requirements; fluctuations in the prices of oil and gas; uncertainties inherent in estimating quantities of oil and gas reserves; projecting future rates of production and the timing of development expenditures; operating risks; restrictions imposed by lenders; the effects of governmental and environmental regulation; pending litigation; importance of our CEO and COO to Company operations and shareholder votes and conflicts of interest they may have; and uncertainties relating to the proposed business combination with Gothic. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus, and we undertake no obligation to update this information. You are urged to review carefully and consider the various disclosures made by us in this prospectus, in any subsequent prospectus supplement and in our other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business.

THE COMPANY

Chesapeake Energy Corporation is an independent oil and gas company engaged in the development, exploration, acquisition and production of onshore natural gas and oil reserves in the United States and Canada. We began operations in 1989 and completed our initial public offering in 1993. Our common stock trades on the New York Stock Exchange under the symbol CHK. Our principal offices are located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118 (telephone 405/848-8000 and website address of www.chkenergy.com).

At year-end 1999, we owned interests in approximately 4,700 producing oil and gas wells concentrated in three primary operating areas:

- the Mid-Continent region of Oklahoma, western Arkansas, southwestern Kansas and the Texas Panhandle;
- the Gulf Coast region consisting primarily of the Austin Chalk Trend in Texas and Louisiana and the Tuscaloosa Trend in Louisiana; and
- the Helmet area of northeastern British Columbia.

During 1999, we produced 133.5 Bcfe, making Chesapeake one of the 15 largest public independent oil and gas producers in the United States.

RECENT DEVELOPMENTS

On June 30, 2000, we entered into a letter of intent to acquire Gothic Energy Corporation (OTC Bulletin Board "GOTH") for 4.0 million shares of common stock. Upon the closing of the transaction, Gothic's shareholders will own approximately 2.7% of Chesapeake's common stock. In addition, on June 27, 2000, we purchased in a series of private transactions 96% of Gothic's $104 million of 14 1/8% Series B Senior Secured Discount Notes for consideration of $77 million, comprised of $22 million in cash and 9,468,985 shares of Chesapeake common stock (valued at $5.825 per share), subject to adjustment.

The total acquisition cost to Chesapeake will be approximately $345 million, including $235 million of Senior Secured Notes issued by Gothic's operating subsidiary. This values Gothic's 310 Bcfe of proved reserves at $1.05 per Mcfe after allocation of $20 million of the purchase price to Gothic's leasehold inventory, 3-D seismic inventory, lease operating telemetry system and other assets. Gothic's proved reserves are 96% natural gas, 78% proved developed, have an average lifting cost of less than $0.20 per Mcfe, are located exclusively in Chesapeake's core Mid-Continent operating area and are unhedged after October 2000. Based on its current production rate of 80,000 Mcfe per day (or 30 Bcfe per year), Gothic has an 11-year reserves-to-production index. Considering other announced transactions in the industry, we believe Chesapeake will be the 10th largest independent producer of natural gas in the U.S. after the transaction.

The Gothic acquisition is subject to the completion of definitive documentation, normal regulatory approvals and a Gothic shareholder vote. Completion of the transaction is expected by year-end 2000.

BUSINESS STRATEGY

From inception as a start-up in 1989 through today, our business strategy has been to aggressively build and develop one of the largest onshore natural gas resource bases in the U.S. We have executed our strategy through a combination of active drilling and acquisition programs during the past 11 years.

RISK FACTORS

Before you invest in our common stock, you should be aware that there are various risks. In addition to other information included in this prospectus and any subsequent prospectus supplement, you should carefully consider the following risk factors before you decide to purchase the common stock offered by this prospectus.

This prospectus contains statements that constitute forward-looking statements. They include statements about the intent, belief or current expectations of Chesapeake, our directors or our officers with respect to the future operating performance of Chesapeake and the proposed business combination with Gothic Energy Corporation. See "Business - Recent Developments." Prospective purchasers of our common stock are cautioned that any such forward-looking statements are not guaranties of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. Information set forth below and elsewhere in this prospectus identifies important factors that could cause such differences. See "Forward-Looking Statements."

SUBSTANTIAL DEBT LEVELS COULD AFFECT OPERATIONS

As of March 31, 2000, we had long-term indebtedness of $960.4 million (which included bank indebtedness of $40.0 million) and stockholders' equity was a deficit of $196.6 million. Our ability to meet our debt service requirements throughout the life of our senior notes and our ability to meet our preferred stock obligations will depend on our future performance, which will be subject to oil and gas prices, our production levels of oil and gas, general economic conditions, and various financial, business and other factors affecting our operations. Our level of indebtedness may have the following effects on future operations:

- a substantial portion of our cash flow from operations may be dedicated to the payment of interest on indebtedness and will not be available for other purposes,
- restrictions in our debt instruments limit our ability to borrow additional funds or to dispose of assets and may affect our flexibility in planning for, and reacting to, changes in the energy industry, and
- our ability to obtain additional capital in the future may be impaired.

THE VOLATILITY OF OIL AND GAS PRICES CREATES UNCERTAINTIES

Our revenues, operating results and future rate of growth are highly dependent on the prices we receive for our oil and gas. Historically, the markets for oil and gas have been volatile and may continue to be volatile in the future. Various factors which are beyond our control will affect prices of oil and gas. These factors include:

- worldwide and domestic supplies of oil and gas,
- weather conditions,
- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls,
- political instability or armed conflict in oil-producing regions,
- the price and level of foreign imports,
- the level of consumer demand,
- the price and availability of alternative fuels,
- the availability of pipeline capacity, and
- domestic and foreign governmental regulations and taxes.

We are unable to predict the long-term effects of these and other conditions on the prices of oil and gas. Lower oil and gas prices may reduce the amount of oil and gas we produce, which may adversely affect our revenues and operating income. Significant reductions in oil and gas prices may require us to reduce our capital expenditures. Reducing drilling will make it more difficult for us to replace the reserves we produce.

WE MUST REPLACE RESERVES TO SUSTAIN PRODUCTION

As is customary in the oil and gas exploration and production industry, our future success depends largely upon our ability to find, develop or acquire additional oil and gas reserves that are economically recoverable. Unless we replace the reserves we produce through successful development, exploration or acquisition, our proved reserves will decline over time. In addition, approximately 28% by volume, or 20% by value, of our total estimated proved reserves at December 31, 1999 were undeveloped. By their nature, undeveloped reserves are less certain. Recovery of such reserves will require significant capital expenditures and successful drilling operations. We cannot assure you that we can successfully find and produce reserves economically in the future.

SIGNIFICANT CAPITAL EXPENDITURES WILL BE REQUIRED TO EXPLOIT RESERVES

We have made and intend to make substantial capital expenditures in connection with the exploration, development and production of our oil and gas properties. Historically, we have funded our capital expenditures through a combination of internally generated funds, equity issuances and long-term debt financing arrangements and sale of non-core assets. From time to time, we have used short-term bank debt, generally as a working capital facility. Future cash flows are subject to a number of variables, such as the level of production from existing wells, prices of oil and gas, and our success in developing and producing new reserves and in selling non-core assets. If revenue were to decrease as a result of lower oil and gas prices or decreased production, and our access to capital were limited, we would have a reduced ability to replace our reserves. If our cash flow from operations is not sufficient to fund our capital expenditure budget, there can be no assurance that additional debt or equity financing will be available to meet these requirements.

WE MAY HAVE FULL-COST CEILING WRITEDOWNS IF OIL AND GAS PRICES DECLINE OR IF DRILLING RESULTS ARE UNFAVORABLE

We reported full-cost ceiling writedowns of $826 million, $110 million, and $236 million during the year ended December 31, 1998, the six-month transition period ended December 31, 1997, and the year ended June 30, 1997 , respectively. These writedowns were caused by significant declines in oil and gas prices during all three periods and by poor drilling results in fiscal 1997 and during the transition period. Additionally, significant declines in prices can cause proved undeveloped reserves to become uneconomic, and long-lived production to become "economically truncated," further reducing proved reserves and increasing any writedown. Our reserve values were calculated using weighted average prices at December 31, 1999 of $24.72 per barrel of oil and $2.25 per Mcf of natural gas. If prices in future periods decline significantly, future impairment charges could be incurred. Although we have taken steps to reduce drilling risk, reduce operating costs, and reduce investment in unproved leasehold, these steps may not be sufficient to enhance future economic results or prevent additional leasehold impairment and full-cost ceiling writedowns, which are highly dependent on future oil and gas prices.

DRILLING AND OIL AND GAS OPERATIONS PRESENT UNIQUE RISKS

Drilling activities are subject to many risks, including well blowouts, cratering, uncontrollable flows of oil, natural gas or well fluids, fires, formations with abnormal pressures, pollution, releases of toxic gases and other environmental hazards and risk, any of which could result in substantial losses. In addition, we incur the risk that we will not encounter any commercially productive reservoirs through our drilling operations. We cannot assure you that the new wells we drill will be productive or that we will recover all or any portion of our investment in wells drilled. Drilling for oil and gas may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce enough reserves to return a profit after drilling, operating and other costs.

EXISTING DEBT COVENANTS RESTRICT OUR OPERATIONS

The indentures which govern our senior notes contain covenants which restrict our ability, and the ability of our subsidiaries other than CEMI, to engage in the following activities:

- incurring additional debt,
- creating liens,
- paying dividends and making other restricted payments,
- merging or consolidating with any other entity,
- selling, assigning, transferring, leasing or otherwise disposing of all or substantially all of our assets, and
- guaranteeing indebtedness.

At March 31, 2000, we did not meet a debt incurrence test contained in two of the senior note indentures. However, we did meet the debt incurrence test as of June 30, 2000, and therefore are able to incur unsecured non-bank debt and we are eligible to resume the payment of dividends on our preferred stock.

CANADIAN OPERATIONS PRESENT THE RISKS ASSOCIATED WITH CONDUCTING BUSINESS OUTSIDE THE U.S.

A portion of our business is conducted in Canada. You may review the amounts of revenue, operating income (loss) and identifiable assets attributable to our Canadian operations in note 8 of the notes to our audited consolidated financial statements included at the end of this prospectus. Also, note 11 of the audited consolidated financial statements provides disclosures about our Canadian oil and gas producing activities. Our operations in

Canada are subject to the risks associated with operating outside of the United States. These risks include the following:

- adverse local political or economic developments,
- exchange controls,
- currency fluctuations,
- royalty and tax increases,
- retroactive tax claims,
- negotiations of contracts with governmental entities, and
- import and export regulations.

In addition, in the event of a dispute, we may be required to litigate the dispute in Canadian courts since we may not be able to sue foreign persons in a United States court.

THE LOSS OF EITHER THE CEO OR THE COO COULD ADVERSELY AFFECT OPERATIONS

Our operations are dependent upon our Chief Executive Officer, Aubrey K. McClendon, and our Chief Operating Officer, Tom L. Ward. The unexpected loss of the services of either of these executive officers could have a detrimental effect on our operations. We maintain $20 million key man life insurance policies on the life of each of Messrs. McClendon and Ward.

TRANSACTIONS WITH EXECUTIVE OFFICERS MAY CREATE CONFLICTS OF INTEREST

Messrs. McClendon and Ward have the right to participate in certain wells we drill, subject to certain limitations outlined in their employment contracts. As a result of their participation, they routinely have significant accounts payable to Chesapeake for joint interest billings and other related advances. As of June 30, 2000, Messrs. McClendon and Ward had payables to Chesapeake of $1.5 million and $1.4 million, respectively, in connection with such participation. The rights to participate in wells we drill could present a conflict of interest with respect to Messrs. McClendon and Ward.

THE OWNERSHIP OF A SIGNIFICANT PERCENTAGE OF STOCK BY INSIDERS COULD INFLUENCE THE OUTCOME OF SHAREHOLDER VOTES

At June 30, 2000, our Board of Directors and senior management beneficially owned an aggregate of 24,659,514 shares of common stock (including outstanding vested options), which represented approximately 17% of our outstanding shares. The beneficial ownership of Messrs. McClendon and Ward accounted for 15% of the outstanding common stock. As a result, Messrs. McClendon and Ward, together with other officers and directors of Chesapeake, are in a position to significantly influence matters requiring the vote or consent of our shareholders.

THE PROPOSED ACQUISITION OF GOTHIC ENERGY CORPORATION MAY NOT OCCUR OR COULD BE DELAYED

There are significant conditions to be satisfied before Chesapeake is able to acquire Gothic as contemplated by the letter of intent they executed on June 30, 2000. These conditions include the following:

- execution of a definitive merger agreement;
- filings under the Hart-Scott-Rodino Antitrust Improvements Act and the expiration or termination of the waiting period;
- registration under the Securities Act of 1933 of the Chesapeake common stock to be issued in the merger;
- approval of the merger by Gothic's shareholders; and
- the consent by any regulatory agencies or parties to existing contracts deemed necessary by Chesapeake.

We cannot assure you that these conditions will be satisfied or, if they are satisfied, that the terms and timing of each will be as presently contemplated.

THE TWO COMPANIES MAY NOT BE SUCCESSFULLY COMBINED INTO A SINGLE ENTITY

If we cannot successfully combine our operations, we may experience a material adverse effect on our business, financial condition or results of operations. The merger involves the combining of two companies that have previously operated separately. The combining of companies such as Chesapeake and Gothic involves a number of risks, including:

- the diversion of management's attention to the combining of operations;
- difficulties in the combining of operations and systems;
- difficulties in the assimilation and retention of employees; and
- potential adverse short-term effects on operating results.

We believe opportunities for economies of scale and scope, opportunities for growth and operating efficiencies could result from the merger. Because of difficulties in combining operations, however, we may not be able to achieve the cost savings and other size-related benefits that we hope to achieve after the merger.

USE OF PROCEEDS

We will not receive any proceeds from this offering. We are registering our common stock on behalf of the selling shareholders. If and when the selling shareholders sell their stock, they will receive the proceeds.

DIVIDEND POLICY

We paid quarterly dividends of $0.02 per share of common stock from July 1997 to July 1998. The payment of future cash dividends on common stock, if any, will be reviewed periodically by the Board of Directors and will depend upon, among other things, our financial condition, funds from operations, the level of capital and development expenditures, our future business prospects and any contractual restrictions.

Two of the indentures governing our outstanding senior notes contain restrictions on our ability to declare and pay dividends. Under these indentures, the Company may not pay any cash dividends on its common or preferred stock if

- a default or an event of default has occurred and is continuing at the time of or immediately after giving effect to the dividend payment;
- the Company would not be able to incur at least $1 of additional indebtedness under the terms of the indentures; or
- immediately after giving effect to the dividend payment, the aggregate of all dividends and other restricted payments declared or made after the respective issue dates of the notes exceeds the sum of specified income, proceeds from the issuance of stock and debt by the Company and other amounts from the quarter in which the respective note issuances occurred to the quarter immediately preceding the date of the dividend payment.

From December 31, 1998 through March 31, 2000, the Company did not meet the debt incurrence tests under these indentures and was not able to pay dividends on its common or preferred stock. The Company did meet the tests as of June 30, 2000, and is therefore able to incur unsecured non-bank debt and is eligible to resume the payment of dividends on our preferred stock.

During the first six months of 2000, we entered into a number of unsolicited transactions whereby we issued approximately 34.2 million shares of common stock, plus cash of $8.3 million, in exchange for 3,039,363 shares of preferred stock. This reduced the liquidation amount of preferred stock outstanding by $152.0 million to $77.9 million, and reduced the amount of preferred dividends in arrears by $16.8 million to $9.5 million as of June 30, 2000.

MARKET PRICE OF COMMON STOCK

The common stock trades on the New York Stock Exchange under the symbol "CHK". The following table sets forth, for the periods indicated, the high and low sales prices per share of the common stock as reported by the New York Stock Exchange:

	COMMON STOCK	
	HIGH	LOW
Year ended December 31, 1998:		
First Quarter	$ 7.75	$ 5.50
Second Quarter	6.00	3.88
Third Quarter	4.06	1.13
Fourth Quarter	2.63	0.75
Year ended December 31, 1999:		
First Quarter	1.50	0.63
Second Quarter	2.94	1.31
Third Quarter	4.13	2.75
Fourth Quarter	3.88	2.13
Six months ended June 30, 2000:		
First Quarter	3.31	1.94
Second Quarter	8.00	2.75

At July 3, 2000 there were 1,076 holders of record of common stock and approximately 24,234 beneficial owners.

SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data of the Company for the three months ended March 31, 2000 and 1999, the twelve months ended December 31, 1999, 1998 and 1997, the six-month transition period ended December 31, 1997, the six months ended December 31, 1996 and the two fiscal years ended June 30, 1997. The data are derived from the audited consolidated financial statements of the Company, except for periods for the three months ended March 31, 2000 and 1999, the year ended December 31, 1997 and the six months ended December 31, 1996, which are derived from unaudited consolidated financial statements of the Company. Acquisitions made by the Company during the first and second quarters of 1998 materially affect the comparability of the selected financial data for 1997 and 1998. Each of the acquisitions was accounted for using the purchase method. The table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, including the notes thereto, appearing in this prospectus.

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)	
STATEMENT OF OPERATIONS DATA:		
Revenues:		
Oil and gas sales	$ 87,293	$ 51,806
Oil and gas marketing sales	27,368	13,871
Total revenues	114,661	65,677
Operating costs:		
Production expenses	12,545	13,992
Production taxes	5,216	1,990
General and administrative	3,032	4,024
Oil and gas marketing expenses	26,544	13,285
Oil and gas depreciation, depletion and amortization	24,483	23,153
Depreciation and amortization of other assets	1,866	2,166
Total operating costs	73,686	58,610
Income from operations	40,975	7,067
Other income (expense):		
Interest and other income	1,192	873
Interest expense	(20,864)	(19,890)
	(19,672)	(19,017)
Income (loss) before income taxes	21,303	(11,950)
Provision (benefit) for income taxes	101	--
Net income (loss)	21,202	(11,950)
Preferred stock dividends	(4,042)	(4,026)
Gain on redemption of preferred stock	10,414	--
Net income (loss) available to common shareholders	$ 27,574	$ (15,976)
Earnings (loss) per common share:		
Basic	$ 0.27	$ (0.17)
Assuming Dilution	$ 0.15	$ (0.17)
Cash dividends declared per common share	$ --	$ --
CASH FLOW DATA:		
Cash provided by operating activities before changes in working capital	$ 47,692	$ 13,468
Cash provided by operating activities	38,215	26,298
Cash used in investing activities	(46,890)	(45,831)
Cash used in financing activities	(3,274)	--
Effect of exchange rate changes on cash	(478)	816
BALANCE SHEET DATA (at end of period):		
Total assets	$ 865,371	N/A
Long-term debt, net of current maturities	960,416	N/A
Stockholders' equity (deficit)	(196,590)	N/A

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED DECEMBER 31,		YEARS ENDED JUNE 30,	
	1999	1998	1997	1997	1996	1997	1996
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)						
STATEMENT OF OPERATIONS DATA:							
Revenues:							
Oil and gas sales	$ 280,445	$ 256,887	$ 198,410	$ 95,657	$ 90,167	$ 192,920	$ 110,849
Oil and gas marketing sales	74,501	121,059	104,394	58,241	30,019	76,172	28,428
Oil and gas service operations	--	--	--	--	--	--	6,314
Total revenues	354,946	377,946	302,804	153,898	120,186	269,092	145,591
Operating costs:							
Production expenses	46,298	51,202	14,737	7,560	4,268	11,445	6,340
Production taxes	13,264	8,295	4,590	2,534	1,606	3,662	1,963
General and administrative	13,477	19,918	10,910	5,847	3,739	8,802	4,828
Oil and gas marketing expenses	71,533	119,008	103,819	58,227	29,548	75,140	27,452
Oil and gas service operations	--	--	--	--	--	--	4,895
Oil and gas depreciation, depletion and amortization	95,044	146,644	127,429	60,408	36,243	103,264	50,899
Depreciation and amortization of other assets	7,810	8,076	4,360	2,414	1,836	3,782	3,157
Impairment of oil and gas properties	--	826,000	346,000	110,000	--	236,000	--
Impairment of other assets	--	55,000	--	--	--	--	--
Total operating costs	247,426	1,234,143	611,845	246,990	77,240	442,095	99,534
Income (loss) from operations	107,520	(856,197)	(309,041)	(93,092)	42,946	(173,003)	46,057
Other income (expense):							
Interest and other income	8,562	3,926	87,673	78,966	2,516	11,223	3,831
Interest expense	(81,052)	(68,249)	(29,782)	(17,448)	(6,216)	(18,550)	(13,679)
	(72,490)	(64,323)	57,891	61,518	(3,700)	(7,327)	(9,848)
Income (loss) before income taxes and extraordinary item	35,030	(920,520)	(251,150)	(31,574)	39,246	(180,330)	36,209
Provision (benefit) for income taxes	1,764	--	(17,898)	--	14,325	(3,573)	12,854
Income (loss) before extraordinary item	33,266	(920,520)	(233,252)	(31,574)	24,921	(176,757)	23,355
Extraordinary item:							
Loss on early extinguishment of debt, net of applicable income taxes	--	(13,334)	(177)	--	(6,443)	(6,620)	--
Net income (loss)	33,266	(933,854)	(233,429)	(31,574)	18,478	(183,377)	23,355
Preferred stock dividends	(16,711)	(12,077)	--	--	--	--	--
Net income (loss) available to common shareholders	$ 16,555	$(945,931)	$(233,429)	$ (31,574)	$ 18,478	$(183,377)	$ 23,355
Earnings (loss) per common share - Basic:							
Income (loss) before extraordinary item	$ 0.17	$ (9.83)	$ (3.30)	$ (0.45)	$ 0.40	$ (2.69)	$ 0.43
Extraordinary item	--	(0.14)	--	--	(0.10)	(0.10)	--
Net income (loss)	$ 0.17	$ (9.97)	$ (3.30)	$ (0.45)	$ 0.30	$ (2.79)	$ 0.43
Earnings (loss) per common share - Assuming dilution:							
Income (loss) before extraordinary item	$ 0.16	$ (9.83)	$ (3.30)	$ (0.45)	$ 0.38	$ (2.69)	$ 0.40
Extraordinary item	--	(0.14)	--	--	(0.10)	(0.10)	--
Net income (loss)	$ 0.16	$ (9.97)	$ (3.30)	$ (0.45)	$ 0.28	$ (2.79)	$ 0.40
Cash dividends declared per common share	$ --	$ 0.04	$ 0.06	$ 0.04	$ --	$ 0.02	$ --
CASH FLOW DATA:							
Cash provided by operating activities before changes in working capital	$ 138,727	$ 117,500	$ 152,196	$ 67,872	$ 76,816	$ 161,140	$ 88,431
Cash provided by operating activities	145,022	94,639	181,345	139,157	41,901	84,089	120,972
Cash used in investing activities	159,773	548,050	476,209	136,504	184,149	523,854	344,389
Cash provided by (used in) financing activities	18,967	363,797	277,985	(2,810)	231,349	512,144	219,520
Effect of exchange rate changes on cash	4,922	(4,726)	--	--	--	--	--
BALANCE SHEET DATA (at end of period):							
Total assets	$ 850,533	$ 812,615	$ 952,784	$ 952,784	$ 860,597	$ 949,068	$ 572,335
Long-term debt, net of current maturities	964,097	919,076	508,992	508,992	220,149	508,950	268,431
Stockholders' equity (deficit)	(217,544)	(248,568)	280,206	280,206	484,062	286,889	177,767

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following table sets forth certain operating data of the Company for the periods presented:

	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,		
	2000	1999	1999	1998	1997
NET PRODUCTION DATA:					
Oil (MBbl)	864	1,273	4,147	5,976	3,511
Gas (MMcf)	28,747	25,674	108,610	94,421	59,236
Gas equivalent (MMcfe)	33,931	33,312	133,492	130,277	80,302
OIL AND GAS SALES ($ IN 000'S):					
Oil	$ 21,237	$ 13,902	$ 66,413	$ 75,877	$ 68,079
Gas	66,056	37,904	214,032	181,010	130,331
Total oil and gas sales	$ 87,293	$ 51,806	$ 280,445	$ 256,887	$ 198,410
AVERAGE SALES PRICE:					
Oil ($ per Bbl)	$ 24.58	$ 10.92	$ 16.01	$ 12.70	$ 19.39
Gas ($ per Mcf)	$ 2.30	$ 1.48	$ 1.97	$ 1.92	$ 2.20
Gas equivalent ($ per Mcfe)	$ 2.57	$ 1.56	$ 2.10	$ 1.97	$ 2.47
OIL AND GAS COSTS ($ PER MCFE):					
Production expenses and taxes	$ .52	$ .48	$ .45	$ .45	$ .24
General and administrative	$ .09	$ .12	$ .10	$ .15	$ .14
Depreciation, depletion and amortization	$ .72	$ .70	$ .71	$ 1.13	$ 1.59

RESULTS OF OPERATIONS

Three Months Ended March 31, 2000 and March 31, 1999

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Years Ended December 31, 1999, 1998 and 1997

General. In 1999, the Company had net income of $33.3 million, or $0.16 per diluted common share, on total revenues of $354.9 million. This compares to a net loss of $933.9 million, or a loss of $9.97 per diluted common share, on total revenues of $377.9 million during the year ended December 31, 1998 ("1998"), and a net

loss of $233.4 million, or a loss of $3.30 per diluted common share, on total revenues of $302.8 million during the year ended December 31, 1997 ("1997"). The loss in 1998 was caused primarily by an $826.0 million oil and gas property writedown recorded under the full-cost method of accounting and a $55.0 million writedown of other assets. The loss in 1997 was caused primarily by a $346 million oil and gas property writedown. See "Impairment of Oil and Gas Properties" and "Impairment of Other Assets".

Oil and Gas Sales. During 1999, oil and gas sales increased to $280.4 million versus $256.9 million in 1998 and $198.4 million in 1997. In 1999, the Company produced 133.5 Bcfe at a weighted average price of $2.10 per Mcfe, compared to 130.3 Bcfe produced in 1998 at a weighted average price of $1.97 per Mcfe, and 80.3 Bcfe produced in 1997 at a weighted average price of $2.47 per Mcfe.

The following table shows the Company's production by region for 1999, 1998 and 1997:

	FOR THE YEARS ENDED DECEMBER 31,					
	1999		1998		1997	
	MMcfe	PERCENT	MMcfe	PERCENT	MMcfe	PERCENT
Mid-Continent	69,946	52%	61,930	48%	17,685	22%
Gulf Coast	44,822	34	52,793	40	60,662	76
Canada	11,737	9	7,746	6	--	--
All other areas	6,987	5	7,808	6	1,955	2
Total production	133,492	100%	130,277	100%	80,302	100%

Natural gas production represented approximately 81% of the Company's total production volume on an equivalent basis in 1999, compared to 72% in 1998 and 74% in 1997.

For 1999, the Company realized an average price per barrel of oil of $16.01, compared to $12.70 in 1998 and $19.39 in 1997. Gas price realizations fluctuated from an average of $1.92 per Mcf in 1998 and $2.20 in 1997 to $1.97 per Mcf in 1999. The Company's hedging activities resulted in a decrease in oil and gas revenues of $1.7 million in 1999, an increase in oil and gas revenues of $11.3 million in 1998, and a decrease in oil and gas revenues of $4.6 million in 1997.

Oil and Gas Marketing Sales. The Company realized $74.5 million in oil and gas marketing sales for third parties in 1999, with corresponding oil and gas marketing expenses of $71.5 million, for a net margin of $3.0 million. This compares to sales of $121.1 million and $104.4 million, expenses of $119.0 million and $103.8 million, and a margin of $2.1 million and $0.6 million in 1998 and 1997, respectively.

Production Expenses and Taxes. Production expenses and taxes, which include lifting costs, production taxes and ad valorem taxes, were $59.6 million in 1999, compared to $59.5 million and $19.3 million in 1998 and 1997, respectively. On a unit of production basis, production expenses and taxes were $0.45 per Mcfe in 1999 and 1998, and $0.24 per Mcfe in 1997. The Company expects that lease operating expenses per Mcfe will generally remain at current levels throughout 2000, although production taxes will increase as a result of increased oil and gas prices.

Impairment of Oil and Gas Properties. The Company utilizes the full-cost method to account for its investment in oil and gas properties. Under this method, all costs of acquisition, exploration and development of oil and gas reserves (including such costs as leasehold acquisition costs, geological and geophysical expenditures, certain capitalized internal costs, dry hole costs and tangible and intangible development costs) are capitalized as incurred. These oil and gas property costs, along with the estimated future capital expenditures to develop proved undeveloped reserves, are depleted and charged to operations using the unit-of-production method based on the ratio of current production to proved oil and gas reserves as estimated by the Company's independent engineering consultants and Company engineers. Costs directly associated with the acquisition and evaluation of unproved properties are excluded from the amortization computation until it is determined whether or not proved reserves can be assigned to the property or whether impairment has occurred. The excess of capitalized costs of oil and gas properties, net of accumulated depreciation, depletion and amortization and related deferred income taxes, over the discounted future net revenues of proved oil and gas properties is charged to operations.

The Company incurred an impairment of oil and gas properties charge of $826 million in 1998. No such charge was incurred in 1999. The 1998 writedown was caused by a combination of several factors, including the acquisitions completed by the Company during 1998, which were accounted for using the purchase method, and the significant decreases in oil and gas prices throughout 1998. Oil and gas prices used to value the Company's proved reserves decreased from $17.62 per Bbl of oil and $2.29 per Mcf of gas at December 31, 1997, to $10.48

per Bbl of oil and $1.68 per Mcf of gas at December 31, 1998. Higher drilling and completion costs and the evaluation of certain leasehold, seismic and other exploration-related costs that were previously unevaluated were the remaining factors which contributed to the writedown in 1998.

The Company incurred an impairment of oil and gas properties charge of $346 million during 1997. The writedown in 1997 was caused by several factors, including declining oil and gas prices during the year, escalating drilling and completion costs, and poor drilling results primarily in Louisiana.

Impairment of Other Assets. The Company incurred a $55 million impairment charge during 1998. Of this amount, $30 million related to the Company's investment in preferred stock of Gothic Energy Corporation, and the remainder was related to certain of the Company's gas processing and transportation assets located in Louisiana. No such charge was recorded in 1999 or 1997.

Oil and Gas Depreciation, Depletion and Amortization. Depreciation, depletion and amortization ("DD&A") of oil and gas properties was $95.0 million, $146.6 million and $127.4 million during 1999, 1998 and 1997, respectively. The average DD&A rate per Mcfe, which is a function of capitalized costs, future development costs, and the related underlying reserves in the periods presented, was $0.71 ($0.73 in U.S. and $0.52 in Canada), $1.13 ($1.17 in U.S. and $0.43 in Canada) and $1.59 in 1999, 1998 and 1997, respectively. The Company did not have operations in Canada prior to 1998. The Company expects the 2000 DD&A rate to be between $0.75 and $0.80 per Mcfe.

Depreciation and Amortization of Other Assets. Depreciation and amortization ("D&A") of other assets was $7.8 million in 1999, compared to $8.1 million in 1998 and $4.4 million in 1997. The increase in 1998 compared to 1997 was caused by increased investments in depreciable buildings and equipment and increased amortization of debt issuance costs as a result of the issuance of senior notes in April 1998.

General and Administrative. General and administrative ("G&A") expenses, which are net of capitalized internal payroll and non-payroll expenses (see Note 11 of Notes to Consolidated Financial Statements), were $13.5 million in 1999, $19.9 million in 1998 and $10.9 million in 1997. The decrease in 1999 compared to 1998 was due primarily to various actions taken to lower corporate overhead, including staff reductions and office closings which occurred in late 1998 and early 1999. The increase in 1998 compared to 1997 is due primarily to increased personnel expenses required by the Company's growth and industry wage inflation. The Company capitalized $2.7 million, $5.3 million and $5.3 million of internal costs in 1999, 1998 and 1997, respectively, directly related to the Company's oil and gas exploration and development efforts. The Company anticipates that G&A costs for 2000 per Mcfe will remain at approximately the same level as 1999.

Interest and Other Income. Interest and other income for 1999 was $8.6 million compared to $3.9 million in 1998, and $87.7 million in 1997. The increase from 1998 to 1999 was due primarily to gains on sales of various non-core assets during 1999. During 1997, the Company realized a gain on the sale of its Bayard common stock of $73.8 million, the most significant component of interest and other income.

Interest Expense. Interest expense increased to $81.1 million in 1999, compared to $68.2 million in 1998 and $29.8 million in 1997. The increase in 1999 is due primarily to a full year of interest on the Company's $500 million senior notes. The increase in 1998 compared to 1997 was due primarily to the issuance of $500 million of senior notes in April 1998. In addition to the interest expense reported, the Company capitalized $3.5 million of interest during 1999, compared to $6.5 million capitalized in 1998, and $10.4 million capitalized in 1997. The Company anticipates that capitalized interest for 2000 will be between $3 million and $4 million.

Provision (Benefit) for Income Taxes. The Company recorded income taxes of $1.8 million in 1999 compared to $0 in 1998 and an income tax benefit of $17.9 million in 1997. The income tax expense recorded in 1999 is related entirely to the Company's Canadian operations.

At December 31, 1999, the Company had a U.S. net operating loss carryforward of approximately $613 million for regular federal income taxes which will expire in future years beginning in 2007. Management believes that it cannot be demonstrated at this time that it is more likely than not that the deferred income tax assets, comprised primarily of the net operating loss carryforwards generated for U.S. purposes, will be realizable in future years, and therefore a valuation allowance of $442 million has been recorded. The Company does not expect to record any net income tax expense related to its U.S. operations in 2000 based on information available at this time.

LIQUIDITY AND CAPITAL RESOURCES

Financial Flexibility and Liquidity

The Company had working capital of $11.4 million at March 31, 2000 and a cash balance of $29.3 million. The Company has a $75 million revolving bank credit facility, which matures in July 2002, with a committed borrowing base of $75 million. As of June 30, 2000, the Company had borrowed $63.0 million under this facility. Borrowings under the facility are secured by certain producing oil and gas properties and bear interest at variable rates, which averaged 10.0% per annum as of June 30, 2000. The Company has received a commitment from its bank to increase the borrowing base to $100 million. It is expected that the addition to the borrowing base will be available to the Company in August 2000.

At March 31, 2000, the Company's senior notes represented $919.2 million of its $960.4 million of long-term debt. Debt ratings for the senior notes are B2 by Moody's Investors Service and B by Standard & Poor's Corporation as of June 30, 2000. There are no scheduled principal payments required on any of the senior notes until March 2004, when $150 million is due.

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

The senior note indentures also limit the Company's ability to make restricted payments (as defined), including the payment of preferred stock dividends, unless certain tests are met. From December 31, 1998 through March 31, 2000, the Company was unable to meet the requirements to incur additional unsecured indebtedness, and consequently was not able to pay cash dividends on its 7% cumulative convertible preferred stock. The Company had accumulated dividends in arrears of $20.3 million related to its preferred stock as of March 31, 2000. Including accrued dividends from April 1 through June 30, 2000, this amount has subsequently been reduced to approximately $9.5 million as of June 30, 2000 as a result of stock exchange transactions described below. The Company was unable to pay a dividend on the preferred stock on May 1, 2000, the sixth consecutive dividend payment date on which dividends have not been paid. If the Company fails to pay dividends for six quarterly periods, the holders of preferred stock are entitled to elect two new directors to the Board. Based on current projections of cash flow and fixed charges, the Company expects to be able to pay a dividend on the preferred stock on August 1, 2000, although there are no assurances the Board of Directors will declare a dividend, even if the Company is able to resume paying dividends.

Between January 1 and March 31, 2000, the Company engaged in a number of separate stock exchange transactions with institutional investors. The Company exchanged a total of 9.5 million shares of common stock (both newly issued and treasury shares) for 675,000 shares of its issued and outstanding preferred stock with a liquidation value of $33.8 million plus dividends in arrears of $3.2 million. All preferred shares acquired in these transactions were cancelled and retired and will have the status of authorized but unissued shares of undesignated preferred stock.

Between April 1 and June 30, 2000, the Company engaged in additional transactions in which a total of 24.7 million shares of common stock, plus cash of $8.3 million, were exchanged for 2,364,363 shares of its issued and outstanding preferred stock with a liquidation value of $118.2 million plus dividends in arrears of $13.6 million. Including the stock exchange transactions through June 30, 2000, a total of 34.2 million shares of common stock have been exchanged for 3,039,363 shares of preferred stock. These transactions have reduced (i) the number of preferred shares from 4.6 million to 1.6 million, (ii) the liquidation value of the preferred stock from $229.8 million to $77.9 million, and (iii) dividends in arrears from $25.0 million to $9.5 million. A gain on redemption of all preferred shares exchanged through June 30, 2000 of $11.9 million ($10.4 million related to the quarter ended March 31, 2000) will be reflected in net income available to common shareholders in determining earnings per share.

The Company believes it has adequate resources, including cash on hand, budgeted cash flow from operations and proceeds from miscellaneous asset sales, to fund its capital expenditure budget for exploration and development activities during 2000, which are currently estimated to be approximately $130-$150 million. However, low oil and gas prices or unfavorable drilling results could cause the Company to reduce its drilling

program, which is largely discretionary. Based on current oil and gas prices, the Company expects to generate excess cash flow that will be available to fund acquisitions, reduce debt, make preferred stock dividend payments, or a combination of the above.

Three Months Ended March 31, 2000 and 1999

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

Cash Flows from Investing Activities. Cash used in investing activities increased to $46.9 million during the Current Quarter from $45.8 million in the Prior Quarter. During the Current Quarter the Company expended approximately $34.8 million to initiate drilling on 51 gross (27.7 net) wells and invested approximately $5.4 million in leasehold acquisitions. This compares to $40.2 million to initiate drilling on 41 gross (25.6 net) wells and $4.4 million to purchase leasehold in the Prior Quarter. During the Current Quarter, the Company had acquisitions of oil and gas properties of $4.6 million and divestitures of oil and gas properties of $1.0 million. This compares to acquisitions of $4.0 million and divestitures of $2.1 million in the Prior Quarter.

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

Years Ended December 31, 1999, 1998 and 1997

Cash Flows from Operating Activities. Cash provided by operating activities (inclusive of changes in working capital) was $145.0 million in 1999, compared to $94.6 million in 1998 and $181.3 million in 1997. The increase of $50.4 million from 1998 to 1999 was due primarily to increased oil and gas revenues. The decrease of $86.7 million from 1997 to 1998 was due primarily to reduced operating income resulting from significant decreases in average oil and gas prices between periods, as well as significant increases in G&A expenses and interest expense.

Cash Flows from Investing Activities. Cash used in investing activities decreased to $159.8 million in 1999, compared to $548.1 million in 1998 and $476.2 million in 1997. During 1999, the Company invested $153.3 million for exploration and development drilling, $49.9 million for the acquisition of oil and gas properties, and received $45.6 million related to divestitures of oil and gas properties. During 1998, $279.9 million was used to acquire certain oil and gas properties and companies with oil and gas reserves. However, the increase in cash used to acquire oil and gas properties was partially offset by reduced expenditures during 1998 for exploratory and developmental drilling. During 1998 and 1997, the Company invested $259.7 million and $471.0 million, respectively, for exploratory and developmental drilling. Also during 1998, the Company sold its 19.9% stake in Pan East Petroleum Corp. to Poco Petroleums, Ltd. for approximately $21.2 million. During 1997 the Company received net proceeds from the sale of its investment in Bayard common stock of approximately $90.4 million.

Cash Flows from Financing Activities. Cash provided by financing activities decreased to $19.0 million in 1999, compared to $363.8 million in 1998, and $278.0 million in 1997. During 1999, the Company made additional borrowings under its commercial bank credit facility of $116.5 million, and had payments under this facility of $98.0 million. During 1998, the Company retired $85 million of debt assumed at the completion of the DLB Oil & Gas, Inc. acquisition, $120 million of debt assumed at the completion of the Hugoton Energy Corporation acquisition, $90 million of senior notes, and $170 million of borrowings made under its commercial bank credit facilities. Also during 1998, the Company issued $500 million in senior notes and $230 million in preferred stock. During 1997, the Company issued $300 million of senior notes.

RECENTLY ISSUED ACCOUNTING STANDARDS

On June 15, 1998, the Financial Accounting Standards Board issued FAS No. 133, Accounting for Derivative Instruments and Hedging Activities. FAS 133 establishes a new model for accounting for derivatives and hedging activities and supersedes and amends a number of existing standards. FAS 133 (as amended by FAS 137 and FAS 138) is effective for all fiscal quarters of fiscal years beginning after June 15, 2000.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

COMMODITY PRICE RISK

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

HEDGING ACTIVITIES

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

(i) swap arrangements that establish an index-related price above which the Company pays the counterparty and below which the Company is paid by the counterparty,

(ii) the purchase of index-related puts that provide for a "floor" price below which the counterparty pays the Company the amount by which the price of the commodity is below the contracted floor,

(iii) the sale of index-related calls that provide for a "ceiling" price above which the Company pays the counterparty the amount by which the price of the commodity is above the contracted ceiling, and

(iv) basis protection swaps, which are arrangements that guarantee the price differential of oil or gas from a specified delivery point or points.

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

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

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

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

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

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

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

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

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

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

INTEREST RATE RISK

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

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

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

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

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

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

				($ IN MILLIONS)				
LIABILITIES:								
Long-term debt, including current portion - fixed rate	$ 0.6	$ 0.8	$ 0.6	$ --	$ 150.0	$ 770.0	$ 922.0	$ 827.4
Average interest rate	9.1%	9.1%	9.1%	--	7.9%	9.3%	9.1%	--
Long-term debt - variable rate	$ --	$ --	$ 40.0	$ --	$ --	$ --	$ 40.0	$ 40.0
Average interest rate	--	--	9.4%	--	--	--	9.4%	--

BUSINESS

GENERAL

Chesapeake Energy Corporation is an independent oil and gas company engaged in the development, exploration, acquisition and production of onshore natural gas and oil reserves in the United States and Canada. We began operations in 1989 and completed our initial public offering in 1993. Our common stock trades on the New York Stock Exchange under the symbol CHK. The Company's principal offices are located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118 (telephone 405/848-8000 and website address of www.chkenergy.com).

At year-end 1999, Chesapeake owned interests in approximately 4,700 producing oil and gas wells concentrated in three primary operating areas:

- the Mid-Continent region of Oklahoma, western Arkansas, southwestern Kansas and the Texas Panhandle;
- the Gulf Coast region consisting primarily of the Austin Chalk Trend in Texas and Louisiana and the Tuscaloosa Trend in Louisiana; and
- the Helmet area of northeastern British Columbia.

During 1999, we produced 133.5 Bcfe, making Chesapeake one of the 15 largest public independent oil and gas producers in the United States. We participated in 211 gross (119.7 net) wells, 135 of which were Company operated. A summary of the Company's 1999 drilling activities, capital expenditures and property sales by primary operating area is as follows ($ in thousands):

			CAPITAL EXPENDITURES - OIL AND GAS PROPERTIES					
	GROSS WELLS DRILLED	NET WELLS DRILLED	DRILLING	LEASEHOLD	SUB-TOTAL	ACQUISITIONS	SALE OF PROPERTIES	TOTAL
Mid-Continent	169	95.3	$ 55,670	$ 12,478	$ 68,148	$ 47,364	$(36,702)	$ 78,810
Gulf Coast	10	3.7	22,049	8,288	30,337	629	(2,628)	28,338
Canada	12	7.5	27,380	1,982	29,362	4,100	(813)	32,649
All other areas ...	20	13.2	24,106	1,315	25,421	--	(5,492)	19,929
Total	211	119.7	$129,205	$ 24,063	$153,268	$ 52,093	$(45,635)	$159,726

The Company's proved reserves increased 11% to an estimated 1,206 Bcfe at December 31, 1999, compared to 1,091 Bcfe of estimated proved reserves at December 31, 1998 (see note 11 of notes to audited consolidated financial statements).

For 2000, we have established a capital expenditure budget of $170-$190 million, including approximately $130-$150 million allocated to drilling, acreage acquisition, seismic and related capitalized internal costs, and $40-$50 million for acquisitions, debt repayment and general corporate purposes. This budget is subject to adjustment based on drilling results, oil and gas prices, and other factors.

RECENT DEVELOPMENTS

On June 30, 2000, we entered into a letter of intent to acquire Gothic Energy Corporation (OTC Bulletin Board "GOTH") for 4.0 million shares of common stock. Following the transaction, Gothic's shareholders will own approximately 2.7% of Chesapeake's common stock. In addition, on June 27, 2000, we purchased in a series of private transactions 96% of Gothic's $104 million of 14 1/8% Series B Senior Secured Discount Notes for consideration of $77 million, comprised of $22 million in cash and 9,468,985 shares of Chesapeake common stock (valued at $5.825 per share), subject to adjustment.

The total acquisition cost to Chesapeake will be approximately $345 million, including $235 million of Senior Secured Notes issued by Gothic's operating subsidiary. This values Gothic's 310 Bcfe of proved reserves at $1.05 per Mcfe after allocation of $20 million of the purchase price to Gothic's leasehold inventory, 3-D seismic inventory, lease operating telemetry system and other assets. Gothic's proved reserves are 96% natural gas, 78% proved developed, have an average lifting cost of less than $0.20 per Mcfe, are located exclusively in Chesapeake's core Mid-Continent operating area and are unhedged after October 2000. Based on its current production rate of 80,000 Mcfe per day (or 30 Bcfe per year), Gothic has an 11-year reserves-to-production index.

Gothic's previously announced plan of restructuring, which contemplated the redemption of Chesapeake's holdings of Gothic's preferred and common stock for oil and gas properties and other considerations, the exchange of the $104 million Senior Discount Note issue for 94% of Gothic's equity and an equity rights offering of $15 million, has been terminated in anticipation of this transaction.

Gothic presently has 18.6 million common shares outstanding, plus employee and director options of 4.4 million shares. Of the outstanding shares, Chesapeake owns 2.4 million shares and will not participate in the exchange for the 4.0 million Chesapeake common shares to be received by Gothic's other shareholders. Gothic's management and directors have agreed to vote in favor of the agreement.

The Gothic acquisition is subject to the execution of a definitive merger agreement, normal regulatory approvals and a Gothic shareholder vote. Completion of the transaction is expected by year-end 2000. Chesapeake will record the transaction using purchase accounting. Gothic has agreed to provide Chesapeake with a $10 million break-up fee in the event the transaction is not completed. Bear, Stearns & Co., Inc. advised Chesapeake and CIBC World Markets advised Gothic.

PRIMARY OPERATING AREAS

Mid-Continent Region

The Company's Mid-Continent proved reserves of 758 Bcfe represented 63% of the Company's total proved reserves as of December 31, 1999 and this area produced 70 Bcfe, or 52% of the Company's 1999 production. During 1999, the Company invested approximately $56 million to drill 169 gross (95.3 net) wells in the Mid-Continent.

Gulf Coast

The Company's Gulf Coast proved reserves, consisting of the Austin Chalk Trend in Texas and Louisiana, the Wharton County area in Texas, and the Tuscaloosa Trend in Louisiana, represented 190 Bcfe, or 15% of the Company's total proved reserves as of December 31, 1999. During 1999, the Gulf Coast assets produced 45 Bcfe, or 34% of the Company's total production. During 1999, the Company invested approximately $22 million to drill 10 gross (3.7 net) wells in the Gulf Coast.

Helmet Area

The Company's Canadian proved reserves of 178 Bcfe represented 15% of the Company's total proved reserves at December 31, 1999. During 1999, production from Canada was 12 Bcfe, or 9% of the Company's total production. During 1999, the Company invested approximately $27 million to drill 12 gross (7.5 net) wells, install various pipelines and compressors, and to perform capital workovers in Canada.

OTHER OPERATING AREAS

In addition to the primary operating areas described above which are focused on natural gas properties, the Company maintains operations in the Permian Basin in New Mexico and the Williston Basin in North Dakota, Montana and Saskatchewan, Canada, which are focused on developing oil properties. In 1999, these areas contributed 7 Bcfe, or 5% of the Company's total production.

OIL AND GAS RESERVES

The tables below set forth information as of December 31, 1999 with respect to the Company's estimated proved reserves, the estimated future net revenue therefrom and the present value thereof at such date. Williamson Petroleum Consultants, Inc. evaluated 50% and Ryder Scott Company L.P. evaluated 16% of the Company's combined discounted future net revenues from the Company's estimated proved reserves at December 31, 1999. The remaining properties were evaluated internally by the Company's engineers. All estimates were prepared based upon a review of production histories and other geologic, economic, ownership and engineering data developed by the Company. The present value of estimated future net revenue shown is not intended to represent the current market value of the estimated oil and gas reserves owned by the Company.

ESTIMATED PROVED RESERVES AS OF DECEMBER 31, 1999	OIL (MBbl)	GAS (MMcf)	TOTAL (MMcfe)
Proved developed	17,750	763,323	869,823
Proved undeveloped	7,045	293,503	335,772
Total proved	24,795	1,056,826	1,205,595

ESTIMATED FUTURE NET REVENUE AS OF DECEMBER 31, 1999(a)	PROVED DEVELOPED	PROVED UNDEVELOPED	TOTAL PROVED
Estimated future net revenue	$ 1,470,297	$ 420,878	$ 1,891,175
Present value of future net revenue	$ 867,985	$ 221,511	$ 1,089,496

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(a) Estimated future net revenue represents estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and future development costs, using prices and costs in effect at December 31, 1999. The amounts shown do not give effect to non-property related expenses, such as general and administrative expenses, debt service and future income tax expense or to depreciation, depletion and amortization. The prices used in the external and internal reports yield weighted average prices of $24.72 per barrel of oil and $2.25 per Mcf of gas.

The future net revenue attributable to the Company's estimated proved undeveloped reserves of $420.9 million at December 31, 1999, and the $221.5 million present value thereof, have been calculated assuming that the Company will expend approximately $212.5 million to develop these reserves. The amount and timing of these expenditures will depend on a number of factors, including actual drilling results, product prices and the availability of capital.

No estimates of proved reserves comparable to those included herein have been included in reports to any federal agency other than the Securities and Exchange Commission.

The Company's ownership interest used in calculating proved reserves and the estimated future net revenue therefrom was determined after giving effect to the assumed maximum participation by other parties to the Company's farmout and participation agreements. The prices used in calculating the estimated future net revenue attributable to proved reserves do not reflect market prices for oil and gas production sold subsequent to December 31, 1999. There can be no assurance that all of the estimated proved reserves will be produced and sold at the assumed prices or that existing contracts will be honored or judicially enforced.

There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the control of the Company. The reserve data set forth herein represent only estimates. Reserve engineering is a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact way, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates made by different engineers often vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revision of such estimates, and such revisions may be material. Accordingly, reserve estimates are often different from the actual quantities of oil and gas that are ultimately recovered. Furthermore, the estimated future net revenue from proved reserves and the present value thereof are based upon certain assumptions, including prices, future production levels and cost, that may not prove correct. Predictions about prices and future production levels are subject to great uncertainty, and the foregoing uncertainties are particularly true as to proved undeveloped reserves, which are inherently less certain than proved developed reserves and which comprise a significant portion of the Company's proved reserves.

The following table sets forth the Company's estimated proved reserves by area and the related present value (discounted at 10%) of the proved reserves (based on weighted average prices at December 31, 1999 of $24.72 per barrel of oil and $2.25 per Mcf of gas):

	OIL (MBbl)	GAS (MMcf)	GAS EQUIVALENT (MMcfe)	PERCENT OF PROVED RESERVES	PRESENT VALUE (DISC. @ 10%) ($ IN 000'S)
Mid-Continent	12,230	684,178	757,559	63%	$ 663,993
Gulf Coast	4,169	164,693	189,708	15	211,348
Canada	--	178,242	178,242	15	97,749
Other areas	8,396	29,713	80,086	7	116,406
Total	24,795	1,056,826	1,205,595	100%	$1,089,496

During 1999, Chesapeake increased its proved developed reserve percentage to 80% by present value and 72% by volume, and natural gas reserves accounted for 88% of proved reserves at December 31, 1999. See note 11 of notes to consolidated financial statements for other disclosures about the Company's oil and gas producing activities.

