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

FORM 10-K

[X] Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2000

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

COMMISSION FILE NO. 1-13726

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

OKLAHOMA	73-1395733
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6100 NORTH WESTERN AVENUE OKLAHOMA CITY, OKLAHOMA (Address of principal executive offices)	73118 (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $.01	New York Stock Exchange
7.875% Senior Notes due 2004	New York Stock Exchange
9.625% Senior Notes due 2005	New York Stock Exchange
9.125% Senior Notes due 2006	New York Stock Exchange
8.5% Senior Notes due 2012	New York Stock Exchange
7% Cumulative Convertible Preferred Stock, par value $.01	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of Common Stock held by non-affiliates on March 23, 2001 was $1,191,694,668. At such date, there were 158,023,477 shares of Common Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF THE REGISTRANT'S DEFINITIVE PROXY STATEMENT FOR THE 2001 ANNUAL MEETING OF SHAREHOLDERS ARE INCORPORATED BY REFERENCE IN PART III

PART I

ITEM 1. BUSINESS

GENERAL

We are among the ten largest independent natural gas producers in the United States. Chesapeake began operations in 1989 and completed its initial public offering in 1993. Our common stock trades on the New York Stock Exchange under the symbol CHK. Our principal executive offices are located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, and our main telephone number at that location is (405) 848-8000. Chesapeake maintains a website at www.chkenergy.com. Information contained on our website is not part of this report.

At the end of 2000, we owned interests in approximately 6,000 producing oil and gas wells. Our primary operating area is the Mid-Continent region of the United States, which includes Oklahoma, western Arkansas, southwestern Kansas and the Texas Panhandle. Other core operating areas include: the Deep Giddings field in Texas, which includes the Austin Chalk and Georgetown formations; the Helmet area of northeastern British Columbia; and the Permian Basin region of southeastern New Mexico. The following table highlights our growth since 1995:

	YEARS ENDED DECEMBER 31,						FIVE-YEAR ANNUAL AVERAGE GROWTH
	1995	1996	1997	1998	1999	2000	RATE
Production (mmcfe).....	80,857	69,867	80,302	130,277	133,492	134,179	13%
Proved reserves (mmcfe).....	457,851	494,000	448,474	1,091,348	1,205,595	1,656,328(a)	38%
EBITDA ($ in 000's)....	$ 73,600	$144,340	$ 256,421	$ 183,449	$ 218,936	$ 391,190	49%
Operating cash flow ($ in 000's).....	$ 63,366	$130,989	$ 226,639	$ 115,200	$ 137,884	$ 304,934	54%
Net income (loss) ($ in 000's).....	$ 14,451	$ 39,902	$(233,429)	$ (933,854)	$ 33,266	$ 455,570	191%

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(a) These reserves reflect Chesapeake and Gothic on a combined basis at December 31, 2000.

BUSINESS STRATEGY

From inception in 1989, our business strategy has been to aggressively build and develop one of the largest onshore natural gas resource bases in the United States. We are executing our strategy by:

- continuing to grow through the drillbit by conducting what we believe is currently one of the five most active drilling programs in the United States. We currently have 24 rigs drilling on Chesapeake-operated prospects and we are participating in 27 wells being drilled by others;
- continuing to make small acquisitions of strategically located natural gas properties that provide high quality production and significant drilling opportunities. In 2000, we acquired approximately $75 million of such producing properties in 97 separate transactions. Each of these acquisitions either increased our working interest in existing wells or added additional drilling locations in our core areas. In 2001, we have budgeted $140 million for similar acquisitions. In our experience, smaller acquisitions generally provide better economics than larger corporate acquisitions;
- funding our $450 million 2001 capital expenditure plan with operating cash flow and further reducing our debt with our projected excess cash flow; and
- maintaining a low operating cost structure so that we can deliver attractive financial returns from our assets in all phases of the commodity price cycle.

Based on our view that natural gas has become the fuel of choice to meet growing power demand and increasing environmental concerns, we believe our strategy should provide substantial growth opportunities in the years ahead.

COMPANY STRENGTHS

We believe our past performance and future growth potential are primarily attributable to five characteristics that distinguish us from other independent oil and natural gas producers:

High-Quality Asset Base. Our properties are characterized by long-lived reserves, established production profiles and an emphasis on natural gas. Based upon 2000 production and our year-end reserves, our proved reserves-to-production ratio, or reserve life, is more than ten years. In each of our four core operating areas, our properties are concentrated in locations that enable us to establish substantial economies of scale in drilling and production operations and facilitate the application of more effective reservoir management practices. We intend to continue concentrating our acquisition and drilling efforts in our four core operating areas, with particular emphasis on the Mid-Continent region where approximately 74% of our proved reserves, including Gothic's reserves, are located.

Low-Cost Producer. Our high-quality asset base has enabled us to achieve a low operating cost structure. During 2000, our cash operating costs per unit of production, which consist of general and administrative expenses and production expenses and taxes, were $0.66 per mcfe. We believe this is one of the lowest operating cost structures among publicly-traded independent oil and natural gas producers. We operate approximately 71% of our proved reserves, including Gothic's reserves, providing a high degree of operating flexibility and cost control.

Successful Acquisition Program. Our acquisition program is focused primarily in the Mid-Continent region. This region is characterized by long-lived natural gas reserves, low lifting costs, multiple geological targets that provide substantial drilling potential, favorable basis differentials to benchmark commodity prices, a well-developed oil and gas transportation infrastructure and considerable potential for further consolidation of assets. Since 1998, we have successfully completed $1.2 billion in acquisitions at an average cost of $0.98 per mcfe. We believe we are well positioned to continue this consolidation as a result of our large existing asset base, our corporate presence in Oklahoma City and our knowledge and expertise in the Mid-Continent.

Large Inventory of Drilling Projects. During the past 12 years, we believe we have been one of the ten most active drillers in the United States, especially of deep vertical and horizontal wells in challenging reservoir conditions. As a result of our land acquisition strategy, we have developed an onshore leasehold position of approximately 2.5 million net acres. In addition, our technical teams have identified over 1,500 exploratory and developmental drillsites, representing more than five years of future drilling opportunities at our current rate of drilling.

Entrepreneurial Management. Our management team formed Chesapeake in 1989 with an initial capitalization of $50,000. Through the following years, our management team has guided the company through operational challenges and extremes of oil and gas prices to create one of the ten largest independent natural gas producers in the United States with enterprise value at March 15, 2001 of $2.7 billion. In addition, through its ownership of approximately 23 million shares of our common stock, our management has a strong interest in increasing shareholder value.

2000 HIGHLIGHTS

Chesapeake's operating results for the year ended December 31, 2000 established several records for our company:

- net income of $456 million (including a $265 million reversal of a tax valuation allowance), compared to net income of $33 million in 1999,
- operating cash flow of $305 million, compared to operating cash flow of $138 million in 1999,
- production of 134 bcfe, of which 86% was natural gas, and
- proved oil and gas reserves of 1,656 bcfe pro forma for the Gothic acquisition, an increase of 37% from the year ended December 31, 1999.

During 2000, we also replaced 585 bcfe of proved reserves at a replacement cost of $1.07 per mcfe, pro forma for the Gothic acquisition.

GOTHIC ACQUISITION

On January 16, 2001, we completed the acquisition of Gothic with the issuance of four million of our common shares to Gothic shareholders. Prior to the completion of the acquisition, we purchased substantially all of Gothic Production's 14.125% senior secured discount notes and $32 million of Gothic Production's 11.125% senior secured notes for total consideration of $116 million in cash and our common stock. At the time of the acquisition, Gothic Production had $235 million of 11.125% senior secured notes due in 2005 including the notes purchased by Chesapeake.

As of December 31, 2000, Gothic had proved reserves of 291 bcf of natural gas and 1.8 mmbbls of oil (a total of 302 bcfe) with a pre-tax present value (calculated as described in the glossary using weighted average gas and oil prices of $10.17 per mcf and $26.57 per barrel) of approximately $1.3 billion. These reserves, of which 85% were classified as proved developed, had an estimated average reserve life of approximately 11 years and 96% of these reserves were natural gas. Gothic's natural gas reserves and acreage, most of which were acquired from Amoco Production Company, are principally located in the Anadarko and Arkoma basins of the Mid-Continent, have low operating costs per mcfe and are an excellent fit with our existing reserve base.