DRILLING ACTIVITY

The following table sets forth the wells drilled by the Company during the periods indicated. In the table, "gross" refers to the total wells in which the Company has a working interest and "net" refers to gross wells multiplied by the Company's working interest therein.

	YEARS ENDED DECEMBER 31,				SIX MONTHS ENDED DECEMBER 31,		YEAR ENDED JUNE 30,	
	1999		1998		1997		1997	
	GROSS	NET	GROSS	NET	GROSS	NET	GROSS	NET
United States								
Development:								
Productive	167	93.3	158	93.9	55	24.4	90	55.0
Non-productive....	17	10.6	9	4.7	1	0.3	2	0.2
Total	184	103.9	167	98.6	56	24.7	92	55.2
Exploratory:								
Productive	9	3.7	46	23.4	28	15.5	71	46.1
Non-productive....	6	4.6	9	6.8	2	0.9	8	5.7
Total	15	8.3	55	30.2	30	16.4	79	51.8
Canada								
Development:								
Productive	11	7.3	11	3.6				
Non-productive....	1	0.2	1	0.4				
Total	12	7.5	12	4.0				
Exploratory:								
Productive	--	--	1	0.3				
Non-productive....	--	--	7	2.1				
Total	--	--	8	2.4				

WELL DATA

At December 31, 1999, the Company had interests in 4,719 (2,235.1 net) producing wells, of which 238 (104.6 net) were classified as primarily oil producing wells and 4,481 (2,130.5 net) were classified as primarily gas producing wells.

VOLUMES, REVENUE, PRICES AND PRODUCTION COSTS

The following table sets forth certain information regarding the production volumes, revenue, average prices received and average production costs associated with the Company's sale of oil and gas for the periods indicated:

	YEARS ENDED DECEMBER 31, 1999	YEARS ENDED DECEMBER 31, 1998	SIX MONTHS ENDED DECEMBER 31, 1997	YEAR ENDED JUNE 30, 1997
NET PRODUCTION:				
Oil (MBbl)	4,147	5,976	1,857	2,770
Gas (MMcf)	108,610	94,421	27,326	62,005
Gas equivalent (MMcfe)	133,492	130,277	38,468	78,625
OIL AND GAS SALES ($ IN 000'S):				
Oil	$ 66,413	$ 75,877	$ 34,523	$ 57,974
Gas	214,032	181,010	61,134	134,946
Total oil and gas sales	$ 280,445	$ 256,887	$ 95,657	$ 192,920
AVERAGE SALES PRICE:				
Oil ($ per Bbl)	$ 16.01	$ 12.70	$ 18.59	$ 20.93
Gas ($ per Mcf)	$ 1.97	$ 1.92	$ 2.24	$ 2.18
Gas equivalent ($ per Mcfe)	$ 2.10	$ 1.97	$ 2.49	$ 2.45
OIL AND GAS COSTS ($ PER Mcfe):				
Production expenses	$ .35	$ .39	$ .20	$ .14
Production taxes	$ .10	$ .06	$ .07	$ .05
General and administrative	$ .10	$ .15	$ .15	$ .11
Depreciation, depletion and amortization	$ .71	$ 1.13	$ 1.57	$ 1.31

Included in the above table are the results of Canadian operations during 1999 and 1998. The average sales price for the Company's Canadian gas production was $1.19 and $1.03 during 1999 and 1998, respectively, and the Canadian production expenses were $0.18 and $0.24 per Mcfe, respectively.

DEVELOPMENT, EXPLORATION AND ACQUISITION EXPENDITURES

The following table sets forth certain information regarding the costs incurred by the Company in its development, exploration and acquisition activities during the periods indicated:

	YEARS ENDED DECEMBER 31, 1999	YEARS ENDED DECEMBER 31, 1998	SIX MONTHS ENDED DECEMBER 31, 1997	YEAR ENDED JUNE 30, 1997
	($ IN THOUSANDS)			
Development and leasehold costs	$ 126,865	$ 176,610	$ 144,283	$ 324,989
Exploration costs	23,693	68,672	40,534	136,473
Acquisition costs	52,093	740,280	39,245	--
Sales of oil and gas properties	(45,635)	(15,712)	--	--
Capitalized internal costs	2,710	5,262	2,435	3,905
Total	$ 159,726	$ 975,112	$ 226,497	$ 465,367

ACREAGE

The following table sets forth as of December 31, 1999 the gross and net acres of both developed and undeveloped oil and gas leases which the Company holds. "Gross" acres are the total number of acres in which the Company owns a working interest. "Net" acres refer to gross acres multiplied by the Company's fractional working interest. Acreage numbers are stated in thousands and do not include options for additional leasehold held by the Company, but not yet exercised.

	DEVELOPED		UNDEVELOPED		TOTAL DEVELOPED AND UNDEVELOPED	
	GROSS	NET	GROSS	NET	GROSS	NET
Mid-Continent	1,439	563	848	306	2,287	869
Gulf Coast	230	156	766	666	996	822
Canada	100	50	641	305	741	355
Other areas	40	21	639	421	679	442
Total	1,809	790	2,894	1,698	4,703	2,488

MARKETING

The Company's oil production is sold under market sensitive or spot

price contracts. The Company's natural gas production is sold to purchasers under varying percentage-of-proceeds and percentage-of-index contracts or by direct marketing to end users or aggregators. By the terms of the percentage-of-proceeds contracts, the Company receives a percentage of the resale price received by the purchaser for sales of residue gas and natural gas liquids recovered after gathering and processing the Company's gas. The residue gas and natural gas liquids sold by these purchasers are sold primarily based on spot market prices. The revenue received by the Company from the sale of natural gas liquids is included in natural gas sales. During 1999, only sales to Aquila Southwest

Pipeline Corporation of $31.5 million accounted for more than 10% of the Company's total oil and gas sales. Management believes that the loss of this customer would not have a material adverse effect on the Company's results of operations or its financial position.

Sales to individual customers constituting 10% or more of total oil and gas sales were as follows from July 1, 1996 to December 31, 1999:

YEAR ENDED DECEMBER 31,		AMOUNT	PERCENT OF OIL AND GAS SALES
		($ IN THOUSANDS)	
1999	Aquila Southwest Pipeline Corporation	$ 31,505	11%
1998	Koch Oil Company	$ 30,564	12%
	Aquila Southwest Pipeline Corporation	28,946	11
SIX MONTHS ENDED DECEMBER 31,			
1997	Aquila Southwest Pipeline Corporation	$ 20,138	21%
	Koch Oil Company	18,594	19
	GPM Gas Corporation	12,610	13
FISCAL YEAR ENDED JUNE 30,			
1997	Aquila Southwest Pipeline Corporation	$ 53,885	28%
	Koch Oil Company	29,580	15
	GPM Gas Corporation	27,682	14

Management believes that the loss of any of the above customers would not have a material impact on the Company's results of operations or its financial position.

Chesapeake Energy Marketing, Inc. ("CEMI"), a wholly-owned subsidiary, provides oil and natural gas marketing services, including commodity price structuring, contract administration and nomination services for the Company, its partners and other oil and natural gas producers in certain geographical areas in which the Company is active.

HEDGING ACTIVITIES

Periodically the Company utilizes hedging strategies to hedge the price of a portion of its future oil and gas production and to manage fixed interest rate exposure. See "Quantitative and Qualitative Disclosures About Market Risk."

REGULATION

General

Numerous departments and agencies, federal, state and local, issue rules and regulations binding on the oil and gas industry, some of which carry substantial penalties for failure to comply. The regulatory burden on the oil and gas industry increases the Company's cost of doing business and, consequently, affects its profitability.

Exploration and Production

The Company's operations are subject to various types of regulation at the federal, state and local levels. Such regulation includes requiring permits for the drilling of wells, maintaining bonding requirements in order to drill or operate wells and regulating the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, the plugging and abandoning of wells and the disposal of fluids used or obtained in connection with operations. The Company's operations are also subject to various conservation regulations. These include the regulation of the size of drilling and spacing units and the density of wells which may be drilled and the unitization or pooling of oil and gas properties. In this regard, some states (such as Oklahoma) allow the forced pooling or integration of tracts to facilitate exploration while other states (such as Texas) rely on voluntary pooling of lands and leases. In areas where pooling is voluntary, it may be more difficult to form units and, therefore, more difficult to develop a prospect if the operator owns less than 100% of the leasehold. In addition, state conservation laws establish maximum rates of production from oil and gas wells, generally prohibit the venting or flaring of gas and impose certain requirements regarding the ratability of production. The effect of these regulations is to limit the amount of oil and gas the Company can produce from its

wells and to limit the number of wells or the locations at which the Company can drill. The extent of any impact on the Company of such restrictions cannot be predicted.

Environmental and Occupational Regulation

General. The Company's activities are subject to existing federal, state and local laws and regulations governing environmental quality and pollution control. It is anticipated that, absent the occurrence of an extraordinary event, compliance with existing federal, state and local laws, rules and regulations concerning the protection of the environment and human health will not have a material effect upon the operations, capital expenditures, earnings or the competitive position of the Company. The Company cannot predict what effect additional regulation or legislation, enforcement policies thereunder and claims for damages for injuries to property, employees, other persons and the environment resulting from the Company's operations could have on its activities.

Activities of the Company with respect to the exploration, development and production of oil and natural gas are subject to stringent environmental regulation by state and federal authorities including the United States Environmental Protection Agency ("EPA"). Such regulation has increased the cost of planning, designing, drilling, operating and in some instances, abandoning wells. In most instances, the regulatory requirements relate to the handling and disposal of drilling and production waste products and waste created by water and air pollution control procedures. Although the Company believes that compliance with environmental regulations will not have a material adverse effect on operations or earnings, risks of substantial costs and liabilities are inherent in oil and gas operations, and there can be no assurance that significant costs and liabilities, including criminal penalties, will not be incurred. Moreover, it is possible that other developments, such as stricter environmental laws and regulations, and claims for damages for injuries to property or persons resulting from the Company's operations could result in substantial costs and liabilities.

Waste Disposal. The Company currently owns or leases, and has in the past owned or leased, numerous properties that for many years have been used for the exploration and production of oil and gas. Although the Company has utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by the Company or on or under other locations where such wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under the Company's control. State and federal laws applicable to oil and natural gas wastes and properties have gradually become more strict. Under such laws, the Company could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators) or property contamination (including groundwater contamination) or to perform remedial plugging operations to prevent future contamination.

The Company generates wastes, including hazardous wastes, that are subject to the federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. The EPA and various state agencies have limited the disposal options for certain hazardous and nonhazardous wastes and are considering the adoption of stricter disposal standards for nonhazardous wastes. Furthermore, certain wastes generated by the Company's oil and natural gas operations that are currently exempt from treatment as hazardous wastes may in the future be designated as hazardous wastes, and therefore be subject to considerably more rigorous and costly operating and disposal requirements.

Superfund. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons with respect to the release of a "hazardous substance" into the environment. These persons include the owner and operator of a site and persons that disposed of or arranged for the disposal of the hazardous substances found at a site. CERCLA also authorizes the EPA and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from responsible classes of persons the costs of such action. In the course of its operations, the Company may have generated and may generate wastes that fall within CERCLA's definition of "hazardous substances". The Company may also be or have been an owner of sites on which "hazardous substances" have been released. The Company may be responsible under CERCLA for all or part of the costs to clean up sites at which such wastes have been released. To date, however, neither the Company nor, to its knowledge, its predecessors or successors have been named a potentially responsible party under CERCLA or similar state superfund laws affecting property owned or leased by the Company.

Air Emissions. The operations of the Company are subject to local, state and federal regulations for the control of emissions of air pollution. Legal and regulatory requirements in this area are increasing, and there can be no assurance that significant costs and liabilities will not be incurred in the future as a result of new regulatory developments. In particular, regulations promulgated under the Clean Air Act Amendments of 1990 may impose additional compliance requirements that could affect the Company's operations. However, it is impossible to predict accurately the effect, if any, of the Clean Air Act Amendments on the Company at this time. The Company may in the future be subject to civil or administrative enforcement actions for failure to comply strictly with air regulations or permits. These enforcement actions are generally resolved by payment of monetary fines and correction of any identified deficiencies. Alternatively, regulatory agencies could require the Company to forego construction or operation of certain air emission sources.

OSHA. The Company is subject to the requirements of the federal Occupational Safety and Health Act ("OSHA") and comparable state statutes. The OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and similar state statutes require the Company to organize information about hazardous materials used, released or produced in its operations. Certain of this information must be provided to employees, state and local governmental authorities and local citizens. The Company is also subject to the requirements and reporting set forth in OSHA workplace standards. The Company provides safety training and personal protective equipment to its employees.

OPA and Clean Water Act. Federal regulations require certain owners or operators of facilities that store or otherwise handle oil, such as the Company, to prepare and implement spill prevention control plans, countermeasure plans and facilities response plans relating to the possible discharge of oil into surface waters. The Oil Pollution Act of 1990 ("OPA") amends certain provisions of the federal Water Pollution Control Act of 1972, commonly referred to as the Clean Water Act ("CWA"), and other statutes as they pertain to the prevention of and response to oil spills into navigable waters. The OPA subjects owners of facilities to strict joint and several liability for all containment and cleanup costs and certain other damages arising from a spill, including, but not limited to, the costs of responding to a release of oil to surface waters. The CWA provides penalties for any discharges of petroleum product in reportable quantities and imposes substantial liability for the costs of removing a spill. State laws for the control of water pollution also provide varying civil and criminal penalties and liabilities in the case of releases of petroleum or its derivatives into surface waters or into the ground. Regulations are currently being developed under OPA and state laws concerning oil pollution prevention and other matters that may impose additional regulatory burdens on the Company. In addition, the CWA and analogous state laws require permits to be obtained to authorize discharges into surface waters or to construct facilities in wetland areas. With respect to certain of its operations, the Company is required to maintain such permits or meet general permit requirements. The EPA has adopted regulations concerning discharges of storm water runoff. This program requires covered facilities to obtain individual permits, participate in a group permit or seek coverage under an EPA general permit. The Company believes that with respect to existing properties it has obtained, or is included under, such permits and with respect to future operations it will be able to obtain, or be included under, such permits, where necessary. Compliance with such permits is not expected to have a material effect on the Company.

NORM. Oil and gas exploration and production activities have been identified as generators of concentrations of low-level naturally-occurring radioactive materials ("NORM"). NORM regulations have recently been adopted in several states. The Company is unable to estimate the effect of these regulations, although based upon the Company's preliminary analysis to date, the Company does not believe that its compliance with such regulations will have a material adverse effect on its operations or financial condition.

Safe Drinking Water Act. The Company's operations involve the disposal of produced saltwater and other nonhazardous oilfield wastes by reinjection into the subsurface. Under the Safe Drinking Water Act ("SDWA"), oil and gas operators, such as the Company, must obtain a permit for the construction and operation of underground Class II injection wells. To protect against contamination of drinking water, periodic mechanical integrity tests are often required to be performed by the well operator. The Company has obtained such permits for the Class II wells it operates. The Company also has disposed of wastes in facilities other than those owned by the Company which are commercial Class II injection wells.

Toxic Substances Control Act. The Toxic Substances Control Act ("TSCA") was enacted to control the adverse effects of newly manufactured and existing chemical substances. Under the TSCA, the EPA has issued specific rules and regulations governing the use, labeling, maintenance, removal from service and disposal of PCB items, such as transformers and capacitors used by oil and gas companies. The Company may own such PCB

items but does not believe compliance with TSCA has had or will have a material adverse effect on the Company's operations or financial condition.

TITLE TO PROPERTIES

Title to properties is subject to royalty, overriding royalty, carried, net profits, working and other similar interests and contractual arrangements customary in the oil and gas industry, to liens for current taxes not yet due and to other encumbrances. As is customary in the industry in the case of undeveloped properties, only cursory investigation of record title is made at the time of acquisition. Drilling title opinions are usually prepared before commencement of drilling operations. From time to time, the Company's title to oil and gas properties is challenged through legal proceedings. The Company is routinely involved in litigation involving title to certain of its oil and gas properties, some of which management believes could be adverse to the Company, individually or in the aggregate.

OPERATING HAZARDS AND INSURANCE

The oil and gas business involves a variety of operating risks, including the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as oil spills, gas leaks, ruptures or discharges of toxic gases, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. The Company's horizontal and deep drilling activities involve greater risk of mechanical problems than vertical and shallow drilling operations.

The Company maintains a $50 million oil and gas lease operator policy that insures the Company against certain sudden and accidental risks associated with drilling, completing and operating its wells. There can be no assurance that this insurance will be adequate to cover any losses or exposure to liability. The Company also carries comprehensive general liability policies and a $75 million umbrella policy. The Company and its subsidiaries carry workers' compensation insurance in all states in which they operate and a $75 million employment practice liability policy. While the Company believes these policies are customary in the industry, they do not provide complete coverage against all operating risks.

EMPLOYEES

The Company had 427 full-time employees as of June 30, 2000. No employees are represented by organized labor unions. The Company considers its employee relations to be good.

FACILITIES

The Company owns an office building complex in Oklahoma City totaling approximately 86,500 square feet and nine acres of land that comprise its headquarters' offices. The Company also owns field offices in Lindsay and Waynoka, Oklahoma and Garden City, Kansas. The Company leases office space in Oklahoma City and Weatherford, Oklahoma; Fritch and Navasota, Texas; and Dickinson, North Dakota. The Company also has leased office space in College Station, Texas; Wichita, Kansas; and Calgary, Alberta, Canada, which has been sub-leased.

LEGAL PROCEEDINGS

The Company is subject to ordinary routine litigation incidental to its business. In addition, the following matters are pending or were recently terminated:

Securities Litigation

On March 3, 2000, the U.S. District Court for the Western District of Oklahoma dismissed a consolidated class action complaint styled In re Chesapeake Energy Corporation Securities Litigation. The complaint, which consolidated twelve purported class action suits filed in August and September 1997, alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by the Company and certain of its officers and directors. The action was brought on behalf of purchasers of the Company's common stock and common stock options between January 25, 1996 and June 27, 1997. The complaint alleged that the defendants made material misrepresentations and failed to disclose material facts about the Company's exploration and drilling activities in the Louisiana Trend. The Court ruled that Chesapeake had disclosed the precise risks of its Louisiana Trend activities. Plaintiffs have filed a motion to amend their consolidated complaint but no appeal has been filed.

Bayard Drilling Technologies, Inc.

On July 30, 1998, the plaintiffs in Yuan, et al. v. Bayard, et al. filed an amended class action complaint in the U.S. District Court for the Western District of Oklahoma alleging violations of Sections 11 and 12 of the Securities Act of 1933 and Section 408 of the Oklahoma Securities Act by the Company and others. The action, originally filed in February 1998, was brought purportedly on behalf of investors who purchased Bayard common stock in, or traceable to, Bayard's initial public offering in November 1997. The defendants include officers and directors of Bayard who signed the registration statement, selling shareholders (including the Company) and underwriters of the offering. Total proceeds of the offering were $254 million, of which the Company received net proceeds of $90 million.

Plaintiffs allege that the Company, which owned 30.1% of Bayard's outstanding common stock prior to the offering, was a controlling person of Bayard. Plaintiffs also allege that the Company had established an interlocking financial relationship with Bayard and was a customer of Bayard's drilling services under allegedly below-market terms. Plaintiffs assert that the Bayard prospectus contained material omissions and misstatements relating to (i) the Company's financial "problems" and their impact on Bayard's operating results, (ii) increased costs associated with Bayard's growth strategy, (iii) undisclosed pending related-party transactions between Bayard and third parties other than the Company, (iv) Bayard's planned use of offering proceeds and (v) Bayard's capital expenditures and liquidity. The alleged defective disclosures are claimed to have resulted in a decline in Bayard's share price following the public offering. Plaintiffs seek a determination that the suit is a proper class action and damages in an unspecified amount or rescission, together with interest and costs of litigation, including attorneys' fees.

On August 24, 1999, the District Court entered an order granting in part and denying in part defendants' motion to dismiss the action. The court dismissed plaintiffs' claims against the Company under Section 15 of the Securities Act of 1933 alleging that Chesapeake was a "controlling person" of Bayard. The Court denied that portion of defendants' motion seeking dismissal of plaintiffs' claims under Sections 11 and 12(a)(2) of the Securities Act of 1933 and Section 408 of the Oklahoma Securities Act. Of these, only the Section 11 claim and the Section 408 claim are asserted against the Company. The court has also entered an order setting September 15, 2000 as the cutoff for merits discovery, November 1, 2000 for the filing of any dispositive motions and February 1, 2001 as the trial date.

The Company believes that it has meritorious defenses to these claims and intends to defend this action vigorously. No estimate of loss or range of estimate of loss, if any, can be made at this time. Bayard, which was acquired by Nabors Industries, Inc. in April 1999, has been reimbursing the Company for its costs of defense as incurred.

Patent Litigation

In Union Pacific Resources Company v. Chesapeake, et al., filed in October 1996 in the U.S. District Court for the Northern District of Texas, Fort Worth Division, UPRC asserted that the Company had infringed UPRC's patent covering a "geosteering" method utilized in drilling horizontal wells. Following a trial to the court

in June 1999, the court ruled on September 21, 1999 that the patent was invalid. Because the patent was declared invalid, the court held that the Company could not have infringed the patent, dismissed all of UPRC's claims with prejudice and assessed court costs against UPRC. The court concluded that the UPRC patent was invalid for failure to definitively describe the patented method in the patent claims and for failure to provide sufficient disclosure in the patent to enable one of ordinary skill in the art to practice the patented method. Appeals of the judgment by both the Company and UPRC are pending in the Federal Circuit Court of Appeals. Management is unable to predict the outcome of these appeals but believes the invalidity of the patent will be upheld on appeal. The Company has appealed the trial court's ruling denying the Company's request for attorneys' fees.

West Panhandle Field Cessation Cases

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

Plaintiffs claim the leases terminated upon the cessation of production for various periods primarily during the 1960s. In addition, plaintiffs seek to recover conversion damages, exemplary damages, attorneys' fees and interest. Defendants assert that any cessation of production was excused and have pled affirmative defenses of limitations, waiver, temporary estoppel, laches and title by adverse possession. Four of the 13 cases have been tried; no trial dates have been set for the other cases.

Following are the cases pending or tried in the District Court of Moore County, Texas, 69th Judicial District:

Lois Law, et al. v. NGPL, et al., No. 97-70, filed December 22, 1997, jury trial in June 1999, verdict for Company and co-defendants. The jury found plaintiffs' claims were barred by adverse possession, laches and revivor. On January 19, 2000, the court granted plaintiffs' motion for judgment notwithstanding verdict and entered judgment in favor of plaintiffs. In addition to quieting title to the lease (including existing gas wells and all attached equipment) in plaintiffs, the court awarded actual damages against CP in the amount of $716,400 and exemplary damages in the amount of $25,000. The court further awarded, jointly and severally from all defendants, $160,000 in attorneys' fees and interest and court costs. CP and the other defendants have appealed and posted supersedeas bonds.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-30, first filed December 17, 1997, refiled May 11, 1998, jury trial in June 1999, verdict for Company and co-defendants. The jury found plaintiffs' claims were barred by laches and adverse possession. On September 28, 1999, the court granted plaintiffs' motion for judgment notwithstanding verdict and entered judgment in favor of plaintiffs. In addition to quieting title to the lease (including existing gas wells and all attached equipment) in plaintiffs, the court awarded actual damages as of June 28, 1999 of $545,000 from CP and $235,000 jointly and severally from the other two defendants. The court further awarded, jointly and severally from all defendants, $77,500 of attorneys' fees in the event of an appeal, $1,900 of sanctions, interest and court costs. CP and the other two defendants filed an appeal of the judgment in the Court of Appeals for the Seventh District of Texas in Amarillo on October 12, 1999, and they have each posted a supersedeas bond.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-36, first filed February 2, 1998, refiled May 20, 1998, jury trial in July 1999, verdict for plaintiffs. The jury found that the defendants were bad-faith trespassers and produced gas from the leases as a result of fraud. On September 28, 1999, the court entered final judgment for plaintiffs terminating the lease, quieting title to the lease (including existing gas wells and all attached equipment) in plaintiffs as of June 1, 1999 and awarding actual damages of $1.5 million, attorneys' fees of $97,500 in the event of an appeal, interest and court costs. CP's liability for this award is joint and several with the other two defendants. The court also awarded exemplary damages of $1.2 million against each of CP and the other two defendants. CP and the other two defendants filed an appeal of the judgment in the Court of Appeals for the Seventh District of Texas in Amarillo on October 12, 1999, and they have each posted a supersedeas bond.

A. C. Smith, et al. v. NGPL, et al., No. 98-47, first filed January 26, 1998, refiled May 29, 1998. On June 18, 1999, the court granted plaintiffs' motion for summary judgment in part, finding that the lease had terminated due to the cessation of production, subject to the defendants' affirmative defenses.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-35, first filed February 2, 1998, refiled May 20, 1998. On December 3, 1999, the Court entered a partial summary judgment finding the lease had terminated and that defendants' affirmative defenses all failed as a matter of law except with respect to the defense of revivor against certain of the plaintiffs. CP and the other defendants filed a motion to reconsider on December 22, 1999.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-49, first filed March 10, 1998, refiled May 29, 1998.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-50, first filed March 18, 1998, refiled May 29, 1998.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-51, first filed December 2, 1997, refiled May 29, 1998.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-48, first filed February 2, 1998, refiled May 29, 1998.

Joseph H. Pool, et al. v. NGPL, et al., No. 98-70, first filed March 23, 1998, refiled October 22, 1998.

The Pool cases listed above were first filed in the U.S. District Court, Northern District of Texas, Amarillo Division. Other related cases pending are the following:

Phillip Thompson, et al. v. NGPL, et al, U.S. District Court, Northern District of Texas, Amarillo Division, Nos. 2:98-CV-012 and 2:98-CV-106, filed January 8, 1998 and March 18, 1998, respectively (actions consolidated), jury trial in May 1999, verdict for Company and co-defendants. The jury found plaintiffs' claims were barred by the payment of shut-in royalties, laches, and revivor. Plaintiffs have filed a motion for a new trial.

Craig Fuller, et al. v. NGPL, et al., District Court of Carson County, Texas, 100th Judicial District, No. 8456, filed June 23, 1997, cross motions for summary judgment pending.

Pace v. NGPL et al., U.S. District Court, Northern District of Texas, Amarillo Division, filed January 29, 1999. Defendants' motion for summary judgment pending.

Ralph W. Coon, et al. v. MC Panhandle, Inc., et al., U.S. District Court, Eastern District of Texas, Lufkin Division, No. 2:98-CV-63, filed March 27, 1998. All lease termination claims have been withdrawn. Only royalty payment issues remain. A jury trial is set to commence August 21, 2000.

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

MANAGEMENT

INFORMATION REGARDING DIRECTORS

Aubrey K. McClendon, age 40, has served as Chairman of the Board, Chief Executive Officer and a director since co-founding the Company in 1989. From 1982 to 1989, Mr. McClendon was an independent producer of oil and gas in affiliation with Tom L. Ward, the Company's President and Chief Operating Officer. Mr. McClendon is a member of the Board of Visitors of the Fuqua School of Business at Duke University. Mr. McClendon is a 1981 graduate of Duke University.

Tom L. Ward, age 40, has served as President, Chief Operating Officer and a director of the Company since co-founding the Company in 1989. From 1982 to 1989, Mr. Ward was an independent producer of oil and gas in affiliation with Aubrey K. McClendon, the Company's Chairman and Chief Executive Officer. Mr. Ward is a member of the Board of Trustees of Anderson University in Anderson, Indiana. Mr. Ward graduated from the University of Oklahoma in 1981.

Breene M. Kerr, age 71, has been a director of the Company since 1993. He is President of Brookside Company, Easton, Maryland. In 1969, Mr. Kerr founded Kerr Consolidated, Inc., which was sold in 1996. In 1969, Mr. Kerr co-founded the Resource Analysis and Management Group and remained its senior partner until 1982. From 1967 to 1969, he was Vice President of Kerr-McGee Chemical Corporation. From 1951 through 1967, Mr. Kerr worked for Kerr-McGee Corporation as a geologist and land manager. Mr. Kerr has served as chairman of the Investment Committee for the Massachusetts Institute of Technology and is a life member of the Corporation (Board of Trustees) of that university. He served as a director of Kerr-McGee Corporation from 1957 to 1981. Mr. Kerr currently is a trustee of the Brookings Institution in Washington, D.C., and has been an associate director since 1987 of Aven Gas & Oil, Inc., an oil and gas property management company located in Oklahoma City. Mr. Kerr graduated from the Massachusetts Institute of Technology in 1951.

Edgar F. Heizer, Jr., age 70, has been a director of the Company since 1993. From 1985 to the present, Mr. Heizer has been a private venture capitalist. He founded Heizer Corporation, a publicly traded business development company, in 1969 and served as Chairman and Chief Executive Officer from 1969 until 1986, when Heizer Corporation was reorganized into a number of public and private companies. Mr. Heizer was Assistant Treasurer of the Allstate Insurance Company from 1962 to 1969 in charge of Allstate's venture capital operations. He was employed by Booz, Allen and Hamilton from 1958 to 1962, Kidder, Peabody & Co. from 1956 to 1958, and Arthur Andersen & Co. from 1954 to 1956. He serves on the advisory board of the Kellogg School of Management at Northwestern University. Mr. Heizer is a director of Material Science Corporation, a New York Stock Exchange listed company in Elk Grove, Illinois, and several private companies. Mr. Heizer graduated from Northwestern University in 1951 and from Yale University Law School in 1954.

Frederick B. Whittemore, age 69, has been a director of the Company since 1993. Mr. Whittemore has been an advisory director of Morgan Stanley Dean Witter & Co. since 1989 and was a managing director or partner of the predecessor firms of Morgan Stanley Dean Witter & Co. from 1967 to 1989. He was Vice-Chairman of the American Stock Exchange from 1982 to 1984. Mr. Whittemore is a director of Partner Reinsurance Company, Bermuda; Maxcor Financial Group Inc., New York; SunLife of New York, New York; KOS Pharmaceuticals, Inc., Miami, Florida; and Southern Pacific Petroleum, Australia, NL. Mr. Whittemore graduated from Dartmouth College in 1953 and from the Amos Tuck School of Business Administration in 1954.

Shannon T. Self, age 43, has been a director of the Company since 1993. He is a shareholder in the law firm of Self, Giddens & Lees, Inc., a professional corporation, in Oklahoma City, which he co-founded in 1991. Mr. Self was an associate and shareholder in the law firm of Hastie and Kirschner, Oklahoma City, from 1984 to 1991 and was employed by Arthur Young & Co. from 1979 to 1980. Mr. Self is a member of the Visiting Committee of Northwestern University School of Law and for part of 1999 was a director of The Rock Island Group, a private computer firm in Oklahoma City. Mr. Self is a Certified Public Accountant. He graduated from the University of Oklahoma in 1979 and from Northwestern University Law School in 1984.

INFORMATION REGARDING OFFICERS

Executive Officers

In addition to Messrs. McClendon and Ward, the following are also executive officers of the Company.

Marcus C. Rowland, age 47, was appointed Executive Vice President in March 1998 and has been the Company's Chief Financial Officer since 1993. He served as Senior Vice President from September 1997 to March 1998 and as Vice President - Finance from 1993 until 1997. From 1990 until his association with the Company, Mr. Rowland was Chief Operating Officer of Anglo-Suisse, L.P. assigned to the White Nights Russian Enterprise, a joint venture of Anglo-Suisse, L.P. and Phibro Energy Corporation, a major foreign operation which was granted the right to engage in oil and gas operations in Russia. Prior to his association with White Nights Russian Enterprise, Mr. Rowland owned and managed his own oil and gas company and prior to that was Chief Financial Officer of a private exploration company in Oklahoma City from 1981 to 1985. Mr. Rowland is a Certified Public Accountant. Mr. Rowland graduated from Wichita State University in 1975.

Steven C. Dixon, age 41, has been Senior Vice President - Operations since 1995 and served as Vice President - Exploration from 1991 to 1995. Mr. Dixon was a self-employed geological consultant in Wichita, Kansas from 1983 through 1990. He was employed by Beren Corporation in Wichita, Kansas from 1980 to 1983 as a geologist. Mr. Dixon graduated from the University of Kansas in 1980.

J. Mark Lester, age 47, has been Senior Vice President - Exploration since 1995 and served as Vice President - Exploration from 1989 to 1995. From 1986 to 1989, Mr. Lester was self-employed and acted as a consultant to Messrs. McClendon and Ward. He was employed by various independent oil companies in Oklahoma City from 1980 to 1986, and was employed by Union Oil Company of California from 1977 to 1980 as a geophysicist. Mr. Lester graduated from Purdue University in 1975 and in 1977.

Henry J. Hood, age 40, was appointed Senior Vice President - Land and Legal in 1997 and served as Vice President - Land and Legal from 1995 to 1997. Mr. Hood was retained as a consultant to the Company during the two years prior to his joining the Company, and he was associated with the law firm of White, Coffey, Galt & Fite from 1992 to 1995. Mr. Hood was associated with or a partner of the law firm of Watson & McKenzie from 1987 to 1992. Mr. Hood is a member of the Oklahoma and Texas Bar Associations. Mr. Hood graduated from Duke University in 1982 and from the University of Oklahoma College of Law in 1985.

Martha A. Burger, age 47, has served as Treasurer since 1995, as Senior Vice President - Human Resources since March 2000 and as Secretary since November 1999. She was the Company's Vice President - Human Resources from 1998 until March 2000 and Human Resources Manager from 1996 to 1998. From 1994 to 1995, she served in various accounting positions with the Company including Assistant Controller - Operations. From 1989 to 1993, Ms. Burger was employed by Hadson Corporation as Assistant Treasurer and from 1993 to 1994 served as Vice President and Controller of Hadson Corporation. Prior to joining Hadson Corporation, Ms. Burger was employed by The Phoenix Resource Companies, Inc. as Assistant Treasurer and by Arthur Andersen & Co. Ms. Burger is a Certified Public Accountant and graduated from the University of Central Oklahoma in 1982 and from Oklahoma City University in 1992.

Michael A. Johnson, age 35, has served as Senior Vice President - Accounting since March 2000. He served as Vice President of Accounting and Financial Reporting from March 1998 to March 2000 and as Assistant Controller to the Company from 1993 to 1998. From 1991 to 1993 Mr. Johnson served as Project Manager for Phibro Energy Production, Inc., a Russian joint venture. From 1987 to 1991 he served as audit manager for Arthur Andersen & Co. Mr. Johnson is a Certified Public Accountant and graduated from the University of Texas at Austin in 1987.

Other Officers

Thomas L. Winton, age 53, has served as Senior Vice President - Information Technology and Chief Information Officer since July 1998. From 1985 until his association with the Company, Mr. Winton served as the Director, Information Services Department, at Union Pacific Resources Company. Prior to that period Mr. Winton held the positions of Regional Manager - Information Services from 1984 until 1985 and Manager - Technical Applications Planning and Development from 1980 until 1984 with UPRC. Mr. Winton also served as an analyst and supervisor in the Operations Research Division, Conoco Inc., from 1973 until 1980. Mr. Winton graduated from Oklahoma Christian University in 1969, Creighton University in 1973 and the University of Houston in 1980. Mr. Winton also completed the Tuck Executive Program, Amos Tuck School of Business, Dartmouth College in 1987.

Douglas J. Jacobson, age 46, has served as Senior Vice President - Acquisitions & Divestitures since August 1999. Prior to joining Chesapeake, Mr. Jacobson was employed by Samson Investment Company from 1980 until August 1999, where he served as Senior Vice President - Project Development and Marketing from 1996 until 1999. Mr. Jacobson has served on various Oklahoma legislative commissions intended to address issues in the oil and gas industry, including the Commission of Oil and Gas Production Practices and the Natural Gas Policy Commission. Mr. Jacobson is a Certified Public Accountant and graduated from John Brown University in 1976 and from the University of Arkansas in 1977.

Thomas S. Price, Jr., age 48, has served as Senior Vice President - Corporate Development since March 2000, as Vice President - Corporate Development since 1992 and was a consultant to the Company during the prior two years. He was employed by Kerr-McGee Corporation, Oklahoma City, from 1988 to 1990 and by Flag-Redfern Oil Company from 1984 to 1988. Mr. Price is Vice Chairman of the Mid-Continent Oil and Gas Association and a member of the Petroleum Investor Relations Association and the National Investor Relations Institute. Mr. Price graduated from the University of Central Oklahoma in 1983, from the University of Oklahoma in 1989 and from the American Graduate School of International Management in 1992.

James C. Johnson, age 42, was appointed President of Chesapeake Energy Marketing, Inc., a wholly-owned subsidiary of Chesapeake Energy Corporation, in January 2000. He served as Vice President - Contract Administration for the Company from 1997 to January 2000 and as Manager - Contract Administration from 1996 to 1997. From 1980 to 1996, Mr. Johnson held various gas marketing and land positions with Enogex, Inc., Delhi Gas Pipeline Corporation, TXO Production Corp. and Gulf Oil Corporation. Mr. Johnson is a member of the Natural Gas Association of Oklahoma and graduated from the University of Oklahoma in 1980.

Stephen W. Miller, age 43, has served as Vice President - Operations since 1996 and served as District Manager - College Station District from 1994 to 1996. Mr. Miller held various engineering positions in the oil and gas industry from 1980 to 1993. Mr. Miller is a registered Professional Engineer in Texas, is a member of the Society of Petroleum Engineers and graduated from Texas A & M University in 1980.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

In 1997 the Company changed its fiscal year end to December 31 from June 30. The following table sets forth for the fiscal years ended December 31, 1999 and 1998, the transition period for the six months ended December 31, 1997 and the fiscal year ended June 30, 1997 the compensation earned in each period by (i) the Company's chief executive officer, and (ii) the four other most highly compensated executive officers:

		ANNUAL COMPENSATION				
NAME AND PRINCIPAL POSITION	PERIOD ENDING	SALARY	BONUS	OTHER ANNUAL COMPENSATION(a)	SECURITIES UNDERLYING OPTION AWARDS (# OF SHARES)(b)	ALL OTHER COMPENSATION(c)
Aubrey K. McClendon Chairman of the Board and Chief Executive Officer	12/31/99	$ 350,000	$300,000	$ 137,029	500,000	$ 19,500
	12/31/98	$ 350,000	$325,000	$ 115,429	1,505,808(d)	$ 10,000
	12/31/97	$ 150,000	$200,000	$ 92,625	457,800(d)	$ --
	6/30/97	$ 250,000	$310,000	$ 76,950	463,000(d)	$ 11,050
Tom L. Ward President and Chief Operating Officer	12/31/99	$ 350,000	$300,000	$ 113,331	500,000	$ 20,000
	12/31/98	$ 350,000	$325,000	$ 115,977	1,505,808(d)	$ 10,000
	12/31/97	$ 150,000	$200,000	$ 93,026	457,800(d)	$ --
	6/30/97	$ 250,000	$310,000	$ 77,908	463,000(d)	$ 13,700
Marcus C. Rowland Executive Vice President and Chief Financial Officer	12/31/99	$ 262,500	$110,000	$ 41,428	125,000	$ 6,000
	12/31/98	$ 250,000	$175,000	(e)	397,476(d)	$ 10,000
	12/31/97	$ 112,500	$100,000	(e)	131,600(d)	$ --
	6/30/97	$ 185,000	$155,000	(e)	36,000(d)	$ 9,500
Steven C. Dixon Senior Vice President - Operations	12/31/99	$ 190,000	$ 55,000	(e)	40,000	$ 11,500
	12/31/98	$ 190,000	$110,000	(e)	206,120(d)	$ 10,000
	12/31/97	$ 87,500	$ 50,000	(e)	92,000(d)	$ --
	6/30/97	$ 145,000	$105,000	(e)	30,000(d)	$ 11,500
J. Mark Lester Senior Vice President - Exploration	12/31/99	$ 177,500	$ 55,000	(e)	40,000	$ 11,980
	12/31/98	$ 175,000	$100,000	(e)	153,691(d)	$ 10,000
	12/31/97	$ 80,000	$ 40,000	(e)	69,700(d)	$ 2,660
	6/30/97	$ 132,500	$ 70,000	(e)	19,500(d)	$ 10,400

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(a) Represents the cost of personal benefits provided by the Company, including for fiscal year 1999 personal accounting support ($65,175 for Messrs. McClendon and Ward), personal vehicle ($18,000 for Messrs. McClendon and Ward and $12,000 for Mr. Rowland), travel allowance ($50,000 for Mr. McClendon, $25,904 for Mr. Ward and $25,000 for Mr. Rowland) and country club membership dues ($3,854 for Mr. McClendon, $4,252 for Mr. Ward and $4,428 for Mr. Rowland).

(b) No awards of restricted stock or payments under long-term incentive plans were made by the Company to any of the named executives in any period covered by the table.

(c) Represents Company matching contributions to the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan.

(d) Includes both (i) option grants which were canceled and (ii) replacement options which were granted at 60% of the original number of options granted.

(e) Other annual compensation did not exceed the lesser of $50,000 ($25,000 for the transition period) or 10% of the executive officer's salary and bonus during the period.

STOCK OPTIONS GRANTED DURING 1999

The following table sets forth information concerning options to purchase common stock granted during 1999 to the executive officers named in the Summary Compensation Table. Amounts represent stock options granted under the Company's 1994 and 1999 stock option plans and include both incentive and non-qualified stock options. One-fourth of each option grant becomes exercisable on each of the first four grant date anniversaries. The exercise price of each option represents the market price of the common stock on the date of grant.

	INDIVIDUAL GRANTS					
					POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATE OF STOCK PRICE APPRECIATION FOR OPTION TERM(a)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN YEAR ENDED 12/31/99	EXERCISE PRICE PER SHARE	EXPIRATION DATE	5%	10%
Aubrey K. McClendon	500,000	17.9%	$ 0.94	3/5/09	$ 295,580	$ 749,059
Tom L. Ward	500,000	17.9%	$ 0.94	3/5/09	$ 295,580	$ 749,059
Marcus C. Rowland	125,000	4.5%	$ 0.94	3/5/09	$ 73,895	$ 187,265
Steven C. Dixon	40,000	1.4%	$ 0.94	3/5/09	$ 23,646	$ 59,925
J. Mark Lester	40,000	1.4%	$ 0.94	3/5/09	$ 23,646	$ 59,925

(a) The assumed annual rates of stock price appreciation of 5% and 10% are set by the Securities and Exchange Commission and are not intended as a forecast of possible future appreciation in stock prices.

AGGREGATED OPTION EXERCISES IN 1999 AND DECEMBER 31, 1999 OPTION VALUES

The following table sets forth information about options exercised by the named executive officers during 1999 and the unexercised options to purchase common stock held by them at December 31, 1999.

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED(b)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/99		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 12/31/99(a)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Aubrey K. McClendon	--	$ --	722,953	1,629,355	$ 585,434	$2,131,694
Tom L. Ward	315,000	$ 329,544	722,953	1,629,355	$ 585,434	$2,131,694
Marcus C. Rowland	139,871	$ 305,642	--	423,105	$ --	$ 552,631
Steven C. Dixon	--	$ --	416,434	194,586	$ 504,871	$ 250,833
J. Mark Lester	--	$ --	115,827	155,264	$ 151,094	$ 201,680

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(a) At December 31, 1999, the closing price of the common stock on the New York Stock Exchange was $2.38. "In-the-money options" are stock options with respect to which the market value of the underlying shares of common stock exceeded the exercise price at December 31, 1999. The values shown were determined by subtracting the aggregate exercise price of such options from the aggregate market value of the underlying shares of common stock on December 31, 1999.

(b) Represents amounts determined by subtracting the aggregate exercise price of such options from the aggregate market value of the underlying shares of common stock on the exercise date.

EMPLOYMENT AGREEMENTS

The Company has employment agreements with Messrs. McClendon and Ward, each of which provides, among other things, for an annual base salary of not less than $350,000, bonuses at the discretion of the Board of Directors, eligibility for stock options and benefits, including an automobile and travel allowance, club membership and personal accounting support. Each agreement has a term of five years commencing July 1, 1998, which term is automatically extended for one additional year on each June 30 unless one of the parties provides 30 days prior notice of non-extension. In addition, for each calendar year during which the employment agreements are in effect, Messrs. McClendon and Ward each agree to hold shares of the Company's common stock having an aggregate investment value equal to 500% of his annual base salary and bonus.

Under the employment agreements, Messrs. McClendon and Ward are permitted to participate in all of the wells spudded by or on behalf of the Company during each calendar quarter. In order to participate, at least 30 days prior to the beginning of a calendar quarter the executive must notify the disinterested members of the Compensation Committee whether the executive elects to participate and, if so, the percentage working interest the executive will take in each well spudded by or on behalf of the Company during such quarter. The participation election by Messrs. McClendon or Ward may not exceed a 2.5% working interest in a well and is not effective for any well where the Company's working interest after elections by Messrs. McClendon and Ward to participate would be reduced to below 12.5%. Once an executive elects to participate, the percentage cannot be adjusted during the calendar quarter without the prior written consent of the disinterested directors, and no such adjustment has ever been requested or granted. For each well in which the executive participates, the Company bills to the executive an amount equal to the executive's participation percentage multiplied by the costs of drilling and operating incurred in drilling the well, together with leasehold costs in an amount determined by the Company to approximate what third parties pay for similar leasehold in the area of the well. Payment is due within 150 days for invoices received prior to June 30, 2000 and within 90 days for invoices received subsequent to such date. The executive also receives a proportionate share of revenue from the well less certain charges by the Company for

marketing the production. As a result of marketing arrangements with other participants in the Company's wells to correct the timing of the receipt of revenues, the Company has advanced to the executives an amount equal to two months production on each of the wells based on a six-month trailing average of production revenue. As a result of fluctuations in the price and volume of oil and natural gas from the wells, such advance now exceeds two months production. The Company and the executives have agreed that such amount will bear interest, and have also agreed to a payment schedule to reduce such advance to equal one month's production by December 31, 2000. In the event an executive is not in compliance with the foregoing payment obligations, the right to participate in the Company's wells automatically is suspended until the executive is in compliance.

Messrs. McClendon and Ward have agreed that they will not engage in oil and gas operations individually except pursuant to the aforementioned participation in Company wells and as a result of subsequent operations on properties owned by them or their affiliates as of July 1, 1995. Messrs. McClendon and Ward participated in all wells drilled by the Company from its initial public offering in February 1993 through December 1998 with either a 1.0%, 1.25% or 1.5% working interest. Messrs. McClendon and Ward did not participate in the Company's wells during 1999 or the first quarter of 2000. However, both resumed participation in the Company's wells on April 1, 2000.

The Company has a similar employment agreement with Mr. Rowland that is in effect through July 31, 2000. It provides for an annual base salary of not less than $250,000. The Company and Mr. Rowland have agreed to modify the terms of Mr. Rowland's employment agreement effective August 1, 2000. The modifications include a two-year contract term, which can be terminated by either party and provides for a minimum annual base salary of $110,000. Additionally, effective August 1, 2000, Mr. Rowland will reduce his work schedule and his title will become Chief Financial Officer and Senior Vice President - Finance. Mr. Rowland's employment agreement requires him to hold shares of the Company's common stock having an aggregate investment value (as defined) equal to 100% of his annual base salary and bonus; under his new employment agreement, this requirement will not change. Mr. Rowland has been permitted under his employment agreement to participate in the Company's oil and gas drilling operations, although he has not done so since 1997. He will no longer have the option to participate in the Company's wells, after July 31, 2000.

The Company also has employment agreements with Messrs. Dixon and Lester. These agreements have a term of three years from July 1, 2000, with minimum annual base salaries of $205,000. The agreements require each of them to acquire and continue to hold at least 1,000 shares of the Company's common stock throughout the term of their contract.

The Company may terminate any of the employment agreements with its executive officers at any time without cause; however, upon such termination Messrs. McClendon and Ward are entitled to continue to receive salary and benefits for the balance of the contract term. Upon termination of Mr. Rowland's existing employment agreement by the Company, he would be entitled to receive salary and benefits for the balance of the contract term. The employment agreement that becomes effective August 1, 2000 will provide for three months compensation and benefits if terminated without cause by the Company. Messrs. Dixon and Lester are entitled to three months compensation and benefits if their employment is terminated without cause. Each of the employment agreements for Messrs. McClendon, Ward, Rowland, Dixon and Lester further state that if, during the term of the agreement, there is a change of control and (a) within one year the agreement expires and is not extended, (b) within one year the executive officer resigns as a result of (i) a reduction in the executive officer's compensation, or (ii) a required relocation more than 25 miles from the executive officer's then current place of employment or (c) within two years from the effective date of the change of control (one year for Messrs. Dixon and Lester) the executive officer is terminated other than for cause, death or incapacity, then the executive officer will be entitled to a severance payment in an amount equal to 60 months of base compensation (as that term is defined in the agreements) for Messrs. McClendon and Ward and 6 months for Messrs. Dixon and Lester and 36 months for Mr. Rowland. Change of control is defined in these agreements to include (x) an event which results in a person acquiring beneficial ownership of securities having 35% or more (51% for Messrs. Dixon and Lester) of the voting power of the Company's outstanding voting securities, or (y) within two years of a tender offer or exchange offer for the voting stock of the Company or as a result of a merger, consolidation, sale of assets or contested election, a majority of the members of the Company's Board of Directors is replaced by directors who were not nominated and approved by the Board of Directors. Mr. Rowland's employment agreement, which will become effective August 1, 2000, does not provide for benefits payable upon a change of control.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is composed of Messrs. Heizer and Whittemore. Messrs. McClendon and Ward served on the Compensation Committee until September 1999. Mr. McClendon is Chairman of the Board

and Chief Executive Officer of the Company and Mr. Ward is the Company's President and Chief Operating Officer. Messrs. McClendon and Ward administer the Company's 1992 stock option plans. The 1992 Incentive Stock Option Plan was terminated in December 1994 except with respect to the administration of outstanding options. The only options issued under the 1992 NSO Plan during the year ended December 31, 1999 were those to the Company's non-employee directors pursuant to a formula award provision. See "-Directors' Compensation." Messrs. McClendon and Ward also serve on committees which administer the Company's other stock option plans with respect to employee participants who are not executive officers. Messrs. Heizer and Whittemore serve on committees which administer these plans with respect to employee participants who are executive officers. Messrs. McClendon and Ward participate as working interest owners in the Company's oil and gas wells pursuant to the terms of their employment agreements with the Company. See "-Employment Agreements." Accounts receivable from Messrs. McClendon and Ward are generated by joint interest billings relating to such participation and as a result of miscellaneous expenses paid on their behalf by the Company. A subsidiary of the Company extended loans of $5.0 million each to Messrs. McClendon and Ward in 1998 which were paid in full in late 1999. See "Certain Transactions."

DIRECTORS' COMPENSATION

During 1999, directors who were not employees of the Company ("non-employee directors") received cash compensation of $25,000, comprised of an annual retainer of $5,000, payable in quarterly installments of $1,250, and $5,000 for each meeting of the Board attended, not to exceed $20,000 per year for Board meetings attended. Directors are reimbursed for travel and other expenses. Officers who also serve as directors do not receive fees for serving as directors. Under a formula award provision in the 1992 NSO Plan, non-employee directors were granted ten-year non-qualified options to purchase 6,250 shares of common stock at an exercise price equal to the market price on the first business day of each quarter of 1999 and the first quarter of 2000. Commencing with the second quarter in 2000, the quarterly option grant to non-employee directors increased to 7,500 shares. The options are immediately exercisable upon grant.

CERTAIN TRANSACTIONS

Legal Counsel. Shannon T. Self, a director of the Company, is a shareholder in the law firm of Self, Giddens & Lees, Inc., which provides legal services to the Company. During 1997, 1998 and 1999, the firm billed the Company approximately $414,314, $493,000 and $398,000, respectively for such legal services.

Oil and Gas Operations. Prior to 1989, Messrs. McClendon and Ward and their affiliates, as independent oil producers, acquired various leasehold and working interests. In 1989, Chesapeake Operating, Inc. ("COI"), a wholly-owned subsidiary of the Company, was formed to drill and operate wells in which Messrs. McClendon and Ward or their affiliates owned working interests. COI entered into joint operating agreements with Messrs. McClendon and Ward and other working interest owners and billed each for their respective shares of expenses and fees. COI continues to operate wells in which directors, executive officers and related parties own working interests. In addition, directors, executive officers and related parties have in the past acquired working interests directly and indirectly from the Company and participated in wells drilled by COI. The Company's non-employee directors have not acquired from the Company interests in any new wells drilled by the Company since their election as directors in 1993 and have no present intention to acquire from the Company interests in any new wells of the Company.

The table below presents information about drilling, completion, equipping and operating costs billed to the persons named in 1997, 1998 and 1999, the largest amount owed by them during those periods and the balances owed by them at December 31, 1999, 1998, 1997 and 1996. No interest is charged on amounts owing for such costs. The amounts for all other directors and executive officers who are joint working interest owners in Company wells were insignificant.

	AUBREY K. MCCLENDON	TOM L. WARD	MARCUS C. ROWLAND
		(in 000's)	
Amount billed in 1999	$ 1,421	$ 1,366	$ 68
Largest outstanding balance in 1999 (month end)	$ 1,503	$ 1,718	$ 29
Balance at December 31, 1999	$ 1,426	$ 868	$ 16
Amount billed in 1998	$ 3,950	$ 3,902	$ 106
Largest outstanding balance in 1998 (month end)	$ 2,581	$ 3,291	$ 62
Balance at December 31, 1998	$ 1,541	$ 1,444	$ 18
Amount billed in 1997	$ 6,784	$ 6,759	$ 142
Largest outstanding balance in 1997 (month end)	$ 4,745	$ 4,190	$ 60
Balance at December 31, 1997	$ 68	$ 2,203	$ 36
Balance at December 31, 1996	$ 1,224	$ 1,272	$ 35

The amounts advanced to the executive officers during 1998 and 1999 to correct the timing of the receipt of oil and gas revenues on the wells in which the executive officers participated, including accrued interest, equaled $984,000 and $959,208, respectively for Mr. McClendon, $958,000 and $932,223, respectively for Mr. Ward and $29,060 and $25,000, respectively for Mr. Rowland. The amount of these advances in excess of revenue received by the Company and not disbursed bears interest at 9.125%.

Loans to Executives. In June 1998, the Company extended loans of $5.0 million each to Messrs. McClendon and Ward to pay a portion of the margin debt incurred by them in connection with their purchase of 730,750 shares each of Company common stock in the open market in February 1997 at an approximate average price of $20.24 per share. Each loan initially had a maturity date of December 31, 1998, which was extended to December 31, 1999. In each case the terms of the loan and the documentation evidencing the loan were negotiated by a committee of independent directors in conjunction with separate legal counsel. Interest accrued on each of the loans at an annual rate of 9.125% and was payable quarterly. Each of the loans was secured by collateral with an indicated fair market value greater than 150% of the unpaid principal balance of the loan. In November 1999, the borrowers repaid the loans in full by surrendering shares of the Company's common stock having a market value equal to the respective amounts owed (principal amount of $3,847,000 for Mr. McClendon and $3,688,000 for Mr. Ward).

Purchase of Oil and Gas Assets from Executive. In January 2000, the Company purchased Mr. Rowland's interests in the oil and gas wells in which he participated pursuant to his employment agreement. The purchase price for the oil and gas assets was $465,000 and was determined using a methodology similar to that used for similar acquisitions of assets from disinterested third parties. See "Executive Compensation - Employment Agreements."

Miscellaneous. From time to time, the Company has paid various expenses incurred on behalf of Messrs. McClendon and Ward and their affiliates, creating accounts receivable of the Company. During 1997, 1998 and 1999 additions to accounts receivable (excluding joint interest billings, which are described above) from Messrs. McClendon and Ward and their affiliates were insignificant.

SECURITY OWNERSHIP

The table below sets forth (i) the name and address of each person known by management to own beneficially more than 5% of the Company's outstanding common stock, the number of shares beneficially owned by each such shareholder and the percentage of outstanding shares owned, and (ii) the number and percentage of outstanding shares of common stock beneficially owned by each of the Company's directors and executive officers listed in the Summary Compensation Table in "Executive Compensation" and by all directors and executive officers of the Company as a group. Unless otherwise noted, information is given as of June 30, 2000 and the persons named below have sole voting and/or investment power with respect to such shares.

	COMMON STOCK			
BENEFICIAL OWNER	OUTSTANDING SHARES	OPTION SHARES(a)	TOTAL OWNERSHIP	PERCENT OF CLASS
Tom L. Ward(1)(2) ..... 6100 North Western Avenue Oklahoma City, OK 73118	10,384,551(b)(c)	847,953	11,232,504	8.0%
Aubrey K. McClendon(1)(2) ..... 6100 North Western Avenue Oklahoma City, OK 73118	8,899,671(c)(d)	847,953	9,747,624	7.0%
Franklin Advisers, Inc. ..... 777 Mariners Island Boulevard San Mateo, CA 94404	10,491,300	--	10,491,300	7.5%
Loomis, Sayles & Company, L.P. ..... One Financial Center Boston, MA 02111	--	7,130,204(e)	7,130,204(e)	5.1%
Edgar F. Heizer, Jr.(1)	709,650	406,000	1,115,650	(3)
Breene M. Kerr(1)	423,250(f)	182,500(g)	605,750	(3)
Shannon T. Self(1)	31,458(h)	420,666	452,124	(3)
Frederick B. Whittemore(1)	481,800(i)	1,185,250(g)	1,667,050	1.2%
Steven C. Dixon(2)	13,716(c)	411,434	425,150	(3)
J. Mark Lester(2)	37,845(c)	93,827	131,672	(3)
Marcus C. Rowland(2)	32,548(c)	--	32,548	(3)
All directors and executive officers as a group	21,061,813	3,597,701	24,659,514	17.2%

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(1) Director

(2) Executive officer

(3) Less than 1%

(a) Represents shares of common stock which can be acquired on June 30, 2000 or 60 days thereafter through the exercise of options or conversion of the Company's convertible preferred stock.

(b) Includes 1,646,860 shares held by TLW Investments, Inc., an Oklahoma corporation of which Mr. Ward is sole shareholder and chief executive officer; 1,098,600 shares held by the Aubrey K. McClendon Children's Trust of which Mr. Ward is Trustee; and 21,435 shares held by Mr. Ward's immediate family sharing the same household. Excluded are the shares of common stock beneficially owned by Mr. McClendon which may be attributed to Mr. Ward based on a jointly filed Schedule 13D. Mr. Ward disclaims such ownership.

(c) Includes shares purchased on behalf of the executive officer in the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan (Tom L. Ward, 34,042 shares; Aubrey K. McClendon, 81,123 shares; Steven C. Dixon, 13,716 shares; J. Mark Lester, 13,345 shares; and Marcus C. Rowland, 16,403 shares).

(d) Includes 58,560 shares held by Chesapeake Investments, an Oklahoma limited partnership of which Mr. McClendon is sole general partner. Excluded are the shares beneficially owned by Mr. Ward which may be attributed to Mr. McClendon based on a jointly filed Schedule 13D. Mr. McClendon disclaims such ownership.

(e) Represents shares of the Company's preferred stock which is convertible into 7,130,204 shares of the Company's common stock based upon Schedule 13G filed February 1, 2000. Excludes any shares that might be issuable with respect to accrued and unpaid dividends.

(f) Includes 250,000 shares held by Talbot Fairfield II Limited Partnership, of which Mr. Kerr is a general partner.

(g) Includes options to purchase shares of the Company's common stock owned by Messrs. Ward and McClendon issued to Messrs. Kerr, and Whittemore (Breene M. Kerr, 93,750 shares from Aubrey K. McClendon; Frederick B. Whittemore, 394,688 shares from Aubrey K. McClendon and 355,312 shares from Tom L. Ward).

(h) Consists of 12,382 shares held by Pearson Street Limited Partnership, an Oklahoma limited partnership of which Mr. Self is sole general partner and the remaining partner is Mr. Self's spouse.

(i) Includes 41,750 shares held by Mr. Whittemore as trustee of the Whittemore Foundation.

SELLING SHAREHOLDERS

The following table sets forth the name of each of the selling shareholders, the number of shares and percentage of common stock beneficially owned by each selling shareholder before the offering, the number of shares of common stock offered pursuant to this prospectus, and the number of shares of common stock beneficially owned by each selling shareholder after the offering.

	SHARES, BENEFICIALLY OWNED BEFORE OFFERING			
NAME OF SELLING SHAREHOLDER (1)	NUMBER	PERCENT	NUMBER OF SHARES BEING OFFERED	NUMBER OF SHARES BENEFICIALLY OWNED AFTER OFFERING
Appaloosa Investment Limited Partnership I(2)	1,940,963	1.39%	1,940,963	--
Palomino Fund Ltd.(2)	2,172,708	1.56%	2,172,708	--
Tersk LLC(2)	322,259	*	322,259	--
Oppenheimer Strategic Income Fund(3)	2,803,956(4)	1.99%	1,752,337	1,051,619(4)
Oppenheimer Champion Income Fund(3)	1,413,609(5)	1.01%	833,429	580,180(5)
Oppenheimer Variable Account Funds f/a/o Oppenheimer Strategic Bond Fund(3)	170,004(6)	*	26,119	143,885(6)
Oppenheimer High Yield Fund(3)	2,132,216(7)	1.52%	1,412,792	719,424(7)
Atlas Strategic Income Fund(3)	11,872	*	11,872	--
Ingalls & Snyder Value Partners, L.P.(8)	412,868	*	412,868	--
Heritage Mark Foundation(8)	94,978	*	94,978	--
Arthur R. Ablin(8)	13,772	*	13,772	--
John Hancock High Yield Bond Fund	473,938	*	473,938	--
John Hancock Variable Annuity High Yield Bond Fund	950	*	950	--

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* Indicates less than 1%

(1) The term selling shareholders also includes their respective donees, pledgees, transferees and other successors in interest. The information in the table is as of July 7, 2000.

(2) Appaloosa Management L.P. is the general partner of Appaloosa Investment Limited Partnership I, investment advisor of Palomino Fund Ltd., and the managing member of Tersk LLC. The general partner of Appaloosa Management is Appaloosa Partners Inc. David Tepper is the sole stockholder and President of Appaloosa Partners and owns a majority of the limited partnership interests of Appaloosa Management. Such persons may be deemed to be beneficial owners.

(3) Each entity is a registered investment company. Oppenheimer Funds, Inc. acts as the investment advisor for the Oppenheimer funds and as sub-advisor for Atlas Strategic Income Fund, and has investment discretion on behalf of these accounts. Therefore it may be deemed to be a beneficial owner of such securities but disclaims beneficial ownership.

(4) Includes 1,051,619 shares of common stock issuable upon conversion of 146,175 shares of 7% convertible preferred stock.

(5) Includes 550,180 shares of common stock issuable upon conversion of 76,475 shares of 7% convertible preferred stock.

(6) Includes 143,885 shares of common stock issuable upon conversion of 20,000 shares of 7% convertible preferred stock.

(7) Includes 719,424 shares of common stock issuable upon conversion of 100,000 shares of 7% convertible preferred stock.

(8) Ingalls & Snyder LLC shares dispositive powers with respect to these shares.

None of the selling shareholders listed above has, or within the past three years has had, any position, office or other material relationship with the Company or any of its predecessors or affiliates.

Because the selling shareholders may offer all or some portion of the above shares pursuant to this prospectus or otherwise, no estimate can be given as to the amount or percentage of such securities that will be held by the selling shareholders upon termination of any such sale. In addition, the selling shareholders identified above may have sold, transferred or otherwise disposed of all or a portion of such securities since the date indicated in transactions exempt from the registration requirements of the Securities Act. The selling shareholders may sell all, part or none of the shares listed above.

DESCRIPTION OF THE CAPITAL STOCK

The summary of the terms of the capital stock of the Company set forth below does not purport to be complete and is qualified by reference to the Company's Certificate of Incorporation and its Bylaws. Copies of the Company's Certificate of Incorporation and Bylaws are available from the Company upon request. The authorized capital stock of the Company consists of 250,000,000 shares of common stock, par value $.01 per share, and 10,000,000 shares of preferred stock, par value $.01 per share, of which 1,557,037 shares are designated the 7% Cumulative Convertible Preferred Stock and 250,000 shares are designated the Series A Junior Participating Preferred Stock ("Series A Preferred Stock"). As of June 30, 2000, the issued and outstanding capital stock of the Company consisted of 139,490,896 shares of common stock and 1,557,037 shares of 7% Cumulative Convertible Preferred Stock. No shares of Series A Preferred Stock are currently outstanding. Also, an additional 16,836,298 shares of common stock were reserved for issuance upon the exercise of outstanding options granted under the Company's stock option plans.

COMMON STOCK

The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available for dividends. In the event of a liquidation or dissolution of the Company, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any outstanding preferred stock.

Holders of common stock have no preemptive rights and have no rights to convert their common stock into any other securities. All of the outstanding shares of common stock are duly authorized, validly issued, fully paid and nonassessable.

PREFERRED STOCK

The 7% Cumulative Convertible Preferred Stock is described below under "7% Cumulative Convertible Preferred Stock." The Series A Preferred Stock is described below under "- Anti-Takeover Provisions - Share Rights Plan."

The Company has 8,192,963 shares of authorized preferred stock which are undesignated. The Board of Directors is authorized, subject to any limitations prescribed by law, without further shareholder approval, to issue shares of preferred stock from time to time in one or more new series as from time to time designated. Each such series of preferred stock would have such number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as determined by the Board of Directors, which may include, among others, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences and conversion rights.

While providing desirable flexibility in connection with possible acquisitions and other corporate purposes, and eliminating delays associated with a shareholder vote on specific issuances, the issuance of preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation and could have the effect of delaying, deferring or preventing a change in control of the Company.

7% Cumulative Convertible Preferred Stock

The Certificate of Designation for the 7% Cumulative Convertible Preferred Stock (the "Preferred Stock") authorizes the issuance of 1,557,037 shares of Preferred Stock, all of which are issued and outstanding. The Preferred Stock is, and any common stock issued upon the conversion or exchange of Preferred Stock will be, fully paid and nonassessable.

Ranking. The Preferred Stock, with respect to dividend distributions and distributions upon the liquidation, winding-up and dissolution of the Company, ranks:

- senior to all classes of common stock of the Company and to each other class of capital stock or series of preferred stock established after April 22,1998, the issue date of the Preferred Stock (the "Issue Date"), by the Board of Directors, the terms of which do not expressly provide that it ranks senior to or on a parity with the Preferred Stock as to dividend distributions and distributions upon the liquidation, winding-up and dissolution of the Company;

- subject to certain conditions, on a parity with any class of capital stock or series of preferred stock issued by the Company established after the Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank on parity with the Preferred Stock as to dividend distributions and distributions upon the liquidation, winding-up and dissolution of the Company; and

- subject to certain conditions, junior to each class of capital stock or series of preferred stock issued by the Company established after the Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank senior to the Preferred Stock as to dividend distributions and distributions upon liquidation, winding-up and dissolution of the Company.

Dividends. Holders of the Preferred Stock are entitled to receive cumulative annual cash dividends of $3.50 per share, payable quarterly in arrears out of assets legally available for dividends, on February 1, May 1, August 1 and November 1 of each year commencing August 1, 1998, when, as and if declared by the Board of Directors. Dividends will accumulate and be cumulative (whether or not declared) from the Issue Date. Dividends will be payable to holders of record as they appear on the Company's stock register on such record dates, not more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board of Directors. Dividends payable on the Preferred Stock for each full dividend period will be computed by dividing the annual dividend rate by four. Dividends payable on the Preferred Stock for any period less than a full dividend period (based upon the number of days elapsed during the period) will be computed on the basis of a 360-day year consisting of twelve 30-day months. No dividends or other distributions (other than a dividend or distribution payable solely in stock of the Company ranking junior to the Preferred Stock as to dividends and upon liquidation and cash in lieu of fractional shares) may be declared, made or paid or set apart for payment upon the common stock or upon any other stock of the Company ranking junior to or pari passu with the Preferred Stock as to dividends, nor may any common stock or any other stock of the Company ranking junior to or pari passu with the Preferred Stock as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any money paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Company (except by conversion into or exchange for stock of the Company ranking junior to the Preferred Stock as to dividends and upon liquidation) unless full cumulative dividends have been or contemporaneously are paid or declared and a sum sufficient for the payment thereof is set apart for such payment on the Preferred Stock for all dividend payment periods terminating on or prior to the date of such declaration, payment, redemption, purchase or acquisition. Holders of shares of the Preferred Stock will not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments which may be in arrears.

The Company's ability to declare and pay cash dividends and make other distributions with respect to its capital stock, including the Preferred Stock, is limited by provisions contained in various financing agreements. Similarly, the Company's ability to declare and pay dividends may be limited by applicable Oklahoma law. See "Risk Factors - Existing Debt Covenants Restrict Our Operations."

Liquidation Preference. In the event of any voluntary or involuntary dissolution, liquidation or winding up of the Company, the holders of the Preferred Stock will be entitled to receive and to be paid out of the Company's assets available for distribution to its shareholders, before any payment or distribution is made to holders of common stock or any other class or series of stock of the Company ranking junior to the Preferred Stock upon liquidation, a liquidation preference in the amount of $50 per share of the Preferred Stock, plus accrued and unpaid dividends thereon. If upon any voluntary or involuntary dissolution, liquidation or winding up of the Company, the amounts payable with respect to the liquidation preference of the Preferred Stock and any other shares of stock of the Company ranking as to any such distribution pari passu with the Preferred Stock are not paid in full, the holders of the Preferred Stock and of such other shares will share pro rata in proportion to the full distributable amounts to which they are entitled. After payment of the full amount of the liquidating distribution

to which they are entitled, the holders of the Preferred Stock will have no right or claim to any of the remaining assets of the Company. Neither the sale of all or substantially all of the property or business of the Company (other than in connection with the winding up of its business), nor the merger or consolidation of the Company into or with any other corporation, will be deemed to be dissolution, liquidation or winding up, voluntary or involuntary, of the Company.

Optional Redemption. The Preferred Stock may not be redeemed prior to May 1, 2001. After May 1, 2001, the Company may redeem the Preferred Stock for prices as set forth in the Certificate of Designation ($52.45 per share during the first year).

From and after the applicable redemption date (unless the Company is in default of payment of the redemption price), dividends on the shares of the Preferred Stock to be redeemed on such redemption date will cease to accrue, the shares will no longer be deemed to be outstanding, and all rights of the holders of the shares as shareholders of the Company (except the right to receive the redemption price) will cease.

If any dividends on the Preferred Stock are in arrears, no shares of the Preferred Stock will be redeemed unless all outstanding shares of the Preferred Stock are simultaneously redeemed.

Voting Rights. The holders of the Preferred Stock have no voting rights except as set forth below or as otherwise required by law from time to time. If the dividends payable on the Preferred Stock are in arrears for six quarterly periods, the holders of the Preferred Stock voting separately as a class with the shares of any other preferred stock or preference securities having similar voting rights will be entitled at the next regular or special meeting of shareholders of the Company to elect two directors of the Company (such voting rights and the terms of the directors so elected to continue until such time as the dividend arrearage on the Preferred Stock has been paid in full). The affirmative vote or consent of the holders of at least 66 2/3% of the outstanding Preferred Stock will be required for the issuance of any class or series of stock (or security convertible into stock) of the Company ranking pari passu or senior to the Preferred Stock as to dividends, liquidation rights or voting rights and for amendments to the Company's Certificate of Incorporation that would affect adversely the rights of holders of the Preferred Stock, including, without limitation, any increase in the authorized number of shares of preferred stock. In all such cases, each share of Preferred Stock shall be entitled to one vote.

Conversion Rights. The Preferred Stock is convertible at any time at the option of the holder thereof into such number of whole shares of common stock as is equal to the aggregate liquidation preference, plus accrued and unpaid dividends thereon to the date the shares of Preferred Stock are surrendered for conversion, divided by an initial conversion price of $6.95, subject to adjustment as described in the Certificate of Designation (such price or adjusted price being referred to as the "Conversion Price"). A share of Preferred Stock called for redemption will be convertible into shares of common stock up to and including but not after, unless the Company defaults in the payment of the amount payable upon redemption, the close of business on the date fixed for redemption.

Change of Control. Notwithstanding the foregoing, upon a Change of Control (as defined in the Certificate of Designation), holders of Preferred Stock will, in the event that 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 (i) the Market Value as of the Change of Control Date and (ii) $3.66, which is 66 2/3% of the Market Value for the period ended April 16, 1998. Such option will be exercisable during a period of not less than 30 days nor more than 60 days commencing on the third business day after notice of the Change of Control is given by the Company in the manner specified. In lieu of issuing the shares of common stock issuable upon conversion in the event of a Change of Control, the Company may, at its option, make a cash payment equal to the Market Value determined for the period ending on the Change of Control Date of such common stock otherwise issuable. "Market Value" is defined in the Certificate of Designation as the average closing price of the common stock for a five consecutive trading day period on the New York Stock Exchange or such other national securities exchange or automated quotation system on which the common stock is then listed or authorized for quotation or, if the common stock is not so listed or authorized for quotation, an amount determined in good faith by the Board of Directors to be the fair value of the common stock.

ANTI-TAKEOVER PROVISIONS

The Certificate of Incorporation and Bylaws of the Company and the Oklahoma General Corporation Act (the "OGCA") include a number of provisions which may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with the Board of Directors rather than pursue non-negotiated takeover attempts. These provisions include a classified Board of Directors, authorized blank check preferred stock (described above under - "Preferred Stock"), restrictions on business combinations and the availability of authorized but unissued common stock.

Classified Board of Directors

The Company's Certificate of Incorporation and Bylaws contain provisions for a staggered Board of Directors with only one-third of the board standing for election each year. Directors can only be removed for cause. A staggered board makes it more difficult for shareholders to change the majority of the directors and instead promotes a continuity of existing management.

Oklahoma Business Combination Statute

Section 1090.3 of the OGCA prevents an "interested shareholder" from engaging in a "business combination" with an Oklahoma corporation for three years following the date such person became an interested shareholder, unless

- prior to the date such person became an interested shareholder, the Board of Directors of the corporation approved the transaction in which the interested shareholder became an interested shareholder or approved the business combination,

- upon consummation of the transaction that resulted in the interested shareholder's becoming an interested shareholder, the interested shareholder owns stock having at least 85% of all voting power of the corporation at the time the transaction commenced, excluding stock held by directors who are also officers of the corporation and stock held by certain employee stock plans, or

- on or subsequent to the date of the transaction in which such person became an interested shareholder, the business combination is approved by the Board of Directors of the corporation and authorized at a meeting of shareholders by the affirmative vote of the holders of two-thirds of all voting power not attributable to shares owned by the interested shareholder.

The statute defines a "business combination" to include

- any merger or consolidation involving the corporation and an interested shareholder,

- any sale, lease, exchange, mortgage, pledge, transfer or other disposition to or with an interested shareholder of 10% or more of the assets of the corporation,

- subject to certain exceptions, any transaction which results in the issuance or transfer by the corporation of any stock of the corporation to an interested shareholder,

- any transaction involving the corporation which has the effect of increasing the proportionate share of the stock of any class or series or voting power of the corporation owned by the interested shareholder,

- the receipt by an interested shareholder of any loans, guarantees, pledges or other financial benefits provided by or through the corporation, or

- any share acquisition by the interested shareholder pursuant to Section 1090.1 of the OGCA. For purposes of Section 1090.3, the term "corporation" also includes the corporation's majority-owned subsidiaries.

In addition, Section 1090.3 defines an "interested shareholder," generally, as any person that owns stock having 15% or more of all voting power of the corporation, any person that is an affiliate or associate of the corporation and owned stock having 15% or more of all voting power of the corporation at any time within the three-year period prior to the time of determination of interested shareholder status, and any affiliate or associate of such person.

Stock Purchase Provisions

The Certificate of Incorporation includes a provision which requires the affirmative vote of two-thirds of the votes cast by the holders, voting together as a single class, of all then outstanding shares of capital stock, excluding the votes by an interested shareholder, to approve the purchase of any capital stock of the Company from the interested shareholder at a price in excess of fair market value, unless such purchase is either (i) made on the same terms offered to all holders of the same securities or (ii) made on the open market and not the result of a privately negotiated transaction.

Share Rights Plan

The Rights. On July 7, 1998, the Board of Directors of the Company declared a dividend distribution of one preferred stock purchase right (a "Right") for each outstanding share of common stock. The distribution was paid on July 27, 1998 (the "Record Date") to the shareholders of record on that date. Each Right entitles the registered holder thereof to purchase from the Company one one-thousandth of a share of Series A Preferred Stock at a price of $25.00, subject to adjustment.

The following is a summary of the Rights. The full description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and UMB Bank, N.A., as Rights Agent (the "Rights Agent"). Copies of the Rights Agreement and the Certificate of Designation for the Series A Preferred Stock are available free of charge from the Company. This summary description of the Rights and the Series A Preferred Stock does not purport to be complete and is qualified in its entirety by reference to all the provisions of the Rights Agreement and the Certificate of Designation for the Series A Preferred Stock, including the definitions therein of certain terms.

Initially, the Rights attached to all certificates representing shares of outstanding Company common stock, and no separate Rights certificates were distributed. The Rights will separate from the common stock and the Distribution Date will occur upon the earlier of

- 10 days following the date of public announcement that a person or group of persons has become an Acquiring Person, or
- 10 business days (or such later date as may be determined by action of the Board of Directors prior to the time a person becomes an Acquiring Person) following the commencement of, or the announcement of an intention to make, a tender offer or exchange offer upon consummation of which the offeror would, if successful, become an Acquiring Person (the earlier of such dates being called the "Distribution Date").

The term "Acquiring Person" means any person who or which, together with all of its affiliates and associates, is the beneficial owner of 15% or more of the outstanding common stock, but does not include:

- the Company or any subsidiary of the Company or any employee benefit plan of the Company,
- Aubrey K. McClendon, his spouse, lineal descendants and ascendants, heirs, executors or other legal representatives and any trusts established for the benefit of the foregoing or any other person or entity in which the foregoing persons or entities are at the time of determination the direct record and beneficial owners of all outstanding voting securities (each a "McClendon Shareholder"),
- Tom L. Ward, his spouse, lineal descendants and ascendants, heirs, executors or other legal representatives and any trusts established for the benefit of the foregoing, or any other person or entity in which the foregoing persons or entities are at the time of determination the direct record and beneficial owners of all outstanding voting securities (each a "Ward Shareholder"),
- Morgan Guaranty Trust Company of New York, in its capacity as pledgee (the "McClendon/Ward Pledgee") of shares ("Pledged Shares") beneficially owned by a McClendon or Ward Shareholder, or both, under pledge agreement(s) in effect on September 11, 1998, to the extent that upon the exercise by the McClendon/Ward Pledgee of any rights or duties thereunder other than the exercise of any voting power by the McClendon/Ward Pledgee or the acquisition of ownership by the McClendon/Ward Pledgee, such McClendon/Ward Pledgee becomes a beneficial owner of Pledged Shares, or

- any person (other than a McClendon/Ward Pledgee) that is neither a McClendon nor Ward Shareholder, but who or which is the beneficial owner of common stock beneficially owned by a McClendon or Ward Shareholder (a "Second Tier Shareholder"), but only if the shares of common stock otherwise beneficially owned by such Second Tier Shareholder ("Second Tier Holder Shares") do not exceed the sum of (A) such holder's Second Tier Holder Shares held on September 11, 1998 and (B) 1% of the shares of common stock of the Company then outstanding (collectively, "Exempt Persons").

The Rights Agreement provides that, until the Distribution Date, the Rights will be transferred with and only with the common stock. Until the Distribution Date (or earlier redemption or expiration of the Rights), new common stock certificates issued after the Record Date, upon transfer or new issuance of common stock, will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for common stock, outstanding as of the Record Date, even without such notation or a copy of a summary of the Rights being attached thereto, will also constitute the transfer of the Rights associated with the common stock represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Rights Certificates") will be mailed to holders of record of the common stock as of the close of business on the Distribution Date and such separate Rights Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on July 27, 2008 (the "Expiration Date").

The purchase price payable, and the number of one one-thousandths of a share of Series A Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution:

- in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series A Preferred Stock;

- upon the grant to holders of the Series A Preferred Stock of certain rights or warrants to subscribe for or purchase shares of Series A Preferred Stock at a price, or securities convertible into Series A Preferred Stock with a conversion price, less than the then current market price of the Series A Preferred Stock; or

- upon the distribution to holders of the Series A Preferred Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends paid or dividends payable in Series A Preferred Stock) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights and the number of one one-thousandths of a share of Series A Preferred Stock issuable upon exercise of each Right are also subject to adjustment in the event of a stock split of the common stock or a stock dividend on the common stock payable in the common stock or subdivisions, consolidations or combinations of the common stock occurring, in any such case, prior to the Distribution Date.

In the event that following a Stock Acquisition Date (the date of public announcement that an Acquiring Person has become such) the Company is acquired in a merger or other business combination transaction or more than 50% of its consolidated assets or earning power are sold, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right (the "flip-over right").

In the event that a person (other than an Exempt Person) becomes an Acquiring Person, proper provision will be made so that each holder of a Right (other than the Acquiring Person and its affiliates and associates) will thereafter have the right to receive upon exercise that number of shares of common stock (or, under certain circumstances, cash, other equity securities or property of the Company) having a market value equal to two times the purchase price of the Rights (the "flip-In right"). Upon the occurrence of the foregoing event giving rise to the exercisability of the Rights, any Rights that are or were at any time owned by an Acquiring Person will become void.

With certain exceptions, no adjustment in the purchase price will be required until cumulative adjustments require an adjustment of at least 1% in the purchase price. Upon exercise of the Rights, no fractional shares of Series A Preferred Stock will be issued other than fractions which are integral multiples of one one-hundredth of a share of Series A Preferred Stock. Cash will be paid in lieu of fractional shares of Series A Preferred Stock that are not integral multiples of one one-hundredth of a share of Series A Preferred Stock.

At any time prior to the earlier to occur of (i) 5:00 p.m., Oklahoma City, Oklahoma time on the 10th day after the Stock Acquisition Date or (ii) the expiration of the Rights, the Company may redeem the Rights in whole, but not in part, at a price of $0.01 per Right (the "Redemption Price"); provided, that (i) if the Board of Directors authorizes redemption on or after the time a person becomes an Acquiring Person, then such authorization must be by board approval and (ii) the period for redemption may, upon board approval, be extended by amending the Rights Agreement. Board approval means the approval of a majority of the directors of the Company. Immediately upon any redemption of the Rights described in this paragraph, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The terms of the Rights may be amended by the Board of Directors without the consent of the holders of the Rights at any time and from time to time provided that such amendment does not adversely affect the interests of the holders of the Rights. In addition, during any time that the Rights are subject to redemption, the terms of the Rights may be amended by the approval of a majority of the directors, including an amendment that adversely affects the interests of the holders of the Rights, without the consent of the holders of Rights.

Until a Right is exercised, a holder will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to shareholders or to the Company, shareholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Series A Preferred Stock (or other consideration).

The Series A Preferred Stock. Each one-thousandth of a share of the Series A Preferred Stock ("Preferred Share Fraction") that may be acquired upon exercise of the Rights will be nonredeemable and subordinate to any other shares of preferred stock that may be issued by the Company.

Each Preferred Share Fraction will have a minimum preferential quarterly dividend rate of $0.01 per Preferred Share Fraction but will, in any event, be entitled to a dividend equal to the per share dividend declared on the common stock.

In the event of liquidation, the holder of a Preferred Share Fraction will receive a preferred liquidation payment equal to the greater of $0.01 per Preferred Share Fraction or the per share amount paid in respect of a share of common stock.

Each Preferred Share Fraction will have one vote, voting together with the common stock. The holders of Preferred Share Fractions, voting as a separate class, will be entitled to elect two directors if dividends on the Series A Preferred Stock are in arrears for six fiscal quarters.

In the event of any merger, consolidation or other transaction in which shares of common stock are exchanged, each Preferred Share Fraction will be entitled to receive the per share amount paid in respect of each share of common stock.

The rights of holders of the Series A Preferred Stock to dividends, liquidation and voting, and in the event of mergers and consolidations, are protected by customary antidilution provisions.

Because of the nature of the Series A Preferred Stock's dividend, liquidation and voting rights, the economic value of one Preferred Share Fraction that may be acquired upon the exercise of each Right should approximate the economic value of one share of the common stock.

SHAREHOLDER ACTION

With respect to any act or action required of or by the holders of the common stock, the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at a meeting and entitled to vote thereon is sufficient to authorize, affirm, ratify or consent to such act or actions, except as otherwise provided by law or in the Certificate of Incorporation. The OGCA requires the approval of the holders of a majority of the outstanding stock entitled to vote for certain extraordinary corporate transactions, such as a merger, sale of substantially all assets, dissolution or amendment of the Certificate of Incorporation. The Certificate of Incorporation provides for a vote of the holders of two-thirds of the issued and outstanding stock having voting power, voting as a single class, to amend, repeal or adopt any provision inconsistent with the provisions of the Certificate of Incorporation limiting director liability and stock purchases by the Company, and providing for staggered terms of directors and indemnity for directors. Such vote is also required for shareholders to amend, repeal or adopt any provision of the Bylaws. Pursuant to Oklahoma law, shareholders may take actions without the holding of a meeting by written consent or consents signed by the holders of a sufficient number of shares to approve the transaction had all of the outstanding shares of the capital stock of the Company entitled to vote thereon been present at a meeting. Pursuant to the rules and regulations of the Securities and Exchange Commission, if shareholder action is taken by written consent, the Company will be required to send each shareholder entitled to vote on the matter acted on, but whose consent was not solicited, an information statement containing information substantially similar to that which would have been contained in a proxy statement.

TRANSFER AGENT AND REGISTRAR

UMB Bank, N.A. is the transfer agent and registrar for the common stock and the preferred stock.

PLAN OF DISTRIBUTION

The sale or distribution of the shares of common stock offered by this prospectus may be effected directly to purchasers by the selling shareholders (including their respective donees, pledgees, transferees or other successors in interest) as principals or through one or more underwriters, brokers, dealers or agents from time to time in one or more transactions (which may involve crosses or block transactions)

- on any national securities exchange or quotation service on which the shares may be listed or quoted at the time of sale or in the over-the-counter market,
- in transactions otherwise than on such an exchange or service or in the over-the-counter market or
- through the writing of options (whether such options are listed on an options exchange or otherwise) on, or settlement of short sale of the shares.

Any of such transactions may be effected at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at varying prices determined at the time of sale or at negotiated or fixed prices, in each case as determined by the selling shareholder or by agreement between any selling shareholder and underwriters, brokers, dealers or agents, or purchasers. In connection with sales of the shares or otherwise, the selling shareholders may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the shares in the course of hedging the positions they assume. The selling shareholders may also sell shares short and deliver shares to close out such short positions, or loan or pledge shares to broker-dealers that in turn may sell such shares. The selling shareholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their securities, nor is there any underwriter or coordinating broker acting in connection with the proposed sale of shares by the selling shareholders.

If the selling shareholders effect such transactions by selling shares to or through underwriters, brokers, dealers or agents, such underwriters, brokers, dealers or agents may receive compensation in the form of discounts, concessions or commissions from the selling shareholders or commissions from purchasers of shares for whom they may act as agent (which discounts, concessions or commissions as to particular underwriters, brokers, dealers or agents may be in excess of those customary in the types of transactions involved). The selling shareholders and any brokers, dealers or agents that participate in the distribution of the shares may be deemed to be underwriters, and any profit on the sale of shares by them and any discounts, concessions or commission received by any such underwriters, brokers, dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act. In addition, the anti-manipulation provisions of Regulation M under the Securities Exchange Act of 1934 may apply to sales by the selling shareholders.

Under the securities laws of certain states, the securities may be sold in such states only through registered or licensed brokers or dealers. In addition, in certain states the shares may not be sold unless the shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

The Company will pay all of the expenses incident to the registration, offering and sale of the shares to the public hereunder other than commissions, fees and discounts of underwriters, brokers, dealers and agents. The Company has agreed to indemnify the selling shareholders and any underwriters against certain liabilities, including liabilities under the Securities Act. The Company will not receive any of the proceeds from the sale of any of the shares by the selling shareholders.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution. We will make copies of this prospectus, as amended or supplemented, available to the selling shareholders and have informed them of the need for delivery of the prospectus to purchasers at or prior to the time of any sale of their shares.

LEGAL MATTERS

The legality of the common stock offered hereby has been passed upon for the Company by Winstead Sechrest & Minick P.C., Dallas, Texas.

EXPERTS

The consolidated financial statements of the Company as of December 31, 1999 and 1998, and for the years ended December 31, 1999 and 1998, the six months ended December 31, 1997 and the year ended June 30, 1997, included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in accounting and auditing.

Certain estimates of oil and gas reserves included in this prospectus were based upon reserve reports, dated December 31, 1999, prepared by Williamson Petroleum Consultants, Inc. and Ryder Scott Company L.P., independent petroleum engineers. Such estimates are included in reliance on the authority of each such firm as experts in such matters.

WHERE YOU CAN FIND MORE INFORMATION ABOUT US

We have filed a registration statement with the Securities and Exchange Commission relating to the shares of common stock to be offered pursuant to this prospectus. As allowed by the rules of the SEC, this prospectus does not contain all of the information that can be found in the registration statement or in the exhibits to the registration statement. You should read the registration statement and its exhibits for a complete understanding of all of the information included in the registration statement.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy the registration statement, including exhibits, any reports, statements or other information that we file at the SEC's public reference room at 450 Fifth Street N.W., Washington, D.C. 20549 or at its regional public reference rooms in New York, New York and Chicago, Illinois. You may call the SEC at 1-800-SEC-0330 for further information on the operations and locations of the public reference rooms. The public filings of the Company are also available from commercial document retrieval services and at the Web site maintained by the SEC at www.sec.gov and at our Web site at www.chkenergy.com. Reports, proxy statements and other information concerning the Company may also be inspected at the offices of The New York Stock Exchange, 20 Broad Street, New York, New York 10005.

GLOSSARY

The terms defined in this section are used throughout this prospectus.

Bcf. Billion cubic feet.

Bcfe. Billion cubic feet of gas equivalent.

Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume, used herein in reference to crude oil or other liquid hydrocarbons.

Btu. British thermal unit, which is the heat required to raise the temperature of a one-pound mass of water from 58.5 to 59.5 degrees Fahrenheit.

Commercial Well; Commercially Productive Well. An oil and gas well which produces oil and gas in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

Developed Acreage. The number of acres which are allocated or assignable to producing wells or wells capable of production.

Development Well. A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry Hole; Dry Well. A well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

Exploratory Well. A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir or to extend a known reservoir.

Farmout. An assignment of an interest in a drilling location and related acreage conditional upon the drilling of a well on that location.

Formation. A succession of sedimentary beds that were deposited under the same general geologic conditions.

Full-Cost Pool. The full-cost pool consists of all costs associated with property acquisition, exploration, and development activities for a company using the full-cost method of accounting. Additionally, any internal costs that can be directly identified with acquisition, exploration and development activities are included. Any costs related to production, general corporate overhead or similar activities are not included.

Gross Acres or Gross Wells. The total acres or wells, as the case may be, in which a working interest is owned.

Horizontal Wells. Wells which are drilled at angles greater than 70 from vertical.

MBbl. One thousand barrels of crude oil or other liquid hydrocarbons.

MBtu. One thousand Btus.

Mcf. One thousand cubic feet.

Mcfe. One thousand cubic feet of gas equivalent.

MMBbl. One million barrels of crude oil or other liquid hydrocarbons.

MMBtu. One million Btus.

MMcf. One million cubic feet.

MMcfe. One million cubic feet of gas equivalent.

Net Acres or Net Wells. The sum of the fractional working interest owned in gross acres or gross wells.

Present Value. When used with respect to oil and gas reserves, present value means the estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and future development costs, using prices and costs in effect at the determination date, without giving effect to non-property related expenses such as general and administrative expenses, debt service and future income tax expense or to depreciation, depletion and amortization, discounted using an annual discount rate of 10%.

Productive Well. A well that is producing oil or gas or that is capable of production.

Proved Developed Reserves. Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved Reserves. The estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved Undeveloped Location. A site on which a development well can be drilled consistent with spacing rules for purposes of recovering proved undeveloped reserves.

Proved Undeveloped Reserves. Reserves that are expected to be recovered from new wells drilled to known reservoir on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

Royalty Interest. An interest in an oil and gas property entitling the owner to a share of oil or gas production free of costs of production.

Tcf. One trillion cubic feet.

Tcfe. One trillion cubic feet of gas equivalent.

Undeveloped Acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether such acreage contains proved reserves.

Working Interest. The operating interest which gives the owner the right to drill, produce and conduct operating activities on the property and a share of production.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE
Consolidated Financial Statements:	
Consolidated Balance Sheets at March 31, 2000 (unaudited) and December 31, 1999	F-2
Consolidated Statements of Operations for the Three Months Ended March 31, 2000 and 1999 (unaudited)	F-3
Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2000 and 1999 (unaudited)	F-4
Condensed Consolidating Statements of Comprehensive Income (Loss) for the Three Months Ended March 31, 2000 and 1999 (unaudited)	F-5
Notes to Consolidated Financial Statements (unaudited)	F-6
Report of Independent Accountants for the Years Ended December 31, 1999 and 1998, for the Six Months Ended December 31, 1997 and for the Year Ended June 30, 1997	F-15
Consolidated Balance Sheets at December 31, 1999 and 1998	F-16
Consolidated Statements of Operations for the Years Ended December 31, 1999 and 1998, for the Six Months Ended December 31, 1997 and for the Year Ended June 30, 1997	F-17
Consolidated Statements of Cash Flows for the Years Ended December 31, 1999 and 1998, for the Six Months Ended December 31, 1997 and for the Year Ended June 30, 1997	F-18
Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Income (Loss) for the Years Ended December 31, 1999 and 1998, for the Six Months Ended December 31, 1997 and for the Year Ended June 30, 1997	F-20
Notes to Consolidated Financial Statements	F-21
Financial Statement Schedules:	
Schedule II - Valuation and Qualifying Accounts	F-54

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2000	DECEMBER 31, 1999
	(UNAUDITED)	
	($ IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 26,231	$ 38,658
Restricted cash	3,073	192
Accounts receivable:		
Oil and gas sales	20,790	17,045
Oil and gas marketing sales	21,814	18,199
Joint interest and other, net of allowances of $3,249,000 and $3,218,000, respectively	11,976	11,247
Related parties	3,805	4,574
Inventory	4,063	4,582
Other	5,784	3,049
Total Current Assets	97,536	97,546
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full-cost accounting:		
Evaluated oil and gas properties	2,362,596	2,315,348
Unevaluated properties	36,409	40,008
Less: accumulated depreciation, depletion and amortization	(1,694,927)	(1,670,542)
	704,078	684,814
Other property and equipment	68,724	67,712
Less: accumulated depreciation and amortization	(34,325)	(33,429)
Total Property and Equipment	738,477	719,097
OTHER ASSETS	29,358	33,890
TOTAL ASSETS	$ 865,371	$ 850,533
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 781	$ 763
Accounts payable	22,346	24,822
Accrued liabilities and other	38,260	34,713
Revenues and royalties due others	24,756	27,888
Total Current Liabilities	86,143	88,186
LONG-TERM DEBT, NET	960,416	964,097
REVENUES AND ROYALTIES DUE OTHERS	8,752	9,310
DEFERRED INCOME TAXES	6,650	6,484
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred Stock, $.01 par value, 10,000,000 shares authorized; 3,921,400 and 4,596,400 shares of 7% cumulative convertible stock issued and outstanding at March 31, 2000 and December 31, 1999, respectively, entitled in liquidation (including dividends in arrears) to $216.4 million and $249.1 million, respectively	196,070	229,820
Common Stock, par value of $.01, 250,000,000 shares authorized; 108,561,616 and 105,858,580 shares issued at March 31, 2000 and December 31, 1999, respectively	1,086	1,059
Paid-in capital	684,755	682,905
Accumulated earnings (deficit)	(1,065,465)	(1,093,929)
Accumulated other comprehensive income (loss)	(282)	196
Less: treasury stock, at cost; 3,806,185 and 10,856,185 common shares at March 31, 2000 and December 31, 1999, respectively	(12,754)	(37,595)
Total Stockholders' Equity (Deficit)	(196,590)	(217,544)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 865,371	$ 850,533

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

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

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

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

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

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

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

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

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

1. ACCOUNTING PRINCIPLES

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

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

2. LEGAL PROCEEDINGS

Bayard Securities Litigation

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

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

Patent Litigation

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

West Panhandle Field Cessation Cases

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

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

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

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

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

3. NET INCOME (LOSS) PER SHARE

Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS 128") requires presentation of "basic" and "diluted" earnings per share, as defined, on the face of the statement of operations for all entities with complex capital structures. SFAS 128 requires a reconciliation of the numerators and denominators of the basic and diluted EPS computations. For the Prior Quarter there was no difference between actual weighted average shares outstanding, which are used in computing basic EPS, and diluted weighted average shares, which are used in computing diluted EPS. Options to purchase 14.8 million shares and 13.7 million shares of common stock at a weighted average exercise price of $1.83 and $1.71 were outstanding during the Current Quarter and Prior Quarter, respectively. In the Prior Quarter the outstanding options, and the assumed conversion of the outstanding preferred stock (33.1 million shares), were not included in the computation of diluted EPS because the effect would be antidilutive. A reconciliation for the Current Quarter is as follows:

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

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

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

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

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

4. SENIOR NOTES

9.625% Notes

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

9.125% Notes

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

7.875% Notes

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

8.5% Notes

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

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

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

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

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

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF MARCH 31, 2000
($ IN THOUSANDS)

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 1999
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (6,964)	$ 20,409	$ 25,405	$ --	$ 38,850
Accounts receivable	45,170	18,297	73	(12,475)	51,065
Inventory	4,183	399	--	--	4,582
Other	1,997	700	352	--	3,049
Total Current Assets	44,386	39,805	25,830	(12,475)	97,546
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,311,633	3,715	--	--	2,315,348
Unevaluated leasehold	40,008	--	--	--	40,008
Other property and equipment	29,088	20,521	18,103	--	67,712
Less: accumulated depreciation, depletion and amortization	(1,683,890)	(18,205)	(1,876)	--	(1,703,971)
Net Property and Equipment	696,839	6,031	16,227	--	719,097
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	806,180	--	493,738	(1,299,918)	--
OTHER ASSETS	16,402	8,409	16,765	(7,686)	33,890
TOTAL ASSETS	$ 1,563,807	$ 54,245	$ 552,560	$(1,320,079)	$ 850,533

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ --	$ 763	$ --	$ --	$ 763
Accounts payable and other	63,194	19,265	17,466	(12,502)	87,423
Total Current Liabilities	63,194	20,028	17,466	(12,502)	88,186
LONG-TERM DEBT	43,500	1,437	919,160	--	964,097
REVENUES AND ROYALTIES DUE OTHERS	9,310	--	--	--	9,310
DEFERRED INCOME TAXES	6,484	--	--	--	6,484
INTERCOMPANY PAYABLES	1,356,466	(2,450)	(1,354,043)	27	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Common Stock	27	1	1,048	(17)	1,059
Other	84,826	35,229	968,929	(1,307,587)	(218,603)
	84,853	35,230	969,977	(1,307,604)	(217,544)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,563,807	$ 54,245	$ 552,560	$(1,320,079)	$ 850,533

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
($ IN THOUSANDS)

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

5. Subsequent Event

On June 30, 2000, the Company entered into a letter of intent to acquire Gothic Energy Corporation (OTC Bulletin Board "GOTH") for 4.0 million shares of common stock. Upon the closing of the transaction, Gothic's shareholders will own approximately 2.7% of Chesapeake's common stock. In addition, on June 27, 2000, we purchased in a series of private transactions 96% of Gothic's $104 million of 14 1/8% Series B Senior Secured Discount Notes for consideration of $77 million, comprised of $22 million in cash and 9,468,985 shares of Chesapeake common stock (valued at $5.825 per share), subject to adjustment.