At December 31, 2000, Gothic held an interest in approximately 480,000 (229,000 net) acres and had an interest in 903 (481 net) producing wells. For the year ended December 31, 2000, Gothic had revenues of $86 million, EBITDA of $68 million, operating cash flow of $29 million and net income of $6 million. Gothic's consolidated financial statements and the pro forma combined financial statements are included in Item 8 -- Financial Statements and Supplementary Data.

IMPROVING OUR CAPITALIZATION

We made significant progress in improving our balance sheet during 2000, increasing common shareholders' equity by over $725 million in a combination of preferred stock exchanges, equity issuances and earnings. Total debt obligations and preferred stock outstanding were $1.2 billion, or $0.99 per mcfe of proved reserves, at the beginning of 2000. These fixed obligations were reduced to $976 million, or $0.72 per mcfe of proved reserves, by the end of 2000.

We have called for redemption on May 1, 2001 all of the outstanding 624,037 shares of our 7% cumulative convertible preferred stock, which are convertible into common stock at a conversion price of $6.95 per share. We intend to use our common stock (other than for the redemption premium) to redeem any shares of the outstanding preferred stock that are not converted into common stock prior to the redemption date.

On March 29, 2001, we announced a proposed private offering to sell $800 million of senior notes due 2011 in order to lower the interest rate and extend the maturity of approximately 74% of our senior notes. If the offering is successfully completed, the proceeds from the proposed offering, together with available cash and bank borrowings, would be used to redeem Chesapeake's existing $120 million principal amount of 9.125% senior notes due 2006, $500 million principal amount of 9.625% senior notes due 2005 and $202.5 million principal amount of 11.125% senior secured notes due 2005 of Gothic Production Corporation, a Chesapeake subsidiary. Redemption of these notes will include payment of aggregate make-whole and redemption premiums estimated at approximately $74 million. The notes to be offered by Chesapeake would not be initially registered under the Securities Act of 1933, as amended, and will not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

2001 OUTLOOK

At the present time, we believe the outlook for Chesapeake is favorable because of our large base of high quality natural gas properties, our geological and operational expertise and very strong natural gas and oil prices. Our goals and the strategy to obtain those goals remain unchanged for 2001:

- replace production by more than 200% at low reserve replacement cost,
- execute a capital expenditure plan balanced between drilling and acquisitions, funded with operating cash flow,
- maintain a superior operating cost structure,
- utilize excess cash flow above budgeted expenditures to reduce debt both relatively and absolutely, and
- deliver attractive financial returns from our assets in all phases of our energy cycle.

DRILLING ACTIVITY

The following table sets forth the wells we drilled during the periods indicated. In the table, "gross" refers to the total wells in which we had a working interest and "net" refers to gross wells multiplied by our working interest.

	YEARS ENDED DECEMBER 31,					
	1998		1999		2000	
	GROSS	NET	GROSS	NET	GROSS	NET
United States						
Development:						
Productive	158	93.9	167	93.3	291	142.7
Non-productive	9	4.7	17	10.6	12	5.3
Total	167	98.6	184	103.9	303	148.0
Exploratory:						
Productive	46	23.4	9	3.7	32	17.0
Non-productive	9	6.8	6	4.6	11	5.4
Total	55	30.2	15	8.3	43	22.4
Canada						
Development:						
Productive	11	3.6	11	7.3	12	6.1
Non-productive	1	0.4	1	0.2	2	.8
Total	12	4.0	12	7.5	14	6.9
Exploratory:						
Productive	1	0.3	--	--	--	--
Non-productive	7	2.1	--	--	--	--
Total	8	2.4	--	--	--	--

At December 31, 2000, we had 46 (22.2 net) wells in process.

WELL DATA

At December 31, 2000, we had interests in approximately 6,000 (2,675 net) producing wells, of which 270 (125 net) were classified as primarily oil producing wells and 5,730 (2,550 net) were classified as primarily gas producing wells. Chesapeake operates approximately 4,000 of the total 6,000 producing wells.

Including Gothic's wells as of December 31, 2000, our producing well count increases to approximately 6,700 (3,200 net) wells, of which Chesapeake operates 4,300.

PRODUCTION, SALES, PRICES AND EXPENSES

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

	YEARS ENDED DECEMBER 31,								
	1998			1999			2000		
	U.S.	CANADA	COMBINED	U.S.	CANADA	COMBINED	U.S.	CANADA	COMBINED
NET PRODUCTION:									
Oil (mbbl)	5,975	1	5,976	4,147	--	4,147	3,068	--	3,068
Gas (mmcf)	86,681	7,740	94,421	96,873	11,737	108,610	103,694	12,077	115,771
Gas equivalent (mmcfe)	122,531	7,746	130,277	121,755	11,737	133,492	122,102	12,077	134,179
OIL AND GAS SALES ($ IN THOUSANDS):									
Oil	$ 75,867	$ 10	$75,877	$ 66,413	$ --	$66,413	$ 80,953	$ --	$ 80,953
Gas	173,042	7,968	181,010	200,055	13,977	214,032	355,391	33,826	389,217
Total oil and gas sales	$248,909	$7,978	$256,887	$266,468	$13,977	$280,445	$436,344	$33,826	$470,170
AVERAGE SALES PRICE:									
Oil ($ per bbl)	$ 12.70	$10.00	$ 12.70	$ 16.01	$ --	$ 16.01	$ 26.39	$ --	$ 26.39
Gas ($ per mcf)	$ 2.00	$1.03	$ 1.92	$ 2.07	$ 1.19	$ 1.97	$ 3.43	$ 2.80	$ 3.36
Gas equivalent ($ per mcfe)	$ 2.03	$1.03	$ 1.97	$ 2.19	$ 1.19	$ 2.10	$ 3.57	$ 2.80	$ 3.50
EXPENSES ($ PER mcfe):									
Production expenses	$ 0.40	$0.24	$ 0.39	$ 0.36	$ 0.18	$ 0.35	$ 0.38	$ 0.32	$ 0.37
Production taxes	$ 0.07	$ --	$ 0.06	$ 0.11	$ --	$ 0.10	$ 0.20	$ --	$ 0.19
General and administrative	$ 0.16	$0.06	$ 0.15	$ 0.10	$ 0.08	$ 0.10	$ 0.09	$ 0.17	$ 0.10
Depreciation, depletion and amortization	$ 1.17	$0.43	$ 1.13	$ 0.73	$ 0.52	$ 0.71	$ 0.76	$ 0.71	$ 0.75

Our hedging activities resulted in an increase in oil and gas revenues of $11.3 million in 1998, a decrease of $1.7 million in 1999, and a decrease of $30.6 million in 2000.

In January 2001, Chesapeake acquired Gothic with properties primarily located in the Mid-Continent. For the year ended December 31, 2000, Gothic reported $83 million of oil and gas sales and 27 bcfe of production.

PROVED RESERVES

The following table sets forth our estimated proved reserves and the present value of the proved reserves, based on our weighted average prices at December 31, 2000 of $26.41 per barrel of oil and $10.12 per mcf of gas. These prices were based on the adjusted cash spot prices for oil and natural gas at December 31, 2000.

	OIL (MBBL)	GAS (MMCF)	GAS EQUIVALENT (MMCFE)	PERCENT OF PROVED RESERVES	PRESENT VALUE ($ IN THOUSANDS)
Mid-Continent	13,944	883,221	966,887	71%	$4,293,715
Gulf Coast	4,010	133,661	157,719	12	825,891
Canada	--	158,964	158,964	12	680,800
Permian Basin	873	16,209	21,445	2	117,190
Other areas	4,970	19,978	49,798	3	128,432
Total	23,797	1,212,033	1,354,813	100%	$6,046,028

During 2000, we increased the present value of our proved developed reserves to 69% and increased the volume of our proved developed reserves to 70% of total proved reserves. Natural gas reserves accounted for 89% of proved reserves at December 31, 2000.