Including our assumption of $235 million of Gothic's Senior Secured Notes, The total acquisition cost to Chesapeake will be approximately $345 million, including $235 million of Senior Secured Notes issued by Gothic's operating subsidiary. This values Gothic's 310 Bcfe of proved reserves at $1.05 per Mcfe after allocation of $20 million of the purchase price to Gothic's leasehold inventory, 3-D seismic inventory, lease operating telemetry system and other assets. Gothic's proved reserves are 96% natural gas, 78% proved developed, have an average lifting cost of less than $0.20 per Mcfe, are located exclusively in Chesapeake's core Mid-Continent operating area and are unhedged after October 2000.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Chesapeake Energy Corporation

In our opinion, the consolidated financial statements as of December 31, 1999 and 1998, for the years ended December 31, 1999 and 1998 and June 30, 1997 and the six months ended December 31, 1997 present fairly, in all material respects, the financial position of Chesapeake Energy Corporation and its subsidiaries (the "Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for the years ended December 31, 1999 and 1998, the six months ended December 31, 1997, and the year ended June 30, 1997, in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP
Oklahoma City, Oklahoma
March 24, 2000

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	DECEMBER 31, 1999	DECEMBER 31, 1998
	($ IN THOUSANDS)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 38,658	$ 29,520
Restricted cash	192	5,754
Accounts receivable:		
Oil and gas sales	17,045	13,835
Oil and gas marketing sales	18,199	19,636
Joint interest and other, net of allowances of $ 3,218,000 and $3,209,000, respectively	11,247	27,373
Related parties	4,574	15,455
Inventory	4,582	5,325
Other	3,049	1,101
Total Current Assets	97,546	117,999
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full-cost accounting:		
Evaluated oil and gas properties	2,315,348	2,142,943
Unevaluated properties	40,008	52,687
Less: accumulated depreciation, depletion and amortization	(1,670,542)	(1,574,282)
	684,814	621,348
Other property and equipment	67,712	79,718
Less: accumulated depreciation and amortization	(33,429)	(37,075)
Total Property and Equipment	719,097	663,991
OTHER ASSETS	33,890	30,625
TOTAL ASSETS	$ 850,533	$ 812,615
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 763	$ 25,000
Accounts payable	24,822	36,854
Accrued liabilities and other	34,713	46,572
Revenues and royalties due others	27,888	22,858
Total Current Liabilities	88,186	131,284
LONG-TERM DEBT, NET	964,097	919,076
REVENUES AND ROYALTIES DUE OTHERS	9,310	10,823
DEFERRED INCOME TAXES	6,484	--
CONTINGENCIES AND COMMITMENTS (NOTE 4)		
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred Stock, $.01 par value, 10,000,000 shares authorized; 4,596,400 and 4,600,000 shares of 7% cumulative convertible stock issued and outstanding at December 31, 1999 and 1998, respectively, entitled in liquidation to $229.8 million and 230.0 million, respectively	229,820	230,000
Common Stock, par value of $.01, 250,000,000 shares authorized; 105,858,580 and 105,213,750 shares issued at December 31, 1999 and 1998, respectively	1,059	1,052
Paid-in capital	682,905	682,263
Accumulated earnings (deficit)	(1,093,929)	(1,127,195)
Accumulated other comprehensive income (loss)	196	(4,726)
Less: treasury stock, at cost; 10,856,185 and 8,503,300 common shares at December 31, 1999 and 1998, respectively	(37,595)	(29,962)
Total Stockholders' Equity (Deficit)	(217,544)	(248,568)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 850,533	$ 812,615

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)			
REVENUES:				
Oil and gas sales	$ 280,445	$ 256,887	$ 95,657	$ 192,920
Oil and gas marketing sales	74,501	121,059	58,241	76,172
Total Revenues	354,946	377,946	153,898	269,092
OPERATING COSTS:				
Production expenses	46,298	51,202	7,560	11,445
Production taxes	13,264	8,295	2,534	3,662
General and administrative	13,477	19,918	5,847	8,802
Oil and gas marketing expenses	71,533	119,008	58,227	75,140
Oil and gas depreciation, depletion and amortization	95,044	146,644	60,408	103,264
Depreciation and amortization of other assets	7,810	8,076	2,414	3,782
Impairment of oil and gas properties	--	826,000	110,000	236,000
Impairment of other assets	--	55,000	--	--
Total Operating Costs	247,426	1,234,143	246,990	442,095
INCOME (LOSS) FROM OPERATIONS	107,520	(856,197)	(93,092)	(173,003)
OTHER INCOME (EXPENSE):				
Interest and other income	8,562	3,926	78,966	11,223
Interest expense	(81,052)	(68,249)	(17,448)	(18,550)
	(72,490)	(64,323)	61,518	(7,327)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	35,030	(920,520)	(31,574)	(180,330)
PROVISION (BENEFIT) FOR INCOME TAXES	1,764	--	--	(3,573)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	33,266	(920,520)	(31,574)	(176,757)
EXTRAORDINARY ITEM:				
Loss on early extinguishment of debt, net of applicable income tax of $0 and $3,804,000, respectively	--	(13,334)	--	(6,620)
NET INCOME (LOSS)	33,266	(933,854)	(31,574)	(183,377)
PREFERRED STOCK DIVIDENDS	(16,711)	(12,077)	--	--
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 16,555	$ (945,931)	$ (31,574)	$ (183,377)
EARNINGS (LOSS) PER COMMON SHARE:				
EARNINGS (LOSS) PER COMMON SHARE-BASIC:				
Income (loss) before extraordinary item	$ 0.17	$ (9.83)	$ (0.45)	$ (2.69)
Extraordinary item	--	(0.14)	--	(0.10)
Net income (loss)	$ 0.17	$ (9.97)	$ (0.45)	$ (2.79)
EARNINGS (LOSS) PER COMMON SHARE-ASSUMING DILUTION:				
Income (loss) before extraordinary item	$ 0.16	$ (9.83)	$ (0.45)	$ (2.69)
Extraordinary item	--	(0.14)	--	(0.10)
Net income (loss)	$ 0.16	$ (9.97)	$ (0.45)	$ (2.79)
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (IN 000'S):				
Basic	97,077	94,911	70,835	65,767
Assuming dilution	102,038	94,911	70,835	65,767

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
NET INCOME (LOSS)	$ 33,266	$ (933,854)	$ (31,574)	$ (183,377)
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation, depletion and amortization	99,516	152,204	62,028	105,591
Impairment of oil and gas assets	--	826,000	110,000	236,000
Impairment of other assets	--	55,000	--	--
Deferred taxes	1,764	--	--	(3,573)
Amortization of loan costs	3,338	2,516	794	1,455
Amortization of bond discount	84	98	41	217
Bad debt expense	9	1,589	40	299
Gain on sale of Bayard stock	--	--	(73,840)	--
Gain on sale of fixed assets	(459)	(90)	(209)	(1,593)
Extraordinary loss	--	13,334	--	6,620
Equity in (earnings) losses from investments and other	1,209	703	592	(499)
Cash provided by operating activities before changes in current assets and liabilities	138,727	117,500	67,872	161,140
CHANGES IN ASSETS AND LIABILITIES:				
(Increase) decrease in short-term investments	--	12,027	92,127	(102,858)
(Increase) decrease in accounts receivable	17,592	12,191	(7,173)	(19,987)
(Increase) decrease in inventory	743	168	(1,584)	(1,467)
(Increase) decrease in other current assets	3,614	7,637	(1,519)	1,466
Increase (decrease) in accounts payable, accrued liabilities and other	(23,891)	(46,785)	(11,044)	48,085
Increase (decrease) in current and non-current revenues and royalties due others	3,517	(8,099)	478	(2,290)
Increase (decrease) in deferred income taxes	4,720	--	--	--
Changes in assets and liabilities	6,295	(22,861)	71,285	(77,051)
Cash provided by operating activities	145,022	94,639	139,157	84,089
CASH FLOWS FROM INVESTING ACTIVITIES:				
Exploration and development of oil and gas properties	(153,268)	(259,710)	(187,252)	(465,367)
Acquisitions of oil and gas companies and properties, net of cash acquired	(49,893)	(279,924)	--	--
Divestitures of oil and gas properties	45,635	15,712	--	--
Investment in preferred stock of Gothic Energy Corporation	--	(39,500)	--	--
Net proceeds from sale of Bayard stock	--	--	90,380	--
Repayment of note receivable	--	2,000	18,000	--
Proceeds from sale of investment in PanEast	--	21,245	--	--
Other proceeds from sales	5,530	3,600	17	6,428
Long-term loans made to third parties	--	--	--	(20,000)
Investment in oil field service company	--	--	(200)	(3,048)
Increase in deferred charges	(5,865)	--	--	--
Other investments	(730)	--	(30,434)	(8,000)
Other property and equipment additions	(1,182)	(11,473)	(27,015)	(33,867)
Cash used in investing activities	(159,773)	(548,050)	(136,504)	(523,854)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of common stock	--	--	--	288,091
Proceeds from long-term borrowings	116,500	658,750	--	342,626
Payments on long-term borrowings	(98,000)	(474,166)	--	(119,581)
Dividends paid on common stock	--	(5,592)	(2,810)	--
Dividends paid on preferred stock	--	(8,050)	--	--
Proceeds from issuance of preferred stock	--	222,663	--	--
Purchase of treasury stock and preferred stock	(53)	(29,962)	--	--
Cash received from exercise of stock options	520	154	322	1,387
Other financing	--	--	(322)	(379)
Cash provided by (used in) financing activities	18,967	363,797	(2,810)	512,144
EFFECT OF EXCHANGE RATE CHANGES ON CASH	4,922	(4,726)	--	--
Net increase (decrease) in cash and cash equivalents	9,138	(94,340)	(157)	72,379
Cash and cash equivalents, beginning of period	29,520	123,860	124,017	51,638
Cash and cash equivalents, end of period	$ 38,658	$ 29,520	$ 123,860	$ 124,017

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS -- (CONTINUED)

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS)			
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
CASH PAYMENTS FOR:				
Interest, net of capitalized interest	$ 80,684	$ 59,881	$ 17,367	$ 12,919
Income taxes	$ --	$ --	$ 500	$ --
DETAILS OF ACQUISITION OF ANSON PRODUCTION CORPORATION:				
Fair value of assets acquired	$ --	$ --	$ 43,000	$ --
Accrued liability for estimated cash consideration	$ --	$ --	$ (15,500)	$ --
Stock issued (3,792,724 shares)	$ --	$ --	$ (27,500)	$ --
DETAILS OF ACQUISITION OF DLB OIL & GAS, INC.:				
Fair value of assets acquired	$ --	$ 136,500	$ --	$ --
Cash consideration	$ --	$ (17,500)	$ --	$ --
Stock issued (5,000,000 shares)	$ --	$ (30,000)	$ --	$ --
Debt assumed	$ --	$ (85,000)	$ --	$ --
Acquisition costs paid	$ --	$ (4,000)	$ --	$ --
DETAILS OF ACQUISITION OF HUGOTON ENERGY CORPORATION:				
Fair value of assets acquired	$ --	$ 343,371	$ --	$ --
Stock options granted	$ --	$ (2,050)	$ --	$ --
Stock issued (25,790,146 shares)	$ --	$ (206,321)	$ --	$ --
Debt assumed	$ --	$ (120,000)	$ --	$ --
Acquisition costs paid	$ --	$ (15,000)	$ --	$ --

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

In November 1999, the Chief Executive Officer and Chief Operating Officer of Chesapeake tendered to Chesapeake Energy Marketing, Inc. ("CEMI") 2,320,107 shares of Chesapeake common stock in full satisfaction of two notes payable to CEMI with a combined outstanding balance of $7.6 million.

During 1999, the Company issued a $2.2 million note payable as consideration for the acquisition of certain oil and gas properties.

The Company had a financing arrangement with a vendor to supply certain oil and gas equipment inventory, which was terminated during the Transition Period. The total amount owed at June 30, 1997 was $1,380,000. No cash consideration is exchanged for inventory under this financing arrangement until actual draws on the inventory are made.

In fiscal 1997, the Company recognized income tax benefits of $4,808,000 related to the disposition of stock options by directors and employees of the Company. The tax benefits were recorded as an adjustment to deferred income taxes and paid-in capital.

Proceeds from the issuance of $500 million of 9.625% senior notes in April 1998 and $300 million of senior notes ($150 million of 7.875% senior notes and $150 million of 8.5% senior notes) in March 1997, are net of $11.7 million and $6.4 million, respectively, in offering fees and expenses which were deducted from the actual cash received.

On December 22, 1997, the Company declared a dividend of $0.02 per common share, or $1,486,000, which was paid on January 15, 1998. On June 13, 1997 the Company declared a dividend of $0.02 per common share, or $1,405,000, which was paid on July 15, 1997.

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) AND COMPREHENSIVE INCOME (LOSS)

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS)			
PREFERRED STOCK:				
Balance, beginning of period	$ 230,000	$ --	$ --	$ --
Purchase of preferred stock	(180)	--	--	--
Issuance of preferred stock	--	230,000	--	--
Balance, end of period	229,820	230,000	--	--
COMMON STOCK:				
Balance, beginning of period	1,052	743	703	3,008
Issuance of 8,972,000 shares of common stock	--	--	--	90
Exercise of stock options and warrants	6	--	2	12
Issuance of 3,792,724 shares of common stock to AnSon Production Corporation	--	--	38	--
Issuance of 25,790,146 shares of common stock to Hugoton Energy Corporation	--	258	--	--
Issuance of 5,000,000 shares of common stock to DLB Oil and Gas, Inc.	--	50	--	--
Change in par value and other	1	1	--	(2,407)
Balance, end of period	1,059	1,052	743	703
PAID-IN CAPITAL:				
Balance, beginning of period	682,263	460,770	432,991	136,782
Exercise of stock options and warrants	514	153	320	1,375
Issuance of common stock	--	236,013	27,459	301,593
Offering expenses and other	1	(16,723)	--	(13,974)
Stock options issued in Hugoton purchase	--	2,050	--	--
Purchase of preferred stock at discount	127	--	--	--
Tax benefit from exercise of stock options	--	--	--	4,808
Change in par value	--	--	--	2,407
Balance, end of period	682,905	682,263	460,770	432,991
ACCUMULATED EARNINGS (DEFICIT):				
Balance, beginning of period	(1,127,195)	(181,270)	(146,805)	37,977
Net income (loss)	33,266	(933,854)	(31,574)	(183,377)
Dividends on common stock	--	(4,021)	(2,891)	(1,405)
Dividends on preferred stock	--	(8,050)	--	--
Balance, end of period	(1,093,929)	(1,127,195)	(181,270)	(146,805)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):				
Balance, beginning of period	(4,726)	(37)	--	--
Foreign currency translation adjustments	4,922	(4,689)	(37)	--
Balance, end of period	196	(4,726)	(37)	--
TREASURY STOCK - COMMON:				
Balance, beginning of period	(29,962)	--	--	--
Exchange of notes receivable for common stock from related parties	(7,633)	(29,962)	--	--
Balance, end of period	(37,595)	(29,962)	--	--
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	$ (217,544)	$ (248,568)	$ 280,206	$ 286,889
COMPREHENSIVE INCOME (LOSS):				
Net income (loss)	$ 33,266	$ (933,854)	$ (31,574)	$ (183,377)
Other comprehensive income (loss) - foreign currency translation adjustments	4,922	(4,689)	(37)	--
Comprehensive income (loss)	$ 38,188	$ (938,543)	$ (31,611)	$ (183,377)

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Company

The Company is an oil and natural gas exploration and production company engaged in the acquisition, exploration, and development of properties for the production of crude oil and natural gas from underground reservoirs. The Company's properties are located in Oklahoma, Texas, Arkansas, Louisiana, Kansas, Montana, Colorado, North Dakota, New Mexico and British Columbia and Saskatchewan, Canada.

These consolidated financial statements relate to the years ended December 31, 1999 ("1999"), December 31, 1998 ("1998") and June 30, 1997 ("fiscal 1997"). The Company changed its fiscal year end from June 30 to December 31 in 1997. The Company's results of operations and cash flows for the six months ended December 31, 1997 (the "Transition Period") are also included in these consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements of Chesapeake Energy Corporation include the accounts of its direct and indirect wholly-owned subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated. Investments in companies and partnerships which give the Company significant influence, but not control, over the investee are accounted for using the equity method.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the consolidated financial statements, the Company considers investments in all highly liquid debt instruments with maturities of three months or less at date of purchase to be cash equivalents.

Investments in Securities

The Company invests in various equity securities and short-term debt instruments including corporate bonds and auction preferreds, commercial paper and government agency notes. The Company has classified all of its short-term investments in equity and debt instruments as trading securities, which are carried at fair value with unrealized holding gains and losses included in earnings. Investments in equity securities and limited partnerships that do not have readily determinable fair values are stated at cost and are included in noncurrent other assets. In determining realized gains and losses, the cost of securities sold is based on the average cost method.

Inventory

Inventory consists primarily of tubular goods and other lease and well equipment which the Company plans to utilize in its ongoing exploration and development activities and is carried at the lower of cost or market using the specific identification method.

Oil and Gas Properties

The Company follows the full-cost method of accounting under which all costs associated with property acquisition, exploration and development activities are capitalized. The Company capitalizes internal costs that can be directly identified with its acquisition, exploration and development activities and does not include any costs related to production, general corporate overhead or similar activities (see Note 11). Capitalized costs are amortized on a composite unit-of-production method based on proved oil and gas reserves. As of December 31, 1999, approximately 66% of the Company's proved reserve value (based on SEC PV10%) was evaluated by independent petroleum engineers, with the balance evaluated by the Company's engineers. In addition, the company's engineers evaluate all properties quarterly. The average composite rates used for depreciation, depletion and amortization were $0.71 ($0.73 in U.S. and $0.52 in Canada) per equivalent Mcf in 1999, $1.13 ($1.17 in U.S. and $0.43 in Canada) per equivalent Mcf in 1998, $1.57 per equivalent Mcf in the Transition Period and $1.31 per equivalent Mcf in fiscal 1997. The Company did not have operations in Canada prior to 1998.

Proceeds from the sale of properties are accounted for as reductions to capitalized costs unless such sales involve a significant change in the relationship between costs and the value of proved reserves or the underlying value of unproved properties, in which case a gain or loss is recognized. The costs of unproved properties are excluded from amortization until the properties are evaluated. The Company reviews all of its unevaluated properties quarterly to determine whether or not and to what extent proved reserves have been assigned to the properties, and otherwise if impairment has occurred. Unevaluated properties are grouped by major producing area where individual property costs are not significant, and assessed individually when individual costs are significant.

The Company reviews the carrying value of its oil and gas properties under the full-cost accounting rules of the Securities and Exchange Commission on a quarterly basis. Under these rules, capitalized costs, less accumulated amortization and related deferred income taxes, may not exceed an amount equal to the sum of the present value of estimated future net revenues less estimated future expenditures to be incurred in developing and producing the proved reserves, less any related income tax effects. During 1998, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues from the Company's proved reserves, net of related income tax considerations, resulting in writedowns in the carrying value of oil and gas properties of $826 million. During the Transition Period, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues from the Company's proved reserves, net of related income tax considerations, resulting in a writedown in the carrying value of oil and gas properties of $110 million. During fiscal 1997, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues from the Company's proved reserves, net of related income tax considerations, resulting in a writedown in the carrying value of oil and gas properties of $236 million.

Other Property and Equipment

Other property and equipment consists primarily of gas gathering and processing facilities, vehicles, land, office buildings and equipment, and software. Major renewals and betterments are capitalized while the costs of repairs and maintenance are charged to expense as incurred. The costs of assets retired or otherwise disposed of and the applicable accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in operations. Other property and equipment costs are depreciated on both straight-line and accelerated methods. Buildings are depreciated on a straight-line basis over 31.5 years. All other property and equipment are depreciated over the estimated useful lives of the assets, which range from five to seven years.

Capitalized Interest

During 1999, 1998, the Transition Period and fiscal 1997, interest of approximately $3.5 million, $6.5 million, $5.1 million and $12.9 million, respectively, was capitalized on significant investments in unproved properties that were not being currently depreciated, depleted, or amortized and on which exploration activities were in progress.

Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("SFAS 109"). SFAS 109 requires deferred tax liabilities or assets to be recognized for the anticipated future tax effects of temporary differences that arise as a result of the differences in the carrying amounts and the tax bases of assets and liabilities.

Net Income (Loss) Per Share

Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS 128") requires presentation of "basic" and "diluted" earnings per share, as defined, on the face of the statement of operations for all entities with complex capital structures. SFAS 128 requires a reconciliation of the numerator and denominator of the basic and diluted EPS computations. For 1998, the Transition Period and fiscal 1997, there was no difference between actual weighted average shares outstanding, which are used in computing basic EPS, and diluted weighted average shares, which are used in computing diluted EPS. Options to purchase 12.9 million, 11.3 million, 8.3 million and 7.9 million shares of common stock at weighted average exercise prices of $1.76, $1.86, $5.49 and $7.09 were outstanding during 1999, 1998, the Transition Period and fiscal 1997 but were not included in the computation of diluted EPS in 1998, the Transition Period and fiscal 1997, because the effect of these outstanding options would be antidilutive. Also, the convertible preferred stock was not included in the 1999 and 1998 calculation because the effect was anti-dilutive. A reconciliation for 1999 is as follows:

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
FOR THE YEAR ENDED DECEMBER 31, 1999:			
BASIC EPS			
Income available to common stockholders.....	$ 16,555	97,077	$ 0.17
EFFECT OF DILUTIVE SECURITIES			
Employee stock options.....	--	4,961	
DILUTED EPS			
Income available to common stockholders and assumed conversions.....	$ 16,555	102,038	$ 0.16

Gas Imbalances -- Revenue Recognition

Revenues from the sale of oil and gas production are recognized when title passes, net of royalties. The Company follows the "sales method" of accounting for its gas revenue whereby the Company recognizes sales revenue on all gas sold to its purchasers, regardless of whether the sales are proportionate to the Company's ownership in the property. A liability is recognized only to the extent that the Company has a net imbalance in excess of the remaining gas reserves on the underlying properties. The Company's net imbalance positions at December 31, 1999 and 1998 were not material.

Hedging

The Company periodically uses certain instruments to hedge its exposure to price fluctuations on oil and natural gas transactions and interest rates. Recognized gains and losses on hedge contracts are reported as a component of the related transaction. Results of oil and gas hedging transactions are reflected in oil and gas sales to the extent related to the Company's oil and gas production, in oil and gas marketing sales to the extent related to the Company's marketing activities, and in interest expense to the extent so related.

Debt Issue Costs

Included in other assets are costs associated with the issuance of the senior notes. The remaining unamortized costs on these issuances of senior notes at December 31, 1999 totaled $16.6 million and are being amortized over the life of the senior notes.

Comprehensive Income

In 1998, the Company adopted SFAS No. 130, Reporting Comprehensive Income. This statement establishes rules for the reporting of comprehensive income and its components. Comprehensive income consists of net income and foreign currency translation adjustments and is presented in the Consolidated Statements of Stockholders' Equity (Deficit) and Comprehensive Income (Loss). The adoption of SFAS 130 had no impact on total stockholders' equity. Prior year financial statements have been reclassified to conform to the SFAS 130 requirements. All balance sheet accounts of foreign operations are translated into U.S. dollars at the year-end rate of exchange and statement of operations items are translated at the weighted average exchange rates for the year.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements for 1998, the Transition Period, and fiscal 1997 to conform to the presentation used for the 1999 consolidated financial statements.

2. SENIOR NOTES

On April 22, 1998, the Company issued $500 million principal amount of 9.625% Senior Notes due 2005 ("9.625% Senior Notes"). The 9.625% Senior Notes are redeemable at the option of the Company at any time on or after May 1, 2002 at the redemption prices set forth in the indenture or at the make-whole prices, as set forth in the indenture, if redeemed prior to May 1, 2002. The Company may also redeem at its option up to $167 million of the 9.625% Senior Notes at 109.625% of their principal amount with the proceeds of an equity offering completed prior to May 1, 2001.

On March 17, 1997, the Company issued $150 million principal amount of 7.875% Senior Notes due 2004 ("7.875% Senior Notes"). The 7.875% Senior Notes are redeemable at the option of the Company at any time prior to March 15, 2004 at the make-whole prices determined in accordance with the indenture.

Also on March 17, 1997, the Company issued $150 million principal amount of 8.5% Senior Notes due 2012 ("8.5% Senior Notes"). The 8.5% Senior Notes are redeemable at the option of the Company at any time prior to March 15, 2004 at the make-whole prices determined in accordance with the indenture and, on or after March 15, 2004 at the redemption prices set forth therein.

On April 9, 1996, the Company issued $120 million principal amount of 9.125% Senior Notes due 2006 ("9.125% Senior Notes"). The 9.125% Senior Notes are redeemable at the option of the Company at any time prior to April 15, 2001 at the make-whole prices determined in accordance with the indenture and, on or after April 15, 2001 at the redemption prices set forth therein.

On May 25, 1995, the Company issued $90 million principal amount of 10.5% Senior Notes due 2002 ("10.5% Senior Notes"). In April 1998, the Company purchased all of its 10.5% Senior Notes for approximately $99 million. The early retirement of these notes resulted in an extraordinary charge of $13.3 million.

The Company is a holding company and owns no operating assets and has no significant operations independent of its subsidiaries. The Company's obligations under the 9.625% Senior Notes, the 9.125% Senior Notes, the 7.875% Senior Notes and the 8.5% Senior Notes have been fully and unconditionally guaranteed, on a joint and several basis, by each of the Company's "Restricted Subsidiaries" (as defined in the respective indentures governing the Senior Notes) (collectively, the "Guarantor Subsidiaries"). Each of the Guarantor Subsidiaries is a direct or indirect wholly-owned subsidiary of the Company.

The senior note indentures contain certain covenants, including covenants limiting the Company and the Guarantor Subsidiaries with respect to asset sales; restricted payments; the incurrence of additional indebtedness and the issuance of preferred stock; liens; sale and leaseback transactions; lines of business; dividend and other payment restrictions affecting Guarantor Subsidiaries; mergers or consolidations; and transactions with affiliates.

The Company is obligated to repurchase the 9.625% and 9.125% Senior Notes in the event of a change of control or certain asset sales.

The senior note indentures also limit the Company's ability to make restricted payments (as defined), including the payment of preferred stock dividends, unless certain tests are met. From December 31, 1998 through December 31, 1999, the Company was unable to meet the requirements to incur additional unsecured indebtedness, and consequently was not able to pay cash dividends on its 7% cumulative convertible preferred stock. The Company had accumulated dividends in arrears of $19.3 million related to its preferred stock as of February 29, 2000. Subsequent payments will be subject to the same restrictions and are dependent upon variables that are beyond the Company's ability to predict. This restriction does not affect the Company's ability to borrow under or expand its secured commercial bank facility. If the Company fails to pay dividends for six quarterly periods, the holders of preferred stock will be entitled to elect two new directors to the Board. Based on current projections of cash flow and fixed charges, the Company does not expect to be able to pay a dividend on the preferred stock on May 1, 2000, which would be the sixth consecutive dividend payment date on which dividends have not been paid.

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

Chesapeake Energy Marketing, Inc. ("CEMI") was a Non-Guarantor Subsidiary for all periods presented. The following were additional Non-Guarantor Subsidiaries: Chesapeake Acquisition Corporation during the Transition Period and Chesapeake Canada Corporation during fiscal 1997. All of the Company's other subsidiaries were Guarantor Subsidiaries during all periods presented.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 1999
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (6,964)	$ 20,409	$ 25,405	$ --	$ 38,850
Accounts receivable	45,170	18,297	73	(12,475)	51,065
Inventory	4,183	399	--	--	4,582
Other	1,997	700	352	--	3,049
Total Current Assets	44,386	39,805	25,830	(12,475)	97,546
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,311,633	3,715	--	--	2,315,348
Unevaluated leasehold	40,008	--	--	--	40,008
Other property and equipment	29,088	20,521	18,103	--	67,712
Less: accumulated depreciation, depletion and amortization	(1,683,890)	(18,205)	(1,876)	--	(1,703,971)
Net Property and Equipment	696,839	6,031	16,227	--	719,097
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	806,180	--	493,738	(1,299,918)	--
OTHER ASSETS	16,402	8,409	16,765	(7,686)	33,890
TOTAL ASSETS	$ 1,563,807	$ 54,245	$ 552,560	$ (1,320,079)	$ 850,533

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ --	$ 763	$ --	$ --	$ 763
Accounts payable and other	63,194	19,265	17,466	(12,502)	87,423
Total Current Liabilities	63,194	20,028	17,466	(12,502)	88,186
LONG-TERM DEBT	43,500	1,437	919,160	--	964,097
REVENUES AND ROYALTIES DUE OTHERS	9,310	--	--	--	9,310
DEFERRED INCOME TAXES	6,484	--	--	--	6,484
INTERCOMPANY PAYABLES	1,356,466	(2,450)	(1,354,043)	27	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Common Stock	27	1	1,048	(17)	1,059
Other	84,826	35,229	968,929	(1,307,587)	(218,603)
	84,853	35,230	969,977	(1,307,604)	(217,544)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,563,807	$ 54,245	$ 552,560	$ (1,320,079)	$ 850,533

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 1998
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (11,565)	$ 7,000	$ 39,839	$ --	$ 35,274
Accounts receivable	54,384	29,641	270	(7,996)	76,299
Inventory	4,919	406	--	--	5,325
Other	721	15	365	--	1,101
Total Current Assets	48,459	37,062	40,474	(7,996)	117,999
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,142,943	--	--	--	2,142,943
Unevaluated leasehold	52,687	--	--	--	52,687
Other property and equipment	47,628	15,109	16,981	--	79,718
Less: accumulated depreciation, depletion and amortization	(1,601,931)	(8,036)	(1,390)	--	(1,611,357)
Net Property and Equipment	641,327	7,073	15,591	--	663,991
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	473,578	--	481,150	(954,728)	--
OTHER ASSETS	10,610	560	19,455	--	30,625
TOTAL ASSETS	$ 1,173,974	$ 44,695	$ 556,670	$ (962,724)	$ 812,615

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 25,000	$ --	$ --	$ --	$ 25,000
Accounts payable and other	80,786	15,992	17,529	(8,023)	106,284
Total Current Liabilities	105,786	15,992	17,529	(8,023)	131,284
LONG-TERM DEBT	--	--	919,076	--	919,076
REVENUES AND ROYALTIES DUE OTHERS	10,823	--	--	--	10,823
DEFERRED INCOME TAXES	--	--	--	--	--
INTERCOMPANY PAYABLES	1,338,948	11,376	(1,350,351)	27	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Common Stock	26	1	1,042	(17)	1,052
Other	(281,609)	17,326	969,374	(954,711)	(249,620)
	(281,583)	17,327	970,416	(954,728)	(248,568)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,173,974	$ 44,695	$ 556,670	$ (962,724)	$ 812,615

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1999:					
REVENUES:					
Oil and gas sales	$ 279,740	$ --	$ --	$ 705	$ 280,445
Oil and gas marketing sales	--	194,605	--	(120,104)	74,501
Total Revenues	279,740	194,605	--	(119,399)	354,946
OPERATING COSTS:					
Production expenses and taxes	59,158	404	--	--	59,562
Oil and gas marketing expenses	--	190,932	--	(119,399)	71,533
Impairment of oil and gas properties	--	--	--	--	--
Impairment of other assets	--	--	--	--	--
Oil and gas depreciation, depletion and amortization	94,649	395	--	--	95,044
Other depreciation and amortization	4,474	80	3,256	--	7,810
General and administrative	12,143	1,251	83	--	13,477
Total Operating Costs	170,424	193,062	3,339	(119,399)	247,426
INCOME (LOSS) FROM OPERATIONS	109,316	1,543	(3,339)	--	107,520
OTHER INCOME (EXPENSE):					
Interest and other income	3,257	4,823	84,120	(83,638)	8,562
Interest expense	(82,852)	(96)	(81,742)	83,638	(81,052)
	(79,595)	4,727	2,378	--	(72,490)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	29,721	6,270	(961)	--	35,030
INCOME TAX EXPENSE (BENEFIT)	1,764	--	--	--	1,764
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	27,957	6,270	(961)	--	33,266
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	--	--	--	--	--
NET INCOME (LOSS)	$ 27,957	$ 6,270	$ (961)	$ --	$ 33,266

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1998:					
REVENUES:					
Oil and gas sales	$ 254,541	$ --	$ --	$ 2,346	$ 256,887
Oil and gas marketing sales	--	225,195	--	(104,136)	121,059
Total Revenues	254,541	225,195	--	(101,790)	377,946
OPERATING COSTS:					
Production expenses and taxes	59,497	--	--	--	59,497
Oil and gas marketing expenses	--	220,798	--	(101,790)	119,008
Impairment of oil and gas properties	826,000	--	--	--	826,000
Impairment of other assets	47,000	8,000	--	--	55,000
Oil and gas depreciation, depletion and amortization	146,644	--	--	--	146,644
Other depreciation and amortization	5,204	126	2,746	--	8,076
General and administrative	18,081	1,766	71	--	19,918
Total Operating Costs	1,102,426	230,690	2,817	(101,790)	1,234,143
INCOME (LOSS) FROM OPERATIONS	(847,885)	(5,495)	(2,817)	--	(856,197)
OTHER INCOME (EXPENSE):					
Interest and other income	649	2,259	100,886	(99,868)	3,926
Interest expense	(96,214)	(382)	(71,521)	99,868	(68,249)
	(95,565)	1,877	29,365	--	(64,323)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(943,450)	(3,618)	26,548	--	(920,520)
INCOME TAX EXPENSE (BENEFIT)	--	--	--	--	--
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(943,450)	(3,618)	26,548	--	(920,520)
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	(2,164)	--	(11,170)	--	(13,334)
NET INCOME (LOSS)	$ (945,614)	$ (3,618)	$ 15,378	$ --	$ (933,854)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE SIX MONTHS ENDED DECEMBER 31, 1997:					
REVENUES:					
Oil and gas sales	$ 93,384	$ 1,199	$ --	$ 1,074	$ 95,657
Oil and gas marketing sales	--	101,689	--	(43,448)	58,241
Total Revenues	93,384	102,888	--	(42,374)	153,898
OPERATING COSTS:					
Production expenses and taxes	9,905	189	--	--	10,094
Oil and gas marketing expenses	--	100,601	--	(42,374)	58,227
Impairment of oil and gas properties	96,000	14,000	--	--	110,000
Oil and gas depreciation, depletion and amortization	59,758	650	--	--	60,408
Other depreciation and amortization	1,383	40	991	--	2,414
General and administrative	4,598	1,132	117	--	5,847
Total Operating Costs	171,644	116,612	1,108	(42,374)	246,990
INCOME (LOSS) FROM OPERATIONS	(78,260)	(13,724)	(1,108)	--	(93,092)
OTHER INCOME (EXPENSE):					
Interest and other income	515	192	110,751	(32,492)	78,966
Interest expense	(27,481)	(39)	(22,420)	32,492	(17,448)
	(26,966)	153	88,331	--	61,518
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(105,226)	(13,571)	87,223	--	(31,574)
INCOME TAX EXPENSE (BENEFIT)	--	--	--	--	--
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(105,226)	(13,571)	87,223	--	(31,574)
EXTRAORDINARY ITEM	--	--	--	--	--
NET INCOME (LOSS)	$ (105,226)	$ (13,571)	$ 87,223	$ --	$ (31,574)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 1997:					
REVENUES:					
Oil and gas sales	$ 191,303	$ --	$ --	$ 1,617	$ 192,920
Oil and gas marketing sales	--	145,942	--	(69,770)	76,172
Total Revenues	191,303	145,942	--	(68,153)	269,092
OPERATING COSTS:					
Production expenses and taxes	15,107	--	--	--	15,107
Oil and gas marketing expenses	--	143,293	--	(68,153)	75,140
Impairment of oil and gas properties	236,000	--	--	--	236,000
Oil and gas depreciation, depletion and amortization	103,264	--	--	--	103,264
Other depreciation and amortization	2,152	80	1,550	--	3,782
General and administrative	6,313	921	1,568	--	8,802
Total Operating Costs	362,836	144,294	3,118	(68,153)	442,095
INCOME (LOSS) FROM OPERATIONS	(171,533)	1,648	(3,118)	--	(173,003)
OTHER INCOME (EXPENSE):					
Interest and other income	778	749	49,224	(39,528)	11,223
Interest expense	(37,644)	(10)	(20,424)	39,528	(18,550)
	(36,866)	739	28,800	--	(7,327)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(208,399)	2,387	25,682	--	(180,330)
INCOME TAX EXPENSE (BENEFIT)	(4,129)	47	509	--	(3,573)
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(204,270)	2,340	25,173	--	(176,757)
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	(769)	--	(5,851)	--	(6,620)
NET INCOME (LOSS)	$ (205,039)	$ 2,340	$ 19,322	$ --	$ (183,377)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1999:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 135,303	$ 7,193	$ 2,526	$ --	$ 145,022
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties, net	(159,888)	2,362	--	--	(157,526)
Proceeds from sale of assets	2,082	3,448	--	--	5,530
Other investments	(480)	(250)	--	--	(730)
Other additions	(5,777)	(72)	(1,198)	--	(7,047)
	(164,063)	5,488	(1,198)	--	(159,773)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term borrowings	116,500	--	--	--	116,500
Payments on long-term borrowings	(98,000)	--	--	--	(98,000)
Cash paid for purchase of preferred stock	--	(53)	--	--	(53)
Exercise of stock options	--	--	520	--	520
Intercompany advances, net	15,501	781	(16,282)	--	--
	34,001	728	(15,762)	--	18,967
EFFECT OF EXCHANGE RATE CHANGES ON CASH	4,922	--	--	--	4,922
Net increase (decrease) in cash and cash Equivalents	10,163	13,409	(14,434)	--	9,138
Cash, beginning of period	(17,319)	7,000	39,839	--	29,520
Cash, end of period	$ (7,156)	$ 20,409	$ 25,405	$ --	$ 38,658

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1998:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 66,960	$ (13,137)	$ 40,816	$ --	$ 94,639
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(523,922)	--	--	--	(523,922)
Proceeds from sale of assets	--	--	3,600	--	3,600
Investment in preferred stock of Gothic Energy Corporation	(39,500)	--	--	--	(39,500)
Repayment of note receivable	2,000	--	--	--	2,000
Proceeds from sale of PanEast Petroleum Corporation	--	--	21,245	--	21,245
Other additions	(2,510)	8,408	(17,371)	--	(11,473)
	(563,932)	8,408	7,474	--	(548,050)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term borrowings	--	--	658,750	--	658,750
Payments on long-term borrowings	--	--	(474,166)	--	(474,166)
Cash received from issuance of preferred stock	--	--	222,663	--	222,663
Cash paid for purchase of treasury stock	--	--	(29,962)	--	(29,962)
Dividends paid on common stock and preferred stock	--	--	(13,642)	--	(13,642)
Exercise of stock options	--	--	154	--	154
Intercompany advances, net	476,663	6,035	(482,698)	--	--
	476,663	6,035	(118,901)	--	363,797
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(4,726)	--	--	--	(4,726)
Net increase (decrease) in cash and cash Equivalents	(25,035)	1,306	(70,611)	--	(94,340)
Cash, beginning of period	(284)	13,694	110,450	--	123,860
Cash, end of period	$ (25,319)	$ 15,000	$ 39,839	$ --	$ 29,520

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE SIX MONTHS ENDED DECEMBER 31, 1997:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 28,598	$ (10,842)	$ 121,401	$ --	$ 139,157
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(187,252)	--	--	--	(187,252)
Investment in service operations	(200)	--	--	--	(200)
Other investments	(26,472)	--	99,380	--	72,908
Other additions	(22,864)	1,357	(453)	--	(21,960)
	(236,788)	1,357	98,927	--	(136,504)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividends paid on common stock	--	--	(2,810)	--	(2,810)
Exercise of stock options	--	--	322	--	322
Other financing	--	(322)	--	--	(322)
Intercompany advances, net	214,135	19,443	(233,578)	--	--
	214,135	19,121	(236,066)	--	(2,810)
Net increase (decrease) in cash and cash Equivalents	5,945	9,636	(15,738)	--	(157)
Cash, beginning of period	(6,534)	4,363	126,188	--	124,017
Cash, end of period	$ (589)	$ 13,999	$ 110,450	$ --	$ 123,860

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 1997:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 165,850	$ (11,008)	$ (70,753)	$ --	$ 84,089
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(465,424)	57	--	--	(465,367)
Proceeds from sale of assets	6,428	--	--	--	6,428
Investment in service operations	(3,048)	--	--	--	(3,048)
Long-term loans to third parties	(2,000)	--	(18,000)	--	(20,000)
Other investments	--	--	(8,000)	--	(8,000)
Other additions	(24,318)	(1,999)	(7,550)	--	(33,867)
	(488,362)	(1,942)	(33,550)	--	(523,854)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	50,000	--	292,626	--	342,626
Payments on borrowings	(118,901)	--	(680)	--	(119,581)
Exercise of stock options	--	--	1,387	--	1,387
Issuance of common stock	--	--	288,091	--	288,091
Other financing	--	--	(379)	--	(379)
Intercompany advances, net	380,735	14,645	(395,380)	--	--
	311,834	14,645	185,665	--	512,144
Net increase (decrease) in cash and cash equivalents	(10,678)	1,695	81,362	--	72,379
Cash, beginning of period	4,144	2,668	44,826	--	51,638
Cash, end of period	$ (6,534)	$ 4,363	$ 126,188	$ --	$ 124,017

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1999:					
Net income (loss)	$ 27,957	$ 6,270	$ (961)	$ --	$ 33,266
Other comprehensive income (loss) - foreign currency translation	4,922	--	--	--	4,922
Comprehensive income	$ 32,879	$ 6,270	$ (961)	$ --	$ 38,188
FOR THE YEAR ENDED DECEMBER 31, 1998:					
Net income (loss)	$ (945,614)	$ (3,618)	$ 15,378	$ --	$ (933,854)
Other comprehensive income (loss) - foreign currency translation	(4,689)	--	--	--	(4,689)
Comprehensive income (loss)	$ (950,303)	$ (3,618)	$ 15,378	$ --	$ (938,543)
FOR THE SIX MONTHS ENDED DECEMBER 31, 1997:					
Net income (loss)	$ (105,226)	$ (13,571)	$ 87,223	$ --	$ (31,574)
Other comprehensive income (loss) - foreign currency translation	(37)	--	--	--	(37)
Comprehensive income (loss)	$ (105,263)	$ (13,571)	$ 87,223	$ --	$ (31,611)
FOR THE YEAR ENDED JUNE 30, 1997:					
Net income (loss)	$ (205,039)	$ 2,340	$ 19,322	$ --	$ (183,377)
Other comprehensive income (loss) - foreign currency translation	--	--	--	--	--
Comprehensive income (loss)	$ (205,039)	$ 2,340	$ 19,322	$ --	$ (183,377)

3. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

	DECEMBER 31,	
	1999	1998
	($ IN THOUSANDS)	
7.875% Senior Notes (see Note 2)	$ 150,000	$ 150,000
Discount on 7.875% Senior Notes	(73)	(90)
8.5% Senior Notes (see Note 2)	150,000	150,000
Discount on 8.5% Senior Notes	(715)	(774)
9.125% Senior Notes (see Note 2)	120,000	120,000
Discount on 9.125% Senior Notes	(52)	(60)
9.625% Senior Notes (see Note 2)	500,000	500,000
Note payable	2,200	--
Other collateralized	43,500	25,000
Total notes payable and long-term debt	964,860	944,076
Less-- current maturities	(763)	(25,000)
Notes payable and long-term debt, net of current maturities	$ 964,097	$ 919,076

The aggregate scheduled maturities of notes payable and long-term debt for the next five fiscal years ending December 31, 2004 and thereafter were as follows as of December 31, 1999 (in thousands of dollars):

2000	$ 763
2001	44,336
2002	601
2003	--
2004	149,927
After 2004	769,233
	$ 964,860

4. CONTINGENCIES AND COMMITMENTS

Bayard Securities Litigation

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

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

Patent Litigation

On September 21, 1999, judgment was entered in favor of the Company in a patent infringement lawsuit tried to the U.S. District Court for the Northern District of Texas, Fort Worth Division. Filed in October 1996, the lawsuit asserted that the Company had infringed a patent belonging to Union Pacific Resources Company. The court declared the patent invalid, held that the Company could not have infringed the patent, dismissed all of UPRC's claims with prejudice and assessed court costs against UPRC. Appeals of the judgment by both the Company and UPRC are pending in the Federal Circuit Court of Appeals. The Company has appealed the trial

court's ruling denying the Company's request for attorneys' fees. Management is unable to predict the outcome of these appeals but believes the invalidity of the patent will be upheld on appeal.

West Panhandle Field Cessation Cases

A subsidiary of the Company, Chesapeake Panhandle Limited Partnership ("CP") (f/k/a MC Panhandle, Inc.), and two subsidiaries of Kinder Morgan, Inc. are defendants in 13 lawsuits filed between June 1997 and January 1999 by royalty owners seeking the cancellation of oil and gas leases in the West Panhandle Field in Texas. The Company acquired MC Panhandle, Inc. on April 28, 1998. MC Panhandle, Inc. has owned the leases since January 1, 1997, and the co-defendants are prior lessees. Plaintiffs claim the leases terminated upon the cessation of production for various periods primarily during the 1960s. In addition, plaintiffs seek to recover conversion damages, exemplary damages, attorneys' fees and interest. Defendants assert that any cessation of production was excused and have pled affirmative defenses of limitations, waiver, temporary estoppel, laches and title by adverse possession.

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

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

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

The Company has employment contracts with its two principal shareholders and its chief financial officer and various other senior management personnel which provide for annual base salaries, bonus compensation and various benefits. The contracts provide for the continuation of salary and benefits for varying terms in the event of termination of employment without cause. These agreements expire at various times from June 30, 2000 through June 30, 2003.

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

5. INCOME TAXES

The components of the income tax provision (benefit) for each of the periods are as follows:

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS)			
Current	$ --	$ --	$ --	$ --
Deferred	1,764	--	--	(3,573)
Total	$ 1,764	$ --	$ --	$(3,573)

The effective income tax expense (benefit) differed from the computed "expected" federal income tax expense (benefit) on earnings before income taxes for the following reasons:

	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,
	1999	1998	1997	1997
	($ IN THOUSANDS)			
Computed "expected" income tax provision (benefit)	$ 12,720	$(322,182)	$(11,051)	$(63,116)
Tax percentage depletion	(240)	(430)	(48)	(294)
Change in valuation allowance	(10,956)	380,969	13,818	64,116
State income taxes and other	240	(58,357)	(2,719)	(4,279)
	$ 1,764	$ --	$ --	$ (3,573)

Deferred income taxes are provided to reflect temporary differences in the basis of net assets for income tax and financial reporting purposes. The tax effected temporary differences and tax loss carryforwards which comprise deferred taxes are as follows:

	YEARS ENDED DECEMBER 31,	
	1999	1998
	($ IN THOUSANDS)	
Deferred tax liabilities:		
Acquisition, exploration and development costs and related depreciation, depletion and amortization	$ (13,251)	$ --
Deferred tax assets:		
Acquisition, exploration and development costs and related depreciation, depletion and amortization	218,728	242,765
Net operating loss carryforwards	228,279	214,602
Percentage depletion carryforward	1,776	1,536
	448,783	458,903
Net deferred tax asset (liability)	435,532	458,903
Less: Valuation allowance	(442,016)	(458,903)
Total deferred tax asset (liability)	$ (6,484)	$ --

SFAS 109 requires that the Company record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In 1998, the Company recorded an $826 million writedown related to the impairment of oil and gas properties. The writedown and significant tax net operating loss carryforwards (caused primarily by expensing intangible drilling costs for tax purposes) resulted in a net deferred tax asset at December 31, 1999 and 1998. The Company expects to generate future U.S. tax net operating losses for the foreseeable future. Management has determined that it is more likely than not that the net U.S. deferred tax assets will not be realized and has recorded a valuation allowance equal to the net U.S. deferred tax asset.

At December 31, 1998, $5.7 million of the valuation allowance was related to the Company's Canadian deferred tax assets. During 1999, this valuation allowance was eliminated as part of a purchase price reallocation related to a 1999 acquisition.

At December 31, 1999, the Company had a U.S. regular tax net operating loss carryforward of approximately $613 million and a U.S. alternative minimum tax net operating loss carryforward of approximately $267 million. The U.S. loss carryforward amounts will expire during the years 2007 through 2019. The Company

also had a U.S. percentage depletion carryforward of approximately $5 million at December 31, 1999, which is available to offset future U.S. federal income taxes payable and has no expiration date.

In accordance with certain provisions of the Tax Reform Act of 1986, a change of greater than 50% of the beneficial ownership of the Company within a three-year period (an "Ownership Change") would place an annual limitation on the Company's ability to utilize its existing tax carryforwards. Under regulations issued by the

Internal Revenue Service, the Company has had two Ownership Changes. However, these ownership changes have not resulted in a significant limitation of the tax carryforwards.

6. RELATED PARTY TRANSACTIONS

Certain directors, shareholders and employees of the Company have acquired working interests in certain of the Company's oil and gas properties. The owners of such working interests are required to pay their proportionate share of all costs. As of December 31, 1999 and 1998, the Company had accounts receivable from related parties, primarily related to such participation, of $4.6 million and $5.6 million, respectively.

As of December 31, 1998, the Chief Executive Officer and Chief Operating Officer of the Company had notes payable to CEMI in the principal amount of $9.9 million. In November 1999, the Chief Executive Officer and the Chief Operating Officer tendered to CEMI 2,320,107 shares of Chesapeake common stock in full satisfaction of the notes payable to CEMI with a combined outstanding balance of $7.6 million. The common stock was valued at $3.29 per share, which was the market value of the stock at the time of the transaction.

During 1999, 1998, the Transition Period and fiscal 1997, the Company incurred legal expenses of $398,000, $493,000, $388,000 and $207,000, respectively, for legal services provided by a law firm of which a director is a member.

7. EMPLOYEE BENEFIT PLANS

The Company maintains the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan, a 401(k) profit sharing plan. Eligible employees may make voluntary contributions to the plan which are matched by the Company for up to 10% of the employee's annual salary with the Company's common stock purchased in the open-market. The amount of employee contribution is limited as specified in the plan. The Company may, at its discretion, make additional contributions to the plan. The Company contributed $1,163,000, $1,359,000, $418,000 and $603,000 to the plan during 1999, 1998, the Transition Period and fiscal 1997, respectively.

8. MAJOR CUSTOMERS AND SEGMENT INFORMATION

Sales to individual customers constituting 10% or more of total oil and gas sales were as follows:

YEAR ENDED DECEMBER 31,		AMOUNT	PERCENT OF OIL AND GAS SALES
		($ IN THOUSANDS)	
1999	Aquila Southwest Pipeline Corporation	$31,505	11%
1998	Koch Oil Company	$30,564	12%
	Aquila Southwest Pipeline Corporation	28,946	11
SIX MONTHS ENDED DECEMBER 31,			
1997	Aquila Southwest Pipeline Corporation	$20,138	21%
	Koch Oil Company	18,594	19
	GPM Gas Corporation	12,610	13
FISCAL YEAR ENDED JUNE 30,			
1997	Aquila Southwest Pipeline Corporation	$53,885	28%
	Koch Oil Company	29,580	15
	GPM Gas Corporation	27,682	14

Management believes that the loss of any of the above customers would not have a material impact on the Company's results of operations or its financial position.

The Company believes all of its material operations are part of the oil and gas industry, and therefore reports as a single industry segment. Beginning in 1998, the Company began foreign operations in Canada. The geographic

distribution of the Company's revenue, operating income and identifiable assets are summarized below ($ in thousands):

	UNITED STATES	CANADA	CONSOLIDATED
1999:			
Revenue	$ 340,969	$ 13,977	$ 354,946
Operating income (loss)	103,188	4,332	107,520
Identifiable assets	735,320	115,213	850,533
1998:			
Revenue	$ 369,968	$ 7,978	$ 377,946
Operating income (loss)	(842,798)	(13,399)	(856,197)
Identifiable assets	724,713	87,902	812,615

9. STOCKHOLDERS' EQUITY AND STOCK BASED COMPENSATION

In November 1999, the Chief Executive Officer and the Chief Operating Officer of Chesapeake tendered to CEMI 2,320,107 shares of Chesapeake common stock in full satisfaction of two notes payable to CEMI with a combined outstanding balance of $7.6 million. See Note 6.

During 1998, the Company's Board of Directors approved the expenditure of up to $30 million to purchase outstanding Company common stock. As of August 25, 1998, the Company had purchased approximately 8.5 million shares of common stock for an aggregate amount of $30 million pursuant to such authorization.

On April 28, 1998, the Company acquired by merger the Mid-Continent operations of DLB Oil & Gas, Inc. ("DLB") for $17.5 million in cash, 5 million shares of the Company's common stock, and the assumption of $90 million in outstanding debt and working capital obligations.

On April 22, 1998, the Company issued $230 million (4.6 million shares) of its 7% Cumulative Convertible Preferred Stock, $50 per share liquidation preference, resulting in net proceeds to the Company of $223 million.

On March 10, 1998, the Company acquired Hugoton Energy Corporation ("Hugoton") pursuant to a merger by issuing approximately 25.8 million shares of the Company's common stock in exchange for 100% of Hugoton's common stock.

On December 16, 1997, the Company acquired AnSon Production Corporation. Consideration for this merger was approximately $43 million consisting of the issuance of approximately 3.8 million shares of Company common stock and cash consideration in accordance with the terms of the merger agreement.

On December 2, 1996, the Company completed a public offering of approximately 9.0 million shares of common stock at a price of $33.63 per share, resulting in net proceeds to the Company of approximately $288.1 million.

A 2-for-1 stock split of the common stock in December 1996 has been given retroactive effect in these financial statements.

Stock Option Plans

The Company's 1992 Incentive Stock Option Plan (the "ISO Plan") terminated on December 16, 1994. Until then, the Company granted incentive stock options to purchase common stock under the ISO Plan to employees. Subject to any adjustment as provided by the ISO Plan, the aggregate number of shares which may be issued and sold may not exceed 3,762,000 shares. The maximum period for exercise of an option may not be more than 10 years (or five years for an optionee who owns more than 10% of the common stock) from the date of grant, and the exercise price may not be less than the fair market value of the shares underlying the options on the date of grant

(or 110% of such value for an optionee who owns more than 10% of the common stock). Options granted become exercisable at dates determined by the Stock Option Committee of the Board of Directors.

Under the Company's 1992 Nonstatutory Stock Option Plan (the "NSO Plan"), non-qualified options to purchase common stock may be granted only to directors and consultants of the Company. Subject to any adjustment as provided by the NSO Plan, the aggregate number of shares which may be issued and sold may not exceed 3,132,000 shares. The maximum period for exercise of an option may not be more than 10 years from the date of grant, and the exercise price may not be less than the fair market value of the shares underlying the options on the date of grant. Options granted become exercisable at dates determined by the Stock Option Committee of the Board of Directors. The NSO Plan also contains a formula award provision pursuant to which each director who is not an executive officer receives every quarter a ten-year immediately exercisable option to purchase 6,250 shares of common stock at an option price equal to the fair market value of the shares on the date of grant. The amount of the award was changed increased from 20,000 shares (post-split) to 15,000 shares per year in 1998 and to 25,000 shares per year in 1999. No options can be granted under the NSO Plan after December 10, 2002.

Under the Company's 1994 Stock Option Plan (the "1994 Plan"), and its 1996 Stock Option Plan (the "1996 Plan"), incentive and nonqualified stock options to purchase Common Stock may be granted to employees and consultants of the Company and its subsidiaries. Subject to any adjustment as provided by the respective plans, the aggregate number of shares which may be issued and sold may not exceed 4,886,910 shares under the 1994 Plan and 6,000,000 shares under the 1996 Plan. The maximum period for exercise of an option may not be more than 10 years from the date of grant and the exercise price of nonqualified stock options may not be less than par value and, under the 1996 Plan, 85% of the fair market value of the shares underlying the options on the date of grant. Options granted become exercisable at dates determined by the Stock Option Committee of the Board of Directors. No options can be granted under the 1994 Plan after October 17, 2004 or under the 1996 Plan after October 14, 2006.