As a result of the January 2001 acquisition of Gothic, Chesapeake acquired total proved reserves of 302 bcfe at December 31, 2000, with an associated present value of proved reserves of $1.3 billion based on Gothic's weighted average prices at December 31, 2000 of $26.57 per barrel of oil and $10.17 per mcf of gas. The following reserve data show the pro forma combined proved reserves of Chesapeake and Gothic as of

December 31, 2000 based on combined weighted average prices of $26.42 per barrel of oil and $10.13 per mcf of gas:

	OIL (MBBL)	GAS (MMCF)	GAS EQUIVALENT (MMCFE)	PERCENT OF PROVED RESERVES	PRESENT VALUE ($ IN THOUSANDS)
Mid-Continent	15,049	1,140,801	1,231,097	74%	$5,425,407
Gulf Coast	4,010	133,661	157,719	9	825,891
Canada	--	158,964	158,964	10	680,800
Permian Basin	1,536	49,536	58,750	4	252,001
Other areas	4,970	19,978	49,798	3	128,432
Total	25,565	1,502,940	1,656,328	100%	$7,312,531

Actual future prices and costs may be materially higher or lower than the prices and costs as of the date of any estimate. A change in price of $0.10 per mcf for natural gas and $1.00 per barrel for oil would result in:

- a change in our December 31, 2000 present value of proved reserve of $62 million and $13 million, respectively;
- a change in the December 31, 2000 present value of proved reserves for us and Gothic combined of $75 million and $14 million, respectively.

If the present value of our combined pro forma proved reserves were calculated using a more recent approximation of NYMEX spot prices of $24.00 per barrel of oil and $5.00 per mcf of gas, adjusted for our price differentials, the present value of our combined pro forma proved reserves at December 31, 2000 would have been $3.2 billion.

DEVELOPMENT, EXPLORATION AND ACQUISITION EXPENDITURES

The following table sets forth information regarding the costs we have incurred in our development, exploration and acquisition activities during the periods indicated:

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
	($ IN THOUSANDS)		
Development and leasehold costs	$150,241	$124,118	$151,844
Exploration costs	68,672	23,693	24,658
Acquisition costs:			
Proved properties	740,280	52,093	75,285
Unproved properties	26,369	2,747	3,625
Sales of oil and gas properties	(15,712)	(45,635)	(1,529)
Capitalized internal costs	5,262	2,710	6,958
Total	$975,112	$159,726	$260,841

ACREAGE

The following table sets forth as of December 31, 2000 the gross and net acres of both developed and undeveloped oil and gas leases which we hold. "Gross" acres are the total number of acres in which we own a working interest. "Net" acres refer to gross acres multiplied by our fractional working interest. Acreage numbers are stated in thousands and do not include our options to acquire additional leasehold which have not been exercised.

	DEVELOPED		UNDEVELOPED		TOTAL DEVELOPED AND UNDEVELOPED	
	GROSS	NET	GROSS	NET	GROSS	NET
Mid-Continent	1,748,880	676,237	427,289	231,293	2,176,169	907,530
Gulf Coast	225,182	133,595	485,331	436,132	710,513	569,727
Canada	102,838	51,328	638,125	308,719	740,963	360,047
Permian Basin	7,307	4,582	33,717	16,731	41,024	21,313
Other Areas	41,049	13,036	607,185	382,738	648,234	395,774
Total	2,125,256	878,778	2,191,647	1,375,613	4,316,903	2,254,391

As of December 31, 2000, Gothic held an interest in approximately 480,000 (229,000 net) acres, almost all of which was in the Mid-Continent.

MARKETING

Chesapeake's oil production is sold under market sensitive or spot price contracts. Our natural gas production is sold to purchasers under 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, we receive a percentage of the resale price received by the purchaser for sales of residue gas and natural gas liquids recovered after gathering and processing our gas. The residue gas and natural gas liquids sold by these purchasers are sold primarily based on spot market prices. The revenue we receive from the sale of natural gas liquids is included in natural gas sales. Under percentage-of-index contracts, the price per mmbtu we receive for our gas at the wellhead is tied to indexes published in Inside FERC or Gas Daily. During 2000, sales to Aquila Southwest Pipeline Corporation of $54.9 million accounted for 12% of our total oil and gas sales. Management believes that the loss of this customer would not have a material adverse effect on our results of operations or our financial position. No other customer accounted for more than 10% of total oil and gas sales in 2000.

Chesapeake Energy Marketing, Inc., a wholly-owned subsidiary, provides marketing services including commodity price structuring, contract administration and nomination services for Chesapeake, its partners and other oil and natural gas producers in certain geographical areas in which we are active. CEMI is a reportable segment under SFAS No. 131 "Disclosure about Segments of an Enterprise and Related Information." See note 8 of notes to consolidated financial statements in Item 8.

HEDGING ACTIVITIES

We utilize hedging strategies to hedge the price of a portion of our future oil and gas production and to manage fixed interest rate exposure. See Item 7A -- Quantitative and Qualitative Disclosures About Market Risk.

RISK FACTORS

You should carefully consider the following risk factors in addition to the other information included in this report. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common stock or other securities.

Oil and gas prices are volatile. A decline in prices could adversely affect our financial results, cash flows, access to capital and ability to grow.

Our revenues, operating results, profitability, future rate of growth and the carrying value of our oil and gas properties depend primarily upon the prices we receive for our oil and gas. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. The amount we can borrow from banks is subject to semi-annual redeterminations based on current prices at the time of redetermination. In addition, we may have ceiling test writedowns if prices decline significantly from present levels.

Historically, the markets for oil and gas have been volatile and they are likely to continue to be volatile. The prices we are currently receiving for our production are near or at historic highs. Wide fluctuations in oil and gas prices may result from relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and other factors that are beyond our control, including:

- worldwide and domestic supplies of oil and gas,
- weather conditions,
- the level of consumer demand,
- the price and availability of alternative fuels,
- the availability of pipeline capacity,
- the price and level of foreign imports,
- domestic and foreign governmental regulations and taxes,
- 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, and
- the overall economic environment.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and gas price movements with any certainty. Declines in oil and gas prices would not only reduce revenue, but could reduce the amount of oil and gas that we can produce economically and, as a result, could have a material adverse effect on our financial condition, results of operations and reserves. Further, oil and gas prices do not necessarily move in tandem. Because approximately 91% of our proved reserves are currently natural gas reserves, we are more susceptible to movements in natural gas prices.

Our level of indebtedness may adversely affect operations, and we may have difficulty repaying long-term indebtedness as it matures.

As of December 31, 2000, we had long-term indebtedness of $945 million, which included bank indebtedness of $25 million. Our long-term indebtedness represented 75% of our total capitalization at December 31, 2000. If the Gothic merger had been completed as of December 31, 2000, our long-term indebtedness, on a pro forma basis, would have been $1.16 billion.

Our level of indebtedness affects our operations in several ways, including the following:

- a portion of our cash flows must be used to service our indebtedness; for example, for the year ended December 31, 2000, approximately 22% of EBITDA (23% of EBITDA on a pro forma basis for the Gothic acquisition) was used to pay interest on our borrowings,
- the covenants contained in the agreements governing our outstanding indebtedness limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments,
- our debt covenants may also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry, and
- a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes.

We may incur additional debt, including significant secured indebtedness, in order to make future acquisitions or to develop our properties. A higher level of indebtedness increases the risk that we may default

on our debt obligations. Our ability to meet our debt obligations and to reduce our level of debt depends on our future performance. General economic conditions, oil and gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control. We cannot assure you that we will be able to generate sufficient cash flow to pay the interest on our debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. Factors that will affect our ability to raise cash through an offering of our capital stock or a refinancing of our debt include financial market conditions and the value of our assets and our performance at the time we need capital.

In addition, our bank borrowing base is subject to semi-annual redeterminations. We could be forced to repay a portion of our bank borrowings due to redeterminations of our borrowing base. We cannot assure you that we will have sufficient funds to make such repayments. If we do not have sufficient funds and are otherwise unable to negotiate renewals of our borrowings or arrange new financing, we may have to sell significant assets. Any such sale could have a material adverse effect on our business and financial results.

Higher oil and gas prices adversely affect the cost and availability of drilling and production services.

Higher oil and gas prices, such as those we are currently experiencing, generally stimulate increased demand and result in increased prices for drilling rigs, crews and associated supplies, equipment and services. We have recently experienced significantly higher costs for drilling rigs and other related services and expect such costs to continue to escalate in 2001.

Our industry is extremely competitive.

The energy industry is extremely competitive. This is especially true with regard to exploration for, and development and production of, new sources of oil and natural gas. As an independent producer of oil and natural gas, we frequently compete against companies that are larger and financially stronger in acquiring properties suitable for exploration, in contracting for drilling equipment and other services and in securing trained personnel.

Our commodity price risk management activities have reduced the realized prices received for our oil and gas sales and these transactions may limit our realized oil and gas sales prices in the future.