Under the Company's 1999 Stock Option Plan (the "1999 Plan"), nonqualified stock options to purchase Common Stock may be granted to employees and consultants of the Company and its subsidiaries. Subject to any adjustment as provided by the plan, the aggregate number of shares which may be issued and sold may not exceed 3,000,000 shares. The maximum period for exercise of an option may not be more than 10 years from the date of grant and the exercise price may not be less than the fair market value of the shares underlying the options on the date of grant; provided, however, nonqualified stock options not exceeding 10% of the options issuable under the 1999 Plan may be granted at an exercise price which is not less than 85% of the grant date fair market value. Options granted become exercisable at dates determined by the Stock Option Committee of the Board of Directors. No options can be granted under the 1999 Plan after March 4, 2009.

The Company 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. No compensation expense has been recognized 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.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method of the statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1999, 1998, the Transition Period and fiscal 1997, respectively: interest rates (zero-coupon U.S. government issues with a remaining life equal to the expected term of the options) of 5.88%, 5.20%, 6.45% and 6.74%; dividend yields of 0.0%, 0.0%, 0.9% and 0.9%; volatility factors of the expected market price of the Company's common stock of .82, .96, .67 and .60; and weighted-average expected life of the options of five years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The Company's pro forma information follows:

	YEARS ENDED DECEMBER 31, 1999	YEARS ENDED DECEMBER 31, 1998	SIX MONTHS ENDED DECEMBER 31, 1997	YEAR ENDED JUNE 30, 1997
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Net Income (Loss)				
As reported	$ 33,266	$ (933,854)	$ (31,574)	$(183,377)
Pro forma	24,802	(948,014)	(35,084)	(190,160)
Basic Earnings (Loss) per Share				
As reported	$ 0.17	$ (9.97)	$ (0.45)	$ (2.79)
Pro forma	0.08	(10.12)	(0.50)	(2.89)
Diluted Earnings (Loss) per Share				
As reported	$ 0.16	$ (9.97)	$ (0.45)	$ (2.79)
Pro forma	0.08	(10.12)	(0.50)	(2.89)

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 the Company's 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 years. A summary of the Company's stock option activity and related information follows:

	YEARS ENDED DECEMBER 31, 1999		1998		SIX MONTHS ENDED DECEMBER 31, 1997	
	OPTIONS	WEIGHTED-AVG EXERCISE PRICE	OPTIONS	WEIGHTED-AVG EXERCISE PRICE	OPTIONS	WEIGHTED-AVG EXERCISE PRICE
Outstanding Beginning of Period	11,260,375	$ 1.86	8,330,381	$ 5.49	7,903,659	$ 7.09
Granted	3,210,493	1.11	14,580,063	2.78	3,362,207	8.29
Exercised	(622,120)	0.99	(108,761)	1.35	(219,349)	3.13
Cancelled/Forfeited	(990,319)	1.87	(11,541,308)	5.64	(2,716,136)	13.87
Outstanding End of Period	12,858,429	$ 1.76	11,260,375	$ 1.86	8,330,381	$ 5.49
Exercisable End of Period	5,040,302		3,535,126		3,838,869	
Shares Authorized for Future Grants	2,560,687		1,761,359		4,585,973	
Fair Value of Options Granted During the Period		$ 0.77		$ 2.34		$ 4.98

	YEAR ENDED JUNE 30, 1997	
	OPTIONS	WEIGHTED-AVG EXERCISE PRICE
Outstanding Beginning of Year	7,602,884	$ 4.66
Granted	3,564,884	19.35
Exercised	(1,197,998)	1.95
Cancelled/Forfeited	(2,066,111)	22.26
Outstanding End of Year	7,903,659	$ 7.09
Exercisable End of Year	3,323,824	
Shares Authorized for Future Grants	5,212,056	
Fair Value of Options Granted During the Year		$ 7.51

The following table summarizes information about stock options outstanding at December 31, 1999:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING @ 12/31/99	WEIGHTED-AVG. REMAINING CONTRACTUAL LIFE	WEIGHTED-AVG. EXERCISE PRICE	NUMBER EXERCISABLE @ 12/31/99	WEIGHTED-AVG. EXERCISE PRICE
$ 0.08 - $ 0.78	897,982	4.02	$ 0.62	897,982	$ 0.62
$ 0.94 - $ 0.94	2,538,000	9.04	0.94	42,500	0.94
$ 1.00 - $ 1.00	31,250	9.01	1.00	31,250	1.00
$ 1.13 - $ 1.13	6,679,130	8.68	1.13	1,627,898	1.13
$ 1.33 - $ 2.25	1,320,204	4.34	2.00	1,320,204	2.00
$ 2.38 - $10.69	1,263,300	6.74	4.75	1,005,405	4.97
$14.25 - $14.25	27,000	7.32	14.25	13,500	14.25

$17.67 - $17.67	938	0.08	17.67	938	17.67
$25.88 - $25.88	625	0.08	25.88	625	25.88
$30.63 - $30.63	100,000	6.77	30.63	100,000	30.63
$ 0.08 - $30.63	12,858,429	7.77	$ 1.76	5,040,302	$ 2.66

The exercise of certain stock options results in state and federal income tax benefits to the Company related to the difference between the market price of the common stock at the date of disposition and the option price. During fiscal 1997, $4,808,000 was recorded as an adjustment to additional paid-in capital and deferred income

taxes with respect to such tax benefits. During 1999, 1998 and the Transition Period, the Company did not recognize any such tax benefits.

10. FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company has only limited involvement with derivative financial instruments, as defined in Statement of Financial Accounting Standards No. 119 "Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments", and does not use them for trading purposes. The Company's primary objective is to hedge a portion of its exposure to price volatility from producing crude oil and natural gas. These arrangements may expose the Company to credit risk from its counterparties and to basis risk. The Company does not expect that the counterparties will fail to meet their obligations given their high credit ratings.

Hedging Activities

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

(i) swap arrangements that establish an index-related price above which the Company pays the counterparty and below which the Company is paid by the counterparty,

(ii) the purchase of index-related puts that provide for a "floor" price below which the counterparty pays the Company the amount by which the price of the commodity is below the contracted floor,

(iii) the sale of index-related calls that provide for a "ceiling" price above which the Company pays the counterparty the amount by which the price of the commodity is above the contracted ceiling, and

(iv) basis protection swaps, which are arrangements that guarantee the price differential of oil or gas from a specified delivery point or points.

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

As of December 31, 1999, the Company had the following open natural gas swap arrangements designed to hedge a portion of the Company's domestic gas production for periods after December 1999:

MONTHS	VOLUME (MMBTU)	NYMEX-INDEX STRIKE PRICE (PER MMBTU)
April 2000	600,000	$ 2.50
May 2000	620,000	2.50
June 2000	600,000	2.50
July 2000	620,000	2.50
August 2000	620,000	2.50
September 2000	600,000	2.50
October 2000	620,000	2.50

If the swap arrangements listed above had been settled on December 31, 1999, the Company would have incurred a gain of $0.5 million.

As of December 31, 1999, the Company had no open oil swap arrangements.

The Company has also closed transactions designed to hedge a portion of the Company's domestic oil and natural gas production. The net unrecognized losses resulting from these transactions, $3.9 million as of December 31, 1999, will be recognized as price adjustments in the months of related production. These hedging gains and losses are set forth below ($ in thousands):

MONTH	HEDGING GAINS (LOSSES) GAS	OIL	TOTAL
January 2000	$ --	$ (995)	$ (995)
February 2000	--	(1,061)	(1,061)
March 2000	689	(851)	(162)
April 2000	71	(647)	(576)
May 2000	73	(668)	(595)
June 2000	71	(647)	(576)
July 2000	73	(231)	(158)
August 2000	73	--	73
September 2000	71	--	71
October 2000	73	--	73
	$ 1,194	$(5,100)	$ (3,906)

Subsequent to December 31, 1999, the Company entered into the following natural gas swap arrangements designed to hedge a portion of the Company's domestic gas production for periods after December 1999:

MONTHS	VOLUME (MMBTU)	NYMEX - INDEX STRIKE PRICE (PER MMBTU)
April 2000	8,900,000	$2.593
May 2000	3,410,000	2.737
June 2000	3,300,000	2.737
July 2000	3,410,000	2.741
August 2000	3,410,000	2.741
September 2000	2,100,000	2.696
October 2000	2,170,000	2.696

Subsequent to December 31, 1999, the Company entered into the following crude oil swap arrangements designed to hedge a portion of the Company's domestic crude oil production for periods after December 1999:

MONTHS	MONTHLY VOLUME (BBLS)	NYMEX-INDEX STRIKE PRICE (PER BBL)
March 2000	183,000	$27.512
April 2000	89,000	27.251

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

Interest Rate Risk

The Company also utilizes hedging strategies to manage fixed-interest rate exposure. Through the use of a swap arrangement, the Company believes it can benefit from stable or falling interest rates and reduce its current interest expense. During 1999, the Company's interest rate swap resulted in a $2.0 million reduction of interest expense. The terms of the swap agreement are as follows:

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

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

If the interest rate swap agreement had been settled on December 31, 1999, the Company would have been required to pay the counterparty approximately $16.7 million. However, because of the knock-out provision discussed above and the volatility of interest rates, the Company does not believe that this worst-case scenario is a fair measure of the market value of the swap agreement and, therefore, would not pay this amount to cancel the transaction. Results from interest rate hedging transactions are reflected as adjustments to interest expense in the corresponding months covered by the swap agreement.

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

	DECEMBER 31, 1999							
	YEARS OF MATURITY							
	2000	2001	2002	2003	2004	THEREAFTER	TOTAL	FAIR VALUE
LIABILITIES:	($ IN MILLIONS)							
Long-term debt, including current portion - fixed rate	$ 0.8	$ 0.8	$ 0.6	$ --	$ 150.0	$ 770.0	$ 922.2	$ 838.7
Average interest rate	9.1%	9.1%	9.1%	--	7.9%	9.3%	9.1%	--
Long-term debt - variable rate	$ --	$ 43.5	$ --	$ --	$ --	$ --	$ 43.5	$ 43.5
Average interest rate	--	9.75%	--	--	--	--	9.75%	--

Concentration of Credit Risk

Other financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, short-term investments in debt instruments and trade receivables. The Company's accounts receivable are primarily from purchasers of oil and natural gas products and exploration and production companies which own interests in properties operated by the Company. The industry concentration has the potential to impact the Company's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. The Company generally requires letters of credit for receivables from customers which are judged to have sub-standard credit, unless the credit risk can otherwise be mitigated. The cash and cash equivalents are deposited with major banks or institutions with high credit ratings.

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". The estimated fair value amounts have been determined by the Company 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. The Company estimates the fair value of its long-term (including current maturities), fixed-rate debt using primarily quoted market prices. The Company's carrying amount for such debt at December 31, 1999 and 1998 was $921.4 million and $919.1 million, respectively, compared to approximate fair values of $838.7 million and $654.7 million, respectively. The carrying value of other

long-term

debt approximates its fair value as interest rates are primarily variable, based on prevailing market rates. The Company estimates the fair value of its convertible preferred stock, which was issued in April 1998, using quoted market prices. The Company's carrying amount for such preferred stock at December 31, 1999 and 1998 was $229.8 million and $230.0 million, compared to an approximate fair value of $119.0 million and $48.9 million, respectively.

11. DISCLOSURES ABOUT OIL AND GAS PRODUCING ACTIVITIES

Net Capitalized Costs

Evaluated and unevaluated capitalized costs related to the Company's oil and gas producing activities are summarized as follows:

DECEMBER 31, 1999

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Oil and gas properties:			
Proved	$ 2,193,492	$ 121,856	$ 2,315,348
Unproved	36,225	3,783	40,008
Total	2,229,717	125,639	2,355,356
Less accumulated depreciation, depletion and amortization	(1,645,185)	(25,357)	(1,670,542)
Net capitalized costs	$ 584,532	$ 100,282	$ 684,814

DECEMBER 31, 1998

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Oil and gas properties:			
Proved	$ 2,060,076	$ 82,867	$ 2,142,943
Unproved	44,780	7,907	52,687
Total	2,104,856	90,774	2,195,630
Less accumulated depreciation, depletion and amortization	(1,556,284)	(17,998)	(1,574,282)
Net capitalized costs	$ 548,572	$ 72,776	$ 621,348

Unproved properties not subject to amortization at December 31, 1999 and 1998 consisted mainly of lease acquisition costs. The Company capitalized approximately $3.5 million, $6.5 million, $5.1 million and $12.9 million of interest during 1999, 1998, the Transition Period and fiscal 1997, respectively, on significant investments in unproved properties that were not yet included in the amortization base of the full-cost pool. The Company will continue to evaluate its unevaluated properties; however, the timing of the ultimate evaluation and disposition of the properties has not been determined.

Costs Incurred in Oil and Gas Acquisition, Exploration and Development

Costs incurred in oil and gas property acquisition, exploration and development activities which have been capitalized are summarized as follows:

YEAR ENDED DECEMBER 31, 1999

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Development and leasehold costs	$ 95,329	$ 31,536	$ 126,865
Exploration costs	23,651	42	23,693
Acquisition costs	47,993	4,100	52,093
Sales of oil and gas properties	(44,822)	(813)	(45,635)
Capitalized internal costs	2,710	--	2,710
Total	$ 124,861	$ 34,865	$ 159,726

YEAR ENDED DECEMBER 31, 1998

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Development and leasehold costs	$ 169,491	$ 7,119	$ 176,610
Exploration costs	63,245	5,427	68,672
Acquisition costs	662,104	78,176	740,280
Sales of oil and gas properties	(15,712)	--	(15,712)
Capitalized internal costs	5,262	--	5,262
Total	$ 884,390	$ 90,722	$ 975,112

SIX MONTHS ENDED DECEMBER 31, 1997

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Development and leasehold costs	$ 144,283	$ --	$ 144,283
Exploration costs	40,534	--	40,534
Acquisition costs	39,245	--	39,245
Capitalized internal costs	2,435	--	2,435
Total	$ 226,497	$ --	$ 226,497

YEAR ENDED JUNE 30, 1997

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Development and leasehold costs	$ 324,989	$ --	$ 324,989
Exploration costs	136,473	--	136,473
Capitalized internal costs	3,905	--	3,905
Total	$ 465,367	$ --	$ 465,367

Results of Operations from Oil and Gas Producing Activities (unaudited)

The Company's results of operations from oil and gas producing activities are presented below for 1999, 1998, the Transition Period and fiscal 1997. The following table includes revenues and expenses associated directly with the Company's oil and gas producing activities. It does not include any allocation of the Company's interest costs and, therefore, is not necessarily indicative of the contribution to consolidated net operating results of the Company's oil and gas operations.

YEAR ENDED DECEMBER 31, 1999

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Oil and gas sales	$ 266,468	$ 13,977	$ 280,445
Production expenses	(44,165)	(2,133)	(46,298)
Production taxes	(13,264)	--	(13,264)
Depletion and depreciation	(88,901)	(6,143)	(95,044)
Imputed income tax (provision) benefit (a)	(45,052)	(2,565)	(47,617)
Results of operations from oil and gas producing activities	$ 75,086	$ 3,136	$ 78,222

YEAR ENDED DECEMBER 31, 1998

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Oil and gas sales	$ 248,909	$ 7,978	$ 256,887
Production expenses	(49,368)	(1,834)	(51,202)
Production taxes	(8,295)	--	(8,295)
Impairment of oil and gas properties	(810,610)	(15,390)	(826,000)
Depletion and depreciation	(143,283)	(3,361)	(146,644)
Imputed income tax (provision) benefit (a)	285,981	5,673	291,654
Results of operations from oil and gas producing activities	$ (476,666)	$ (6,934)	$ (483,600)

SIX MONTHS ENDED DECEMBER 31, 1997

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Oil and gas sales	$ 95,657	$ --	$ 95,657
Production expenses	(7,560)	--	(7,560)
Production taxes	(2,534)	--	(2,534)
Impairment of oil and gas properties	(110,000)	--	(110,000)
Depletion and depreciation	(60,408)	--	(60,408)
Imputed income tax (provision) benefit (a)	31,817	--	31,817
Results of operations from oil and gas producing activities	$ (53,028)	$ --	$ (53,028)

YEAR ENDED JUNE 30, 1997

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Oil and gas sales	$ 192,920	$ --	$ 192,920
Production expenses	(11,445)	--	(11,445)
Production taxes	(3,662)	--	(3,662)
Impairment of oil and gas properties	(236,000)	--	(236,000)
Depletion and depreciation	(103,264)	--	(103,264)
Imputed income tax (provision) benefit (a)	60,544	--	60,544
Results of operations from oil and gas producing activities	$ (100,907)	$ --	$ (100,907)

- ----------

(a) The imputed income tax provision is hypothetical (at the statutory rate) and determined without regard to the Company's deduction for general and administrative expenses, interest costs and other income tax credits and deductions, nor whether the hypothetical tax benefits will be realized.

Capitalized costs, less accumulated amortization and related deferred income taxes, cannot exceed an amount equal to the sum of the present value (discounted at 10%) of estimated future net revenues less estimated future expenditures to be incurred in developing and producing the proved reserves, less any related income tax effects. At December 31, 1998 and 1997 and June 30, 1997, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues for the Company's proved reserves, net of related income tax considerations, resulting in writedowns in the carrying value of oil and gas properties of $826 million, $110 million and $236 million, respectively.

Oil and Gas Reserve Quantities (unaudited)

The reserve information presented below is based upon reports prepared by independent petroleum engineers and the Company's petroleum engineers.

- As of December 31, 1999, Williamson Petroleum Consultants, Inc. ("Williamson"), Ryder Scott Company ("Ryder Scott"), and the Company's internal reservoir engineers evaluated 50%, 16%, and 34% of the Company's combined discounted future net revenues from the Company's estimated proved reserves, respectively.

- As of December 31, 1998, Williamson, Ryder Scott, H.J. Gruy and Associates, Inc. and the Company's internal reservoir engineers evaluated 63%, 12%, 1% and 24% of the Company's combined discounted future net revenues from the Company's estimated proved reserves, respectively.

- As of December 31, 1997, Williamson, Porter Engineering Associates, Netherland, Sewell & Associates, Inc. and internal reservoir engineers evaluated approximately 53%, 42%, 3% and 2% of the Company's combined discounted future net revenues from the Company's estimated proved reserves, respectively.

- As of June 30, 1997, the reserves evaluated by Williamson constituted approximately 41% of the Company's combined discounted future net revenues from the Company's estimated proved reserves, with the remaining reserves being evaluated internally. The reserves evaluated internally in fiscal 1997 were subsequently evaluated by Williamson with a variance of approximately 4% of total proved reserves.

The information is presented in accordance with regulations prescribed by the Securities and Exchange Commission. The Company emphasizes that reserve estimates are inherently imprecise. The Company's reserve estimates were generally based upon extrapolation of historical production trends, analogy to similar properties and

volumetric calculations. Accordingly, these estimates are expected to change, and such changes could be material and occur in the near term as future information becomes available.

Proved oil and gas reserves represent the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are those expected to be recovered through existing wells with existing equipment and operating methods. As of December 31, 1997 and June 30, 1997, all of the Company's oil and gas reserves were located in the United States.

Presented below is a summary of changes in estimated reserves of the Company for 1999, 1998, the Transition Period and fiscal 1997:

DECEMBER 31, 1999

	U.S.		CANADA		COMBINED	
	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)
Proved reserves, beginning of period ...	22,560	724,018	33	231,773	22,593	955,791
Extensions, discoveries and other additions	4,593	158,801	--	37,835	4,593	196,636
Revisions of previous estimates	3,404	59,904	--	(98,571)	3,404	(38,667)
Production	(4,147)	(96,873)	--	(11,737)	(4,147)	(108,610)
Sale of reserves-in-place	(4,371)	(31,616)	(33)	(796)	(4,404)	(32,412)
Purchase of reserves-in-place	2,756	64,350	--	19,738	2,756	84,088
Proved reserves, end of period	24,795	878,584	--	178,242	24,795	1,056,826
Proved developed reserves:						
Beginning of period	18,003	552,953	33	105,990	18,036	658,943
End of period	17,750	627,120	--	136,203	17,750	763,323

DECEMBER 31, 1998

	U.S.		CANADA		COMBINED	
	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)
Proved reserves, beginning of period ...	18,226	339,118	--	--	18,226	339,118
Extensions, discoveries and other additions	3,448	90,879	--	--	3,448	90,879
Revisions of previous estimates	(4,082)	(60,477)	--	--	(4,082)	(60,477)
Production	(5,975)	(86,681)	(1)	(7,740)	(5,976)	(94,421)
Sale of reserves-in-place	(30)	(3,515)	--	--	(30)	(3,515)
Purchase of reserves-in-place	10,973	444,694	34	239,513	11,007	684,207
Proved reserves, end of period	22,560	724,018	33	231,773	22,593	955,791
Proved developed reserves:						
Beginning of period	10,087	178,082	--	--	10,087	178,082
End of period	18,003	552,953	33	105,990	18,036	658,943

DECEMBER 31, 1997

	U.S.		CANADA		COMBINED	
	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)
Proved reserves, beginning of period ...	17,373	298,766	--	--	17,373	298,766
Extensions, discoveries and other additions	5,573	68,813	--	--	5,573	68,813
Revisions of previous estimates	(3,428)	(24,189)	--	--	(3,428)	(24,189)
Production	(1,857)	(27,327)	--	--	(1,857)	(27,327)
Sale of reserves-in-place	--	--	--	--	--	--
Purchase of reserves-in-place	565	23,055	--	--	565	23,055
Proved reserves, end of period	18,226	339,118	--	--	18,226	339,118
Proved developed reserves:						
Beginning of period	7,324	151,879	--	--	7,324	151,879
End of period	10,087	178,082	--	--	10,087	178,082

JUNE 30, 1997

	U.S.		CANADA		COMBINED	
	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)
Proved reserves, beginning of period ...	12,258	351,224	--	--	12,258	351,224
Extensions, discoveries and other additions	13,874	147,485	--	--	13,874	147,485
Revisions of previous estimates	(5,989)	(137,938)	--	--	(5,989)	(137,938)
Production	(2,770)	(62,005)	--	--	(2,770)	(62,005)
Sale of reserves-in-place	--	--	--	--	--	--
Purchase of reserves-in-place	--	--	--	--	--	--
Proved reserves, end of period	17,373	298,766	--	--	17,373	298,766
Proved developed reserves:						
Beginning of period	3,648	144,721	--	--	3,648	144,721
End of period	7,324	151,879	--	--	7,324	151,879

During 1999, the Company acquired approximately 101 Bcfe of proved reserves through purchases of oil and gas properties for consideration of $52 million. The Company also sold 59 Bcfe of proved reserves for consideration of approximately $46 million. During 1999, the Company recorded upward revisions of 80 Bcfe to the December 31, 1998 estimates of its U.S. reserves, and downward revisions of 99 Bcfe to the December 31, 1998 estimates of its Canadian reserves, for a net Company wide revision of 19 Bcfe, or approximately 1.7%. The upward revisions to its U.S. reserves were caused by higher oil and gas prices at December 31, 1999, and actual performance in excess of predicted performance. Higher prices extend the economic lives of the underlying oil and gas properties and thereby increase the estimated future reserves. The downward revisions to its Canadian reserves were caused by a reduction of the Company's proved undeveloped locations and an increase in projected transportation and operating costs in Canada, which decreased the economic lives of the underlying properties.

During 1998, the Company acquired approximately 750 Bcfe of proved reserves through mergers or through purchases of oil and gas properties. The total consideration given for the acquisitions was 30.8 million shares of Company common stock, $280 million of cash, the assumption of $205 million of debt, and the incurrence of approximately $20 million of other acquisition related costs. Also during 1998, the Company recorded downward revisions to the December 31, 1997 estimates of approximately 4,082 MBbl and 60,477 MMcf, or approximately 85 Bcfe. These reserve revisions were primarily attributable to lower oil and gas prices at December 31, 1998. The weighted average prices used to value the Company's reserves at December 31, 1998 were $10.48 per barrel of oil and $1.68 per Mcf of gas, as compared to the prices used at December 31, 1997 of $17.62 per barrel of oil and $2.29 per Mcf of gas.

For the six months ended December 31, 1997, the Company recorded downward revisions to the June 30, 1997 reserve estimates of approximately 3,428 MBbl and 24,189 MMcf, or approximately 45 Bcfe. The reserve revisions were primarily attributable to lower than expected results from development drilling and production which eliminated certain previously established proved reserves.

On December 16, 1997, Chesapeake acquired AnSon Production Corporation, a privately owned oil and gas producer based in Oklahoma City. Consideration for this acquisition was approximately $43 million. The Company estimates that it acquired approximately 26.4 Bcfe in connection with this acquisition.

For the fiscal year ended June 30, 1997, the Company recorded downward revisions to the previous year's reserve estimates of approximately 5,989 MBbl and 137,938 MMcf, or approximately 174 Bcfe. The reserve revisions were primarily attributable to the decrease in oil and gas prices between periods, higher drilling and completion costs, and unfavorable developmental drilling and production results during fiscal 1997. Specifically, the Company recorded aggregate downward adjustments to proved reserves of 159 Bcfe for the Knox, Giddings and Louisiana Trend areas.

Standardized Measure of Discounted Future Net Cash Flows (unaudited)

Statement of Financial Accounting Standards No. 69 ("SFAS 69") prescribes guidelines for computing a standardized measure of future net cash flows and changes therein relating to estimated proved reserves. The Company has followed these guidelines which are briefly discussed below.

Future cash inflows and future production and development costs are determined by applying year-end prices and costs to the estimated quantities of oil and gas to be produced. Estimates are made of quantities of proved reserves and the future periods during which they are expected to be produced based on year-end economic conditions. Estimated future income taxes are computed using current statutory income tax rates including consideration for the current tax basis of the properties and related carryforwards, giving effect to permanent differences and tax credits. The resulting future net cash flows are reduced to present value amounts by applying a 10% annual discount factor.

The assumptions used to compute the standardized measure are those prescribed by the Financial Accounting Standards Board and, as such, do not necessarily reflect the Company's expectations of actual revenue to be derived from those reserves nor their present worth. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these estimates are the basis for the valuation process.

The following summary sets forth the Company's future net cash flows relating to proved oil and gas reserves based on the standardized measure prescribed in SFAS 69:

DECEMBER 31, 1999

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Future cash inflows (a)	$ 2,555,241	$ 437,928	$ 2,993,169
Future production costs	(671,431)	(195,464)	(866,895)
Future development costs	(209,921)	(20,950)	(230,871)
Future income tax provision	(219,866)	(29,410)	(249,276)
Net future cash flows	1,454,023	192,104	1,646,127
Less effect of a 10% discount factor	(545,125)	(94,390)	(639,515)
Standardized measure of discounted future net cash flows	$ 908,898	$ 97,714	$ 1,006,612
Discounted (at 10%) future net cash flows before income taxes	$ 991,748	$ 97,748	$ 1,089,496

DECEMBER 31, 1998

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Future cash inflows (b)	$ 1,374,280	$ 474,143	$ 1,848,423
Future production costs	(432,876)	(52,493)	(485,369)
Future development costs	(124,717)	(29,634)	(154,351)
Future income tax provision	(6,464)	(143,747)	(150,211)
Net future cash flows	810,223	248,269	1,058,492
Less effect of a 10% discount factor	(303,096)	(132,281)	(435,377)
Standardized measure of discounted future net cash flows	$ 507,127	$ 115,988	$ 623,115
Discounted (at 10%) future net cash flows before income taxes	$ 504,148	$ 156,843	$ 660,991

DECEMBER 31, 1997

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Future cash inflows (c)	$ 1,100,807	$ --	$ 1,100,807
Future production costs	(223,030)	--	(223,030)
Future development costs	(158,387)	--	(158,387)
Future income tax provision	(108,027)	--	(108,027)
Net future cash flows	611,363	--	611,363
Less effect of a 10% discount factor	(181,253)	--	(181,253)
Standardized measure of discounted future net cash flows	$ 430,110	$ --	$ 430,110
Discounted (at 10%) future net cash flows before income taxes	$ 466,509	$ --	$ 466,509

JUNE 30, 1997

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Future cash inflows (d)	$ 954,839	$ --	$ 954,839
Future production costs	(190,604)	--	(190,604)
Future development costs	(152,281)	--	(152,281)
Future income tax provision	(104,183)	--	(104,183)
Net future cash flows	507,771	--	507,771
Less effect of a 10% discount factor	(92,273)	--	(92,273)
Standardized measure of discounted future net cash flows	$ 415,498	$ --	$ 415,498
Discounted (at 10%) future net cash flows before income taxes	$ 437,386	$ --	$ 437,386

- ----------

(a) Calculated using weighted average prices of $24.72 per barrel of oil and $2.25 per Mcf of gas.

(b) Calculated using weighted average prices of $10.48 per barrel of oil and $1.68 per Mcf of gas.

(c) Calculated using weighted average prices of $17.62 per barrel of oil and $2.29 per Mcf of gas.

(d) Calculated using weighted average prices of $18.38 per barrel of oil and $2.12 per Mcf of gas.

The principal sources of change in the standardized measure of discounted future net cash flows are as follows:

DECEMBER 31, 1999

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Standardized measure, beginning of period	$ 507,127	$ 115,988	$ 623,115
Sales of oil and gas produced, net of production costs	(209,039)	(11,844)	(220,883)
Net changes in prices and production costs	320,123	(55,156)	264,967
Extensions and discoveries, net of production and development costs	200,787	14,333	215,120
Changes in future development costs	(15,011)	20,679	5,668
Development costs incurred during the period that reduced future development costs	14,114	1,985	16,099
Revisions of previous quantity estimates	88,250	(49,034)	39,216
Purchase of reserves-in-place	66,895	18,476	85,371
Sales of reserves-in-place	(25,838)	(920)	(26,758)
Accretion of discount	50,415	15,684	66,099
Net change in income taxes	(85,828)	40,821	(45,007)
Changes in production rates and other	(3,097)	(13,298)	(16,395)
Standardized measure, end of period	$ 908,898	$ 97,714	$ 1,006,612

DECEMBER 31, 1998

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Standardized measure, beginning of period	$ 430,110	$ --	$ 430,110
Sales of oil and gas produced, net of production costs	(191,246)	(6,144)	(197,390)
Net changes in prices and production costs	(189,817)	--	(189,817)
Extensions and discoveries, net of production and development costs	85,464	--	85,464
Changes in future development costs	72,279	--	72,279
Development costs incurred during the period that reduced future development costs	28,191	--	28,191
Revisions of previous quantity estimates	(64,770)	--	(64,770)
Purchase of reserves-in-place	288,694	164,821	453,515
Sales of reserves-in-place	(3,079)	--	(3,079)
Accretion of discount	46,651	--	46,651
Net change in income taxes	39,377	(40,855)	(1,478)
Changes in production rates and other	(34,727)	(1,834)	(36,561)
Standardized measure, end of period	$ 507,127	$ 115,988	$ 623,115

DECEMBER 31, 1997

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Standardized measure, beginning of period	$ 415,498	$ --	$ 415,498
Sales of oil and gas produced, net of production costs	(85,563)	--	(85,563)
Net changes in prices and production costs	26,106	--	26,106
Extensions and discoveries, net of production and development costs	92,597	--	92,597
Changes in future development costs	(7,422)	--	(7,422)
Development costs incurred during the period that reduced future development costs	47,703	--	47,703
Revisions of previous quantity estimates	(62,655)	--	(62,655)
Purchase of reserves-in-place	25,236	--	25,236
Sales of reserves-in-place	--	--	--
Accretion of discount	43,739	--	43,739
Net change in income taxes	(14,510)	--	(14,510)
Changes in production rates and other	(50,619)	--	(50,619)
Standardized measure, end of period	$ 430,110	$ --	$ 430,110

JUNE 30, 1997

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Standardized measure, beginning of period	$ 461,411	$ --	$ 461,411
Sales of oil and gas produced, net of production costs	(177,813)	--	(177,813)
Net changes in prices and production costs	(99,234)	--	(99,234)
Extensions and discoveries, net of production and development costs	287,068	--	287,068
Changes in future development costs	(12,831)	--	(12,831)
Development costs incurred during the period that reduced future development costs	46,888	--	46,888
Revisions of previous quantity estimates	(199,738)	--	(199,738)
Purchase of reserves-in-place	--	--	--
Sales of reserves-in-place	--	--	--
Accretion of discount	54,702	--	54,702
Net change in income taxes	63,719	--	63,719
Changes in production rates and other	(8,674)	--	(8,674)
Standardized measure, end of period	$ 415,498	$ --	$ 415,498

12. TRANSITION PERIOD COMPARATIVE DATA

The following table presents certain financial information for the twelve months ended December 31, 1998 and 1997, and the six months ended December 31, 1997 and 1996, respectively:

	TWELVE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	1998	1997	1997	1996
		(UNAUDITED)		(UNAUDITED)
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)			
Revenues	$ 377,946	$ 302,804	$ 153,898	$ 120,186
Gross profit (loss)(a)	$ (856,197)	$ (309,041)	$ (93,092)	$ 42,946
Income (loss) before income taxes and extraordinary item	$ (920,520)	$ (251,150)	$ (31,574)	$ 39,246
Income taxes	--	(17,898)	--	14,325
Income (loss) before extraordinary item	(920,520)	(233,252)	(31,574)	24,921
Extraordinary item	(13,334)	(177)	--	(6,443)
Net income (loss)	$ (933,854)	$ (233,429)	$ (31,574)	$ 18,478
Earnings per share - basic				
Income (loss) before extraordinary item	$ (9.83)	$ (3.30)	$ (0.45)	$ 0.40
Extraordinary item	(0.14)	--	--	(0.10)
Net income (loss)	$ (9.97)	$ (3.30)	$ (0.45)	$ 0.30
Earnings per share - assuming dilution				
Income (loss) before extraordinary item	$ (9.83)	$ (3.30)	$ (0.45)	$ 0.38
Extraordinary item	(0.14)	--	--	(0.10)
Net income (loss)	$ (9.97)	$ (3.30)	$ (0.45)	$ 0.28
Weighted average common shares outstanding (in 000's)				
Basic	94,911	70,672	70,835	61,985
Assuming dilution	94,911	70,672	70,835	66,300

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(a) Total revenue less total operating costs.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized unaudited quarterly financial data for 1999 and 1998 are as follows ($ in thousands except per share data):

	QUARTERS ENDED			
	MARCH 31, 1999	JUNE 30, 1999	SEPTEMBER 30, 1999	DECEMBER 31, 1999
Net sales	$ 65,677	$ 80,892	$ 102,140	$ 106,237
Gross profit (loss)(a)	7,067	25,765	36,498	38,190
Net income (loss)	(11,950)	8,147	18,115	18,954
Net income (loss) per share:				
Basic	(0.17)	0.04	0.14	0.15
Diluted	(0.17)	0.04	0.13	0.14

	QUARTERS ENDED			
	MARCH 31, 1998	JUNE 30, 1998	SEPTEMBER 30, 1998	DECEMBER 31, 1998
Net sales	$ 76,765	$ 109,310	$ 106,338	$ 85,533
Gross profit (loss)(a)	(246,036)	(218,645)	13,650	(405,166)
Net income (loss) before extraordinary item	(256,500)	(234,739)	(4,149)	(425,132)
Net income (loss)	(256,500)	(248,073)	(4,149)	(425,132)
Net income (loss) per share before extraordinary item:				
Basic	(3.19)	(2.29)	(0.08)	(4.44)
Diluted	(3.19)	(2.29)	(0.08)	(4.44)

- ----------

(a) Total revenue less total operating costs.

Capitalized costs, less accumulated amortization and related deferred income taxes, cannot exceed an amount equal to the sum of the present value of estimated future net revenues less estimated future expenditures to be incurred in developing and producing the proved reserves, less any related income tax effects. At December 31, 1998, June 30, 1998 and March 31, 1998, capitalized costs of oil and gas properties exceeded the estimated present

value of future net revenues for the Company's proved reserves, net of related income tax considerations, resulting in writedowns in the carrying value of oil and gas properties of $360 million, $216 million and $250 million, respectively.

During the fourth quarter of 1998, the Company incurred a $55 million impairment charge to adjust certain non-oil and gas producing assets to their estimated fair values. Of this amount, $30 million related to the Company's investment in preferred stock of Gothic Energy Corporation, and the remainder was related to certain of the Company's gas processing and transportation assets located in Louisiana.

14. ACQUISITIONS

During 1998, the Company acquired approximately 750 Bcfe of proved reserves through mergers or through purchases of oil and gas properties. The total consideration given for the acquisitions was $280 million of cash, 30.8 million shares of Company common stock, the assumption of $205 million of debt, and the incurrence of approximately $20 million of other acquisition related costs.

In March 1998, the Company acquired Hugoton Energy Corporation ("Hugoton") pursuant to a merger by issuing 25.8 million shares of the Company's common stock in exchange for 100% of Hugoton's common stock. The acquisition of Hugoton was accounted for using the purchase method as of March 1, 1998, and the results of operations of Hugoton have been included since that date.

The following unaudited pro forma information has been prepared assuming Hugoton had been acquired as of the beginning of the periods presented. The pro forma information is presented for informational purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of those dates. In addition, the pro forma information is not intended to be a projection of future results and does not reflect the efficiencies expected to result from the integration of Hugoton.

Pro Forma Information (Unaudited)

	YEARS ENDED DECEMBER 31,	
	1998	1997
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)	
Revenues	$387,638	$379,546
Loss before extraordinary item	(921,969)	(215,350)
Net loss	(935,303)	(215,527)
Loss before extraordinary item per common share	(9.41)	(2.23)
Net loss per common share	(9.55)	(2.23)

The Company acquired other businesses and oil and gas properties during 1999 and 1998. The results of operations of each of these businesses and properties, taken individually, were not material in relation to the Company's consolidated results of operations.

15. SUBSEQUENT EVENTS

In January and February 2000, the Company engaged in five separate transactions with two institutional investors in which the Company exchanged a total of 8.8 million shares of common stock (both newly issued and treasury shares) for 625,000 shares of its issued and outstanding preferred stock with a liquidation value of $31.3 million plus dividends in arrears of $2.9 million. All preferred shares acquired in these transactions were cancelled and retired and will have the status of authorized but unissued shares of undesignated preferred stock.

In connection with a potential restructuring of Gothic Energy Corporation ("Gothic"), Chesapeake and Gothic agreed in March 2000 to substantially revise their joint venture originally entered into in March 1998. In addition, Chesapeake granted Gothic an option to redeem the preferred and common shares of Gothic held by Chesapeake in exchange for rights to certain undeveloped leasehold interests covered by the joint venture agreement. The terms of the agreement are subject to certain conditions, including the approval by certain of Gothic's creditors. Significant terms of the proposed agreement are as follows:

- the joint venture is extended for three years to April 30, 2006,
- Chesapeake is granted a right of first refusal on any property disposition by Gothic,
- Chesapeake becomes operator of 28 wells currently operated by Gothic,
- Chesapeake will have the first right to drill, complete and operate wells in certain areas covered by the joint venture,
- Chesapeake granted Gothic the option to redeem its investment in $50 million liquidation amount of Gothic Series B preferred stock, including dividends in arrears, and 2.4 million shares of Gothic common stock, for a permanent assignment to Chesapeake of certain undeveloped leasehold interests that were originally subject to a reassignment obligation to Gothic.

SCHEDULE II

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
($ IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS: CHARGED TO EXPENSE	ADDITIONS: CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
December 31, 1999:					
Allowance for doubtful accounts.....	$ 3,209	$ 9	$ --	$ --	$ 3,218
Valuation allowance for deferred tax assets.....	$458,903	$ --	$(5,931)(a)	$ 10,956	$442,016
December 31, 1998:					
Allowance for doubtful accounts.....	$ 691	$ 1,589	$ 1,000	$ 71	$ 3,209
Valuation allowance for deferred tax assets.....	$77,934	$380,969	$ --	$ --	$458,903
December 31, 1997:					
Allowance for doubtful accounts.....	$ 387	$ 40	$ 264	$ --	$ 691
Valuation allowance for deferred tax assets.....	$64,116	$ 13,818	$ --	$ --	$ 77,934
June 30, 1997:					
Allowance for doubtful accounts.....	$ 340	$ 299	$ --	$ 252	$ 387
Valuation allowance for deferred tax assets.....	$ --	$ 64,116	$ --	$ --	$ 64,116

(a) At December 31, 1998, $5.7 million of the valuation allowance was related to the Company's Canadian deferred tax assets. During 1999, this valuation allowance was eliminated as part of a purchase price reallocation related to a 1998 acquisition.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this prospectus in connection with the offering covered by this prospectus. If given or made, such information or representations must not be relied upon as having been authorized by the company or any of the selling shareholders. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the common stock in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this prospectus or in the affairs of the company since the date hereof.

TABLE OF CONTENTS

	PAGE
Forward-Looking Statements	2
The Company	3
Risk Factors	3
Use of Proceeds	7
Dividend Policy	7
Market Price of Common Stock	8
Selected Financial Data	9
Management's Discussion and Analysis	11
Quantitative and Qualitative Disclosure About Market Risks	17
Business	19
Management	31
Executive Compensation	34
Certain Transactions	39
Security Ownership	41
Selling Shareholders	43
Description of Capital Stock	44
Plan of Distribution	52
Legal Matters	53
Experts	53
Where You Can Find More Information About Us	53
Glossary	54
Index to Financial Statements	F-1

20,000,000 Shares

CHESAPEAKE ENERGY CORPORATION

COMMON STOCK

PROSPECTUS

JULY 7, 2000

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The Company has agreed to bear all expenses to be incurred in connection with the registration of the shares being offered by the selling shareholders. The selling shareholders will bear any underwriting discounts, commissions and transfer taxes associated with the sale of the shares. The Company has also agreed to indemnify the selling shareholders against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). The following table sets forth the estimated expenses of the offering. With the exception of the Securities Act registration fee, all amounts shown are estimates.

Securities Act registration fee	$ 36,142
Legal fees	50,000
Accounting fees	25,000
Printing expenses	60,000
Miscellaneous	5,000
Total	$176,142

ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1031 of the Oklahoma General Corporation Act, under which the Registrant is incorporated, authorizes the indemnification of directors and officers under certain circumstances. Article VIII of the Certificate of Incorporation of the Registrant and Article VI of the Bylaws of the Registrant also provide for indemnification of directors and officers under certain circumstances. These provisions, together with the Registrant's indemnification obligations under individual indemnity agreements with its directors and officers, may be sufficiently broad to indemnify such persons for liabilities under the Securities Act of 1933, as amended. In addition, the Registrant maintains insurance, which insures its directors and officers against certain liabilities.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

On April 22, 1998, the Company sold 4,600,000 shares of its 7% Cumulative Convertible Preferred Stock having a liquidation preference of $50 per share in a private placement to Donaldson, Lufkin & Jenrette Securities Corporation, Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and J.P. Morgan Securities Inc. (the "Initial Purchasers") pursuant to the exemption from registration provided by Section 4(2) of the Securities Act. The Initial Purchasers resold the shares to qualified institutional buyers, as defined in, and in reliance on the exemption from registration provided by, Rule 144A under the Securities Act. The aggregate offering price for the shares was $230 million, and aggregate discounts and commissions were $6.9 million.

On July 7, 1998, the Company's Board of Directors declared a dividend distribution of one preferred stock purchase right (a "right") for each outstanding share of common stock of the Company. The distribution was paid on July 27, 1998 to the shareholders of record on that date. Each right entitles the registered holder thereof to purchase from the Company one one-thousandths of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share, of the Company at a price of $25.00, subject to adjustment.

During the quarter ended March 31, 2000, the Company exchanged 9,493,750 shares of common stock for 675,000 shares of its outstanding 7% Cumulative Convertible Preferred Stock held by institutional investors. The Company exchanged an additional 24.7 million shares of common stock and a cash payment of $8.3 million for 2,364,363 shares of 7% Cumulative Convertible Preferred Stock held by institutional investors during the quarter ended June 30, 2000. The exchanges were exempt from registration under Section 3(a)(9) of the Securities

Act inasmuch as the Company exchanged securities exclusively with its existing shareholders and no commission or other remuneration was paid with respect to the exchanges.

On June 27, 2000, the Company's wholly owned subsidiary Chesapeake Energy Marketing, Inc. acquired 14 1/8% Series B Senior Secured Discount Notes of Gothic Energy Corporation having an accreted value of $77.5 million for 9,468,985 shares of newly issued Company common stock and $22.4 million of cash. The shares were sold pursuant to the exemption from registration provided by Section 4(2) of the Securities Act. These shares are covered by this Registration Statement.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits. The following exhibits are filed herewith pursuant to the requirements of Item 601 of Regulation S-K:

Exhibit No.	Description
2.1*	Senior Secured Discount Notes Purchase Agreement dated June 23, 2000 between Chesapeake Energy Marketing, Inc. and Appaloosa Investment Limited Partnership I, Palomino Fund Ltd. and Tersk L.L.C
2.2*	Senior Secured Discount Notes Purchase Agreement dated June 23, 2000 between Chesapeake Energy Marketing, Inc. and Oppenheimer Strategic Income Fund, Oppenheimer Champion Income Fund, Oppenheimer High Yield Fund, Oppenheimer Strategic Bond Fund/VA and Atlas Strategic Income Fund.
2.3*	Senior Secured Discount Notes Purchase Agreement dated June 26, 2000 between Chesapeake Energy Marketing, Inc. and John Hancock High Yield Bond Fund and John Hancock Variable Annuity High Yield Bond Fund.
2.4*	Senior Secured Discount Notes Purchase Agreement dated June 26, 2000 between Chesapeake Energy Marketing, Inc. and Ingalls & Snyder Value Partners, L.P., Heritage Mark Foundation and Arthur R. Ablin.
2.5*	Letter of Intent dated June 30, 2000 from Chesapeake Energy Corporation to Gothic Energy Corporation regarding the proposed acquisition of Gothic Energy Corporation.
3.1	Registrant's Certificate of Incorporation as amended. Incorporated herein by reference to Exhibit 3.1 to Registrant's Amendment No. 1 to Form S-3 registration statement (No. 333-57235).
3.1.1*	Certificates of Elimination filed April 11, 2000, June 20, 2000 and July 6, 2000 with the Secretary of State of the State of Oklahoma.
3.2	Registrant's Bylaws. Incorporated herein by reference to Exhibit 3.2 to Registrant's registration statement on Form 8-B (No. 001-13726).
4.1	Indenture dated as of March 15, 1997 among the Registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 7.875% Senior Notes due 2004. Incorporated herein by reference to Exhibit 4.1 to Registrant's registration statement on Form S-4 (No. 333-24995). First Supplemental Indenture dated December 17, 1997 and Second Supplemental Indenture dated February 16, 1998. Incorporated herein by reference to Exhibit 4.1.1 to Registrant's transition report on Form 10-K for the six months ended December 31, 1997. Second [Third] Supplemental Indenture dated April 22, 1998.

	Incorporated herein by reference to Exhibit 4.1.1 to Registrant's Amendment No. 1 to Form S-3 registration statement (No. 333-57235). Fourth Supplemental Indenture dated July 1, 1998. Incorporated herein by reference to Exhibit 4.1.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.
4.2	Indenture dated as of March 15, 1997 among the Registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, As Trustee, with respect to 8.5% Senior Notes due 2012. Incorporated herein by reference to Exhibit 4.1.3 to Registrant registration statement on Form S-4 (No. 333-24995). First Supplemental Indenture dated December 17, 1997 and Second Supplemental Indenture dated February 16, 1998. Incorporated herein by reference to Exhibit 4.2.1 to Registrant's transition report on Form 10-K for the six months ended December 31, 1997. Second [Third] Supplemental Indenture dated April 22, 1998. Incorporated herein by reference to Exhibit 4.2.1 to Registrant's Amendment No. 1 to Form S-3 registration statement (No. 333-57235). Fourth Supplemental Indenture dated July 1, 1998. Incorporated herein by reference to Exhibit 4.2.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.
4.3	Indenture dated as of April 1, 1998 among the Registrant, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and United States Trust Company of New York, As Trustee, with respect to 9.625% Senior Notes due 2005. Incorporated herein by reference to Exhibit 4.3 to Registrant registration statement on Form S-3 (No. 333-57235). First Supplemental Indenture dated July 1, 1998. Incorporated herein by reference to Exhibit 4.4.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.
4.4	Indenture dated as of April 1, 1996 among the Registrant, its subsidiaries signatory thereto, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 9.125% Senior Notes, due 2006. Incorporated herein by reference to Exhibit 4.6 to Registrant's registration statement on Form S-3 (No. 333-1588). First Supplemental Indenture dated December 30, 1996 and Second Supplemental Indenture dated December 17, 1997. Incorporated herein by reference to Exhibit 4.4.1 to Registrant's transition report on Form 10-K for the six months ended December 31, 1997. Third Supplemental Indenture dated April 22, 1998. Incorporated herein by reference to Exhibit 4.4.1 to Registrant's Amendment No. 1 to Form S-3 registration statement (No. 333-57235). Fourth Supplemental Indenture dated July 1, 1998. Incorporated herein by reference to Exhibit 4.3.1 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.
4.5	Agreement to furnish copies of unfiled long-term debt instruments. Incorporated herein by reference to Registrant's transition report on Form 10-K for the six months ended December 31, 1997.
4.6*	Common Stock Registration Rights Agreement as of June 27, 2000 among the Registrant and Appaloosa Investment Limited Partnership I, Palomino Fund Ltd., Tersk L.L.C., Oppenheimer Strategic Income Fund, Oppenheimer Champion Income Fund, Oppenheimer High Yield Fund, Oppenheimer Strategic Bond Fund/VA and Atlas Strategic Income Fund.
5.1*	Opinion of Winstead Sechrest & Minick P.C. regarding the validity of the securities being registered.

10.1.1+	Registrant's 1992 Incentive Stock Option Plan. Incorporated herein by reference to Exhibit 10.1.1 to Registrant's registration statement on Form S-4 (No. 33-93718).
10.1.2+	Registrant's 1992 Nonstatutory Stock Option Plan, as Amended. Incorporated herein by reference to Exhibit 10.1.2 to Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1996.
10.1.3+	Registrant's 1994 Stock Option Plan, as amended. Incorporated herein by reference to Exhibit 10.1.3 to Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1996.
10.1.4+	Registrant's 1996 Stock Option Plan. Incorporated herein by reference to Registrant's Proxy Statement for its 1996 Annual Meeting of Shareholders and to Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1996.
10.1.5+	Registrant's 1999 Stock Option Plan. Incorporated herein by reference to Exhibit 10.1.5 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 1999.
10.1.6+	Registrant's 2000 Employee Stock Option Plan. Incorporated herein by reference to Exhibit 10.1.6 to Registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2000.
10.1.7	Registrant's 2000 Executive Officer Stock Option Plan. Incorporated herein by reference to Registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2000.
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10.2.2+	First Amendment to the Amended and Restated Employment Agreement dated as of December 31, 1998 between Tom L. Ward and Chesapeake Energy Corporation. Incorporated herein by reference to Exhibit 10.2.2 to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 1999.
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10.2.4+*	Amendment to the Employment Agreement between Marcus C. Rowland and Chesapeake Energy Corporation dated May 24, 2000.
10.3+	Form of Indemnity Agreement for officers and directors of Registrant and its subsidiaries. Incorporated herein by reference to Exhibit 10.30 to Registrant's registration statement on Form S-1 (No. 33-55600).
10.5	Rights Agreement dated July 15, 1998 between the Registrant and UMB Bank, N.A., as Rights Agent. Incorporated herein by reference to Exhibit 1 to Registrant's registration statement on Form 8-A filed July 16, 1998. Amendment No. 1 dated September 11, 1998. Incorporated herein by reference to Exhibit 10.3 to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998.