In order to manage our exposure to price volatility in marketing our oil and gas, we enter into oil and gas price risk management arrangements for a portion of our expected production. These transactions are limited in life. While intended to reduce the effects of volatile oil and gas prices, commodity price risk management transactions may limit the prices we actually realize. In 2000, we recorded reductions to oil and gas revenues of $30.6 million related to commodity price risk management activities. We cannot assure you that we will not experience additional reductions to oil and gas revenues from our commodity price risk management. If the hedges in existence at December 31, 2000 had been settled on that date, based upon futures prices as of that date, we would have incurred a loss of $89.3 million, which would have been recognized as price adjustments during the related months of future production. In addition, our commodity price risk management transactions may expose us to the risk of financial loss in certain circumstances, including instances in which:

- our production is less than expected,
- there is a widening of price differentials between delivery points for our production and the delivery point assumed in the hedge arrangement, or
- the counterparties to our contracts fail to perform the contracts.

Some of our commodity price risk management arrangements require us to deliver cash collateral or other assurances of performance to the counterparties in the event that our payment obligations with respect to our commodity price risk management transactions exceed certain levels. Our collateral requirement for these activities at December 31, 2000 was $35 million, consisting of $31.5 million in letters of credit and $3.5 million in cash deposits. Future collateral requirements are uncertain, but will depend on arrangements with our counterparties and highly volatile natural gas and oil prices.

Estimates of oil and gas reserves are uncertain and inherently imprecise.

This report contains estimates of our proved reserves and the estimated future net revenues from our proved reserves, including those acquired in the Gothic acquisition. These estimates are based upon various assumptions, including assumptions required by the SEC relating to oil and gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The process of estimating oil and gas reserves is complex. The process involves significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. Therefore, these estimates are inherently imprecise.

Actual future production, oil and gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves most likely will vary from these estimates. Such variations may be significant and could materially affect the estimated quantities and present value of our proved reserves. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development drilling, prevailing oil and gas prices and other factors, many of which are beyond our control. Our properties may also be susceptible to hydrocarbon drainage from production by operators on adjacent properties.

At December 31, 2000, approximately 30% (27% on a pro forma basis for the Gothic acquisition) by volume of our estimated proved reserves were undeveloped. Recovery of undeveloped reserves requires significant capital expenditures and successful drilling operations. The estimates of these reserves include the assumption that we will make significant capital expenditures to develop the reserves, including $216 million ($235 million on a pro forma basis for the Gothic acquisition) in 2001. Although we have prepared estimates of our oil and gas reserves and the costs associated with these reserves in accordance with industry standards, we cannot assure you that the estimated costs are accurate, that development will occur as scheduled or that the results will be as estimated.

You should not assume that the present values referred to in this report represent the current market value of our estimated oil and gas reserves. In accordance with SEC requirements, the estimates of our present values are based on prices and costs as of the date of the estimates. The combined December 31, 2000 present values pro forma for Gothic are based on combined weighted average oil and gas prices of $26.42 per barrel of oil and $10.13 per mcf of natural gas, compared to our weighted average prices of $24.72 per barrel of oil and $2.25 per mcf of natural gas used in computing Chesapeake's December 31, 1999 present value. Actual future prices and costs may be materially higher or lower than the prices and costs as of the date of an estimate. A change in price of $0.10 per mcf and $1.00 per barrel would result in:

- a change in our December 31, 2000 present value of proved reserves of $62 million and $13 million, respectively; and
- a change in the December 31, 2000 present value of proved reserves for us and Gothic combined of $75 million and $14 million, respectively.

If the present value of our combined pro forma proved reserves were calculated using a more recent approximation of NYMEX spot prices of $24.00 per barrel of oil and $5.00 per mcf of gas, adjusted for our price differentials, the present value of our combined pro forma proved reserves at December 31, 2000 would have been $3.2 billion.

Any changes in consumption by oil and gas purchasers or in governmental regulations or taxation will also affect actual future net cash flows.

The timing of both the production and the expenses from the development and production of oil and gas properties will affect both the timing of actual future net cash flows from proved reserves and their present value. In addition, the 10% discount factor, which is required by the SEC to be used in calculating discounted future net cash flows for reporting purposes, is not necessarily the most accurate discount factor. The effective interest rate at various times and the risks associated with our business or the oil and gas industry in general will affect the accuracy of the 10% discount factor.

If we are not able to replace reserves, we may not be able to sustain production.

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 30% (27% on a pro forma basis for the Gothic acquisition) of our total estimated proved reserves at December 31, 2000 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. In addition, we may not be able to acquire proved reserves at acceptable costs.

If we do not make significant capital expenditures, we may not be able to replace reserves.

Our exploration, development and acquisition activities require substantial capital expenditures. Historically, we have funded our capital expenditures through a combination of cash flows from operations, our bank credit facility, debt and equity issuances and the sale of non-core assets. 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. 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 bank debt, debt or equity issuances or other methods of financing will be available to meet these requirements.

Acquisitions are subject to the uncertainties of evaluating recoverable reserves and potential liabilities.

Our recent growth is due in part to acquisitions of exploration and production companies and producing properties. We expect acquisitions will also contribute to our future growth. Successful acquisitions require an assessment of a number of factors, many of which are beyond our control. These factors include recoverable reserves, exploration potential, future oil and gas prices, operating costs and potential environmental and other liabilities. Such assessments are inexact and their accuracy is inherently uncertain. In connection with our assessments, we perform a review of the acquired properties, which we believe is generally consistent with industry practices. However, such a review will not reveal all existing or potential problems. In addition, our review may not permit us to become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. We do not inspect every well. Even when we inspect a well, we do not always discover structural, subsurface and environmental problems that may exist or arise.

We are generally not entitled to contractual indemnification for preclosing liabilities, including environmental liabilities. Normally, we acquire interests in properties on an "as is" basis with limited remedies for breaches of representations and warranties. In addition, competition for producing oil and gas properties is intense and many of our competitors have financial and other resources which are substantially greater than those available to us. Therefore, we cannot assure you that we will be able to acquire oil and gas properties that contain economically recoverable reserves or that we will complete such acquisitions on acceptable terms.

Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties, which may have substantially different operating and geological characteristics or be in different geographic locations than our existing properties. While it is our current intention to continue to concentrate on acquiring properties with development and exploration potential located in the Mid-Continent region, there can be no assurance that in the future we will not decide to pursue acquisitions or properties located in other geographic regions. To the extent that such acquired properties are substantially different than our existing properties, our ability to efficiently realize the economic benefits of such transactions may be limited.

Oil and gas drilling and producing operations are hazardous and expose us to environmental liabilities.

Oil and gas operations are subject to many risks, including well blowouts, cratering and explosions, pipe failure, fires, formations with abnormal pressures, uncontrollable flows of oil, natural gas, brine or well fluids,

and other environmental hazards and risks. Our drilling operations involve risks from high pressures and from mechanical difficulties such as stuck pipes, collapsed casings and separated cables. If any of these risks occurs, we could sustain substantial losses as a result of:

- 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 investigations and penalties, and
- suspension of operations.

Our liability for environmental hazards includes those created either by the previous owners of properties that we purchase or lease or by acquired companies prior to the date we acquire them. In accordance with industry practice, we maintain insurance against some, but not all, of the risks described above. We cannot assure you that our insurance will be adequate to cover casualty losses or liabilities. Also, we cannot predict the continued availability of insurance at premium levels that justify its purchase.

Exploration and development drilling may not result in commercially productive reserves.

We do not always encounter commercially productive reservoirs through our drilling operations. We cannot assure you that the new wells we drill or participate in will be productive or that we will recover all or any portion of our investment in wells drilled. The seismic data and other technologies we use do not allow us to know conclusively prior to drilling a well that oil or gas is present or may be produced economically. The cost of drilling, completing and operating a well is often uncertain, and cost factors can adversely affect the economics of a project. Our efforts will be unprofitable if we drill dry wells or wells that are productive but do not produce enough reserves to return a profit after drilling, operating and other costs. Further, our drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

- unexpected drilling conditions,
- title problems,
- pressure or irregularities in formations,
- equipment failures or accidents,
- adverse weather conditions,
- compliance with environmental and other governmental requirements, and
- cost of, or shortages or delays in the availability of, drilling rigs and equipment.

Canadian operations present the risks associated with conducting business outside the United States.

Our operations in Canada are subject to the risks associated with operating outside of the U.S. 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 U.S. court.