10.10	Partnership Agreement of Chesapeake Exploration Limited Partnership dated December 27, 1994 between Chesapeake Energy Corporation and Chesapeake Operating, Inc. Incorporated herein by reference to Exhibit 10.10 to Registrant's registration statement on Form S-4 (No. 33-93718).
10.11	Amended and Restated Limited Partnership Agreement of Chesapeake Louisiana, L.P. dated June 30, 1997 between Chesapeake Operating, Inc. and Chesapeake Energy Louisiana Corporation. Incorporated herein by reference to Exhibit 10.11 to Registrant's annual report on Form 10-K for the year ended June 30, 1997.
21	Subsidiaries of Registrant. Incorporated herein by reference to Exhibit 21 to Registrant's annual report on Form 10-K for the year ended December 31, 1999.
23.1*	Consent of PricewaterhouseCoopers LLP
23.2*	Consent of Williamson Petroleum Consultants, Inc.
23.3*	Consent of Ryder Scott Company Petroleum Engineers
24.1*	Power of Attorney.

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* Filed herewith.

+ Management contract or compensatory plan or arrangement.

(b) Financial Statement Schedules. Schedule II, Valuation and Qualifying Accounts is included with the Company's audited consolidated financial statements included in the prospectus which is Part I of this Registration Statement. No other financial statement schedules are applicable or required.

ITEM 17. UNDERTAKINGS

(a) The Registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Oklahoma City, State of Oklahoma on July 7, 2000.

CHESAPEAKE ENERGY CORPORATION

By: /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities indicated on July 7, 2000.

SIGNATURE	TITLE
/s/ AUBREY K. MCCLENDON - --- Aubrey K. McClendon	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
/s/ TOM L. WARD - --- Tom L. Ward	President, Chief Operating Officer and Director (Principal Executive Officer)
/s/ MARCUS C. ROWLAND - --- Marcus C. Rowland	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ MICHAEL A. JOHNSON - --- Michael A. Johnson	Senior Vice President - Accounting (Principal Accounting Officer)
/s/ EDGAR F. HEIZER, JR. - --- Edgar F. Heizer, Jr.	Director
/s/ BREENE M. KERR - --- Breene M. Kerr	Director
/s/ SHANNON T. SELF - --- Shannon T. Self	Director
/s/ FREDERICK B. WHITTEMORE - --- Frederick B. Whittemore	Director

INDEX TO EXHIBITS

Exhibit No.	Description
2.1*	Senior Secured Discount Notes Purchase Agreement dated June 23, 2000 between Chesapeake Energy Marketing, Inc. and Appaloosa Investment Limited Partnership I, Palomino Fund Ltd. and Tersk L.L.C
2.2*	Senior Secured Discount Notes Purchase Agreement dated June 23, 2000 between Chesapeake Energy Marketing, Inc. and Oppenheimer Strategic Income Fund, Oppenheimer Champion Income Fund, Oppenheimer High Yield Fund, Oppenheimer Strategic Bond Fund/VA and Atlas Strategic Income Fund.
2.3*	Senior Secured Discount Notes Purchase Agreement dated June 26, 2000 between Chesapeake Energy Marketing, Inc. and John Hancock High Yield Bond Fund and John Hancock Variable Annuity High Yield Bond Fund.
2.4*	Senior Secured Discount Notes Purchase Agreement dated June 26, 2000 between Chesapeake Energy Marketing, Inc. and Ingalls & Snyder Value Partners, L.P., Heritage Mark Foundation and Arthur R. Ablin.
2.5*	Letter of Intent dated June 30, 2000 from Chesapeake Energy Corporation to Gothic Energy Corporation regarding the proposed acquisition of Gothic Energy Corporation.
3.1	Registrant's Certificate of Incorporation as amended. Incorporated herein by reference to Exhibit 3.1 to Registrant's Amendment No. 1 to Form S-3 registration statement (No. 333-57235).
3.1.1*	Certificates of Elimination filed April 11, 2000, June 20, 2000 and July 6, 2000 with the Secretary of State of the State of Oklahoma.
3.2	Registrant's Bylaws. Incorporated herein by reference to Exhibit 3.2 to Registrant's registration statement on Form 8-B (No. 001-13726).
4.1	Indenture dated as of March 15, 1997 among the Registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 7.875% Senior Notes due 2004. Incorporated herein by reference to Exhibit 4.1 to Registrant's registration statement on Form S-4 (No. 333-24995). First Supplemental Indenture dated December 17, 1997 and Second Supplemental Indenture dated February 16, 1998. Incorporated herein by reference to Exhibit 4.1.1 to Registrant's transition report on Form 10-K for the six months ended December 31, 1997. Second [Third] Supplemental Indenture dated April 22, 1998.

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23.3*	Consent of Ryder Scott Company Petroleum Engineers
24.1*	Power of Attorney.

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* Filed herewith.

+ Management contract or compensatory plan or arrangement.

EXHIBIT 2.1

SENIOR SECURED DISCOUNT NOTES PURCHASE AGREEMENT

THIS SENIOR SECURED DISCOUNT NOTES PURCHASE AGREEMENT (the "Agreement"), is entered into this 23rd day of June, 2000, between CHESAPEAKE ENERGY MARKETING, INC. ("CEMI") and APPALOOSA INVESTMENT LIMITED PARTNERSHIP I, PALOMINO FUND LTD. and TERSK LLC (each a "Noteholder" and collectively the "Noteholders").

RECITALS:

A. Each Noteholder owns the 14 1/8% Series B Senior Secured Discount Notes Due 2006 issued by Gothic Energy Corporation, an Oklahoma corporation ("Gothic"), in the amounts set forth next to such Noteholder's name in Schedule "1" attached hereto as a part hereof (the "Notes") which Notes were issued and are held pursuant to that certain Indenture dated as of April 21, 1998 between The Bank of New York as Trustee (the "Trustee") and Gothic as Issuer (the "Indenture") and are secured by the Pledged Collateral described in that certain Pledge Agreement dated as of April 21, 1998 between Gothic as Pledgor and the Trustee as Collateral Agent (the "Pledge Agreement" and collectively with the Notes and the Indenture, the "Note Documents").

B. CEMI desires to acquire and each Noteholder severally desires to sell the Notes owned by such Noteholder for a purchase price consisting of cash and Chesapeake Energy Corporation common stock, par value of $0.01 per share (the "CEC Common Stock") in such manner and on the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the recitals and the mutual covenants and agreements set forth in this Agreement and for the purpose of prescribing the terms and conditions for the purchase and sale of the Notes, the parties hereby agree as follows:

1. Purchase and Sale. Subject to the terms and conditions set forth in this Agreement and the Registration Rights Agreement (as hereinafter defined), each Noteholder hereby agrees to sell its Notes and such Noteholder's beneficial interest in the Note Documents to CEMI and CEMI hereby agrees to purchase each Noteholder's Notes and such Noteholder's beneficial interest in the Note Documents and pay the Purchase Price (as hereinafter defined) to the respective Noteholders.

2. Purchase Price. Upon satisfaction or waiver of the conditions precedent set forth in paragraphs 8 and 9 hereof in accordance with the terms thereof, and in consideration for the sale of the Notes to CEMI, CEMI will pay to each Noteholder cash via wire transfer of immediately available funds in the amount set forth for such Noteholder in Schedule "2" attached hereto as a part hereof and will transfer to such Noteholder the number of shares of CEC Common Stock set forth for such Noteholder in Schedule "2" (the "Purchase Price") on the Closing Date (as hereinafter defined).

3. Closing. Subject to the terms and provisions hereof, the closing of the transactions provided for herein (the "Closing") shall occur at 10:00 a.m. E.D.T. at the offices of Andrews & Kurth, L.L.P., 805 Third Avenue, New York City, New York on June 27, 2000 (the "Closing Date") unless another

date, time or place is agreed to in writing by the parties hereto. The obligations of each Noteholder to deliver its Notes to CEMI at the Closing shall be subject to simultaneous delivery of the cash and CEC Common Stock constituting the Purchase Price payable to each Noteholder.

4. Representations and Warranties of Noteholder. Each Noteholder, severally as to itself only, represents and warrants to CEMI as follows:

4.1 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement by such Noteholder will result in the creation of any material lien, charge or encumbrance upon such Noteholder's Notes or such Noteholder's interest in the Note Documents.

4.2 Authorization of Agreement. The execution, delivery and performance of this Agreement by each Noteholder has been duly and validly authorized by all requisite action including any partnership action by Appaloosa Management L.P. The execution, delivery and performance by the Noteholder of all other agreements and transactions contemplated hereby have been, or prior to Closing will be, duly authorized and approved by all requisite action on the part of the Noteholder. This Agreement has been, and the other agreements and instruments contemplated hereby when executed and delivered will be, duly executed and delivered by the Noteholder as required and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of the Noteholder enforceable against the Noteholder in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

4.3 Broker's or Finder's Fees. The Noteholder has not incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

4.4 Claims or Litigation. Other than as described in the Restructure Agreement (as hereinafter defined), there is no material suit, action or other proceeding pending before any court or governmental agency and, to the knowledge of the Noteholder, there is no material claim, dispute, suit, action or other proceeding threatened involving the Notes or the Noteholder's interest in the Note Documents.

4.5 Investment Intent. On the Closing Date, the Noteholder is acquiring the CEC Common Stock for investment purposes only and not with a view to or in connection with a distribution within the meaning of the Securities Act of 1933, as amended (the "33 Act"), except as provided in the Registration Rights Agreement. The Noteholder understands and agrees that the certificates representing the CEC Common Stock will have a legend imprinted thereon to the following effect:

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER STATE SECURITIES LAWS. SUCH SHARES OF COMMON STOCK MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID SECURITIES ACT COVERING THE TRANSFER OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE OR THAT REGISTRATION UNDER SAID SECURITIES ACT IS NOT REQUIRED."

4.6 Powers of Attorney. There are no outstanding powers of attorney relating to or affecting the Noteholder's Notes or the Noteholder's interest in the Note Documents.

4.7 Note Documents. The Noteholder: (a) has good title to the Noteholder's Notes free and clear of all liens, claims and encumbrances and the Noteholder will defend title thereto against all claims of any and all persons whomsoever; (b) has full right and authority to transfer and convey the Noteholder's Notes and the related interest in the Note Documents and to execute this Agreement; (c) has not previously sold, assigned, transferred, mortgaged or pledged the Noteholder's Notes or the related interest in the Note Documents or the proceeds now or hereafter due under the Noteholder's Notes; and (d) has not waived, released, discounted, setoff or otherwise discharged or compromised the payments to accrue under the Noteholder's Notes. The unpaid principal balance of the Noteholder's Notes as of the Closing Date is as set forth in Schedule "1" attached hereto.

4.8 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by such Noteholder by contract or otherwise including, without limitation, consents by Gothic or the Trustee.

5. Representations and Warranties of CEMI. CEMI represents and warrants to the Noteholder as follows:

5.1 Organization, Good Standing, Etc. Chesapeake Energy Corporation ("CEC") and CEMI are corporations duly organized, validly existing and in good standing under the laws of the State of Oklahoma. CEMI has the corporate power to execute and deliver this Agreement and to consummate the transactions contemplated hereby. CEMI is a wholly owned subsidiary of CEC. Neither CEC nor CEMI is in default under or in violation of any provision of their respective certificate of incorporation or bylaws.

5.2 Capital Stock of CEC. The authorized capital stock of CEC consists of 250,000,000 shares of CEC Common Stock and 10,000,000 shares of preferred stock of which 122,721,082 shares of CEC Common Stock and 2,492,037 shares of preferred stock were issued and outstanding as of June 16, 2000. Each share of CEC Common Stock to be issued pursuant to this Agreement will be subject to the Registration Rights Agreement.

5.3 SEC Documents. CEC has delivered or made available to the Noteholder each registration statement, report, definitive proxy statement or definitive information statement and all exhibits thereto filed since December 31, 1998, each in the form (including exhibits and any amendments thereto) filed with the SEC (collectively, the "CEC Reports"). The CEC Reports, which, except as otherwise disclosed, were filed with the SEC in a timely manner, constitute all forms, reports and documents required to be filed by CEC under the 33 Act, the Securities Exchange Act of 1934, as amended (the "34 Act") and the rules and regulations promulgated thereunder. As of their respective dates, the CEC Reports (a) complied as to form in all material respects with the applicable requirements of the 33 Act and the 34 Act and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein not misleading. Each of the balance sheets of CEC included in or incorporated by reference into the CEC Reports (including the related notes and schedules) fairly presents the financial position of CEC as of its date and each of the statements of income, retained earnings and cash flows of CEC included in or incorporated by reference into the CEC Reports (including any related notes and schedules) fairly presents the results of operations, retained earnings or cash flows, as the case may be, of CEC for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein and except, in the case of any unaudited statements, as permitted by Form 10-Q promulgated under the 34 Act.

5.4 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement will violate any law, statute, rule or regulation of any governmental authority, or will on the Closing Date conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or governmental agency, authority to which CEC or CEMI is subject or of any agreement or instrument to which CEC or CEMI is a party.

5.5 Authorization of Agreement. The execution, delivery and performance of this Agreement have been duly and validly authorized and approved by all requisite corporate action on the part of CEMI and CEC. This Agreement has been, and the other agreements contemplated hereby when executed and delivered will be, duly executed and delivered by CEMI or CEC and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of each of them that is a party hereto or thereto, as the case may be, enforceable against each of them in accordance with its terms subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

5.6 Broker's or Finder's Fees. Neither CEMI nor CEC has incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

5.7 Litigation. There is no litigation, proceeding or investigation pending or, to the knowledge of CEMI threatened against or affecting CEC or CEMI that questions the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by either CEC or CEMI in connection with the transactions contemplated hereby.

5.8 Vote Required. No vote of the holders of any class or series of CEC capital stock or other voting securities is necessary to approve this Agreement or the transactions contemplated hereby.

5.9 Shares. The CEC Common Stock to be issued to each Noteholder has been duly authorized for issuance to this Agreement and, when issued and delivered by CEMI in accordance with this Agreement, will be validly issued, fully paid and nonassessable. The issuance of the CEC Common Stock under this Agreement is no subject to any preemptive rights.

5.10 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by CEMI or CEC by contract or otherwise.

6. Information. CEMI and each Noteholder acknowledge and agree that it has been advised that the other party has or may have confidential information (including information received on a privileged basis from Gothic, GPC (as hereinafter defined) or their respective attorneys or financial advisors concerning Gothic or GPC and/or their respective business, properties, condition (financial or otherwise), results of operations, plans or prospects, that is non-public and that may be considered material, including, without limitation, information relating to various alternatives, financial or otherwise, with respect to Gothic, GPC or the Notes (including, but not limited to, a recapitalization or other restructuring of Gothic, GPC or their respective businesses, actions under applicable bankruptcy, liquidation, insolvency or moratorium laws, or otherwise) (collectively, "Confidential Information"). Recognizing the foregoing, neither CEMI nor any Noteholder desires that the other party or parties disclose any Confidential Information, notwithstanding that such Confidential Information may be material to CEMI's decision to purchase the Notes or the Noteholders' decision to sell the Notes and each party hereto specifically requests that each other party hereto not disclose any Confidential Information to any other party hereto or CEC. Each party to this Agreement, for itself and on behalf of its successors and assigns (and in the case of CEMI, for and on behalf of its affiliates including, without limitation, CEC) hereby acknowledges and agrees that: (i) CEMI and its affiliates initiated and still desires to consummate the purchase of the Notes from each Noteholder at the Purchase Price; (ii) each Noteholder still desires to consummate the sale of the Notes to CEMI at the Purchase Price; (iii) no party has made nor makes any representation or warranty (express, implied or otherwise) with respect to Gothic, GPC or their respective businesses, properties, condition (financial or otherwise), results of operations, plans or prospects or with respect to the Notes, other than with respect to the Noteholders ownership of the Notes and the authority of the Noteholders to transfer the Notes to CEMI; (iv)a each party voluntarily assumes all risks associated

with the purchase and sale of the Notes and is not relying on any disclosure or non-disclosure made or not made by any other party or CEC in connection therewith; and (v) such party has no claims, and if any such claim may exist, hereby irrevocably waives and releases, and covenants and agrees not to assert, any claim against any other party, CEC or any of their respective directors, officers, partners, stockholders or affiliates in connection with or arising out of the purchase and sale of the Notes pursuant hereto or any failure by any party or CEC to disclose any Confidential Information, whether such claim arises under federal or state securities laws or otherwise.

7. Covenants. Each Noteholder, severally as to itself only, and CEMI covenant and agree as follows:

7.1 Absolute Conveyance. Each Noteholder hereby acknowledges and agrees that: (a) the conveyance of the Notes and the related interests in the Note Documents to CEMI pursuant to the terms of this Agreement is an absolute conveyance of all of such Noteholder's right, title and interest in and to the Notes and the Note Documents, in fact as well as in form, and neither this Agreement nor any other conveyance document is intended to be a mortgage, trust conveyance, deed of trust or security instrument of any kind; (b) the consideration for such conveyance is exactly as recited in this Agreement; and (c) after the Closing Date and Closing of the transactions contemplated in this Agreement, such Noteholder will have no further interest (including rights of redemption) or claims in, to or against the Notes or the Note Documents or to the proceeds or profits that might be derived therefrom.

7.2 Other Documents. Each Noteholder agrees to execute and deliver to CEMI and to use commercially reasonable efforts to cause the Trustee and Gothic to execute and deliver to CEMI any and all additional assignment documents reasonably requested by CEMI to fully effect the intent of this Agreement.

7.3 Adverse Actions. Each Noteholder covenants and agrees with CEMI that from the date of this Agreement until the Closing Date, such Noteholder will not enter into any contract, agreement, commitment or arrangement with respect to or involving the Notes or the Note Documents or take, participate in or consent to any action which might adversely affect the validity, enforceability or value of the Notes or the Note Documents. Each Noteholder and CEMI acknowledge that certain Agreement In Respect of Restructuring of Gothic Energy Corporation 14 1/8% Series B Senior Secured Discount Notes among Gothic, such Noteholder and others dated on or about June 5, 2000 (the "Restructure Agreement") and each Noteholder hereby (a) represents that such Noteholder has fully complied with the terms of the Restructure Agreement through the date hereof and (b) agrees to fully comply with the terms of the Restructure Agreement through the Closing Date. CEMI hereby agrees that it is purchasing the Notes subject to the Restructure Agreement and agrees to fully comply with and be bound by the terms of the Restructure Agreement from and after the Closing Date.

7.4 Senior Secured Notes. In addition to the Notes, each Noteholder is the holder of certain 11 1/8% Senior Secured Notes issued by Gothic Production Corporation

("GPC"), a wholly owned subsidiary of Gothic (the "GPC Notes") and such Noteholder hereby agrees that with respect to any GPC Notes now owned or hereafter acquired by such Noteholder or any affiliate of such Noteholder: (a) such Noteholder will consent to and will not take any action adverse to the terms and conditions of the Restructure Agreement; and (b) such Noteholder will not accelerate any GPC Notes upon the filing of bankruptcy by Gothic.

7.5 Other Noteholders. On or before July 31, 2000, CEMI agrees to offer to purchase the 14 1/8% Series B Senior Secured Discount Notes Due 2006 owned by John Hancock Funds and Ingalls & Snyder, L.L.C. on substantially the same terms and conditions as set forth in this Agreement.

7.6 Listing Application. CEMI will use its best efforts to cause CEC to make all necessary and appropriate applications to cause the CEC Common Stock to be registered pursuant to the Registration Rights Agreement to be listed on the New York Stock Exchange.

8. Conditions to Obligations of CEMI. The obligations of CEMI to effect the transactions contemplated by this Agreement will be subject to the following conditions:

8.1 Representations and Warranties. Except to the extent waived in writing by CEMI: (a) the representations and warranties of the Noteholders herein contained shall be substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) the Noteholders shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with at or prior to the Closing.

8.2 Other Agreements. As of the Closing Date the Noteholders shall have executed and delivered to CEC a Registration Rights Agreement in the form attached hereto as Schedule "8.2" (the "Registration Rights Agreement").

9. Conditions to Obligations of Noteholder. The obligations of the Noteholders to effect the transactions contemplated by this Agreement shall be subject to the following conditions:

9.1 Representations and Warranties. Except to the extent waived in writing by the Noteholders hereunder: (a) the representations and warranties of CEMI herein contained and the representations and warranties of CEC in the Registration Rights Agreement shall be substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) CEMI shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with by it at or prior to the Closing.

9.2 Registration Rights Agreement. CEC shall have executed and delivered to the Noteholders the Registration Rights Agreement.

10. Purchase Price Adjustments. CEMI and each Noteholder hereby agree that on the date ten (10) days after the expiration of the Averaging Period as defined in paragraph 10.1 (the "Settlement Date"), the Purchase Price will be adjusted based on the following terms and conditions:

10.1 Share Adjustment. Notwithstanding the number of shares of CEC Common Stock set forth in Schedule "2" as part of the Purchase Price payable to a Noteholder (the "Original Shares"), the number of shares of CEC Common Stock to be received by each Noteholder will be the number of shares of CEC Common Stock determined by dividing the dollar value of the CEC Common Stock portion of the Purchase Price set forth in Schedule "2" attached hereto for each Noteholder (the "Share Amount") by the Average Price (the "Purchase Price Shares"). The "Average Price" will be determined by adding the closing price of the CEC Common Stock as quoted on the New York Stock Exchange as of the close of business on each trading day during the thirty (30) calendar days following the date the registration of the Original Shares is effective (the "Averaging Period") and dividing the sum by the number of trading days during the Averaging Period. The number of Purchase Price Shares will be rounded up or down to the nearest whole number and no fractional shares will be issued. Each Noteholder and CEMI acknowledge and agree that: (a) if the number of Purchase Price Shares exceeds the number of Original Shares, CEMI will cause the difference to be paid to the Noteholder in either cash or additional shares of CEC Common Stock covered by the Registration Statement (as hereinafter defined) at the sole option of CEMI; and (b) if the number of Original Shares exceeds the number of Purchase Price Shares, the Noteholder will pay the difference to CEMI in either cash or Original Shares at the sole option of the Noteholder.

10.2 Registration and Interest. CEMI will use its best efforts to cause CEC to file a registration statement under the 33 Act covering the resale of the Original Shares and additional shares of CEC Common Stock to cover adjustments under paragraph 10.1 hereof (the "Registration Statement") within forty-five (45) days after the Closing Date and will use its best efforts to cause the Registration Statement to be declared effective by the Securities and Exchange Commission within one hundred five (105) days after the Closing Date (the "Initial Period"). From the Closing Date through the earlier of the date the Registration Statement is declared effective or the end of the Initial Period the Share Amount will bear interest for the actual number of days elapsed at the per annum rate of fourteen and one-eighth percent (14 1/8%). If the Registration Statement has not been declared effective at or prior to the end of the Initial Period, the Share Amount will bear interest from the end of the Initial Period until the earlier of the date the Registration Statement is declared effective or the end of one hundred eighty (180) days after the Closing Date (the "Secondary Period") for the actual number of days elapsed at the per annum rate of eighteen percent (18%). If the Registration Statement has not been declared effective at or prior to the end of the Secondary Period, the Share Amount will bear interest from the end of the Secondary Period until the date the Registration Statement is declared effective for

the actual number of days elapsed at the per annum rate of twenty percent (20%). Interest on the Share Amount will be compounded daily. The interest on the Share Amount will be treated as an adjustment to the Purchase Price, will be due and payable in full to each Noteholder on the Settlement Date and may be paid, at CEMI's election, in cash or additional shares of CEC Common Stock covered by the Registration Statement.

10.3 Put Right. Notwithstanding anything to the contrary set forth in paragraph 10.2 of this Agreement, in the event the Registration Statement has not been declared effective on or before the first anniversary of the Closing Date, each Noteholder will have the right to put the Original Shares to CEMI at a put price equal to the Share Amount plus all accrued unpaid interest thereon pursuant to paragraph 10.2 to the date the put is satisfied (the "Put Price"). The put right of each Noteholder will be exercised by written notice from such Noteholder to CEMI within thirty (30) days after the first anniversary of the Closing Date and the put will be consummated within seven (7) days after receipt of such notice of exercise by the exercising Noteholder delivering to CEMI the Original Shares duly assigned and CEMI paying the Put Price to such Noteholder by wire transfer of immediately available funds.

11. General Provisions. CEMI and each Noteholder further agree as follows:

11.1 Amendments. Subject to applicable law, this Agreement may be amended only by a written instrument executed by each of the parties hereto at any time prior to the Closing.

11.2 Survival of Covenants, Representations and Warranties. The respective representations and warranties of CEMI and each Noteholder contained in this Agreement shall be deemed made as of the Closing and all covenants and undertakings required to be performed will survive the Closing.

11.3 Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of New York.

11.4 Notices. All notices, requests, demands or other communications required or permitted by this Agreement shall be in writing and effective when received, and delivery shall be made personally or by registered or certified mail, return receipt requested, postage prepaid, or overnight courier or confirmed facsimile transmission, addressed to the parties as set forth in their respective signature blocks to this Agreement.

11.5 Fees and Expenses. All fees and expenses, including attorneys' fees, incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the respective party who has incurred such fee or expense, provided, however, CEMI and/or CEC (to the extent provided in the Registration Rights Agreement) will bear all expenses incurred in connection with the transfer of the Notes and the registration of the Purchase Price Shares.

11.6 Headings. The descriptive headings of the sections and paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to each of the other parties hereto.

11.8 Entire Agreement. This Agreement and the other agreements contemplated hereby constitute the entire agreement among CEMI and the Noteholders with respect to the subject matter hereof. Unless this Agreement is specifically amended in writing, it supersedes all other agreements and understandings among the parties with respect to the subject matter hereof and thereof.

11.9 Publicity. Each Noteholder and CEMI shall, subject to their respective legal obligations (including requirements of the New York Stock Exchange and other similar regulatory bodies), consult with each other, and use reasonable efforts to agree upon the text of any press release before issuing any such press release or otherwise making public statements with respect to the transactions contemplated hereby.

11.10 No Third Party Beneficiaries. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties to this Agreement, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third persons any rights of subrogation or action over or against any party to this Agreement.

11.11 Specific Performance. The Noteholders and CEMI each acknowledge that neither such Noteholder nor CEMI would have an adequate remedy at law for money damages in the event this Agreement was not performed in accordance with its terms, and therefore, agree that such Noteholder and CEMI each shall be entitled to specific enforcement of the terms hereof in addition to any other remedy to which it may be entitled, at law or in equity.

11.12 Partial Illegality or Unenforceability. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be illegal or unenforceable in any respect, such illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such illegal or unenforceable provision or provisions had never been contained herein unless the deletion of such provision or provisions would result in such a material change as to cause completion of the transactions contemplated hereby to be unreasonable.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

CHESAPEAKE ENERGY MARKETING, INC.,
an Oklahoma corporation

By /s/ Aubrey K. McClendon

Aubrey K. McClendon,
Chief Executive Officer

("CEMI")

ADDRESS:

6100 North Western Avenue
Oklahoma City, Oklahoma 73118
Attention: Aubrey K. McClendon
Facsimile No. (405) 848-8588

APPALOOSA INVESTMENT LIMITED
PARTNERSHIP I

By: Appaloosa Management L.P.,
Its General Partner

By: Appaloosa Partners Inc.,
Its General Partner

By /s/ Ronald Goldstein

Ronald Goldstein,
Chief Financial Officer

PALOMINO FUND LTD.

By: Appaloosa Management L.P.,
Its General Partner

By: Appaloosa Partners Inc.,
Its General Partner

By /s/ Ronald Goldstein

Ronald Goldstein,
Chief Financial Officer

TERSK LLC

By: Appaloosa Management L.P.,
Its Managing Member

By: Appaloosa Partners Inc.,
Its General Partner

By /s/ Ronald Goldstein

Ronald Goldstein,
Chief Financial Officer

(the "Noteholders")

ADDRESS FOR EACH NOTEHOLDER:

26 Main Street
Chatham, New Jersey 07928
Attention: Ronald Goldstein
Facsimile No. (973) 701-7309

SCHEDULE "1"

NOTEHOLDER	FACE AMOUNT OF NOTES	6/27/00 ACCRETED VALUE
APPALOOSA INVESTMENT LIMITED PARTNERSHIP I	$20,436,000.00	$15,887,915.07
PALOMINO FUND LTD.	$22,876,000.00	$17,784,886.72
TERSK LLC	$ 3,393,000.00	$ 2,637,879.03

SCHEDULE "2"

INITIAL ALLOCATION OF PURCHASE PRICE

NOTEHOLDER	CASH PORTION	ORIGINAL SHARES *	SHARE AMOUNT
Appaloosa Investment Limited Partnership I	$4,581,805.95	1,940,963 shares	$11,306,109.12
Palomino Fund Ltd.	$5,128,860.49	2,172,708 shares	$12,656,026.23
Tersk LLC	$ 760,719.69	322,259 shares	$ 1,877,159.34

* BASED ON $5.825 PER SHARE.

EXHIBIT 2.2

SENIOR SECURED DISCOUNT NOTES PURCHASE AGREEMENT

THIS SENIOR SECURED DISCOUNT NOTES PURCHASE AGREEMENT (the "Agreement"), is entered into this 23rd day of June, 2000, between CHESAPEAKE ENERGY MARKETING, INC., an Oklahoma corporation ("CEMI"), and OPPENHEIMER STRATEGIC INCOME FUND, OPPENHEIMER CHAMPION INCOME FUND, OPPENHEIMER HIGH YIELD FUND, OPPENHEIMER STRATEGIC BOND FUND/VA (collectively, the "Oppenheimer Noteholders") and ATLAS STRATEGIC INCOME FUND (each, individually, a "Noteholder" and collectively, the "Noteholders").

RECITALS:

A. Each Noteholder respectively owns the 14 1/8% Series B Senior Secured Discount Notes Due 2006 issued by Gothic Energy Corporation, an Oklahoma corporation ("Gothic"), in the amounts set forth next to said Noteholder's name in Schedule "1" attached hereto as a part hereof (the "Notes") which Notes were issued and are held pursuant to that certain Indenture dated as of April 21, 1998 between The Bank of New York as Trustee (the "Trustee") and Gothic as Issuer (the "Indenture") and are secured by the Pledged Collateral described in that certain Pledge Agreement dated as of April 21, 1998 between Gothic as Pledgor and the Trustee as Collateral Agent (the "Pledge Agreement" and collectively with the Notes and the Indenture, the "Note Documents").

B. CEMI desires to acquire and each Noteholder severally desires to sell the Notes owned by the respective Noteholders for a purchase price consisting of cash and Chesapeake Energy Corporation ("CEC") common stock, par value of $0.01 per share (the "CEC Common Stock"), in such manner and on the terms and conditions more specifically set forth herein.

C. Each Oppenheimer Noteholder is organized as a business trust under the laws of the Commonwealth of Massachusetts and is an investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended. Atlas Strategic Income Fund is a series of Atlas Assets, Inc., a Maryland corporation.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements set forth in this Agreement and for the purpose of prescribing the terms and conditions for the purchase and sale of the Notes, the parties hereby agree as follows:

1. Purchase and Sale. Subject to the terms and conditions set forth in this Agreement and the Registration Rights Agreement (as hereinafter defined), each Noteholder severally hereby agrees to sell its Notes and the Noteholder's beneficial interest in the Note Documents to CEMI and CEMI hereby agrees to purchase each Noteholder's Notes and such Noteholder's beneficial interest in the Note Documents and pay the Purchase Price (as hereinafter defined) to the respective Noteholder.

2. Purchase Price. Upon satisfaction or waiver of the conditions precedent set forth in paragraphs 8 and 9 hereof in accordance with the terms thereof, and in consideration for the sale of

the Notes to CEMI, CEMI will pay to each Noteholder cash via wire transfer of immediately available funds in the amount set forth for the respective Noteholder in Schedule "2" attached hereto as a part hereof and will transfer to such Noteholder the number of shares of CEC Common Stock set forth for such Noteholder in Schedule "2" (the "Purchase Price") on the Closing Date (as hereinafter defined).

3. Closing. Subject to the terms and provisions hereof, the closing of the transactions provided for herein (the "Closing") shall occur at 10:00 a.m. E.D.T. at the offices of Andrews & Kurth, L.L.P., 805 Third Avenue, New York City, New York on June 27, 2000 (the "Closing Date") unless another date, time or place is agreed to in writing by the parties hereto. The obligations of a Noteholder hereunder to deliver its Notes to CEMI at the Closing shall be solely against simultaneous delivery of the cash and CEC Common Stock constituting the Purchase Price therefore to the window of the respective Noteholder's custodian bank, The Bank of New York, at its offices in New York, New York, or by settlement of the transaction at a depository trust company in each party's respective account, for which the parties shall provide the necessary settlement instructions prior to the Closing.

4. Representations and Warranties of Noteholder. Each Noteholder severally represents and warrants to CEMI as follows:

4.1 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement by such Noteholder will result in the creation of any material lien, charge or encumbrance upon such Noteholder's Notes or such Noteholder's interest in the Note Documents.

4.2 Authorization of Agreement. The execution, delivery and performance by each Noteholder of this Agreement and all other agreements and transactions contemplated hereby have been, or prior to Closing will be, duly authorized and approved by all requisite action on the part of such Noteholder to the extent such authorization and approval is required. This Agreement has been, and the other agreements and instruments contemplated hereby when executed and delivered will be, duly executed and delivered by each Noteholder as required and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of such Noteholder enforceable against such Noteholder in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity; provided, however, that each Noteholder has entered into this Agreement solely for its own account and not jointly with any other Noteholder; and further provided that each Oppenheimer Noteholder is organized as a business trust under the laws of the Commonwealth of Massachusetts of the United States of America, and a copy of Declaration of Trust of each Oppenheimer Noteholder is on file with the Secretary of the Commonwealth of Massachusetts. CEMI hereby acknowledges that this Agreement is executed on behalf of the respective Board of Trustees of each Oppenheimer Noteholder as Trustees and not individually and that

the obligations of this Agreement are not binding upon any of such Trustees or shareholders of such Noteholder individually but are binding on the assets and property of that Noteholder. Furthermore, CEMI acknowledges that the Declaration of Trust of any Noteholder that is organized as a series fund provides that the assets of a particular series of that Noteholder shall under no circumstance be charged with liabilities attributable to any other series of that Noteholder and that all persons contracting with or having a claim against a particular series of that Noteholder shall look only to the assets of that particular series for payment of such contract or claim.

4.3 Broker's or Finder's Fees. Such Noteholder has not incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

4.4 Claims or Litigation. Other than as described in the Restructure Agreement (as hereinafter defined), there is no material suit, action or other proceeding pending before any court or governmental agency and, to the knowledge of each Noteholder, there is no material claim, dispute, suit, action or other proceeding threatened involving the Notes or that Noteholder's interest in the Note Documents.

4.5 Investment Intent. On the Closing Date, each Noteholder is acquiring the CEC Common Stock for investment purposes only and not with a view to or in connection with a distribution within the meaning of the Securities Act of 1933, as amended (the "33 Act"), except as provided in the Registration Rights Agreement of even date herewith by and among the parties to this Agreement and certain additional parties (the "Registration Rights Agreement"). Each Noteholder understands and agrees that the certificates representing the CEC Common Stock will have a legend imprinted thereon to the following effect:

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER STATE SECURITIES LAWS. SUCH SHARES OF COMMON STOCK MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID SECURITIES ACT COVERING THE TRANSFER OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE OR THAT REGISTRATION UNDER SAID SECURITIES ACT IS NOT REQUIRED."

4.6 Powers of Attorney. There are no outstanding powers of attorney relating to or affecting such Noteholder's Notes or such Noteholder's interest in the Note Documents.

4.7 Note Documents. Such Noteholder: (a) has good title to such Noteholder's Notes free and clear of all liens, claims and encumbrances and such Noteholder will defend title thereto against all claims of any and all persons whomsoever; (b) has full right and authority to transfer and convey such Noteholder's Notes and the related interest in

the Note Documents and to execute this Agreement; (c) has not previously sold, assigned, transferred, mortgaged or pledged such Noteholder's Notes or the related interest in the Note Documents or the proceeds now or hereafter due under such Noteholder's Notes; and (d) has not waived, released, discounted, setoff or otherwise discharged or compromised the payments to accrue under such Noteholder's Notes. The unpaid principal balance of such Noteholder's Notes as of the Closing Date is as set forth in Schedule "1" attached hereto.

4.8 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by the Noteholders by contract or otherwise including, without limitation, consents by Gothic or the Trustee.

5. Representations and Warranties of CEMI. CEMI represents and warrants to the Noteholders as follows:

5.1 Organization, Good Standing, Etc. CEC and CEMI are corporations duly organized, validly existing and in good standing under the laws of the State of Oklahoma. CEMI has the corporate power to execute and deliver this Agreement and to consummate the transactions contemplated hereby. CEMI is a wholly owned subsidiary of CEC. Neither CEC nor CEMI is in default under or in violation of any provision of their respective certificate of incorporation or bylaws.

5.2 Capital Stock of CEC. The authorized capital stock of CEC consists of 250,000,000 shares of CEC Common Stock and 10,000,000 shares of preferred stock of which 122,721,082 shares of CEC Common Stock and 2,492,037 shares of preferred stock were issued and outstanding as of June 16, 2000. Each share of CEC Common Stock to be issued pursuant to this Agreement will be subject to the Registration Rights Agreement.

5.3 SEC Documents. CEC has delivered or made available to the Noteholders each registration statement, report, definitive proxy statement or definitive information statement of CEC and all exhibits thereto filed since December 31, 1998, each in the form (including exhibits and any amendments thereto) filed with the SEC (collectively, the "CEC Reports"). The CEC Reports, which, except as otherwise disclosed, were filed with the SEC in a timely manner, constitute all forms, reports and documents required to be filed by CEC under the 33 Act, the Securities Exchange Act of 1934, as amended (the "34 Act") and the rules and regulations promulgated thereunder. As of their respective dates, the CEC Reports (a) complied as to form in all material respects with the applicable requirements of the 33 Act and the 34 Act and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein not misleading. Each of the balance sheets of CEC included in or incorporated by reference into the CEC Reports (including the related notes and schedules) fairly presents the financial position of CEC as of its date and each of the statements of income, retained earnings and cash flows of CEC included in or incorporated by reference into the CEC Reports (including any related notes and schedules) fairly presents the results of operations,

retained earnings or cash flows, as the case may be, of CEC for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein and except, in the case of any unaudited statements, as permitted by Form 10-Q promulgated under the 34 Act.

5.4 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement will violate any law, statute, rule or regulation of any governmental authority, or will on the Closing Date conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or governmental agency, authority to which CEC or CEMI is subject or of any agreement or instrument to which CEC or CEMI is a party.

5.5 Authorization of Agreement. The execution, delivery and performance of this Agreement have been duly and validly authorized and approved by all requisite corporate action on the part of CEMI and CEC. This Agreement has been, and the other agreements contemplated hereby when executed and delivered will be, duly executed and delivered by CEMI or CEC and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of each of them that is a party hereto or thereto, as the case may be, enforceable against each of them in accordance with its terms subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

5.6 Broker's or Finder's Fees. Neither CEMI nor CEC has incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

5.7 Litigation. There is no litigation, proceeding or investigation pending or, to the knowledge of CEMI threatened against or affecting CEC or CEMI that questions the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by either CEC or CEMI in connection with the transactions contemplated hereby.

5.8 Vote Required. No vote of the holders of any class or series of CEC capital stock or other voting securities is necessary to approve this Agreement or the transactions contemplated hereby.

5.9 Shares. The CEC Common Stock to be issued to the Noteholders has been duly authorized for issuance pursuant to this Agreement and, when issued and delivered by CEMI in accordance with this Agreement, will be validly issued, fully paid and

nonassessable. The issuance of the CEC Common Stock under this Agreement is not subject to any preemptive rights.

5.10 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by CEMI or CEC by contract or otherwise.

6. Certain Information. CEMI and each Noteholder acknowledge and agree that it has been advised that the other party has or may have confidential information (including information received on a privileged basis from Gothic, GPC (as hereinafter defined) or their respective attorneys or financial advisors concerning Gothic or GPC and/or their respective business, properties, condition (financial or otherwise), results of operations, plans or prospects, that is non-public and that may be considered material, including, without limitation, information relating to various alternatives, financial or otherwise, with respect to Gothic, GPC or the Notes (including, but not limited to, a recapitalization or other restructuring of Gothic, GPC or their respective businesses, actions under applicable bankruptcy, liquidation, insolvency or moratorium laws, or otherwise) (collectively, "Confidential Information"). Recognizing the foregoing, neither CEMI nor any Noteholder desires that the other party or parties disclose any Confidential Information, notwithstanding that such Confidential Information may be material to CEMI's decision to purchase the Notes or the Noteholders' decision to sell the Notes and each party hereto specifically requests that each other party hereto not disclose any Confidential Information to any other party hereto or CEC. Each party to this Agreement, for itself and on behalf of its successors and assigns (and in the case of CEMI, for and on behalf of its affiliates including, without limitation, CEC) hereby acknowledges and agrees that: (i) CEMI and its affiliates initiated and still desires to consummate the purchase of the Notes from each Noteholder at the Purchase Price; (ii) each Noteholder still desires to consummate the sale of the Notes to CEMI at the Purchase Price; (iii) no party has made nor makes any representation or warranty (express, implied or otherwise) with respect to Gothic, GPC or their respective businesses, properties, condition (financial or otherwise), results of operations, plans or prospects or with respect to the Notes, other than with respect to the Noteholders ownership of the Notes and the authority of the Noteholders to transfer the Notes to CEMI; (iv)a each party voluntarily assumes all risks associated with the purchase and sale of the Notes and is not relying on any disclosure or non-disclosure made or not made by any other party or CEC in connection therewith; and (v) such party has no claims, and if any such claim may exist, hereby irrevocably waives and releases, and covenants and agrees not to assert, any claim against any other party, CEC or any of their respective directors, officers, partners, stockholders or affiliates in connection with or arising out of the purchase and sale of the Notes pursuant hereto or any failure by any party or CEC to disclose any Confidential Information, whether such claim arises under federal or state securities laws or otherwise.

7. Covenants. Each Noteholder severally and CEMI covenant and agree as follows:

7.1 Absolute Conveyance. The Noteholder hereby acknowledges and agrees that: (a) the conveyance of the Notes and the related interests in the Note Documents to CEMI pursuant to the terms of this Agreement is an absolute conveyance of all of such Noteholder's right, title and interest in and to the Notes and the Note Documents, in fact as well as in form, and neither this Agreement nor any other conveyance document is intended to be a mortgage, trust conveyance, deed of trust or security instrument of any kind; (b) the consideration for such conveyance is exactly as recited

in this Agreement; and (c) after the Closing Date and the closing of the transactions contemplated by this Agreement, such Noteholder will have no further interest (including rights of redemption) or claims in, to or against the Notes or the Note Documents or to the proceeds or profits that might be derived therefrom.

7.2 Other Documents. Each Noteholder agrees to execute and deliver to CEMI and to use commercially reasonable efforts to cause the Trustee and Gothic to execute and deliver to CEMI any and all additional assignment documents reasonably requested by CEMI to fully effect the intent of this Agreement.

7.3 Adverse Actions. Each Noteholder covenants and agrees with CEMI that from the date of this Agreement until the Closing Date, such Noteholder will not enter into any contract, agreement, commitment or arrangement with respect to or involving the Notes or the Note Documents or take, participate in or consent to any action which might adversely affect the validity, enforceability or value of the Notes or the Note Documents. Each Noteholder and CEMI acknowledge that certain Agreement In Respect of Restructuring of Gothic Energy Corporation 14 1/8% Series B Senior Secured Discount Notes among Gothic, each Noteholder and others dated on or about June 5, 2000 (the "Restructure Agreement") and each Noteholder hereby (a) represents that such Noteholder has fully complied with the terms of the Restructure Agreement through the date hereof and (b) agrees to fully comply with the terms of the Restructure Agreement through the Closing Date. CEMI hereby agrees that it is purchasing each Noteholder's Notes subject to the terms of the Restructure Agreement and agrees to be bound by and to fully comply with the terms of the Restructure Agreement from and after the Closing Date.

7.4 Senior Secured Notes. In addition to the Notes, one or more of the Noteholders is the holder of certain 11 1/8% Senior Secured Notes issued by Gothic Production Corporation ("GPC"), a wholly owned subsidiary of Gothic (the "GPC Notes") and each such Noteholder hereby agrees that with respect to any GPC Notes now owned or hereafter acquired by such Noteholder or any affiliate of such Noteholder: (a) such Noteholder will consent to and will not take any action adverse to the terms and conditions of the Restructure Agreement; and (b) the Noteholder will not accelerate the GPC Notes upon the filing of a bankruptcy petition by Gothic.

7.5 Other Noteholders. On or before July 31, 2000 CEMI agrees to offer to purchase the 14 1/8% Series B Senior Secured Discount Notes Due 2006 owned by John Hancock Funds and Ingalls & Snyder, L.L.C. on substantially the same terms and conditions as set forth in this Agreement.

7.6 Listing Application. CEMI will use its best efforts to cause CEC to make all necessary and appropriate applications to cause the CEC Common Stock to be registered pursuant to the Registration Rights Agreement to be listed on the New York Stock Exchange.

8. Conditions to Obligations of CEMI. The obligations of CEMI to effect the transactions contemplated by this Agreement will be subject to the following conditions:

8.1 Representations and Warranties. Except to the extent waived in writing by CEMI: (a) the representations and warranties of the Noteholders herein contained shall be substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) the Noteholders shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with at or prior to the Closing.

8.2 Other Agreements. As of the Closing Date each Noteholder shall have executed and delivered to CEC a Registration Rights Agreement in the form attached hereto as Schedule "8.2" (the "Registration Rights Agreement").

9. Conditions to Obligations of Noteholder. The obligations of the Noteholders to effect the transactions contemplated by this Agreement shall be subject to the following conditions:

9.1 Representations and Warranties. Except to the extent waived in writing by a Noteholder hereunder: (a) the representations and warranties of CEMI herein contained and the representations and warranties of CEC in the Registration Rights Agreement shall be substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) CEMI shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with by it at or prior to the Closing.

9.2 Registration Rights Agreement. CEC shall have executed and delivered to the Noteholders the Registration Rights Agreement.

10. Purchase Price Adjustments. CEMI and the Noteholders hereby agree that on the date ten (10) days after the expiration of the Averaging Period as defined in paragraph 10.1 (the "Settlement Date"), the Purchase Price will be adjusted based on the following terms and conditions:

10.1 Share Adjustment. Notwithstanding the number of shares of CEC Common Stock set forth in Schedule "2" as part of the Purchase Price payable to a Noteholder (the "Original Shares"), the number of shares of CEC Common Stock to be received by each Noteholder will be the number of shares of CEC Common Stock determined by dividing the dollar value of the CEC Common Stock portion of the Purchase Price set forth in Schedule "2" attached hereto for such Noteholder (the "Share Amount") by the Average Price (the "Purchase Price Shares"). The "Average Price" will be determined by adding the closing price of the CEC Common Stock as quoted on the New York Stock Exchange as of the close of business on each trading day during the thirty (30) calendar days following the date the registration of the Original Shares is effective (the "Averaging Period") and dividing the sum by the number of trading days

during the Averaging Period. The number of Purchase Price Shares will be rounded up or down to the nearest whole number and no fractional shares will be issued. Each Noteholder and CEMI acknowledge and agree that: (a) if the number of Purchase Price Shares exceeds the number of Original Shares, CEMI will cause the difference to be paid to the Noteholder in either cash or additional shares of CEC Common Stock covered by the Registration Statement (as hereinafter defined) at the sole option of CEMI; and (b) if the number of Original Shares exceeds the number of Purchase Price Shares, the Noteholder will pay the difference to CEMI in either cash or Original Shares at the sole option of the Noteholder.

10.2 Registration and Interest. CEMI will use its best efforts to cause CEC to file a registration statement under the 33 Act covering the resale of the Original Shares and additional shares of CEC Common Stock to cover adjustments under paragraph 10.1 hereof (the "Registration Statement") within forty-five (45) days after the Closing Date and will use its best efforts to cause the Registration Statement to be declared effective by the Securities and Exchange Commission within one hundred five (105) days after the Closing Date (the "Initial Period"). From the Closing Date through the earlier of the date the Registration Statement is declared effective or the end of the Initial Period the Share Amount will bear interest for the actual number of days elapsed at the per annum rate of fourteen and one-eighth percent (14 1/8%). If the Registration Statement has not been declared effective at or prior to the end of the Initial Period, the Share Amount will bear interest from the end of the Initial Period until the earlier of the date the Registration Statement is declared effective or the end of one hundred eighty (180) days after the Closing Date (the "Secondary Period") for the actual number of days elapsed at the per annum rate of eighteen percent (18%). If the Registration Statement has not been declared effective at or prior to the end of the Secondary Period, the Share Amount will bear interest from the end of the Secondary Period until the date the Registration Statement is declared effective for the actual number of days elapsed at the per annum rate of twenty percent (20%). Interest on the Share Amount will be compounded daily. The interest on the Share Amount will be treated as an adjustment to the Purchase Price, will be due and payable in full to the Noteholder on the Settlement Date and may be paid, at CEMI's election, in cash or additional shares of CEC Common Stock covered by the Registration Statement.

10.3 Put Right. Notwithstanding anything to the contrary set forth in paragraph 10.2 of this Agreement, in the event the Registration Statement has not been declared effective on or before the first anniversary of the Closing Date, each Noteholder will have the right to put the Original Shares to CEMI at a put price equal to the Share Amount plus all accrued unpaid interest thereon pursuant to paragraph 10.2 to the date the put is satisfied (the "Put Price"). The put right of the Noteholder will be exercised by written notice from the Noteholder to CEMI within thirty (30) days after the first anniversary of the Closing Date and the put will be consummated within seven (7) days after receipt of such notice of exercise by the exercising Noteholder delivering to CEMI the Original Shares duly assigned and CEMI paying the Put Price to such Noteholder by wire transfer of immediately available funds.

11. General Provisions. CEMI and the Noteholder further agree as follows:

11.1 Amendments. Subject to applicable law, this Agreement may be amended only by a written instrument executed by each of the parties hereto at any time prior to the Closing.

11.2 Survival of Covenants, Representations and Warranties. The respective representations and warranties of CEMI and the Noteholders contained in this Agreement shall be deemed made as of the Closing and all covenants and undertakings required to be performed will survive the Closing.

11.3 Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of New York.

11.4 Notices. All notices, requests, demands or other communications required or permitted by this Agreement shall be in writing and effective when received, and delivery shall be made personally or by registered or certified mail, return receipt requested, postage prepaid, or overnight courier or confirmed facsimile transmission, addressed to the parties as set forth in their respective signature blocks to this Agreement.

11.5 Fees and Expenses. All fees and expenses, including attorneys' fees, incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the respective party who has incurred such fee or expense, provided, however, CEMI and/or CEC (to the extent provided in the Registration Rights Agreement) will bear all expenses incurred in connection with the transfer of the Notes and the registration of the Purchase Price Shares.

11.6 Headings. The descriptive headings of the sections and paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to each of the other parties hereto.

11.8 Entire Agreement. This Agreement and the other agreements contemplated hereby constitute the entire agreement among CEMI and each Noteholder with respect to the subject matter hereof. Unless this Agreement is specifically amended in writing, it supersedes all other agreements and understandings among the parties with respect to the subject matter hereof and thereof.

11.9 Publicity. Each Noteholder and CEMI shall, subject to their respective legal obligations (including requirements of the New York Stock Exchange and other similar regulatory bodies), consult with each other, and use reasonable efforts to agree

upon the text of any press release before issuing any such press release or otherwise making public statements with respect to the transactions contemplated hereby.

11.10 No Third Party Beneficiaries. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties to this Agreement, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third persons any rights of subrogation or action over or against any party to this Agreement.

11.11 Specific Performance. The Noteholders and CEMI each acknowledge that neither the Noteholders nor CEMI would have an adequate remedy at law for money damages in the event this Agreement was not performed in accordance with its terms, and therefore, agree that the Noteholders and CEMI each shall be entitled to specific enforcement of the terms hereof in addition to any other remedy to which it may be entitled, at law or in equity.

11.12 Partial Illegality or Unenforceability. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be illegal or unenforceable in any respect, such illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such illegal or unenforceable provision or provisions had never been contained herein unless the deletion of such provision or provisions would result in such a material change as to cause completion of the transactions contemplated hereby to be unreasonable.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

CHESAPEAKE ENERGY MARKETING, INC., an
Oklahoma corporation

By /s/ Aubrey K. McClendon

Aubrey K. McClendon, Chief Executive Officer

("CEMI")

ADDRESS:

6100 North Western Avenue
Oklahoma City, Oklahoma 73118
Attention: Mr. Aubrey K. McClendon
Facsimile No. (405) 848-8588

OPPENHEIMER STRATEGIC INCOME FUND

By /s/ Robert G. Zack

Name Robert G. Zack

Title Assistant Secretary

ADDRESS:

c/o Oppenheimer Funds, Inc.
2 World Trade Center, 34th Floor
New York, New York 10048-0203
Attention: Mr. Thomas Reedy
Facsimile No. (___) ___-____

OPPENHEIMER CHAMPION INCOME FUND

By /s/ Robert G. Zack

Name Robert G. Zack

Title Assistant Secretary

ADDRESS:

c/o Oppenheimer Funds, Inc.
2 World Trade Center, 34th Floor
New York, New York 10048-0203
Attention: Mr. Thomas Reedy
Facsimile No. (___) ___-____

OPPENHEIMER HIGH YIELD FUND

By /s/ Robert G. Zack

Name Robert G. Zack

Title Assistant Secretary

ADDRESS:

c/o Oppenheimer Funds, Inc.
2 World Trade Center, 34th Floor
New York, New York 10048-0203
Attention: Mr. Thomas Reedy
Facsimile No. (___) ___-____

OPPENHEIMER VARIABLE ACCOUNT FUNDS
f/a/o OPPENHEIMER STRATEGIC BOND
FUND/VA

By /s/ Robert G. Zack

Name Robert G. Zack

Title Assistant Secretary

ADDRESS:

c/o Oppenheimer Funds, Inc.
2 World Trade Center, 34th Floor
New York, New York 10048-0203
Attention: Mr. Thomas Reedy
Facsimile No. (___) ___-____

ATLAS ASSETS, INC. f/a/o ATLAS STRATEGIC
INCOME FUND

By /s/ Steven Gray

Name: Steven Gray

Title Vice President

ADDRESS:

c/o Oppenheimer Funds, Inc.
2 World Trade Center, 34th Floor
New York, New York 10048-0203
Attention: Mr. Thomas Reedy
Facsimile No. (___) ___-____

SCHEDULE "1"

NOTEHOLDER	FACE AMOUNT OF NOTES	6/27/00 ACCRETED VALUE
Oppenheimer Strategic Income Fund	$18,450,000.00	$14,343,904.53
Oppenheimer Champion Income Fund	$ 8,775,000.00	$ 6,822,100.94
Oppenheimer Variable Account Funds	$ 275,000.00	$ 213,798.04
Oppenheimer High Yield Fund	$14,875,000.00	$11,564,530.08
Atlas Strategic Income Fund	$ 125,000.00	$ 97,180.93

SCHEDULE "2"
INITIAL ALLOCATION OF PURCHASE PRICE

NOTEHOLDER	CASH PORTION	ORIGINAL SHARES *	SHARE AMOUNT
Oppenheimer Strategic Income Fund	$4,136,539.43	1,752,337 shares	$10,207,365.10
Oppenheimer Champion Income Fund	$1,967,378.51	833,429 shares	$ 4,854,722.43
Oppenheimer Variable Account Funds	$ 61,655.74	26,119 shares	$ 152,142.30
Oppenheimer High Yield Fund	$3,335,014.85	1,412,792 shares	$ 8,229,515.23
Atlas Strategic Income Fund	$ 28,025.34	11,872 shares	$ 69,155.59

* BASED ON $5.825 PER SHARE.

EXHIBIT 2.3

SENIOR SECURED DISCOUNT NOTES PURCHASE AGREEMENT

THIS SENIOR SECURED DISCOUNT NOTES PURCHASE AGREEMENT (the "Agreement"), is entered into this 26th day of June, 2000, between CHESAPEAKE ENERGY MARKETING, INC. ("CEMI") and JOHN HANCOCK HIGH YIELD BOND FUND and JOHN HANCOCK VARIABLE ANNUITY HIGH YIELD BOND FUND (each a "Noteholder" and collectively the "Noteholders").

RECITALS:

A. Each Noteholder owns the 14 1/8% Series B Senior Secured Discount Notes Due 2006 issued by Gothic Energy Corporation, an Oklahoma corporation ("Gothic"), in the amounts set forth next to such Noteholder's name in Schedule "1" attached hereto as a part hereof (the "Notes") which Notes were issued and are held pursuant to that certain Indenture dated as of April 21, 1998 between The Bank of New York as Trustee (the "Trustee") and Gothic as Issuer (the "Indenture") and are secured by the Pledged Collateral described in that certain Pledge Agreement dated as of April 21, 1998 between Gothic as Pledgor and the Trustee as Collateral Agent (the "Pledge Agreement" and collectively with the Notes and the Indenture, the "Note Documents").

B. CEMI desires to acquire and each Noteholder severally desires to sell the Notes owned by such Noteholder for a purchase price consisting of cash and Chesapeake Energy Corporation common stock, par value of $0.01 per share (the "CEC Common Stock") in such manner and on the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the recitals and the mutual covenants and agreements set forth in this Agreement and for the purpose of prescribing the terms and conditions for the purchase and sale of the Notes, the parties hereby agree as follows:

1. Purchase and Sale. Subject to the terms and conditions set forth in this Agreement and the Registration Rights Agreement (as hereinafter defined), each Noteholder hereby agrees to sell its Notes and such Noteholder's beneficial interest in the Note Documents to CEMI and CEMI hereby agrees to purchase each Noteholder's Notes and such Noteholder's beneficial interest in the Note Documents and pay the Purchase Price (as hereinafter defined) to the respective Noteholders.

2. Purchase Price. Upon satisfaction or waiver of the conditions precedent set forth in paragraphs 8 and 9 hereof in accordance with the terms thereof, and in consideration for the sale of the Notes to CEMI, CEMI will pay to each Noteholder cash via wire transfer of immediately available funds in the amount set forth for such Noteholder in Schedule "2" attached hereto as a part hereof and will transfer to such Noteholder the number of shares of CEC Common Stock set forth for such Noteholder in Schedule "2" (the "Purchase Price") on the Closing Date (as hereinafter defined).

3. Closing. Subject to the terms and provisions hereof, the closing of the transactions provided for herein (the "Closing") shall occur at 10:00 a.m. E.D.T. at the offices of Andrews & Kurth, L.L.P., 805 Third Avenue, New York City, New York on June 27, 2000 (the "Closing Date") unless another

date, time or place is agreed to in writing by the parties hereto. The obligations of each Noteholder to deliver its Notes to CEMI at the Closing shall be subject to simultaneous delivery of the cash and CEC Common Stock constituting the Purchase Price payable to each Noteholder.

4. Representations and Warranties of Noteholder. Each Noteholder, severally as to itself only, represents and warrants to CEMI as follows:

4.1 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement by such Noteholder will result in the creation of any material lien, charge or encumbrance upon such Noteholder's Notes or such Noteholder's interest in the Note Documents.

4.2 Authorization of Agreement. The execution, delivery and performance of this Agreement by each Noteholder has been duly and validly authorized by all requisite action. The execution, delivery and performance by the Noteholder of all other agreements and transactions contemplated hereby have been, or prior to Closing will be, duly authorized and approved by all requisite action on the part of the Noteholder. This Agreement has been, and the other agreements and instruments contemplated hereby when executed and delivered will be, duly executed and delivered by the Noteholder as required and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of the Noteholder enforceable against the Noteholder in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

4.3 Broker's or Finder's Fees. No Noteholder has incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

4.4 Claims or Litigation. Other than as described in that certain Agreement In Respect of Restructuring of Gothic Energy Corporation 14 1/8% Series B Senior Secured Discount Notes among Gothic and other holders of Gothic's 14 1/8% Series B Senior Secured Discount Notes dated on or about June 5, 2000 (the "Restructure Agreement"), there is no material suit, action or other proceeding pending before any court or governmental agency and, to the knowledge of the Noteholder, there is no material claim, dispute, suit, action or other proceeding threatened involving the Notes or the Noteholder's interest in the Note Documents.

4.5 Investment Intent. On the Closing Date, each Noteholder is acquiring the CEC Common Stock for investment purposes only and not with a view to or in connection with a distribution within the meaning of the Securities Act of 1933, as amended (the "33 Act"), except as provided in the Registration Rights Agreement. Each Noteholder

understands and agrees that the certificates representing the CEC Common Stock will have a legend imprinted thereon to the following effect:

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER STATE SECURITIES LAWS. SUCH SHARES OF COMMON STOCK MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID SECURITIES ACT COVERING THE TRANSFER OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE OR THAT REGISTRATION UNDER SAID SECURITIES ACT IS NOT REQUIRED."

4.6 Powers of Attorney. There are no outstanding powers of attorney relating to or affecting such Noteholder's Notes or the Noteholder's interest in the Note Documents.

4.7 Note Documents. Each Noteholder: (a) has good title to such Noteholder's Notes free and clear of all liens, claims and encumbrances and such Noteholder will defend title thereto against all claims of any and all persons whomsoever; (b) has full right and authority to transfer and convey such Noteholder's Notes and the related interest in the Note Documents and to execute this Agreement; (c) has not previously sold, assigned, transferred, mortgaged or pledged such Noteholder's Notes or the related interest in the Note Documents or the proceeds now or hereafter due under such Noteholder's Notes; and (d) has not waived, released, discounted, setoff or otherwise discharged or compromised the payments to accrue under such Noteholder's Notes. The unpaid principal balance of such Noteholder's Notes as of the Closing Date is as set forth in Schedule "1" attached hereto.

4.8 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by such Noteholder by contract or otherwise including, without limitation, consents by Gothic or the Trustee.

5. Representations and Warranties of CEMI. CEMI represents and warrants to the Noteholders as follows:

5.1 Organization, Good Standing, Etc. Chesapeake Energy Corporation ("CEC") and CEMI are corporations duly organized, validly existing and in good standing under the laws of the State of Oklahoma. CEMI has the corporate power to execute and deliver this Agreement and to consummate the transactions contemplated hereby. CEMI is a wholly owned subsidiary of CEC. Neither CEC nor CEMI is in default under or in violation of any provision of their respective certificate of incorporation or bylaws.

5.2 Capital Stock of CEC. The authorized capital stock of CEC consists of 250,000,000 shares of CEC Common Stock and 10,000,000 shares of preferred stock of which 122,721,082 shares of CEC Common Stock and 2,492,037 shares of preferred stock

were issued and outstanding as of June 16, 2000. Each share of CEC Common Stock to be issued pursuant to this Agreement will be subject to the Registration Rights Agreement.

5.3 SEC Documents. CEC has delivered or made available to the Noteholders each registration statement, report, definitive proxy statement or definitive information statement and all exhibits thereto filed since December 31, 1998, each in the form (including exhibits and any amendments thereto) filed with the SEC (collectively, the "CEC Reports"). The CEC Reports, which, except as otherwise disclosed, were filed with the SEC in a timely manner, constitute all forms, reports and documents required to be filed by CEC under the 33 Act, the Securities Exchange Act of 1934, as amended (the "34 Act") and the rules and regulations promulgated thereunder. As of their respective dates, the CEC Reports (a) complied as to form in all material respects with the applicable requirements of the 33 Act and the 34 Act and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein not misleading. Each of the balance sheets of CEC included in or incorporated by reference into the CEC Reports (including the related notes and schedules) fairly presents the financial position of CEC as of its date and each of the statements of income, retained earnings and cash flows of CEC included in or incorporated by reference into the CEC Reports (including any related notes and schedules) fairly presents the results of operations, retained earnings or cash flows, as the case may be, of CEC for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein and except, in the case of any unaudited statements, as permitted by Form 10-Q promulgated under the 34 Act.

5.4 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement will violate any law, statute, rule or regulation of any governmental authority, or will on the Closing Date conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or governmental agency, authority to which CEC or CEMI is subject or of any agreement or instrument to which CEC or CEMI is a party.

5.5 Authorization of Agreement. The execution, delivery and performance of this Agreement have been duly and validly authorized and approved by all requisite corporate action on the part of CEMI and CEC. This Agreement has been, and the other agreements contemplated hereby when executed and delivered will be, duly executed and delivered by CEMI or CEC and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of each of them that is a party hereto or thereto, as the case may be, enforceable against each of them in accordance with its terms subject to applicable bankruptcy, reorganization,

insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

5.6 Broker's or Finder's Fees. Neither CEMI nor CEC has incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

5.7 Litigation. There is no litigation, proceeding or investigation pending or, to the knowledge of CEMI threatened against or affecting CEC or CEMI that questions the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by either CEC or CEMI in connection with the transactions contemplated hereby.

5.8 Vote Required. No vote of the holders of any class or series of CEC capital stock or other voting securities is necessary to approve this Agreement or the transactions contemplated hereby.

5.9 Shares. The CEC Common Stock to be issued to each Noteholder has been duly authorized for issuance to this Agreement and, when issued and delivered by CEMI in accordance with this Agreement, will be validly issued, fully paid and nonassessable. The issuance of the CEC Common Stock under this Agreement is not subject to any preemptive rights.

5.10 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by CEMI or CEC by contract or otherwise.

6. Information. CEMI and each Noteholder acknowledge and agree that it has been advised that the other party has or may have confidential information (including information received on a privileged basis from Gothic, GPC (as hereinafter defined) or their respective attorneys or financial advisors concerning Gothic or GPC and/or their respective business, properties, condition (financial or otherwise), results of operations, plans or prospects, that is non-public and that may be considered material, including, without limitation, information relating to various alternatives, financial or otherwise, with respect to Gothic, GPC or the Notes (including, but not limited to, a recapitalization or other restructuring of Gothic, GPC or their respective businesses, actions under applicable bankruptcy, liquidation, insolvency or moratorium laws, or otherwise) (collectively, "Confidential Information"). Recognizing the foregoing, neither CEMI nor any Noteholder desires that the other party or parties disclose any Confidential Information, notwithstanding that such Confidential Information may be material to CEMI's decision to purchase the Notes or the Noteholder's decision to sell the Notes and each party hereto specifically requests that each other party hereto not disclose any Confidential Information to any other party hereto or CEC. Each party to this Agreement, for itself and on behalf of its successors and assigns (and in the case of CEMI, for and on behalf of its affiliates including, without limitation, CEC) hereby acknowledges and agrees that: (i) CEMI and its affiliates initiated and still desires to consummate the purchase of the Notes from each Noteholder at the Purchase Price; (ii) each Noteholder still desires to consummate the sale of the Notes to CEMI at the Purchase Price; (iii) no party has made nor makes any representation or warranty (express, implied or otherwise) with respect to Gothic, GPC or their respective businesses, properties,

condition (financial or otherwise), results of operations, plans or prospects or with respect to the Notes, other than with respect to the Noteholder's ownership of the Notes and the authority of the Noteholder to transfer the Notes to CEMI; (iv) each party voluntarily assumes all risks associated with the purchase and sale of the Notes and is not relying on any disclosure or non-disclosure made or not made by any other party or CEC in connection therewith; and (v) such party has no claims, and if any such claim may exist, hereby irrevocably waives and releases, and covenants and agrees not to assert, any claim against any other party, CEC or any of their respective directors, officers, partners, stockholders or affiliates in connection with or arising out of the purchase and sale of the Notes pursuant hereto or any failure by any party or CEC to disclose any Confidential Information, whether such claim arises under federal or state securities laws or otherwise.

7. Covenants. Each Noteholder, severally as to itself only, and CEMI covenant and agree as follows:

7.1 Absolute Conveyance. Each Noteholder hereby acknowledges and agrees that: (a) the conveyance of the Notes and the related interests in the Note Documents to CEMI pursuant to the terms of this Agreement is an absolute conveyance of all of such Noteholder's right, title and interest in and to the Notes and the Note Documents, in fact as well as in form, and neither this Agreement nor any other conveyance document is intended to be a mortgage, trust conveyance, deed of trust or security instrument of any kind; (b) the consideration for such conveyance is exactly as recited in this Agreement; and (c) after the Closing Date and Closing of the transactions contemplated in this Agreement, such Noteholder will have no further interest (including rights of redemption) or claims in, to or against the Notes or the Note Documents or to the proceeds or profits that might be derived therefrom.

7.2 Other Documents. Each Noteholder agrees to execute and deliver to CEMI and to use commercially reasonable efforts to cause the Trustee and Gothic to execute and deliver to CEMI any and all additional assignment documents reasonably requested by CEMI to fully effect the intent of this Agreement.

7.3 Adverse Actions. Each Noteholder covenants and agrees with CEMI that from the date of this Agreement until the Closing Date, such Noteholder will not enter into any contract, agreement, commitment or arrangement with respect to or involving the Notes or the Note Documents or take, participate in or consent to any action which might adversely affect the validity, enforceability or value of the Notes or the Note Documents.

7.4 Senior Secured Notes. In addition to the Notes, each Noteholder may hold certain 11 1/8% Senior Secured Notes issued by Gothic Production Corporation ("GPC"), a wholly owned subsidiary of Gothic (the "GPC Notes") and such Noteholder hereby agrees that with respect to any GPC Notes now owned or hereafter acquired by such Noteholder or any affiliate of such Noteholder will not accelerate any GPC Notes upon the filing of bankruptcy by Gothic.

7.5 Listing Application. CEMI will use its best efforts to cause CEC to make all necessary and appropriate applications to cause the CEC Common Stock to be registered pursuant to the Registration Rights Agreement to be listed on the New York Stock Exchange.

8. Conditions to Obligations of CEMI. The obligations of CEMI to effect the transactions contemplated by this Agreement will be subject to the following conditions:

8.1 Representations and Warranties. Except to the extent waived in writing by CEMI: (a) the representations and warranties of the Noteholders herein contained shall be substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) the Noteholders shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with at or prior to the Closing.

8.2 Other Agreements. As of the Closing Date the Noteholders shall have executed and delivered to CEC an Addendum to the Registration Rights Agreement in the form attached hereto as Schedule "8.2" (the "Registration Rights Agreement") whereby each Noteholder becomes a party to the Registration Rights Agreement.

9. Conditions to Obligations of Noteholder. The obligations of the Noteholders to effect the transactions contemplated by this Agreement shall be subject to the following conditions:

9.1 Representations and Warranties. Except to the extent waived in writing by the Noteholders hereunder: (a) the representations and warranties of CEMI herein contained and the representations and warranties of CEC in the Registration Rights Agreement shall be substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) CEMI shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with by it at or prior to the Closing.

9.2 Registration Rights Agreement. CEC shall have executed and delivered to the Noteholders the Registration Rights Agreement.

10. Purchase Price Adjustments. CEMI and each Noteholder hereby agree that on the date ten (10) days after the expiration of the Averaging Period as defined in paragraph 10.1 (the "Settlement Date"), the Purchase Price will be adjusted based on the following terms and conditions:

10.1 Share Adjustment. Notwithstanding the number of shares of CEC Common Stock set forth in Schedule "2" as part of the Purchase Price payable to a Noteholder (the "Original Shares"), the number of shares of CEC Common Stock to be received by each Noteholder will be the number of shares of CEC Common Stock determined by dividing the dollar value of the CEC Common Stock portion of the Purchase Price set

forth in Schedule "2" attached hereto for each Noteholder (the "Share Amount") by the Average Price (the "Purchase Price Shares"). The "Average Price" will be determined by adding the closing price of the CEC Common Stock as quoted on the New York Stock Exchange as of the close of business on each trading day during the thirty (30) calendar days following the date the registration of the Original Shares is effective (the "Averaging Period") and dividing the sum by the number of trading days during the Averaging Period. The number of Purchase Price Shares will be rounded up or down to the nearest whole number and no fractional shares will be issued. Each Noteholder and CEMI acknowledge and agree that: (a) if the number of Purchase Price Shares exceeds the number of Original Shares, CEMI will cause the difference to be paid to the Noteholder in either cash or additional shares of CEC Common Stock covered by the Registration Statement (as hereinafter defined) at the sole option of CEMI; and (b) if the number of Original Shares exceeds the number of Purchase Price Shares, the Noteholder will pay the difference to CEMI in either cash or Original Shares at the sole option of the Noteholder.

10.2 Registration and Interest. CEMI will use its best efforts to cause CEC to file a registration statement under the 33 Act covering the resale of the Original Shares and additional shares of CEC Common Stock to cover adjustments under paragraph 10.1 hereof (the "Registration Statement") within forty-five (45) days after the Closing Date and will use its best efforts to cause the Registration Statement to be declared effective by the Securities and Exchange Commission within one hundred five (105) days after the Closing Date (the "Initial Period"). From the Closing Date through the earlier of the date the Registration Statement is declared effective or the end of the Initial Period the Share Amount will bear interest for the actual number of days elapsed at the per annum rate of fourteen and one-eighth percent (14 1/8%). If the Registration Statement has not been declared effective at or prior to the end of the Initial Period, the Share Amount will bear interest from the end of the Initial Period until the earlier of the date the Registration Statement is declared effective or the end of one hundred eighty (180) days after the Closing Date (the "Secondary Period") for the actual number of days elapsed at the per annum rate of eighteen percent (18%). If the Registration Statement has not been declared effective at or prior to the end of the Secondary Period, the Share Amount will bear interest from the end of the Secondary Period until the date the Registration Statement is declared effective for the actual number of days elapsed at the per annum rate of twenty percent (20%). Interest on the Share Amount will be compounded daily. The interest on the Share Amount will be treated as an adjustment to the Purchase Price, will be due and payable in full to each Noteholder on the Settlement Date and may be paid, at CEMI's election, in cash or additional shares of CEC Common Stock covered by the Registration Statement.

10.3 Put Right. Notwithstanding anything to the contrary set forth in paragraph 10.2 of this Agreement, in the event the Registration Statement has not been declared effective on or before the first anniversary of the Closing Date, each Noteholder will have the right to put the Original Shares to CEMI at a put price equal to the Share Amount plus all accrued unpaid interest thereon pursuant to paragraph 10.2 to the

date the put is satisfied (the "Put Price"). The put right of each Noteholder will be exercised by written notice from such Noteholder to CEMI within thirty (30) days after the first anniversary of the Closing Date and the put will be consummated within seven (7) days after receipt of such notice of exercise by the exercising Noteholder delivering to CEMI the Original Shares duly assigned and CEMI paying the Put Price to such Noteholder by wire transfer of immediately available funds.

11. General Provisions. CEMI and each Noteholder further agree as follows:

11.1 Amendments. Subject to applicable law, this Agreement may be amended only by a written instrument executed by each of the parties hereto at any time prior to the Closing.

11.2 Survival of Covenants, Representations and Warranties. The respective representations and warranties of CEMI and each Noteholder contained in this Agreement shall be deemed made as of the Closing and all covenants and undertakings required to be performed will survive the Closing.

11.3 Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of New York.

11.4 Notices. All notices, requests, demands or other communications required or permitted by this Agreement shall be in writing and effective when received, and delivery shall be made personally or by registered or certified mail, return receipt requested, postage prepaid, or overnight courier or confirmed facsimile transmission, addressed to the parties as set forth in their respective signature blocks to this Agreement.

11.5 Fees and Expenses. All fees and expenses, including attorneys' fees, incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the respective party who has incurred such fee or expense, provided, however, CEMI and/or CEC (to the extent provided in the Registration Rights Agreement) will bear all expenses incurred in connection with the transfer of the Notes and the registration of the Purchase Price Shares.

11.6 Headings. The descriptive headings of the sections and paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to each of the other parties hereto.

11.8 Entire Agreement. This Agreement and the other agreements contemplated hereby constitute the entire agreement among CEMI and the Noteholders with respect to the subject matter hereof. Unless this Agreement is specifically amended in writing, it

supersedes all other agreements and understandings among the parties with respect to the subject matter hereof and thereof.

11.9 Publicity. Each Noteholder and CEMI shall, subject to their respective legal obligations (including requirements of the New York Stock Exchange and other similar regulatory bodies), consult with each other, and use reasonable efforts to agree upon the text of any press release before issuing any such press release or otherwise making public statements with respect to the transactions contemplated hereby.

11.10 No Third Party Beneficiaries. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties to this Agreement, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third persons any rights of subrogation or action over or against any party to this Agreement.

11.11 Specific Performance. The Noteholders and CEMI each acknowledge that neither such Noteholder nor CEMI would have an adequate remedy at law for money damages in the event this Agreement was not performed in accordance with its terms, and therefore, agree that such Noteholder and CEMI each shall be entitled to specific enforcement of the terms hereof in addition to any other remedy to which it may be entitled, at law or in equity.

11.12 Partial Illegality or Unenforceability. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be illegal or unenforceable in any respect, such illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such illegal or unenforceable provision or provisions had never been contained herein unless the deletion of such provision or provisions would result in such a material change as to cause completion of the transactions contemplated hereby to be unreasonable.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

CHESAPEAKE ENERGY MARKETING, INC., an Oklahoma corporation

By /s/ Aubrey K. McClendon

Aubrey K. McClendon, Chief Executive Officer

("CEMI")

ADDRESS:

6100 North Western Avenue
Oklahoma City, Oklahoma 73118
Attention: Aubrey K. McClendon
Facsimile No. (405) 848-8588

JOHN HANCOCK HIGH YIELD BOND FUND

By: /s/ Arthur N. Calavritinos

Arthur N. Calavritinos,
Vice President and Portfolio Manager

JOHN HANCOCK VARIABLE ANNUITY HIGH YIELD BOND FUND

By /s/ Arthur N. Calavritinos

Arthur N. Calavritinos,
Vice President and Portfolio Manager

(the "Noteholders")

ADDRESS FOR EACH NOTEHOLDER:

c/o John Hancock Funds
101 Huntington Avenue
Boston, Massachusetts 02199
Facsimile No. (___) _____

SCHEDULE "1"

NOTEHOLDER	FACE AMOUNT OF NOTES	6/27/00 ACCRETED VALUE
JOHN HANCOCK HIGH YIELD BOND FUND	$4,990,000.00	$3,879,462.53
JOHN HANCOCK VARIABLE ANNUITY HIGH YIELD BOND FUND	$ 10,000.00	$ 7,774.47

SCHEDULE "2"

INITIAL ALLOCATION OF PURCHASE PRICE

NOTEHOLDER	CASH PORTION	ORIGINAL SHARES*	SHARE AMOUNT
John Hancock High Yield Bond Fund	$1,118,771.37	473,938 shares	$2,760,691.16
John Hancock Variable Annuity High Yield Bond Fund	$ 2,242.03	950 shares	$ 5,532.45

* BASED ON $5.825 PER SHARE

EXHIBIT 2.4

SENIOR SECURED DISCOUNT NOTES PURCHASE AGREEMENT

THIS SENIOR SECURED DISCOUNT NOTES PURCHASE AGREEMENT (the "Agreement"), is entered into this 26th day of June, 2000, between CHESAPEAKE ENERGY MARKETING, INC. ("CEMI") and INGALLS & SNYDER VALUE PARTNERS, L.P., HERITAGE MARK FOUNDATION and ARTHUR R. ABLIN (each a "Noteholder" and collectively the "Noteholders").

RECITALS:

A. Each Noteholder owns the 14 1/8% Series B Senior Secured Discount Notes Due 2006 issued by Gothic Energy Corporation, an Oklahoma corporation ("Gothic"), in the amounts set forth next to such Noteholder's name in Schedule "1" attached hereto as a part hereof (the "Notes") which Notes were issued and are held pursuant to that certain Indenture dated as of April 21, 1998 between The Bank of New York as Trustee (the "Trustee") and Gothic as Issuer (the "Indenture") and are secured by the Pledged Collateral described in that certain Pledge Agreement dated as of April 21, 1998 between Gothic as Pledgor and the Trustee as Collateral Agent (the "Pledge Agreement" and collectively with the Notes and the Indenture, the "Note Documents").

B. CEMI desires to acquire and each Noteholder severally desires to sell the Notes owned by such Noteholder for a purchase price consisting of cash and Chesapeake Energy Corporation common stock, par value of $0.01 per share (the "CEC Common Stock") in such manner and on the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the recitals and the mutual covenants and agreements set forth in this Agreement and for the purpose of prescribing the terms and conditions for the purchase and sale of the Notes, the parties hereby agree as follows:

1. Purchase and Sale. Subject to the terms and conditions set forth in this Agreement and the Registration Rights Agreement (as hereinafter defined), each Noteholder hereby agrees to sell its Notes and such Noteholder's beneficial interest in the Note Documents to CEMI and CEMI hereby agrees to purchase each Noteholder's Notes and such Noteholder's beneficial interest in the Note Documents and pay the Purchase Price (as hereinafter defined) to the respective Noteholders.

2. Purchase Price. Upon satisfaction or waiver of the conditions precedent set forth in paragraphs 8 and 9 hereof in accordance with the terms thereof, and in consideration for the sale of the Notes to CEMI, CEMI will pay to each Noteholder cash via wire transfer of immediately available funds in the amount set forth for such Noteholder in Schedule "2" attached hereto as a part hereof and will transfer to such Noteholder the number of shares of CEC Common Stock set forth for such Noteholder in Schedule "2" (the "Purchase Price") on the Closing Date (as hereinafter defined).

3. Closing. Subject to the terms and provisions hereof, the closing of the transactions provided for herein (the "Closing") shall occur at 10:00 a.m. E.D.T. at the offices of Andrews & Kurth, L.L.P., 805 Third Avenue, New York City, New York on June 27, 2000 (the "Closing Date") unless another

date, time or place is agreed to in writing by the parties hereto. The obligations of each Noteholder to deliver its Notes to CEMI at the Closing shall be subject to simultaneous delivery of the cash and CEC Common Stock constituting the Purchase Price payable to each Noteholder.

4. Representations and Warranties of Noteholder. Each Noteholder, severally as to itself only, represents and warrants to CEMI as follows:

4.1 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement by such Noteholder will result in the creation of any material lien, charge or encumbrance upon such Noteholder's Notes or such Noteholder's interest in the Note Documents.

4.2 Authorization of Agreement. The execution, delivery and performance of this Agreement by each Noteholder has been duly and validly authorized by all requisite action. The execution, delivery and performance by the Noteholder of all other agreements and transactions contemplated hereby have been, or prior to Closing will be, duly authorized and approved by all requisite action on the part of the Noteholder. This Agreement has been, and the other agreements and instruments contemplated hereby when executed and delivered will be, duly executed and delivered by the Noteholder as required and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of the Noteholder enforceable against the Noteholder in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

4.3 Broker's or Finder's Fees. No Noteholder has incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

4.4 Claims or Litigation. Other than as described in the Restructure Agreement (as hereinafter defined), there is no material suit, action or other proceeding pending before any court or governmental agency and, to the knowledge of the Noteholder, there is no material claim, dispute, suit, action or other proceeding threatened involving the Notes or the Noteholder's interest in the Note Documents.

4.5 Investment Intent. On the Closing Date, each Noteholder is acquiring the CEC Common Stock for investment purposes only and not with a view to or in connection with a distribution within the meaning of the Securities Act of 1933, as amended (the "33 Act"), except as provided in the Registration Rights Agreement. Each Noteholder understands and agrees that the certificates representing the CEC Common Stock will have a legend imprinted thereon to the following effect:

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER STATE SECURITIES LAWS. SUCH SHARES OF COMMON STOCK MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID SECURITIES ACT COVERING THE TRANSFER OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE OR THAT REGISTRATION UNDER SAID SECURITIES ACT IS NOT REQUIRED."

4.6 Powers of Attorney. There are no outstanding powers of attorney relating to or affecting such Noteholder's Notes or the Noteholder's interest in the Note Documents.

4.7 Note Documents. Each Noteholder: (a) has good title to such Noteholder's Notes free and clear of all liens, claims and encumbrances and such Noteholder will defend title thereto against all claims of any and all persons whomsoever; (b) has full right and authority to transfer and convey such Noteholder's Notes and the related interest in the Note Documents and to execute this Agreement; (c) has not previously sold, assigned, transferred, mortgaged or pledged such Noteholder's Notes or the related interest in the Note Documents or the proceeds now or hereafter due under such Noteholder's Notes; and (d) has not waived, released, discounted, setoff or otherwise discharged or compromised the payments to accrue under such Noteholder's Notes. The unpaid principal balance of such Noteholder's Notes as of the Closing Date is as set forth in Schedule "1" attached hereto.

4.8 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by such Noteholder by contract or otherwise including, without limitation, consents by Gothic or the Trustee.

5. Representations and Warranties of CEMI. CEMI represents and warrants to the Noteholders as follows:

5.1 Organization, Good Standing, Etc. Chesapeake Energy Corporation ("CEC") and CEMI are corporations duly organized, validly existing and in good standing under the laws of the State of Oklahoma. CEMI has the corporate power to execute and deliver this Agreement and to consummate the transactions contemplated hereby. CEMI is a wholly owned subsidiary of CEC. Neither CEC nor CEMI is in default under or in violation of any provision of their respective certificate of incorporation or bylaws.

5.2 Capital Stock of CEC. The authorized capital stock of CEC consists of 250,000,000 shares of CEC Common Stock and 10,000,000 shares of preferred stock of which 122,721,082 shares of CEC Common Stock and 2,492,037 shares of preferred stock were issued and outstanding as of June 16, 2000. Each share of CEC Common Stock to be issued pursuant to this Agreement will be subject to the Registration Rights Agreement.

5.3 SEC Documents. CEC has delivered or made available to the Noteholders each registration statement, report, definitive proxy statement or definitive information statement and all exhibits thereto filed since December 31, 1998, each in the form (including exhibits and any amendments thereto) filed with the SEC (collectively, the "CEC Reports"). The CEC Reports, which, except as otherwise disclosed, were filed with the SEC in a timely manner, constitute all forms, reports and documents required to be filed by CEC under the 33 Act, the Securities Exchange Act of 1934, as amended (the "34 Act") and the rules and regulations promulgated thereunder. As of their respective dates, the CEC Reports (a) complied as to form in all material respects with the applicable requirements of the 33 Act and the 34 Act and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein not misleading. Each of the balance sheets of CEC included in or incorporated by reference into the CEC Reports (including the related notes and schedules) fairly presents the financial position of CEC as of its date and each of the statements of income, retained earnings and cash flows of CEC included in or incorporated by reference into the CEC Reports (including any related notes and schedules) fairly presents the results of operations, retained earnings or cash flows, as the case may be, of CEC for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein and except, in the case of any unaudited statements, as permitted by Form 10-Q promulgated under the 34 Act.

5.4 No Breach of Statute or Contract; Governmental Authorizations. Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement will violate any law, statute, rule or regulation of any governmental authority, or will on the Closing Date conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or governmental agency, authority to which CEC or CEMI is subject or of any agreement or instrument to which CEC or CEMI is a party.

5.5 Authorization of Agreement. The execution, delivery and performance of this Agreement have been duly and validly authorized and approved by all requisite corporate action on the part of CEMI and CEC. This Agreement has been, and the other agreements contemplated hereby when executed and delivered will be, duly executed and delivered by CEMI or CEC and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of each of them that is a party hereto or thereto, as the case may be, enforceable against each of them in accordance with its terms subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

5.6 Broker's or Finder's Fees. Neither CEMI nor CEC has incurred any liability, contingent or otherwise, for brokers' or finders' fees with respect to this Agreement or the transactions contemplated hereby.

5.7 Litigation. There is no litigation, proceeding or investigation pending or, to the knowledge of CEMI threatened against or affecting CEC or CEMI that questions the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by either CEC or CEMI in connection with the transactions contemplated hereby.

5.8 Vote Required. No vote of the holders of any class or series of CEC capital stock or other voting securities is necessary to approve this Agreement or the transactions contemplated hereby.

5.9 Shares. The CEC Common Stock to be issued to each Noteholder has been duly authorized for issuance to this Agreement and, when issued and delivered by CEMI in accordance with this Agreement, will be validly issued, fully paid and nonassessable. The issuance of the CEC Common Stock under this Agreement is not subject to any preemptive rights.

5.10 Consents. No consents to the transactions contemplated by this Agreement are required to be obtained by CEMI or CEC by contract or otherwise.

6. Information. CEMI and each Noteholder acknowledge and agree that it has been advised that the other party has or may have confidential information (including information received on a privileged basis from Gothic, GPC (as hereinafter defined) or their respective attorneys or financial advisors concerning Gothic or GPC and/or their respective business, properties, condition (financial or otherwise), results of operations, plans or prospects, that is non-public and that may be considered material, including, without limitation, information relating to various alternatives, financial or otherwise, with respect to Gothic, GPC or the Notes (including, but not limited to, a recapitalization or other restructuring of Gothic, GPC or their respective businesses, actions under applicable bankruptcy, liquidation, insolvency or moratorium laws, or otherwise) (collectively, "Confidential Information"). Recognizing the foregoing, neither CEMI nor any Noteholder desires that the other party or parties disclose any Confidential Information, notwithstanding that such Confidential Information may be material to CEMI's decision to purchase the Notes or the Noteholder's decision to sell the Notes and each party hereto specifically requests that each other party hereto not disclose any Confidential Information to any other party hereto or CEC. Each party to this Agreement, for itself and on behalf of its successors and assigns (and in the case of CEMI, for and on behalf of its affiliates including, without limitation, CEC) hereby acknowledges and agrees that: (i) CEMI and its affiliates initiated and still desires to consummate the purchase of the Notes from each Noteholder at the Purchase Price; (ii) each Noteholder still desires to consummate the sale of the Notes to CEMI at the Purchase Price; (iii) no party has made nor makes any representation or warranty (express, implied or otherwise) with respect to Gothic, GPC or their respective businesses, properties, condition (financial or otherwise), results of operations, plans or prospects or with respect to the Notes, other than with respect to the Noteholder's ownership of the Notes and the authority of the Noteholder to transfer the Notes to CEMI; (iv) each party voluntarily assumes all risks associated

with the purchase and sale of the Notes and is not relying on any disclosure or non-disclosure made or not made by any other party or CEC in connection therewith; and (v) such party has no claims, and if any such claim may exist, hereby irrevocably waives and releases, and covenants and agrees not to assert, any claim against any other party, CEC or any of their respective directors, officers, partners, stockholders or affiliates in connection with or arising out of the purchase and sale of the Notes pursuant hereto or any failure by any party or CEC to disclose any Confidential Information, whether such claim arises under federal or state securities laws or otherwise.

7. Covenants. Each Noteholder, severally as to itself only, and CEMI covenant and agree as follows:

7.1 Absolute Conveyance. Each Noteholder hereby acknowledges and agrees that: (a) the conveyance of the Notes and the related interests in the Note Documents to CEMI pursuant to the terms of this Agreement is an absolute conveyance of all of such Noteholder's right, title and interest in and to the Notes and the Note Documents, in fact as well as in form, and neither this Agreement nor any other conveyance document is intended to be a mortgage, trust conveyance, deed of trust or security instrument of any kind; (b) the consideration for such conveyance is exactly as recited in this Agreement; and (c) after the Closing Date and Closing of the transactions contemplated in this Agreement, such Noteholder will have no further interest (including rights of redemption) or claims in, to or against the Notes or the Note Documents or to the proceeds or profits that might be derived therefrom.

7.2 Other Documents. Each Noteholder agrees to execute and deliver to CEMI and to use commercially reasonable efforts to cause the Trustee and Gothic to execute and deliver to CEMI any and all additional assignment documents reasonably requested by CEMI to fully effect the intent of this Agreement.

7.3 Adverse Actions. Each Noteholder covenants and agrees with CEMI that from the date of this Agreement until the Closing Date, such Noteholder will not enter into any contract, agreement, commitment or arrangement with respect to or involving the Notes or the Note Documents or take, participate in or consent to any action which might adversely affect the validity, enforceability or value of the Notes or the Note Documents. Each Noteholder and CEMI acknowledge that certain Agreement In Respect of Restructuring of Gothic Energy Corporation 14 1/8% Series B Senior Secured Discount Notes among Gothic, such Noteholder and others dated on or about June 5, 2000 (the "Restructure Agreement") and each Noteholder hereby (a) represents that such Noteholder has fully complied with the terms of the Restructure Agreement through the date hereof and (b) agrees to fully comply with the terms of the Restructure Agreement through the Closing Date. CEMI hereby agrees that it is purchasing the Notes subject to the Restructure Agreement and agrees to fully comply with and be bound by the terms of the Restructure Agreement from and after the Closing Date.

7.4 Senior Secured Notes. In addition to the Notes, each Noteholder may hold certain 11 1/8% Senior Secured Notes issued by Gothic Production Corporation ("GPC"), a

wholly owned subsidiary of Gothic (the "GPC Notes") and such Noteholder hereby agrees that with respect to any GPC Notes now owned or hereafter acquired by such Noteholder or any affiliate of such Noteholder: (a) such Noteholder will consent to and will not take any action adverse to the terms and conditions of the Restructure Agreement; and (b) such Noteholder will not accelerate any GPC Notes upon the filing of bankruptcy by Gothic.

7.5 Listing Application. CEMI will use its best efforts to cause CEC to make all necessary and appropriate applications to cause the CEC Common Stock to be registered pursuant to the Registration Rights Agreement to be listed on the New York Stock Exchange.

8. Conditions to Obligations of CEMI. The obligations of CEMI to effect the transactions contemplated by this Agreement will be subject to the following conditions:

8.1 Representations and Warranties. Except to the extent waived in writing by CEMI: (a) the representations and warranties of the Noteholders herein contained shall be substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) the Noteholders shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with at or prior to the Closing.

8.2 Other Agreements. As of the Closing Date the Noteholders shall have executed and delivered to CEC an Addendum to the Registration Rights Agreement in the form attached hereto as Schedule "8.2" (the "Registration Rights Agreement") whereby each Noteholder becomes a party to the Registration Rights Agreement.

9. Conditions to Obligations of Noteholder. The obligations of the Noteholders to effect the transactions contemplated by this Agreement shall be subject to the following conditions:

9.1 Representations and Warranties. Except to the extent waived in writing by the Noteholders hereunder: (a) the representations and warranties of CEMI herein contained and the representations and warranties of CEC in the Registration Rights Agreement shall be substantially true at the Closing with the same effect as though made at such time (except if a representation and warranty speaks as of a different date, in which case it shall be substantially true as of such date); and (b) CEMI shall have performed all material obligations and complied with all material covenants required by this Agreement to be performed or complied with by it at or prior to the Closing.

9.2 Registration Rights Agreement. CEC shall have executed and delivered to the Noteholders the Registration Rights Agreement.

10. Purchase Price Adjustments. CEMI and each Noteholder hereby agree that on the date ten (10) days after the expiration of the Averaging Period as defined in paragraph 10.1 (the "Settlement Date"), the Purchase Price will be adjusted based on the following terms and conditions:

10.1 Share Adjustment. Notwithstanding the number of shares of CEC Common Stock set forth in Schedule "2" as part of the Purchase Price payable to a Noteholder (the "Original Shares"), the number of shares of CEC Common Stock to be received by each Noteholder will be the number of shares of CEC Common Stock determined by dividing the dollar value of the CEC Common Stock portion of the Purchase Price set forth in Schedule "2" attached hereto for each Noteholder (the "Share Amount") by the Average Price (the "Purchase Price Shares"). The "Average Price" will be determined by adding the closing price of the CEC Common Stock as quoted on the New York Stock Exchange as of the close of business on each trading day during the thirty (30) calendar days following the date the registration of the Original Shares is effective (the "Averaging Period") and dividing the sum by the number of trading days during the Averaging Period. The number of Purchase Price Shares will be rounded up or down to the nearest whole number and no fractional shares will be issued. Each Noteholder and CEMI acknowledge and agree that: (a) if the number of Purchase Price Shares exceeds the number of Original Shares, CEMI will cause the difference to be paid to the Noteholder in either cash or additional shares of CEC Common Stock covered by the Registration Statement (as hereinafter defined) at the sole option of CEMI; and (b) if the number of Original Shares exceeds the number of Purchase Price Shares, the Noteholder will pay the difference to CEMI in either cash or Original Shares at the sole option of the Noteholder.

10.2 Registration and Interest. CEMI will use its best efforts to cause CEC to file a registration statement under the 33 Act covering the resale of the Original Shares and additional shares of CEC Common Stock to cover adjustments under paragraph 10.1 hereof (the "Registration Statement") within forty-five (45) days after the Closing Date and will use its best efforts to cause the Registration Statement to be declared effective by the Securities and Exchange Commission within one hundred five (105) days after the Closing Date (the "Initial Period"). From the Closing Date through the earlier of the date the Registration Statement is declared effective or the end of the Initial Period the Share Amount will bear interest for the actual number of days elapsed at the per annum rate of fourteen and one-eighth percent (14 1/8%). If the Registration Statement has not been declared effective at or prior to the end of the Initial Period, the Share Amount will bear interest from the end of the Initial Period until the earlier of the date the Registration Statement is declared effective or the end of one hundred eighty (180) days after the Closing Date (the "Secondary Period") for the actual number of days elapsed at the per annum rate of eighteen percent (18%). If the Registration Statement has not been declared effective at or prior to the end of the Secondary Period, the Share Amount will bear interest from the end of the Secondary Period until the date the Registration Statement is declared effective for the actual number of days elapsed at the per annum rate of twenty percent (20%). Interest on the Share Amount will be compounded daily. The interest on the Share Amount will be treated as an adjustment to the Purchase Price, will be due and

payable in full to each Noteholder on the Settlement Date and may be paid, at CEMI's election, in cash or additional shares of CEC Common Stock covered by the Registration Statement.

10.3 Put Right. Notwithstanding anything to the contrary set forth in paragraph 10.2 of this Agreement, in the event the Registration Statement has not been declared effective on or before the first anniversary of the Closing Date, each Noteholder will have the right to put the Original Shares to CEMI at a put price equal to the Share Amount plus all accrued unpaid interest thereon pursuant to paragraph 10.2 to the date the put is satisfied (the "Put Price"). The put right of each Noteholder will be exercised by written notice from such Noteholder to CEMI within thirty (30) days after the first anniversary of the Closing Date and the put will be consummated within seven (7) days after receipt of such notice of exercise by the exercising Noteholder delivering to CEMI the Original Shares duly assigned and CEMI paying the Put Price to such Noteholder by wire transfer of immediately available funds.

11. General Provisions. CEMI and each Noteholder further agree as follows:

11.1 Amendments. Subject to applicable law, this Agreement may be amended only by a written instrument executed by each of the parties hereto at any time prior to the Closing.

11.2 Survival of Covenants, Representations and Warranties. The respective representations and warranties of CEMI and each Noteholder contained in this Agreement shall be deemed made as of the Closing and all covenants and undertakings required to be performed will survive the Closing.

11.3 Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of New York.

11.4 Notices. All notices, requests, demands or other communications required or permitted by this Agreement shall be in writing and effective when received, and delivery shall be made personally or by registered or certified mail, return receipt requested, postage prepaid, or overnight courier or confirmed facsimile transmission, addressed to the parties as set forth in their respective signature blocks to this Agreement.

11.5 Fees and Expenses. All fees and expenses, including attorneys' fees, incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the respective party who has incurred such fee or expense, provided, however, CEMI and/or CEC (to the extent provided in the Registration Rights Agreement) will bear all expenses incurred in connection with the transfer of the Notes and the registration of the Purchase Price Shares.

11.6 Headings. The descriptive headings of the sections and paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to each of the other parties hereto.

11.8 Entire Agreement. This Agreement and the other agreements contemplated hereby constitute the entire agreement among CEMI and the Noteholders with respect to the subject matter hereof. Unless this Agreement is specifically amended in writing, it supersedes all other agreements and understandings among the parties with respect to the subject matter hereof and thereof.

11.9 Publicity. Each Noteholder and CEMI shall, subject to their respective legal obligations (including requirements of the New York Stock Exchange and other similar regulatory bodies), consult with each other, and use reasonable efforts to agree upon the text of any press release before issuing any such press release or otherwise making public statements with respect to the transactions contemplated hereby.

11.10 No Third Party Beneficiaries. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties to this Agreement, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third persons any rights of subrogation or action over or against any party to this Agreement.

11.11 Specific Performance. The Noteholders and CEMI each acknowledge that neither such Noteholder nor CEMI would have an adequate remedy at law for money damages in the event this Agreement was not performed in accordance with its terms, and therefore, agree that such Noteholder and CEMI each shall be entitled to specific enforcement of the terms hereof in addition to any other remedy to which it may be entitled, at law or in equity.

11.12 Partial Illegality or Unenforceability. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be illegal or unenforceable in any respect, such illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such illegal or unenforceable provision or provisions had never been contained herein unless the deletion of such provision or provisions would result in such a material change as to cause completion of the transactions contemplated hereby to be unreasonable.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

CHESAPEAKE ENERGY MARKETING, INC., an Oklahoma corporation

By /s/ Aubrey K. McClendon

Aubrey K. McClendon, Chief Executive Officer

("CEMI")

Address:
6100 North Western Avenue
Oklahoma City, Oklahoma 73118
Attention: Aubrey K. McClendon
Facsimile No. (405) 848-8588

INGALLS & SNYDER VALUE PARTNERS, L.P.

By: Thomas O. Boucher, Jr., Its General Partner

By: /s/ Thomas O. Boucher, Jr.

Name: Thomas O. Boucher, Jr.

Title General Partner

HERITAGE MARK FOUNDATION

By /s/ Frederick C. Foote

Name: Frederick C. Foote

Title Treasurer

/s/ Arthur R. Ablin

ARTHUR R. ABLIN, individually

(the "Noteholders")

ADDRESS FOR EACH NOTEHOLDER:
c/o Ingalls & Snyder LLC
61 Broadway
New York, New York 10006
Facsimile No. (212)

SCHEDULE "1"

NOTEHOLDER	FACE AMOUNT OF NOTES	6/27/00 ACCRETED VALUE
INGALLS & SNYDER VALUE PARTNERS, L.P.	$4,347,000.00	$3,379,563.85
HERITAGE MARK FOUNDATION	$1,000,000.00	$ 777,447.40
ARTHUR R. ABLIN	$ 145,000.00	$ 112,729.87

SCHEDULE "2"

INITIAL ALLOCATION OF PURCHASE PRICE

NOTEHOLDER	CASH PORTION	ORIGINAL SHARES*	SHARE AMOUNT
Ingalls & Snyder Value Partners, L.P.	$974,609.05	412,868 shares	$2,404,954.80
Heritage Mark Foundation	$224,202.68	94,978 shares	$ 553,244.72
Arthur R. Ablin	$ 32,509.39	13,772 shares	$ 80,220.48

* BASED ON $5.825 PER SHARE

EXHIBIT 2.5

June 30, 2000

VIA TELEFACSIMILE

Mr. Michael K. Paulk
President
Gothic Energy Corporation
Gothic Production Company
6120 South Yale Avenue
Tulsa, Oklahoma 74136

Dear Mr. Paulk:

This letter of intent summarizes the principal terms of the proposed acquisition by Chesapeake Energy Corporation, an Oklahoma corporation ("Chesapeake"), of Gothic Energy Corporation, an Oklahoma corporation ("Gothic"), and Gothic Production Company, an Oklahoma corporation and wholly owned subsidiary of Gothic ("Production" and together with Gothic, the "Gothic Parties"). The proposed acquisition and the terms and conditions of the transaction are as follows:

1. Merger. The proposed transaction will be consummated as a merger (the "Merger") of a wholly owned subsidiary of Chesapeake with Gothic. It is the intent of the parties that the Merger will be tax free to the shareholders of Gothic and the Merger will be structured accordingly. In connection with the Merger, the holders of shares of Gothic common stock, par value $.01 ("GEC Stock"), other than Chesapeake or any wholly owned subsidiary of Chesapeake, will receive in the aggregate 4.0 million shares of Chesapeake common stock, par value $.01 (the "CHK Stock") to be allocated among Gothic's shareholders on the basis of the number of shares of GEC Stock owned by such shareholders. As part of the Merger all stock options for GEC Stock issued to any officer, employee, director or independent contractor under Gothic's stock option plans will be converted concurrently with the Merger or will be terminated, canceled and released as of the closing of the Merger. It is the intent of the parties that on consummation of the Merger Chesapeake or Chesapeake's designated subsidiaries will own all of the outstanding capital stock of Gothic. The CHK Stock to be received by Gothic's shareholders in the Merger will be registered under the Securities Act of 1933, and consequently the proxy statement for Gothic's shareholders meeting will comply with the requirements for a Form S-4 Registration Statement under the Securities Act of 1933.