The loss of key personnel could adversely affect our ability to operate.

We depend, and will continue to depend in the foreseeable future, on the services of our officers and key employees with extensive experience and expertise in evaluating and analyzing producing oil and gas

properties and drilling prospects, maximizing production from oil and gas properties and marketing oil and gas production. Our ability to retain our officers and key employees is important to our continued success and growth. The unexpected loss of the services of one or more of these individuals could have a detrimental effect on our business. We have maintained $20 million key man life insurance policies on each of our chief executive officer and chief operating officer but do not intend to renew these policies when they expire on June 1, 2001.

Transactions with executive officers may create conflicts of interest.

Our chief executive officer and chief operating officer, Aubrey K. McClendon and Tom L. Ward, have the right to participate in wells we drill subject to limitations in their employment contracts. As a result of their participation, they routinely have significant accounts payable to us for joint interest billings and other related advances. As of December 31, 2000, Messrs. McClendon and Ward had payables to us of $2.0 million and $2.3 million, respectively, in connection with such participation.

REGULATION

General. Numerous departments and agencies, foreign, 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. This regulatory burden increases our cost of doing business and, consequently, affects our profitability.

Exploration and Production. Our domestic operations are subject to various types of regulation at the federal, state and local levels. Such regulation includes requirements for permits to drill and to conduct other operations, and for provision of financial assurances (such as bonds) covering drilling and well operations. Other domestic activities subject to regulation are:

- the location of wells,
- the method of drilling and completing wells,
- the surface use and restoration of properties upon which wells are drilled,
- the plugging and abandoning of wells,
- the disposal of fluids used or other wastes obtained in connection with operations,
- the marketing, transportation and reporting of production, and
- the valuation and payment of royalties.

Our Canadian operations are subject to similar regulations.

Our operations are also subject to various conservation regulations. These include the regulation of the size of drilling and spacing units (regarding the density of wells which may be drilled in a particular area), 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 fully develop a project 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 we can produce and to limit the number of wells or the locations at which we can drill.

We do not anticipate that compliance with existing laws and regulations governing exploration and production will have a significantly adverse effect upon our capital expenditures, earnings or competitive position.

Environmental Regulation. Various federal, foreign, state and local laws and regulations concerning the discharge of contaminants into the environment, the generation, storage, transportation and disposal of contaminants, and the protection of public health, natural resources, wildlife and the environment affect our exploration, development and production operations. Such regulation has increased the cost of planning, designing, drilling, operating and abandoning wells. In most instances, the regulatory requirements relate to the handling and disposal of drilling and production waste products, water and air pollution control procedures, and the remediation of petroleum-product contamination. In addition, our operations require us to obtain permits for, among other things,

- discharges into surface waters,
- discharges of storm water runoff,
- the construction of facilities in wetland areas, and
- the construction and operation of underground injection wells or surface pits to dispose of produced saltwater and other nonhazardous oilfield wastes.

Under state and federal laws, we could be required to remove or remediate previously disposed wastes, including wastes disposed of or released by us or prior owners or operators, to suspend or cease operations in contaminated areas, or to perform remedial plugging operations to prevent future contamination. The Environmental Protection Agency and various state agencies have limited the disposal options for hazardous and nonhazardous wastes. The owner and operator of a site, and persons that treated, disposed of or arranged for the disposal of hazardous substances found at a site, may be liable, without regard to fault or the legality of the original conduct, for the release of a hazardous substance into the environment. The Environmental Protection Agency, state environmental agencies and, in some cases, third parties are authorized to take actions in response to threats to human health or the environment and to seek to recover from responsible classes of persons the costs of such action. Furthermore, certain wastes generated by our 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.

Federal and state occupational safety and health laws require us to organize information about hazardous materials used, released or produced in our operations. Certain portions of this information must be provided to employees, state and local governmental authorities and local citizens. We are also subject to the requirements and reporting set forth in federal workplace standards.

We have made and will continue to make expenditures to comply with environmental regulations and requirements. These are necessary business costs in the oil and gas industry. We maintain insurance coverage which we believe is customary in the industry, although we are not fully insured against all environmental risks. Moreover, it is possible that other developments, such as stricter and more comprehensive environmental laws and regulations, as well as claims for damages to property or persons resulting from company operations, could result in substantial costs and liabilities, including civil and criminal penalties, to Chesapeake. We believe we are in substantial compliance with existing environmental regulations, and that, absent the occurrence of an extraordinary event the effect of which cannot be predicted, any noncompliance will not have a material adverse effect on our operations or earnings.

INCOME TAXES

At December 31, 2000, Chesapeake had federal and state income tax net operating loss (NOL) carryforwards of approximately $567 million. Additionally, we had approximately $301 million of alternative minimum tax (AMT) NOL carryforwards available as a deduction against future AMT income and approximately $5 million of percentage depletion carryforwards. The NOL carryforwards expire from 2009 through 2019. The value of these carryforwards depends on the ability of Chesapeake to generate taxable income. In addition, for AMT purposes, only 90% of AMT income in any given year may be offset by AMT NOLs.

The ability of Chesapeake to utilize NOL carryforwards to reduce future federal taxable income and federal income tax of Chesapeake is subject to various limitations under the Internal Revenue Code of 1986, as amended. The utilization of such carryforwards may be limited upon the occurrence of certain ownership changes, including the issuance or exercise of rights to acquire stock, the purchase or sale of stock by 5% stockholders, as defined in the Treasury regulations, and the offering of stock by us during any three-year period resulting in an aggregate change of more than 50% in the beneficial ownership of Chesapeake.

In the event of an ownership change, Section 382 of the Code imposes an annual limitation on the amount of a corporation's taxable income that can be offset by these carryforwards. The limitation is generally equal to the product of (i) the fair market value of the equity of the company multiplied by (ii) a percentage approximately equivalent to the yield on long-term tax exempt bonds during the month in which an ownership change occurs. In addition, the limitation is increased if there are recognized built-in gains during any post-change year, but only to the extent of any net unrealized built-in gains (as defined in the Code) inherent in the assets sold. Chesapeake had ownership changes in January 1995 and March 1998 which triggered the limitations. Of the $567 million NOLs and $301 million AMT NOLs, $254 million and $25 million, respectively, are limited under Section 382. Therefore, $313 million of the NOLs and $276 million of the AMT NOLs are not subject to the limitation. The utilization of $254 million of the NOLs and the utilization of $25 million of the AMT NOLs subject to the Section 382 limitation are both limited to approximately $26 million each taxable year. Although no assurances can be made, we do not believe that an additional ownership change has occurred as of December 31, 2000, or will occur as a result of the issuance of the common stock in 2001 related to the acquisition of Gothic. Equity transactions after the date hereof by Chesapeake or by 5% stockholders (including relatively small transactions and transactions beyond our control) could cause an ownership change and therefore a limitation on the annual utilization of NOLs.

In the event of another ownership change, the amount of Chesapeake's NOLs available for use each year will depend upon future events that cannot currently be predicted and upon interpretation of complex rules under Treasury regulations. If less than the full amount of the annual limitation is utilized in any given year, the unused portion may be carried forward and may be used in addition to successive years' annual limitation.

We expect to utilize our NOL carryforwards and other tax deductions and credits to offset taxable income in the near future. However, there is no assurance that the Internal Revenue Service will not challenge these carryforwards or their utilization.

TITLE TO PROPERTIES

Our 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, Chesapeake's title to oil and gas properties is challenged through legal proceedings. We are routinely involved in litigation involving title to certain of our oil and gas properties, some of which management believes could be adverse to us, individually or in the aggregate. See Item 3 -- Legal Proceedings.

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 Chesapeake 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. Our horizontal and deep drilling activities involve greater risk of mechanical problems than vertical and shallow drilling operations.

Chesapeake maintains a $50 million oil and gas lease operator policy that insures against certain sudden and accidental risks associated with drilling, completing and operating our wells. There can be no assurance

that this insurance will be adequate to cover any losses or exposure to liability. We also carry comprehensive general liability policies and a $75 million umbrella policy. Chesapeake and our subsidiaries carry workers' compensation insurance in all states in which we operate and a $1 million employment practice liability policy. While we believe these policies are customary in the industry, they do not provide complete coverage against all operating risks.

EMPLOYEES

Chesapeake had 462 full-time employees as of December 31, 2000. No employees are represented by organized labor unions. We believe our employee relations are good.

FACILITIES

Chesapeake owns an office building complex in Oklahoma City and field offices in Lindsay and Waynoka, Oklahoma; Garden City, Kansas; and Borger, Texas. Chesapeake leases office space in Oklahoma City, Watonga and Weatherford, Oklahoma; Navasota, Texas; and Dickinson, North Dakota.

GLOSSARY

The terms defined in this section are used throughout this Form 10-K.

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.

EBITDA. Net income (loss) before interest expense, income taxes, depreciation, depletion and amortization, impairments of oil and gas properties and other assets, extraordinary items, and certain other non-cash charges. EBITDA is not a measure of cash flow as determined by generally accepted accounting principles. EBITDA information has been included in this report because EBITDA is a measure used by some investors in determining historical ability to service indebtedness. EBITDA should not be considered as an alternative to, or more meaningful than, net income or cash flows as determined in accordance with generally accepted accounting principles as an indicator of operating performance or liquidity.

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 degrees 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.

NYMEX. New York Mercantile Exchange.

Present Value or PV-10. When used with respect to oil and gas reserves, present value or PV-10 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.

ITEM 2. PROPERTIES

Chesapeake focuses its natural gas exploration, development and acquisition efforts in four areas: (i) the Mid-Continent (consisting of Oklahoma, western Arkansas, southwestern Kansas and the Texas Panhandle), representing 71% of our proved reserves, (ii) the Gulf Coast region consisting primarily of the Deep Giddings Field in Texas and the Austin Chalk and Tuscaloosa Trends in Louisiana, representing 12% of our proved reserves, (iii) the Helmet area in northeastern British Columbia, representing 12% of our proved reserves, and (iv) the Permian Basin region of southeastern New Mexico, representing 2% of our proved reserves. In addition, we have oil exploration and development programs in portions of North Dakota, Montana, and Saskatchewan, Canada that comprise the Williston Basin.

During the year ended December 31, 2000, we participated in 360 gross (177.3 net) wells, 175 of which we operated. A summary of our drilling activities, capital expenditures and property sales by primary operating area is as follows:

			CAPITAL EXPENDITURES -- OIL AND GAS PROPERTIES					
	GROSS WELLS DRILLED	NET WELLS DRILLED	DRILLING	LEASEHOLD	SUB-TOTAL	ACQUISITIONS	SALE OF PROPERTIES	TOTAL
					($ IN THOUSANDS)			
Mid-Continent	311	149.8	$ 92,087	$17,034	$109,121	$74,320	$(1,239)	$182,202
Gulf Coast	12	6.4	16,982	4,490	21,472	4,590	--	26,062
Canada	14	6.9	11,905	1,664	13,569	--	--	13,569
Permian Basin	13	8.8	10,230	3,398	13,628	--	--	13,628
Other areas	10	5.4	24,960	710	25,670	--	(290)	25,380
Total	360	177.3	$156,164	$27,296	$183,460	$78,910	$(1,529)	$260,841

Chesapeake's proved reserves increased 12% during 2000 to an estimated 1,355 bcfe at December 31, 2000, compared to 1,206 bcfe of estimated proved reserves at December 31, 1999 (see note 11 of notes to consolidated financial statements in Item 8).

Chesapeake's strategy for 2001 is to continue developing our natural gas assets through exploratory and developmental drilling and by selectively acquiring strategic properties in our core operating areas. We have budgeted approximately $310 million for drilling, acreage acquisition, seismic and related capitalized internal costs, and based on our cash flow assumptions, we will have $250 to $325 million available for acquisitions, debt repayment and general corporate purposes. Our budget is frequently adjusted based on changes in oil and gas prices, drilling results, drilling costs and other factors.

PRIMARY OPERATING AREAS

Mid-Continent. Chesapeake's Mid-Continent proved reserves of 967 bcfe represented 71% of our total proved reserves as of December 31, 2000, and this area produced 78.3 bcfe, or 58% of our 2000 production. During 2000, we invested approximately $109.1 million to drill 311 (149.8 net) wells in the Mid-Continent. We anticipate spending approximately 60% to 70% of our total budget for exploration and development activities in the Mid-Continent region during 2001. We anticipate the Mid-Continent will contribute approximately 116 bcfe of production during 2001, or 65% of expected total production.

Gulf Coast. Chesapeake's Gulf Coast proved reserves (consisting primarily of the Deep Giddings Field in Texas and the Austin Chalk and Tuscaloosa Trends in Louisiana) represented 158 bcfe, or 12% of our total proved reserves as of December 31, 2000. During 2000, the Gulf Coast assets produced 35.2 bcfe, or 26% of our total production. During 2000, we invested approximately $21.5 million to drill 12 (6.4 net) wells in the Gulf Coast. In 2001, we anticipate the Gulf Coast will contribute approximately 38 bcfe of production, or 21% of expected total production. We anticipate spending approximately 15% to 20% of our total budget for exploration and development activities in the Gulf Coast region during 2001.

Helmet. Chesapeake's Canadian proved reserves of 159 bcfe represented 12% of our total proved reserves at December 31, 2000. During 2000, production from Canada was 12.1 bcfe, or 9% of our total production. During 2000, we invested approximately $13.6 million to drill 14 (6.9 net) wells, install various

pipelines and compressors and to perform capital workovers in Canada. We anticipate spending approximately 9% of our total budget for exploration and development activities in Canada during 2001 and expect production of 15 bcfe in Canada, or 8% of our estimated total production for 2001.

Permian Basin. Chesapeake's Permian Basin proved reserves, consisting primarily of the Lovington area in New Mexico, represented 21 bcfe, or 2% of our total proved reserves as of December 31, 2000. During 2000, the Permian assets produced 6.2 bcfe, or 5% of our total production. We anticipate the Permian Basin will contribute approximately 5 bcfe of production during 2001, or 3% of expected total production. During 2000, we invested approximately $13.6 million to drill 13 (8.8 net) wells in the Permian Basin. For 2001, we anticipate spending approximately 3% to 4% of our total budget for exploration and development activities in the Permian Basin.

OTHER OPERATING AREAS

In addition to the primary operating areas described above which consist primarily of natural gas properties, Chesapeake maintains operations in the Williston Basin in North Dakota, Montana, and Saskatchewan, Canada which are focused on developing oil properties. In 2000, these areas contributed 2.4 bcfe, or 2% of our total production. In 2001, production levels should increase to approximately 4 bcfe as a result of allocating approximately 2% of our total budget for exploration and development activities in these areas.

OIL AND GAS RESERVES

The tables below set forth information as of December 31, 2000 with respect to our estimated proved reserves, and the associated estimated future net revenue and the present value at such date. Williamson Petroleum Consultants, Inc. evaluated 31%, Ryder Scott Company L.P. evaluated 25%, and Lee Keeling and Associates evaluated 16% of our combined discounted future net revenues from our estimated proved reserves at December 31, 2000. The remaining 28% was evaluated internally by our engineers. All estimates were prepared based upon a review of production histories and other geologic, economic, ownership and engineering data we developed. 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 we own.

ESTIMATED PROVED RESERVES AS OF DECEMBER 31, 2000	OIL (MBBL)	GAS (MMCF)	TOTAL (MMCFE)
Proved developed	15,445	858,463	951,133
Proved undeveloped	8,352	353,570	403,680
Total proved	23,797	1,212,033	1,354,813

ESTIMATED FUTURE NET REVENUE AS OF DECEMBER 31, 2000(A)	PROVED DEVELOPED	PROVED UNDEVELOPED	TOTAL PROVED
		($ IN THOUSANDS)	
Estimated future net revenue	$7,611,441	$3,091,533	$10,702,974
Present value of future net revenue	$4,184,271	$1,861,757	$ 6,046,028

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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, 2000. 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 $26.41 per barrel of oil and $10.12 per mcf of gas.

The future net revenue attributable to our estimated proved undeveloped reserves of $3.1 billion at December 31, 2000, and the $1.9 billion present value thereof, have been calculated assuming that we will expend approximately $300 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.

Chesapeake's ownership interest used in calculating proved reserves and the associated estimated future net revenue was determined after giving effect to the assumed maximum participation by other parties to our 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, 2000. 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 Chesapeake's control. The reserve data represents 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 associated present value 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 our proved reserves.

See Item 1 and note 11 of notes to consolidated financial statements included in Item 8 for a description of drilling, production and other information regarding our oil and gas properties.