2. Merger Agreements. On the execution and delivery of this letter by each of the parties: (a) Chesapeake will commence preparation of a definitive merger agreement (the

"Agreement"); (b) the parties will make reasonable efforts to prepare and file all required filings under the Hart-Scott-Rodino Antitrust Improvements Act (the "HSR Act"); and (c) the parties will use reasonable efforts to prepare, file and make effective a proxy statement covering the Merger and attempt to secure the requisite shareholder approval by Gothic's shareholders. The Agreement will contain comprehensive representations, warranties, covenants and terms as usual and customary in transactions of this nature. The consummation of the Merger and the parties' obligations under the Agreement will be subject to the usual and customary conditions to a transaction of this nature, including, but not limited to: (x) consents to the Merger by any governmental regulatory agencies whose consent is necessary including, without implied limitation, compliance with the HSR Act; (y) approval of the Merger by Gothic's shareholders; and (z) any consents to the assignment of any material contracts or agreements which are reasonably determined by Chesapeake to be necessary.

3. Access. Subsequent to the execution of this letter through the closing of the Merger, the Gothic Parties will cause the officers, directors, employees, accountants, engineers, investment bankers, legal counsel and all other representatives and agents of the Gothic Parties (the "Gothic Representatives") to provide full and free access to the books, contracts, assets, records, businesses and representatives of the Gothic Parties as Chesapeake may request in connection with Chesapeake's review and investigation of the Gothic Parties. The Gothic Parties and the Gothic Representatives will cooperate fully with Chesapeake and Chesapeake's representatives in completing Chesapeake's due diligence of the Gothic Parties.

4. Conduct of Business. Until the execution and delivery of the Agreement, the Gothic Parties will continue to conduct the operations and businesses of such parties in the ordinary course and will not engage in or permit any extraordinary transactions without the prior written consent of Chesapeake. The Gothic Parties hereby agree that transactions outside the ordinary course include, without limitation, the sale of assets other than in the ordinary course of business, the modification of any material employment relationship, any increase in compensation for any executive officer (other than the exercise of stock options previously issued pursuant to existing employment arrangements), any distributions with respect to any capital stock of Gothic (excluding any exercise of any existing option, warrant or other derivative security in accordance with its terms) and the termination of or default under any material agreements or contracts. The parties agree that the pursuit of existing litigation by the Gothic Parties will be considered in the ordinary course of business but settlement of any litigation where the Gothic Parties are required to admit liability, transfer any assets or incur similar obligations will require the prior written approval of Chesapeake.

5. Exclusive Dealing. On or before the earlier of August 15, 2000, or termination of this letter of intent with the written consent of both parties under paragraph 10 herein, the Gothic Parties will not, directly or indirectly, through any representative or otherwise, solicit or entertain offers from, initiate or participate in negotiations with or encourage, discuss or consider any proposal from any person regarding the Acquisition (as hereafter defined) of: (a) any shares of the capital stock of the Gothic Parties; (b) any of the Gothic Parties or the Gothic Parties' businesses or operations; or (c) any assets of the Gothic Parties other than to unaffiliated third parties for value in the ordinary course of business. For purposes of this letter of intent the term "Acquisition" means

any person acquiring, directly or indirectly, an interest in the Gothic Parties or any business, operation or asset of the Gothic Parties including, without implied limitation, any such action by purchase, merger, reorganization, consolidation, lease, contract or operation of law. Gothic further agrees not to provide any information concerning the Gothic Parties with respect to any of the foregoing. In the event any person should solicit, initiate negotiations or make inquiries relative to any Acquisition the Gothic Parties will immediately notify Chesapeake in writing.

6. Break-up Fee. In the event that any of the Gothic Parties breach paragraph 5 of this letter of intent or terminate this letter of intent after August 15, 2000, and within one (1) year after the date of this letter of intent any of the Gothic Parties enters into a letter of intent or other agreement relating to the Acquisition of a material portion of the capital stock of any of the Gothic Parties or any assets, operations or business, in whole or in part, whether directly or indirectly, through purchase, merger, consolidation, or otherwise (other than sales of inventory or immaterial assets in the ordinary course), then the Gothic Parties will pay to Chesapeake the sum of $10 million (the "Break-up Fee") in immediately available funds. The Break-up Fee is not Chesapeake's exclusive remedy in the event of a breach by the Gothic Parties of any Binding Provision (as hereafter defined) and in such event Chesapeake will be entitled to exercise any and all rights and remedies provided by law or in equity. The Break-up Fee will not be payable by the Gothic Parties in the event that this letter of intent is terminated solely as a result of the failure to obtain the required governmental consents.

7. Restructure Agreement. On or about June 5, 2000, Gothic entered into that certain Agreement in Respect of Restructuring of Gothic Energy Corporation 14 1/8% Series B Senior Secured Discount Notes (the "Restructure Agreement") with certain holders of the Gothic Energy Corporation 14 1/8% Series B Senior Secured Discount Notes (the "Notes") which provided for the restructure of Gothic by filing for protection under the United States Bankruptcy Code (the "Bankruptcy Code") using a prepackaged bankruptcy plan. Subsequent thereto Chesapeake Energy Marketing, Inc., an Oklahoma corporation and a wholly owned subsidiary of Chesapeake ("CEMI"), acquired and continues to hold the Notes that were held by the persons that executed and delivered the Restructure Agreement. Based on current circumstances Gothic does not plan to file for protection under the Bankruptcy Code on or before July 20, 2000, as required by the Restructure Agreement and requests that Chesapeake and CEMI terminate the Restructure Agreement. Accordingly, Chesapeake (for its own account and on behalf of CEMI) and Gothic by the execution and delivery of this letter of intent: (a) jointly and irrevocably terminate the Restructure Agreement; (b) release all parties to the Restructure Agreement from any and all obligations thereunder and any related agreements; and (c) hereby agree to execute or cause to be executed any documents necessary or appropriate to evidence the termination of the Restructure Agreement and the release the obligations arising thereunder.

8. Option. Effective March 27, 2000, Chesapeake Exploration Limited Partnership, an Oklahoma limited partnership ("CELP"), granted to the Gothic Parties an option (the "Option") to acquire all of the Gothic capital stock owned by CELP subject to various conditions which included the Gothic Parties filing for protection under the Bankruptcy Code, affirming various

agreements with Chesapeake and confirming a plan of reorganization. Because neither of the Gothic Parties intend to file a bankruptcy petition and may desire to propose wells in contravention of the terms of the Option, the Gothic Parties hereby irrevocably terminate and release the Option and any and all obligations of CELP under the Option including, without implied limitation, any obligation of CELP to convey any capital stock or security issued by the Gothic Parties and owned by CELP or any affiliated entity. In addition, CELP hereby releases the Gothic Parties from any and all obligations under the Option, whether express or implied, including any obligation of any of the Gothic Parties to file a bankruptcy petition or seek confirmation of a bankruptcy plan. Chesapeake (for its own account and on behalf of CELP) and the Gothic Parties by the execution and delivery of this letter of intent hereby agree to execute or cause to be executed any documents necessary or appropriate to evidence the termination of the Option and the release of the obligations arising thereunder. The termination of the Option will not affect or terminate any provision of that certain Option Purchase Agreement dated February 28, 2000, among the Gothic Parties and CELP.

9. Costs. Chesapeake and the Gothic Parties will be responsible for the costs and expenses incurred by such parties (including any broker, finder's or investment banking fees) incurred in connection with this letter of intent or the transaction contemplated by this letter of intent. Notwithstanding the foregoing: (a) any fees under the HSR Act will be paid fifty percent by Chesapeake and fifty percent by the Gothic Parties; and (b) if a party institutes an action or proceeding against any other party under this letter of intent the unsuccessful party to such action or proceeding will reimburse the prevailing party for the reasonable attorneys' fees and disbursements incurred by the prevailing party. Gothic's remedy in the event that Chesapeake terminates this letter of intent after August 15, 2000 (other than as a result of a breach of this letter of intent by the Gothic Parties or the failure to satisfy the conditions under paragraph 2 of this letter of intent), and within one (1) year after the date of this letter of intent the Gothic Parties have not entered into an Acquisition of the Gothic Parties at a higher price than the value of the CHK Stock on the date of this letter of intent, Chesapeake will pay to the Gothic Parties $1.0 million as a reimbursement of the Gothic Parties' expenses and damages in connection with this proposed transaction.

10. Liability. Except for paragraphs 3 through 10 inclusive (the "Binding Provisions") which are intended to create binding obligations, it is understood that no legal obligation or liability is created by this letter of intent and that the legal obligations and liabilities of the parties are to arise only on the duly authorized execution and delivery of the Agreement. The terms of this letter of intent can only be amended or modified in a writing signed by all parties hereto. Except as expressly set forth in the Binding Provisions or the Agreement, no past or future action, course of conduct, failure to act with respect to the Merger, the failure to negotiate or the failure to consummate the Merger will give rise to or serve as the basis for any liability of the parties. This letter of intent will terminate on the written consent by all of the parties hereto or by written notice of any party after August 15, 2000. The termination of this letter of intent will not affect the liability of a party for the breach of any of the Binding Provisions prior to such termination or the breach of any provision set forth in paragraphs 6, 7, 8, 9 or 10 of this letter of intent, which will survive termination of this letter of intent.

If the foregoing meets with your approval, please sign and return one copy of this letter of intent to our offices no later than 5:00 p.m., June 30, 2000. Each of the parties agrees that this letter of intent may be signed in counterparts or by facsimile without affecting the validity or enforceablity of this letter of intent. On receipt of a signed letter of intent, we will commence preparation of the Agreement for your review and release the joint press release in accordance with the rules of the New York Stock Exchange.

Best Regards,

/s/ Marcus C. Rowland

Marcus C. Rowland
Chief Financial Officer

AGREED TO AND ACCEPTED this 30th day of June, 2000.

GOTHIC ENERGY CORPORATION,
an Oklahoma corporation

By /s/ Michael K. Paulk

Michael K. Paulk, President

GOTHIC PRODUCTION COMPANY,
an Oklahoma corporation

By /s/ Michael K. Paulk

Michael K. Paulk, President

EXHIBIT 3.1.1

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 718,600 shares of its 7% Cumulative Convertible Preferred Stock, par value $.01 per share (the "Acquired Shares").

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 7% Cumulative Convertible Preferred Stock (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 7% Cumulative Convertible Preferred Stock by 718,600 shares, being the total number of the Acquired Shares retired by the Board of Directors. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 718,600 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $7,186.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Chairman of the Board and Chief Executive Officer and attested to by its Secretary, this 10th day of April, 2000.

CHESAPEAKE ENERGY CORPORATION

By: /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chairman of the Board and Chief Executive Officer

ATTEST:

/s/ MARTHA A. BURGER
Martha A. Burger, Secretary

EXHIBIT 3.1.1

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 1,389,363 shares of its 7% Cumulative Convertible Preferred Stock, par value $.01 per share (the "Acquired Shares"), since April 10, 2000.

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 7% Cumulative Convertible Preferred Stock (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 7% Cumulative Convertible Preferred Stock by 1,389,363 shares, being the total number of the Acquired Shares retired by the Board of Directors since April 10, 2000. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 1,389,363 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $13,894.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Chairman of the Board and Chief Executive Officer and attested to by its Secretary, this 19th day of June, 2000.

CHESAPEAKE ENERGY CORPORATION

By: /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chairman of the Board and Chief Executive Officer

ATTEST:

/s/ MARTHA A. BURGER
Martha A. Burger, Secretary

EXHIBIT 3.1.1

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 935,000 shares of its 7% Cumulative Convertible Preferred Stock, par value $.01 per share (the "Acquired Shares"), since June 20, 2000.

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 7% Cumulative Convertible Preferred Stock (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 7% Cumulative Convertible Preferred Stock by 935,000 shares, being the total number of the Acquired Shares retired by the Board of Directors since June 20, 2000. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 935,000 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $9,350.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Executive Vice President and Chief Financial Officer and attested to by its Secretary, this 6th day of July, 2000.

CHESAPEAKE ENERGY CORPORATION

By: /s/ MARCUS C. ROWLAND

Marcus C. Rowland, Executive Vice President and Chief Financial Officer

ATTEST:

/s/ JENNIFER M. GRIGSBY
Jennifer M. Grigsby, Secretary

EXHIBIT 4.6

COMMON STOCK
REGISTRATION RIGHTS AGREEMENT

DATED AS OF JUNE 27, 2000

BY AND AMONG

CHESAPEAKE ENERGY CORPORATION

AND

APPALOOSA INVESTMENT LIMITED PARTNERSHIP I

PALOMINO FUND LTD.

TERSK L.L.C.

OPPENHEIMER STRATEGIC INCOME FUND

OPPENHEIMER CHAMPION INCOME FUND

OPPENHEIMER HIGH YIELD FUND

OPPENHEIMER STRATEGIC BOND FUND/VA

ATLAS STRATEGIC INCOME FUND

PERSONS EXECUTING THE ADDENDUM

This Common Stock Registration Rights Agreement (this "AGREEMENT") is made and entered into as of June 27, 2000 among Chesapeake Energy Corporation, an Oklahoma corporation (the "COMPANY"), Appaloosa Investment Limited Partnership I ("AILP"), Palomino Fund Ltd. ("PALOMINO"), Tersk L.L.C. ("TERSK" and, together with AILP and Palomino, "APPALOOSA"), Oppenheimer Strategic Income Fund ("STRATEGIC"), Oppenheimer Champion Income Fund ("CHAMPION"), Oppenheimer High Yield Fund ("HIGH YIELD"), Oppenheimer Strategic Bond Fund/VA ("VARIABLE"), Atlas Strategic Income Fund ("ATLAS" and, together with Strategic, Champion, High Yield and Variable, "OPPENHEIMER"), and such other Persons executing an addendum (the "ADDENDUM") to this Agreement in the form set forth in Exhibit "A" (each a "NOTEHOLDER" and, collectively, the "NOTEHOLDERS").

The parties comprising Appaloosa and Oppenheimer have each agreed to sell Gothic Energy Corporation 14 1/8% Series B Senior Secured Discount Notes Due 2006 and the beneficial interests in the related indenture and pledge agreement owned by such parties (collectively, the "NOTES") pursuant to separate Senior Secured Discount Notes Purchase Agreements, each dated June 23, 2000, among Chesapeake Energy Marketing, Inc., an Oklahoma corporation and wholly owned subsidiary of the Company ("CEMI"), and each of the parties comprising Appaloosa and Oppenheimer (each, a "PURCHASE AGREEMENT" and, collectively, the "PURCHASE AGREEMENTS"). In order to induce Appaloosa and Oppenheimer to sell the Notes, the Company has agreed to provide the registration rights set forth in this Agreement, to make the representations provided in this Agreement and to issue additional shares of stock as provided herein in satisfaction of paragraph 10.1 of the respective Purchase Agreements. The execution and delivery of this Agreement is a condition to the obligations of Appaloosa and Oppenheimer set forth in Section 9 of the respective Purchase Agreements. CEMI and the Company will offer to provide the registration rights contained in this Agreement to other holders of Notes that (i) agree to sell such Notes in whole or in part for shares of Common Stock pursuant to a Purchase Agreement with CEMI and (ii) execute the Addendum. For purposes of this Agreement, any such purchase agreement shall be a "Purchase Agreement," and such notes and the holders' beneficial interests in related note documentation shall be "Notes." Capitalized terms used herein but not defined have the respective meanings set forth in the Purchase Agreements.

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

ACT: The Securities Act of 1933, as amended.

AFFILIATE: As defined in Rule 144 of the Act.

BUSINESS DAY: Any day on which the New York Stock Exchange is open for trading and which is not a legal United States holiday.

CLOSING DATE: June 27, 2000.

COMMON STOCK: Common Stock, $.01 par value per share, of the Company.

COMMISSION: The Securities and Exchange Commission.

EFFECTIVE DATE: The date the Shelf Registration Statement is declared effective by the Commission.

EXCHANGE ACT: The Securities Exchange Act of 1934, as amended.

HOLDERS: As defined in Section 2 hereof.

PERSON: Any individual, corporation, partnership, joint venture, trust, estate, unincorporated organization or government or any agency or political subdivision thereof.

PROSPECTUS: The prospectus included in the Shelf Registration Statement at the time such Shelf Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, all material incorporated by reference into such Prospectus and any information previously omitted in reliance upon Rule 430A of the Act.

PURCHASE PRICE: The cash and Shares to be exchanged as payment for the Notes pursuant to the Purchase Agreements.

RECOMMENCEMENT DATE: As defined in Section 5(b) hereof.

RULE 144: Rule 144 promulgated under the Act.

SHARES: The shares of Common Stock constituting a portion of the Purchase Price which are transferred to the Noteholders pursuant to the Purchase Agreements including any adjustment under paragraph 10.1 of the Purchase Agreement.

SHELF REGISTRATION STATEMENT: As defined in Section 3 hereof.

SUSPENSION NOTICE: As defined in Section 5(b) hereof.

TRANSFER RESTRICTED SECURITIES: The Shares, upon delivery thereof to the Noteholders pursuant to the respective Purchase Agreements and at all times subsequent thereto, until (a) the date on which the Shares have been disposed of in accordance with the Shelf Registration Statement, (b) the date on which the Shares are distributed to the public pursuant to Rule 144 or are saleable pursuant to Rule 144(k) (or similar provisions then in effect) under the Act or (c) the date on which the Shares cease to be outstanding. A Share will cease being a Transfer Restricted Security at such time that the foregoing clauses (a), (b) or (c) apply to such Share.

SECTION 2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "HOLDER") whenever such Person owns Transfer Restricted Securities.

SECTION 3. SHELF REGISTRATION

As soon as practicable after the Closing Date but in no event later than 45 days after the Closing Date, the Company shall file with the Commission a shelf registration statement pursuant to Rule 415 under the Act (the "SHELF REGISTRATION STATEMENT"), relating to all Transfer Restricted Securities, and shall use its best efforts to cause such Shelf Registration Statement to become effective on or prior to 105 days after the Closing Date. The Shelf Registration Statement will cover a minimum of 20 million shares of Common Stock in order to provide for the initial consideration and any additional shares of Common Stock which might be issued under paragraph 10.1 of each of the Purchase Agreements.

The Company shall use its best efforts to keep the Shelf Registration Statement required by this Section 3 continuously effective, supplemented and amended as required by and subject to the provisions of Section 5(a) hereof to the extent necessary to ensure that it is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 3, and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for the shorter of (i) two years following the Closing Date or (ii) the date on which all Transfer Restricted Securities covered by the Shelf Registration Statement have been sold pursuant thereto.

SECTION 4. PROVISION BY HOLDERS OF CERTAIN INFORMATION

No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in the Shelf Registration Statement pursuant to this Agreement unless such Holder furnishes to the Company in writing the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with the Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. Each Noteholder agrees to furnish the Company such information on or before the Closing Date. Each selling Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

SECTION 5. SHELF REGISTRATION PROCEDURES

(a) Procedures. In connection with the Shelf Registration Statement, the Company shall:

(i) use its best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4 hereof), and pursuant thereto the Company will prepare and file with the Commission a Shelf Registration Statement relating to the

registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof. The Company shall not be permitted to include in the Shelf Registration Statement any securities other than the Transfer Restricted Securities;

(ii) use its best efforts to keep such Shelf Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 of this Agreement. Upon the occurrence of any event that would cause any such Shelf Registration Statement or the Prospectus contained therein (i) to contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading or (ii) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company shall file promptly (A) an appropriate amendment to such Shelf Registration Statement curing such defect, and, if Commission review is required, use its best efforts to cause such amendment to be declared effective as soon as practicable, (B) a supplement pursuant to Rule 424 under the Act curing such defect or (C) an Exchange Act report incorporated by reference curing such defect;

(iii) prepare and file with the Commission such amendments and post-effective amendments to the Shelf Registration Statement as may be necessary to keep such Shelf Registration Statement effective for the applicable period set forth in Section 3 hereof, cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all Transfer Restricted Securities covered by such Shelf Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Shelf Registration Statement or supplement to the Prospectus;

(iv) advise the Holders and underwriters, if any, promptly and, if requested by such Persons, confirm such advice in writing, (A) when the Shelf Registration Statement or any Prospectus supplement or post- effective amendment has been filed, and, with respect to the Shelf Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Shelf Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Shelf Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Shelf Registration Statement, the Prospectus, any amendment or supplement thereto made, not misleading;

(v) subject to Section 5(a)(ii), if any fact or event contemplated by Section 5(iv)(D) above shall exist or have occurred, prepare a post-effective amendment or supplement to the Shelf Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(vi) deliver to each Holder and underwriter, if any, without charge, a reasonable number of copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Holder or underwriter reasonably may request; the Company hereby consents to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each Holder and each underwriter, if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(vii) prior to any offering of Transfer Restricted Securities, cooperate with the Holders in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as reasonably requested and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement; provided, however, that the Company shall not be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Shelf Registration Statement, in any jurisdiction where it is not now so subject;

(viii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends;

(ix) list all shares of Common Stock covered by the Shelf Registration Statement on the principal U.S. securities exchange on which the Common Stock is then listed;

(x) use its best efforts to cause the disposition of the Transfer Restricted Securities covered by the Shelf Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be required to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities;

(xi) use its best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to the Shelf Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) covering a twelve-month period beginning after the Effective Date (as such term is defined in paragraph (c) of Rule 158 under the Act);

(xvii) provide to the Holders with a reasonable opportunity to review and comment on any registration statement to be filed pursuant to this Agreement prior to the filing thereof with the Commission, and shall make all changes thereto as any Holder may request in writing to the extent such changes are required, in the judgment of the Company, by the Act;

(xviii) use reasonable commercial efforts to obtain the withdrawal of any order suspending the effectiveness of such registration statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Transfer Restricted Securities for sale in any jurisdiction, at the earliest possible moment;

(xix) use its best efforts to furnish to each Holder and to each managing underwriter, if any, a signed counterpart, addressed to such Holder or such underwriter, if any, of (i) an opinion or opinions of counsel to the Company and (ii) a comfort letter or comfort letters from the Company's independent public accountants pursuant to SAS 72, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as such Holder or the managing underwriter reasonably requests;

(xx) enter into customary agreements (including underwriting agreements in customary form, which shall include "lock-up" obligations as may be requested by the managing underwriters, not to exceed 90 days in duration, but excluding shares that may be issued pursuant to benefit plans or in connection with mergers or acquisitions) and take such other actions (including using its reasonable efforts to make such domestic road show presentations and otherwise engaging in such reasonable marketing support in connection with any underwritten offering, including without limitation the obligation to make its executive officers available for such purpose of so requested by the selling Holder (a "Road Show")) as are reasonably requested by any selling Holder in order to expedite or facilitate the sale of any Transfer Restricted Securities covered by a registration statement pursuant to an underwritten offering in accordance herewith; and

(xxi) select an investment banking firm or firms of national standing to manage the underwritten offering, subject to the reasonable consent of the Holders of a majority of the Transfer Restricted Securities for such registration.

(b) Restrictions on Holders. Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of (i) the notice referred to in Section 5(a)(iv)(C), (ii) any notice from the Company of the existence of any fact of the kind described in Section 5(a)(iv)(D) hereof or (iii) any notice from the Company that (a) sales under the Shelf Registration Statement would require the disclosure of material information which the Company has a bona fide business purpose for preserving as confidential, or (b) such disclosure would impede the Company's ability to consummate a material transaction (in each case, a "SUSPENSION NOTICE"), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the Shelf Registration Statement until (A) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 5(a)(v) hereof, or (B) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the "RECOMMENCEMENT DATE"), provided, that any suspension pursuant to clause (iii) above shall not exceed 60 days in any twelve-month period. Each Holder receiving a Suspension Notice hereby agrees that it will either (x) destroy any Prospectuses, other than permanent file copies, then in such Holder's possession which have been replaced by the Company with more recently dated Prospectuses or (y) deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice.

(c) Restrictions on the Company. During the period specified in Section 3 of this Agreement, the Company will not effect any public sale or distribution of any securities the same as or similar to the Transfer Restricted Securities, or any securities convertible into or exchangeable or exercisable for any Company securities the same as or similar to the Transfer Restricted Securities (except pursuant to registration on Form S-4 or any successor form, or otherwise in connection with the acquisition of a business or assets of a business, a merger, or an exchange offer for the securities of the issuer of another entity, or registrations on Form S-8 or any successor form relating solely to securities offered pursuant to any benefit plan), during the 14-day period prior to and through the period (i) beginning on the commencement of the public distribution of Transfer Restricted Securities pursuant to the Shelf Registration Statement in an underwritten offering by or on behalf of any Holder to the extent timely notified in writing by the selling Holders or the underwriters managing such distribution and (ii) ending on the first to occur of (A) the 90th day after such commencement and (B) the end of such distribution (the "Company Standstill Period"), including that portion of such period following an underwritten distribution commenced during the Company Standstill Period that does not coincide with the Company Standstill Period.

SECTION 6. PIGGYBACK REGISTRATIONS

(a) In addition to the agreements relating to the Shelf Registration Statement the Company agrees as follows:

(i) If at any time the Company proposes to file an additional registration statement under the Act with respect to an offering of Common Stock (x) for the Company's own account (except pursuant to registrations on Form S-4 or any successor form, or Form S-8 or any successor form relating solely to securities issued pursuant to any benefit plan) or (y) for the account of any holders of Common Stock other than the Noteholders, then (A) the Company shall give written notice of such proposed filing to the Noteholders as soon as practicable (but in no event less than 30 days before the anticipated filing date), (B) such notice shall offer each Noteholder, subject to the terms and conditions hereof, the opportunity to request that such actions be taken under Rule 429 under the Act ("Rule 429") as shall cause the prospectus contained in such additional registration statement (a "Noteholder Piggyback Registration Statement") to be available to permit the offer and sale, at such Noteholder's election, of some or all of the Transfer Restricted Securities owned by such Noteholder on the same terms and conditions as the Company's or such other holder's Common Stock (a Noteholder Piggyback Sale"), and (C) the Company shall otherwise take such reasonable actions as will enable such Noteholder to effect a Noteholder Piggyback Sale on such terms and conditions.

(ii) Subject to Section 6(b), the Company shall take such actions as shall be required under Rule 429 to cause the combined prospectus contained in such Noteholder Piggyback Registration Statement to permit the offer and sale of all Transfer Restricted Securities requested by such Noteholder within 20 days after the receipt of any notice given by the Company pursuant to Section 6(a)(i), clause (A), to be covered by such combined prospectus; provided, however, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of such Noteholder Piggyback Registration Statement, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to each Noteholder and, thereupon, (i) in the case of a determination not to register, will be relieved of any obligation to cause any Transfer Restricted Securities to be covered by such combined prospectus, without prejudice, however, to the rights of any Noteholder to have its Transfer Restricted Securities continue to be included in the Shelf Registration Statement and (ii) in the case of a determination to delay registering, shall be permitted to delay causing any Transfer Restricted Securities to be covered by the combined prospectus for the same period as the delay in registering such other securities.

(iii) If the offering pursuant to such Noteholder Piggyback Registration Statement is to be underwritten, then each Noteholder making a request for a Noteholder Piggyback Sale pursuant to this Section 6(a) must participate in such underwritten offering and shall not be permitted to make any other offering in connection with such registration. If the offering pursuant to such Noteholder

Piggyback Registration Statement is to be on any other terms, then each Noteholder making a request for a Noteholder Piggyback Sale pursuant to this Section 6(a) must participate in such offering on such basis and shall not be permitted to make an underwritten offering in connection with such registration. Each Noteholder shall be permitted to withdraw all or part of such Noteholder's Transfer Restricted Securities from coverage by a Noteholder Piggyback Registration Statement at any time prior to (but only prior to) the effective date thereof without prejudice to the rights of such Noteholder to have its Transfer Restricted Securities continue to be included in the Shelf Registration Statement.

(b) Notwithstanding anything contained herein, if the managing underwriter or underwriters of a sale or offering described in Section 6(a) pursuant to which a Noteholder has requested a Noteholder Piggyback Sale shall advise the Company in writing that (x) the size of the offering that the Noteholders, the Company and any other holders intend to make or (y) the kind of securities that one or more Noteholders, the Company and such other holders intend to include in such offering are such that the success of the offering would be materially and adversely affected, then (A) if the size of the offering is the basis of such underwriter's advice, the amount of Transfer Restricted Securities to be offered for the account of any Noteholder shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters; provided, however, that, if securities are being offered for the account of Persons other than the Company or such Noteholder, the proportion by which the amount of such Transfer Restricted Securities intended to be offered for the account of any Noteholder is reduced shall not exceed the proportion by which the amount of such securities intended to be offered for the account of such Persons is reduced; and (B) if the combination of securities to be offered is the basis of such underwriter's advice (1) the Transfer Restricted Securities to be included in such offering shall be reduced as described in clause (A) above (subject to the provision in clause (A)) or (2) if the actions described in sub-clause (1) of this clause (B) would, in the judgment of the managing underwriter, be insufficient to eliminate the adverse effect that inclusion of the Transfer Restricted Securities requested to be included would have on such offering, such Transfer Restricted Securities will be excluded from such offering, but only if all shares of Common Stock are also excluded. Any reduction in Transfer Restricted Securities to be included in an underwritten offering as contemplated by this Section 6(b) shall be without prejudice to the Noteholders' rights to have their Transfer Restricted Securities continue to be included in the Shelf Registration Agreement.

SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company's performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Shelf Registration Statement required by this Agreement becomes effective, including without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing, messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company and not more than one counsel for the Holders of Transfer Restricted Securities as described in Section 7(b) below; (v) all application and filing fees in connection with listing the Common Stock on a national securities exchange pursuant to the requirements hereof; (vi) all fees and disbursements of independent certified public accountants of the

Company (including the expenses of any special audit and comfort letters required by or incident to such performance); ; and (vii) fees and expenses in connection with any review of underwriting arrangements by the National Association of Securities Dealers, Inc. including fees and expenses of any "qualified independent underwriter" in connection with an underwritten offering.

The Company will, in any event, bear its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company. The Noteholders will bear the expense of any underwriting commissions in connection with an underwritten offering.

(b) The Company will reimburse the Holders selling Transfer Restricted Securities pursuant to the "Plan of Distribution" contained in the Shelf Registration Statement for the reasonable fees and disbursements of not more than one counsel selected by the Holders of a majority of the Transfer Restricted Securities.

SECTION 8. INDEMNIFICATION

(a) The Company agrees to indemnify and hold harmless each Holder, its directors, its officers and each Person, if any, who controls such Holder (within the meaning of Section 15 of the Act and Section 20 of the Exchange Act), from and against any and all losses, claims, damages, liabilities, judgments, (including without limitation, any legal or other expenses incurred in connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in the Shelf Registration Statement, preliminary prospectus or Prospectus (or any amendment or supplement thereto) provided by the Company to any Holder or any prospective purchaser of Shares pursuant to the Shelf Registration Statement or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by an untrue statement or omission or alleged untrue statement or omission that is based upon information relating to any of the Holders furnished in writing to the Company by any of the Holders expressly for use in the Shelf Registration Statement or Noteholder Piggyback Registration Statement.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company and its directors and officers, and each Person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company, to the same extent as the foregoing indemnity from the Company set forth in section (a) above, but only with reference to information relating to such Holder furnished in writing to the Company by such Holder expressly for use in the Shelf Registration Statement.

(c) In case any action shall be commenced involving any Person in respect of which indemnity may be sought pursuant to Section 7(a) or 7(b) (the "indemnified party"), the indemnified party shall promptly notify the Person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees

and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 7(a) and 7(b), a Holder shall not be required to assume the defense of such action pursuant to this Section 7(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, shall be at the expense of the Holder). Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party shall have failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Holders of a majority of the Transfer Restricted Securities, in the case of the parties indemnified pursuant to Section 7(a), and by the Company, in the case of parties indemnified pursuant to Section 7(b). The indemnifying party shall indemnify and hold harmless the indemnified party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action (i) effected with its written consent or (ii) effected without its written consent if the settlement is entered into more than (20) twenty Business Days after the indemnifying party shall have received a request from the indemnified party for reimbursement for the fees and expenses of counsel (in any case where such fees and expenses are at the expense of the indemnifying party) and, prior to the date of such settlement, the indemnifying party shall have failed to comply with such reimbursement request. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened action in respect of which the indemnified party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the indemnified party, unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability on claims that are or could have been the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) To the extent that the indemnification provided for in this Section 7 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or judgments in such proportion as is appropriate to reflect the relative fault of the Company on the one hand, and of the Holders, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of the Holders, on the other hand, shall be determined by reference to, among other things, whether the

untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or by the Holders, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and judgments referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

The Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any matter, including any action that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section 8, no Holder will be required to contribute any amount in excess of the amount by which the net proceeds of the offering (before deducting expenses) received by such Holder exceeds the amount of damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective Transfer Restricted Securities held by each of the Holders hereunder and not joint.

SECTION 9. RULE 144A AND RULE 144

The Company agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company (i) is not subject to Section 13 or 15(d) of the Exchange Act, to make available, upon request of any Holder of Transfer Restricted Securities, to any Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resale of such Transfer Restricted Securities pursuant to Rule 144A, and (ii) is subject to Section 13 or 15(d) of the Exchange Act, to make all filings required thereby in a timely manner in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144 (if available).

SECTION 10. REPRESENTATIONS

(a) The Company (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Oklahoma, (ii) has the corporate power to execute and deliver this Agreement and to consummate the transactions contemplated hereby and (iii) is not in default under or in violation of any provision of the Company's certificate of incorporation or bylaws.

(b) The authorized capital stock of the Company consists of 250,000,000 shares of Common Stock and 10,000,000 shares of preferred stock of which 122,721,082 shares of Common Stock and 2,492,037 shares of preferred stock were issued and outstanding as of June 16, 2000.

(c) The Company has delivered or made available to the Noteholder each registration statement, report, definitive proxy statement or definitive information statement and all exhibits thereto filed since December 31, 1998, each in the form (including exhibits and any amendments thereto) filed with the Commission. Except as otherwise disclosed, such reports were filed with the Commission in a timely manner, constitute all forms, reports and documents required to be filed by the Company under the Act, the Exchange Act and the rules and regulations promulgated thereunder. As of their respective dates, such reports (a) complied as to form in all material respects with the applicable requirements of the Act and the Exchange Act and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein not misleading. Each of the balance sheets of the Company included in or incorporated by reference in such reports (including the related notes and schedules) fairly presents the financial position of the Company as of the date thereof and each of the statements of income, retained earnings and cash flow of the Company included or incorporated by reference into such reports (including any related notes and schedules) fairly presents the results of operations, retained earnings or cash flows, as the case may be, of the Company for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein and except, in the case of any unaudited statements, as permitted by Form 10-Q promulgated under the Exchange Act.

(d) Neither the execution and delivery of this Agreement nor compliance with the terms and provisions of this Agreement will violate any law, statute, rule or regulation of any governmental authority, or will on the Closing Date conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or governmental agency, authority to which the Company is subject or of any agreement or instrument to which the Company is a party.

(e) The execution, delivery and performance of this Agreement have been duly and validly authorized and approved by all requisite corporate action on the part of the Company. This Agreement has been, and the other agreements contemplated hereby when executed and delivered will be, duly executed and delivered by the Company and, assuming the due authorization, execution and delivery hereof and thereof by the other parties hereto or thereto, this Agreement constitutes and, when executed, each of the other agreements contemplated hereby will constitute, a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

(f) There is no litigation, proceeding or investigation pending or, to the

knowledge of the Company threatened against or affecting the Company that questions the validity or enforceability of this Agreement or any other document, instrument or agreement to be executed and delivered by either the Company or CEMI in connection with the transactions contemplated hereby.

(g) No vote of the holders of any class or series of the Company's capital stock or other voting securities is necessary to approve this Agreement or the transactions contemplated hereby.

(h) As of the Closing Date CEMI is solvent.

SECTION 11. MISCELLANEOUS

(a) Remedies. The Company acknowledges and agrees that any failure by the Company to comply with its obligations under Section 3 hereof may result in material irreparable injury to the Noteholders or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Noteholders or any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Section 3 hereof. The Company further agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company will not, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The Company has not previously entered into any agreement (which has not expired or been terminated) granting any registration rights with respect to its securities to any Person. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under any agreement in effect on the date hereof.

(c) No Piggybacks on Shelf Registration Statement. The Company shall not grant to any of its security holders (other than the holders of Transfer Restricted Securities in such capacity) the right to include any of their securities in the Shelf Registration Statement other than the Transfer Restricted Securities.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 3 hereof and this Section 10(d)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of Shares representing a majority of the outstanding Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or its Affiliates).

(e) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company, on the one hand, and the Noteholders, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect their rights hereunder.

(f) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, to the address set forth on the records of either the Registrar with respect to the Shares or The Depository Trust Company, as the case may be;

(ii) if to the Company: to Chesapeake Energy Corporation, 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, Attention: Corporate Secretary, with a copy to Winstead Sechrest & Minick P.C., 5400 Renaissance Tower, 1201 Elm Street, Dallas, Texas 75270, Attention: Connie S. Stamets; and

(iii) if to the Noteholders: to Appaloosa Management, L.P., 26 Main Street, Chatham, New Jersey 07928, Attention: Mr. Ronald Goldstein; to Oppenheimer Funds, Inc., 2 World Trade Center, 34th Floor, New York, New York 10048-0203, Attention: Mr. Thomas Reedy; to any other Noteholder at the address set forth in the Addendum executed by the Noteholder; or in any case to such other address as the Person to be notified may have requested in writing.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

(g) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders of Transfer Restricted Securities; provided, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreements. If any transferee of any Holder shall acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and the applicable Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(h) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(i) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(j) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

(k) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(l) Entire Agreement. This Agreement, together with the Purchase Agreements, is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(m) Common Stock Issuance. Under the terms of paragraph 10.1 of each of the Purchase Agreements, CEMI is obligated to cause the issuance of additional shares of Common Stock or to pay additional cash to the Noteholders under certain circumstances. The Company agrees to reserve sufficient shares to satisfy any such obligations, to list such shares of Common Stock with the New York Stock Exchange as provided herein and to include such shares in the Shelf Registration Statement. If CEMI does not satisfy the obligations under paragraph 10.1 of any Purchase Agreement by issuing the required shares of Common Stock or paying the required amount of cash, the Company will issue the number of shares of Common Stock directly to the appropriate Noteholder required to satisfy such obligations under the appropriate Purchase Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Aubrey K. McClendon

Aubrey K. McClendon,
Chief Executive Officer

OPPENHEIMER STRATEGIC INCOME FUND

By: /s/ Robert G. Zack

Name: Robert G. Zack

Title: Assistant Secretary

OPPENHEIMER HIGH YIELD FUND

By: /s/ Robert G. Zack

Name: Robert G. Zack

Title: Assistant Secretary

OPPENHEIMER CHAMPION INCOME FUND

By: /s/ Robert G. Zack

Name: Robert G. Zack

Title: Assistant Secretary

OPPENHEIMER VARIABLE ACCOUNT FUNDS
F/A/O
OPPENHEIMER STRATEGIC BOND FUND/VA

By: /s/ Robert G. Zack

Name: Robert G. Zack

Title: Assistant Secretary

ATLAS ASSETS,INC. F/A/O
ATLAS STRATEGIC INCOME FUND

By: /s/ Steven Gray
Name: Steven Gray
Title: Vice President

APPALOOSA INVESTMENT LIMITED
PARTNERSHIP I

By: /s/ Ronald Goldstein
Name: Ronald Goldstein
Title: Chief Financial Officer

PALOMINO FUND LTD

By: /s/ Ronald Goldstein
Name: Ronald Goldstein
Title: Chief Financial Officer

TERSK L.L.C.

By: /s/ Ronald Goldstein
Name: Ronald Goldstein
Title: Chief Financial Officer

EXHIBIT "A"

CHESAPEAKE ENERGY CORPORATION

ADDENDUM
TO COMMON STOCK
REGISTRATION RIGHTS AGREEMENT

We, the undersigned, execute this Addendum, effective as of the date below, as a condition precedent to our acquisition of Common Stock of Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), and hereby agree to become a party to, and be bound by, that certain Common Stock Registration Rights Agreement (the "Agreement") dated as of June____, 2000, by and among the Company, Appaloosa (as defined in the Agreement), Oppenheimer (as defined in the Agreement) and other persons executing this Addendum from time to time, in all manner and respects as set forth in the Agreement.

Executed as of this _____ day of _____, _____.

By:

By:

Name:

Title:

Address:

Number of shares of Chesapeake Common Stock owned on this date which were acquired in exchange for Gothic Energy Corporation 14 1/8% Series B Senior Secured Discount Notes Due 2006:

EXHIBIT 5.1

July 7, 2000

Chesapeake Energy Corporation
6100 North Western Avenue
Oklahoma City, OK 73118

Re: Registration Statement on Form S-1

Ladies and Gentlemen:

We have examined the Registration Statement on Form S-1 to be filed by you with the Securities and Exchange Commission on or about July 7, 2000. The Registration Statement covers the offer and sale of 20,000,000 shares (the "Shares") of common stock, par value $.01 per share, of Chesapeake Energy Corporation (the "Company"), including 9,468,985 shares to be resold by the selling shareholders (the "Selling Shareholder Shares") as provided in the Prospectus contained in the Registration Statement and an indeterminate number of shares which may be issued (i) to the selling shareholders upon a purchase price adjustment pursuant to Section 10.1 of the purchase agreements filed as Exhibits 2.1, 2.2, 2.3 and 2.4 to the Registration Statement and (ii) to holders of 14 1/8% Series B Senior Secured Discount Notes due 2006 of Gothic Energy Corporation. We have also examined your Certificate of Incorporation, Bylaws and your minute books and other corporate records, and have made such other investigation as we have deemed necessary in order to render the opinions expressed herein.

Based on the foregoing, we are of the opinion that the Selling Shareholder Shares have been legally issued and are fully paid and nonassessable, and the balance of the Shares, when issued in accordance with the terms authorized by the Board of Directors, will be legally issued, fully paid and nonassessable, in accordance with the Oklahoma General Corporation Act.

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

Very truly yours,

/s/ WINSTEAD SECHREST & MINICK P.C.

WINSTEAD SECHREST & MINICK P.C.

EXHIBIT 10.2.3

AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

between

MARCUS C. ROWLAND

and

CHESAPEAKE ENERGY CORPORATION

Effective June 1, 2000

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	3
4.1	Base Salary	3
4.2	Bonus	3
4.3	Stock Options	3
4.4	Benefits	3
4.4.1	Vacation	3
4.4.2	Membership Dues	3
4.4.3	Compensation Review	4
4.4.4	Aircraft Allowance	4
5.	Term	4
6.	Termination	4
6.1	Termination by Company	4
6.1.1	Termination without Cause	4
6.1.2	Termination for Cause	4
6.2	Termination by Executive	5
6.3	Incapacity of Executive	5
6.4	Death of Executive	5
6.5	Effect of Termination	5
7.	Confidentiality	6
8.	Noncompetition	6
9.	Arbitration	7

TABLE OF CONTENTS (continued)

10.	Miscellaneous		7
	10.1	Time	7
	10.2	Notices	7
	10.3	Assignment	8
	10.4	Construction	8
	10.5	Entire Agreement	8
	10.6	Binding Effect	8
	10.7	Attorney's Fees	8
	10.8	Supercession	9

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective June 1, 2000 between CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), and MARCUS C. ROWLAND, an individual (the "Executive") and replaces and supersedes those certain Employment Agreements between Company and Executive dated March 1, 1995, July 1, 1997, and July 1, 1998.

WITNESSETH:

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 part-time basis. The Executive will commit to a schedule to be mutually determined by Executive and the Company from time to time, to average a minimum of two work days per week. Initially the schedule will include all day Monday, one-half day Tuesday and one-half day Wednesday. 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 Senior Vice President - Finance 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, subject to the part-time provision of the Employment Agreement. 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 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. For each calendar year during which this Agreement is in effect, the Executive agrees to hold shares of the Company's common stock having aggregate Investment Value equal to one hundred percent (100%) of the compensation paid to the Executive under paragraphs 4.1 and 4.2 of this Agreement during such calendar year. For purposes of this section, the "Investment Value" of each share of stock will be the higher of either (a) the price paid by the Executive for such share as part of an open market purchase; or (b) the fair market value on the date of exercise for shares acquired through the exercise of employee stock options. Any shares of common stock acquired by the Executive prior to the date of this Agreement and still owned by the Executive during the term of this Agreement may be used to satisfy this requirement to acquire common stock. The Investment Value for previously acquired stock shall be calculated using the average stock price during the first six months of this Agreement.

The stock acquired or owned pursuant to this paragraph 2.4 must be held by the Executive at all times during the Executive's employment by the Company or the Company's affiliated entities. In order to administer this provision, the Executive agrees to return to the Company's Chief Executive Officer a semi-annual report of purchases and ownership in a form prepared by the Company. This paragraph will become null and void if the Company's common stock ceases to be listed on the New York Stock Exchange or on the National Association of Securities Dealers Automated Quotation System. The Company has no obligation to sell or to purchase from the Executive any of the Company's stock in connection with this paragraph 2.4 and has made no representations or warranties regarding the Company's stock, operations or financial condition.

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 June 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 One Hundred Ten Thousand Dollars ($110,000.00), will be paid to the Executive in equal semi-monthly installments beginning June 15, 2000 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 Stock Options. 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 from the Company's various stock option 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 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 provide such coverage 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) part-time weeks of paid vacation during each twelve month period 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) forty percent (40%) of the monthly dues necessary to maintain a full membership in a country club in the Oklahoma City area selected by the Executive; and (b) one hundred percent (100%) of the reasonable cost of any qualified Company 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 Compensation Review. The compensation of the Executive will be reviewed not less frequently than annually by the board of directors of the Company. The compensation of the Executive prescribed by paragraph 4 of this Agreement may be increased at the discretion of the Company, but may not be reduced without the prior written consent of the Executive.

4.4.4 Aircraft Allowance. The Executive will receive the right to use up to ten (10) hours of flight time on the Company's aircraft during each twelve (12) month period covered by this Agreement. Executive agrees to reimburse company for the variable costs associated with this use of flight time.

5. Term. In the absence of termination as set forth in paragraph 6 below, this Agreement will extend for a term of two (2) years and one (1) month commencing on June 1, 2000, and ending on June 30, 2002 (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

6.1 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 thirty (30) business days after the date of such notice (the "Termination Date"). In the event the Executive is terminated without cause, the Executive will receive as termination compensation: (a) continuation of the Base Salary provided by paragraph 4.1 for a three (3) month period following notice of termination; (b) any benefits payable by operation of paragraph 4.4 of this Agreement during the portion of the contract period remaining after the date of the Executive's termination, but in any event, through the Expiration Date; and (c) any vacation pay accrued through the Termination Date. The termination compensation in (a) shall be paid only if the Executive executes the Company's standard termination agreement releasing all legally waivable claims arising from the Executive's employment.

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; (d) willfully and repeatedly fails to perform the Executive's duties hereunder, or e) violates the Noncompetition paragraph of this Agreement. 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 effective date of such termination. 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 effective date of such termination.

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 an effective date of such termination thirty (30) days after the date of such notice, during which time Executive may use remaining accrued vacation days, or at the Company's option, be paid for such days. 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 effective date of such termination.

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 shall be deemed as a termination with cause, any compensation payable under paragraph 4 of this Agreement will be continued through the remaining contract period, but in any event, through the Expiration Date. Notwithstanding the foregoing, the Executive's Base Salary specified in paragraph 4.1 of this Agreement shall 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 six (6) months and (b) the benefits described in paragraph 4.4 of this Agreement accrued through the effective date of such termination.

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, provided that the Executive will maintain the confidentiality of all information acquired by the Executive during the term of his 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 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 effective date of termination, 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 effective date of termination, 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 a copy 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 five (5) 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, Executive

will not: (a) 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, and (b) for the Executive's own account or for the benefit of another party 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. 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. 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 300% 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 9 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.

10. Miscellaneous. The parties further agree as follows:

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

10.2 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:	Mr. Marcus C. Rowland 15000 Wilson Road Edmond, OK 73013

10.3 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.

10.4 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 sitting in Oklahoma County, Oklahoma.

10.5 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.

10.6 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.

10.7 Attorneys' 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 attorneys' fees and disbursements and litigation expenses incurred by the successful party.

10.8 Supercession. 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: /s/ AUBREY K. MCCLENDON

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

By: /s/ MARCUS C. ROWLAND

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

EXHIBIT 10.2.4

May 24, 2000

Mr. Marcus C. Rowland
15000 Wilson Road
Edmond, OK 73013

Dear Marc:

This letter serves to amend the effective date of the Amended and Restated Employment Agreement between Marcus C. Rowland and Chesapeake Energy Corporation dated June 1, 2000. The new effective date of the Agreement shall be August 1, 2000. All other terms of the Agreement shall remain unchanged.

Please indicate your acceptance with your signature below.

Best regards,

/s/ AUBREY K. MCCLENDON
Aubrey K. McClendon

Acknowledged by:

/s/ MARCUS C. ROWLAND

Marcus C. Rowland

May 29, 2000

Date

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated March 24, 2000 relating to the consolidated financial statements and financial statement schedule of Chesapeake Energy Corporation, which appears in such Registration Statement. We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP

Oklahoma City, Oklahoma
July 6, 2000

EXHIBIT 23.2

CONSENT OF INDEPENDENT ENGINEERS

As independent petroleum engineers, Williamson Petroleum Consultants, Inc. (Williamson), hereby consents to the incorporation by reference to Williamson and our evaluation entitled, "Evaluation of Oil and Gas Reserves to the Interests of Chesapeake Energy Corporation in Certain Major-Value Properties in the United States Effective December 31, 1999 for Disclosure to the Securities and Exchange Commission Utilizing Aries Software Williamson Project 9.8764" dated March 22, 2000 in the Chesapeake Energy Corporation Registration Statement on Form S-1 to be filed with the Securities and Exchange Commission on or about July 7, 2000. Williamson also consents to the reference to us as experts under the heading "Experts" in such Registration Statement.

/s/ WILLIAMSON PETROLEUM CONSULTANTS, INC.
WILLIAMSON PETROLEUM CONSULTANTS, INC.

Midland, Texas
July 6, 2000

EXHIBIT 23.3

CONSENT OF RYDER SCOTT COMPANY L.P.

As independent oil and gas consultants, Ryder Scott Company L.P., hereby consents to the use of our reserve report dated as of December 31, 1999 and all references to our firm included in or made a part of the Chesapeake Energy Corporation Form S-1 to be filed with the Securities and Exchange Commission on or about July 7, 2000. We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ RYDER SCOTT COMPANY, L.P.
RYDER SCOTT COMPANY, L.P.

EXHIBIT 24.1

POWER OF ATTORNEY

We, the undersigned officers and directors of Chesapeake Energy Corporation (hereinafter, the "Company"), hereby severally constitute and appoint Aubrey K. McClendon, Tom L. Ward and Marcus C. Rowland, and each of them, severally, our true and lawful attorneys-in-fact and agents, each with full power to act without the other and with full power of substitution and resubstitution, to sign for us, in our names as officers or directors, or both, of the Company, and file with the Securities and Exchange Commission and any state securities regulatory board or commission any documents relating to the securities offered pursuant to this Registration Statement on Form S-1, including any amendments to this Registration Statement on Form S-1 or otherwise (including post-effective amendments) and any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933 and any documents required to be filed with respect thereto, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and to perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as each of us might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

DATED this 7th day of July, 2000.

/s/ Aubrey K. McClendon
- ----------
Aubrey K. McClendon, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)

/s/ Tom L. Ward

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

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

/s/ Michael A. Johnson

Michael A. Johnson, Senior Vice President - Accounting (Principal Accounting Officer)

/s/ E.F. Heizer
- ----------
E.F. Heizer, Jr., Director

/s/ Breene M. Kerr

Breene M. Kerr, Director

/s/ Shannon T. Self
- ----------
Shannon T. Self, Director

/s/ Frederick B. Whitemore

Frederick B. Whittemore, Director