As a result of the January 2001 Gothic acquisition, Chesapeake acquired total proved reserves of 302 bcfe, comprised of 255 bcfe of proved developed reserves and 47 bcfe of proved undeveloped reserves. The associated present value of future net revenues is $1.3 billion based on weighted average prices at December 31, 2000 of $26.57 per barrel of oil and $10.17 per mcf of gas. The tables below set forth estimated proved reserves, the associated estimated future net revenue and the present value as of December 31, 2000 for Chesapeake and Gothic combined.

ESTIMATED PROVED RESERVES AS OF DECEMBER 31, 2000	OIL (MBBL)	GAS (MMCF)	TOTAL (MMCFE)
Proved developed	17,012	1,103,935	1,206,007
Proved undeveloped	8,553	399,005	450,321
Total proved	25,565	1,502,940	1,656,328

ESTIMATED FUTURE NET REVENUE AS OF DECEMBER 31, 2000(A)	PROVED DEVELOPED	PROVED UNDEVELOPED	TOTAL PROVED
		($ IN THOUSANDS)	
Estimated future net revenue	$9,842,538	$3,473,241	$13,315,779
Present value of future net revenue	$5,228,249	$2,084,282	$ 7,312,531

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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, 2000. 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 $26.42 per barrel of oil and $10.13 per mcf of gas.

ITEM 3. LEGAL PROCEEDINGS

We are subject to ordinary routine litigation incidental to our business. In addition, the following matters were recently terminated or are pending:

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. On March 21, 2001, the court denied the plaintiffs' motion to amend and supplement their complaint, which had been filed 31 days after the judgment was issued. The complaint, which consolidated 12 purported class action suits filed in August and September 1997, alleged violations of Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 by Chesapeake and certain of our officers and directors. The action was brought on behalf of purchasers of our 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 our exploration and drilling activities in Louisiana.

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 Section 11 and Section 12 of the Securities Act of 1933 and Section 408 of the Oklahoma Securities Act by Chesapeake and others. The action, originally filed in February 1998, was brought purportedly on behalf of investors who purchased Bayard common stock in connection with Bayard's November 1997 initial public offering. The defendants included officers and directors of Bayard who signed the registration statement, selling shareholders (including Chesapeake) and underwriters of the offering. Total proceeds of the offering were $254 million, of which we received net proceeds of $90 million.

The plaintiffs alleged that Chesapeake, a major customer of Bayard's drilling services and the owner of 30.1% of Bayard's outstanding common stock prior to the offering, was a controlling person of Bayard. The plaintiffs asserted that the Bayard prospectus contained material omissions and misstatements that resulted in a decline in Bayard's share price following the public offering. The plaintiffs sought 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 dismissed the plaintiffs' claims that Chesapeake was a "controlling person" of Bayard under Section 15 of the Securities Act of 1933. As of March 26, 2001, the parties have agreed to settle the action, subject to drafting of documents and court approval after a fairness hearing. Bayard, which was acquired by Nabors Industries, Inc. in April 1999, has reimbursed us for all our costs of defense as incurred. We will have no liability under the terms of the settlement agreement. The case has been administratively closed pending the closing of the settlement.

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, Union Pacific Resources Company asserted that we had infringed UPRC's patent covering a "geosteering" method utilized in drilling horizontal wells. Following a trial 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 we 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 describe definitively the patented method in the patent 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 Chesapeake and UPRC were denied on January 5, 2001 by the Federal Circuit Court of Appeals. The mandate issued on January 26, 2001. In February 2001, Chesapeake received $89,000 from the plaintiff for reimbursement of court costs.

West Panhandle Field Cessation Cases. One of our subsidiaries, Chesapeake Panhandle Limited Partnership ("CP") (f/k/a MC Panhandle, Inc.), and two subsidiaries of Kinder Morgan, Inc. have been 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 we acquired in April 1998, has owned the leases since January 1, 1997. The co-defendants are prior lessees.

The plaintiffs in these cases have claimed the leases terminated upon the cessation of production for various periods, primarily during the 1960s. In addition, the plaintiffs have sought to recover conversion damages, exemplary damages, attorneys' fees and interest. The defendants have asserted that any cessation of production was excused and have pled affirmative defenses of limitations, waiver, temporary estoppel, laches and title by adverse possession. As previously reported, four of the 13 cases have been tried, and there have been appellate decisions in three of them.

On January 12, 2001, CP and the other defendants entered into a settlement agreement with the plaintiffs in eight of ten cases tried or pending in the U.S. District Court of Moore County, Texas, 69th Judicial District. The terms of the settlement are confidential but we have determined that our portion of the settlement consideration is not material to our financial condition or results of operations. Only the claims of certain involuntary plaintiffs joined in these settled cases remain and we do not consider these claims to be material.

Related West Panhandle cessation cases which are pending are the following:

Lois Law, et al. v. NGPL, et al., U.S. District Court of Moore County, Texas, 69th Judicial District, No. 97-70, filed December 22, 1997, jury trial in June 1999, verdict for CP 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. On March 28, 2001, the Amarillo Court of Appeals reversed and rendered the judgement in favor of CP and the other defendants, finding that the subject lease had been revived as a matter of law, making all other issues moot.

A.C. Smith, et al. v NGPL, et al., U.S. District Court of Moore County, Texas, 69th Judicial District, 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. On February 8, 2001, the court granted plaintiffs' motion for summary judgment on defendants' affirmative defenses but reversed its ruling that the lease had terminated as a matter of law. No trial date has been set.

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 CP and co-defendants. The jury found plaintiffs' claims were barred by the payment of shut-in royalties, laches and revivor. Plaintiffs' motion for new trial pending.

Craig Fuller, et al. v. NGPL, et al., U.S. 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. Cross motions for summary judgment pending.

We have previously established an accrued liability we believe will be sufficient to cover the estimated costs of litigation for each of the pending cases and the settlement consideration under the terms of the settlement agreement mentioned above. 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 pending cases, the outcome of any future trials and the amount of damages that might ultimately be awarded could differ from management's estimates. CP and the other defendants intend to vigorously defend against the plaintiffs' claims.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF COMMON STOCK

Our 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 our common stock as reported by the New York Stock Exchange:

	COMMON STOCK	
	HIGH	LOW
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
YEAR ENDED DECEMBER 31, 2000:		
First Quarter	3.31	1.94
Second Quarter	8.00	2.75
Third Quarter	8.25	5.31
Fourth Quarter	10.50	5.44

At March 26, 2001 there were 1,175 holders of record of our common stock and approximately 37,600 beneficial owners.

DIVIDENDS

We did not pay dividends on our common stock in 1999 or 2000. The payment of future cash dividends, if any, will depend upon, among other things, our financial condition, funds from operations, the level of our capital and development expenditures, our future business prospects and any contractual restrictions Other than payments of dividends on preferred stock, our current policy is to retain cash for the continued growth of our business.

Two of the indentures governing our outstanding senior notes contain restrictions on our ability to declare and pay cash dividends. Under these indentures, we may not pay any cash dividends on our common or preferred stock if an event of default has occurred, if we have not met the debt incurrence tests described in the indentures, or if immediately after giving effect to the dividend payment, we have paid total dividends and made other restricted payments in excess of the permitted amounts.

From December 31, 1998 through March 31, 2000, we did not meet the debt incurrence test contained in one of our indentures that requires our coverage ratio of adjusted consolidated EBITDA to adjusted consolidated interest expense to be at least 2.5 to 1. As a result, we were unable to pay dividends on our existing preferred stock. Beginning June 30, 2000, we met the debt incurrence test, and resumed paying quarterly preferred stock dividends on November 1, 2000. As of December 31, 2000, our coverage ratio, as calculated in accordance with our most restrictive senior indenture, was 4.4 to 1.

The indenture for Gothic Production's senior secured notes significantly limits the transfer of funds held by Gothic to Chesapeake in the form of cash dividends, loans or advances.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data of Chesapeake for the fiscal year ended June 30, 1997, the six months ended December 31, 1996, the six month transition period ended December 31, 1997 and the twelve months ended December 31, 1997, 1998, 1999 and 2000. The data are derived from our audited consolidated financial statements, although the periods for the six months ended December 31, 1996 and the twelve months ended December 31, 1997 have not been audited. Acquisitions we made 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 our consolidated financial statements, including the notes, appearing in Items 7 and 8 of this report.

	YEAR ENDED JUNE 30,	SIX MONTHS ENDED DECEMBER 31,		YEARS ENDED DECEMBER 31,			
	1997	1996	1997	1997	1998	1999	2000
		(UNAUDITED)		(UNAUDITED)			
			($ IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:							
Revenues:							
Oil and gas sales	$ 192,920	$ 90,167	$ 95,657	$ 198,410	$ 256,887	$ 280,445	$ 470,170
Oil and gas marketing sales	76,172	30,019	58,241	104,394	121,059	74,501	157,782
Total revenues	269,092	120,186	153,898	302,804	377,946	354,946	627,952
Operating costs:							
Production expenses	11,445	4,268	7,560	14,737	51,202	46,298	50,085
Production taxes	3,662	1,606	2,534	4,590	8,295	13,264	24,840
General and administrative	8,802	3,739	5,847	10,910	19,918	13,477	13,177
Oil and gas marketing expenses	75,140	29,548	58,227	103,819	119,008	71,533	152,309
Oil and gas depreciation, depletion and amortization	103,264	36,243	60,408	127,429	146,644	95,044	101,291
Depreciation and amortization of other assets	3,782	1,836	2,414	4,360	8,076	7,810	7,481
Impairment of oil and gas properties	236,000	--	110,000	346,000	826,000	--	--
Impairment of other assets	--	--	--	--	55,000	--	--
Total operating costs	442,095	77,240	246,990	611,845	1,234,143	247,426	349,183
Income (loss) from operations	(173,003)	42,946	(93,092)	(309,041)	(856,197)	107,520	278,769
Other income (expense):							
Interest and other income	11,223	2,516	78,966	87,673	3,926	8,562	3,649
Interest expense	(18,550)	(6,216)	(17,448)	(29,782)	(68,249)	(81,052)	(86,256)
Total other income (expense)	(7,327)	(3,700)	61,518	57,891	(64,323)	(72,490)	(82,607)
Income (loss) before income taxes and extraordinary item	(180,330)	39,246	(31,574)	(251,150)	(920,520)	35,030	196,162
Provision (benefit) for income taxes	(3,573)	14,325	--	(17,898)	--	1,764	(259,408)
Income (loss) before extraordinary item	(176,757)	24,921	(31,574)	(233,252)	(920,520)	33,266	455,570
Extraordinary item:							
Loss on early extinguishment of debt, net of applicable income taxes	(6,620)	(6,443)	--	(177)	(13,334)	--	--
Net income (loss)	(183,377)	18,478	(31,574)	(233,429)	(933,854)	33,266	455,570
Preferred stock dividends	--	--	--	--	(12,077)	(16,711)	(8,484)
Gain on redemption of preferred stock	--	--	--	--	--	--	6,574
Net income (loss) available to common shareholders	$(183,377)	$ 18,478	$ (31,574)	$(233,429)	$ (945,931)	$ 16,555	$ 453,660
Earnings (loss) per common share -- basic:							
Income (loss) before extraordinary item	$ (2.69)	$ 0.40	$ (0.45)	$ (3.30)	$ (9.83)	$ 0.17	$ 3.52
Extraordinary item	(0.10)	(0.10)	--	--	(0.14)	--	--
Net income (loss)	$ (2.79)	$ 0.30	$ (0.45)	$ (3.30)	$ (9.97)	$ 0.17	$ 3.52
Earnings (loss) per common share -- assuming dilution:							
Income (loss) before extraordinary item	$ (2.69)	$ 0.38	$ (0.45)	$ (3.30)	$ (9.83)	$ 0.16	$ 3.01
Extraordinary item	(0.10)	(0.10)	--	--	(0.14)	--	--
Net income (loss)	$ (2.79)	$ 0.28	$ (0.45)	$ (3.30)	$ (9.97)	$ 0.16	$ 3.01
Cash dividends declared per common share	$ 0.02	$ --	$ 0.04	$ 0.06	$ 0.04	$ --	$ --
CASH FLOW DATA:							
Cash provided by operating activities before changes in working capital	$ 161,140	$ 76,816	$ 67,872	$ 152,196	$ 117,500	$ 138,727	$ 305,804
Cash provided by operating activities	84,089	41,901	139,157	181,345	94,639	145,022	314,640
Cash used in investing activities	523,854	184,149	136,504	476,209	548,050	159,773	330,036
Cash provided by (used in) financing activities	512,144	231,349	(2,810)	277,985	363,797	18,967	(22,933)
Effect of exchange rate changes on cash	--	--	--	--	(4,726)	4,922	(329)
BALANCE SHEET DATA (at end of period):							
Total assets	$ 949,068	$ 860,597	$ 952,784	$ 952,784	$ 812,615	$ 850,533	$1,440,426
Long-term debt, net of current maturities	508,950	220,149	508,992	508,992	919,076	964,097	944,845
Stockholders' equity (deficit)	286,889	484,062	280,206	280,206	(248,568)	(217,544)	313,232

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

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

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
NET PRODUCTION:			
Oil (mbbl)	5,976	4,147	3,068
Gas (mmcf)	94,421	108,610	115,771
Gas equivalent (mmcfe)	130,277	133,492	134,179
OIL AND GAS SALES ($ IN THOUSANDS):			
Oil	$ 75,877	$ 66,413	$ 80,953
Gas	181,010	214,032	389,217
Total oil and gas sales	$256,887	$280,445	$470,170
AVERAGE SALES PRICE:			
Oil ($ per bbl)	$ 12.70	$ 16.01	$ 26.39
Gas ($ per mcf)	$ 1.92	$ 1.97	$ 3.36
Gas equivalent ($ per mcfe)	$ 1.97	$ 2.10	$ 3.50
EXPENSES ($ PER MCFE):			
Production expenses and taxes	$ .45	$ .45	$ .56
General and administrative	$ .15	$ .10	$ .10
Depreciation, depletion and amortization	$ 1.13	$ .71	$ .75
NET WELLS DRILLED:			
Horizontal wells	20	11	10
Vertical wells	116	109	167
NET WELLS AT END OF PERIOD	2,405	2,242	2,697

RESULTS OF OPERATIONS

Years Ended December 31, 1998, 1999 and 2000.

General. For the year ended December 31, 2000, Chesapeake had net income of $456 million, or $3.01 per diluted common share, on total revenues of $628 million. This compares to net income of $33 million, or $0.16 per diluted common share, on total revenues of $355 million during the year ended December 31, 1999, and a net loss of $934 million, or a loss of $9.97 per diluted common share, on total revenues of $378 million during the year ended December 31, 1998. Net income in 2000 was significantly enhanced by the reversal of a deferred tax valuation allowance in the amount of $265 million during the fourth quarter. The reversal related to Chesapeake's ability to generate sufficient future taxable income to utilize net operating losses prior to their expiration. The loss in 1998 was caused primarily by an $826 million oil and gas property writedown recorded under the full-cost method of accounting and a $55 million writedown of other assets. See "Impairment of Oil and Gas Properties" and "Impairment of Other Assets."

Oil and Gas Sales. During 2000, oil and gas sales increased to $470.2 million versus $280.4 million in 1999 and $256.9 million in 1998. In 2000, Chesapeake produced 134.2 bcfe at a weighted average price of $3.50 per mcfe, compared to 133.5 bcfe produced in 1999 at a weighted average price of $2.10 per mcfe, and 130.3 bcfe produced in 1998 at a weighted average price of $1.97 per mcfe.

The following table shows our production by region for 1998, 1999 and 2000:

	YEARS ENDED DECEMBER 31,					
	1998		1999		2000	
	MMCFE	PERCENT	MMCFE	PERCENT	MMCFE	PERCENT
Mid-Continent	61,930	48%	68,170	51%	78,342	58%
Gulf Coast	52,793	40	43,909	33	35,154	26
Canada	7,746	6	11,737	9	12,076	9
Permian Basin	3,939	3	5,722	4	6,166	5
Other areas	3,869	3	3,954	3	2,441	2
Total production	130,277	100%	133,492	100%	134,179	100%

Natural gas production represented approximately 86% of our total production volume on an equivalent basis in 2000, compared to 81% in 1999 and 72% in 1998. The decrease in oil production from 1998 through 2000 is the result of divestitures that occurred primarily in 1999 and our increasing focus on natural gas.

For 2000, we realized an average price per barrel of oil of $26.39, compared to $16.01 in 1999 and $12.70 in 1998. Natural gas price realizations fluctuated from an average of $1.92 per mcf in 1998 and $1.97 in 1999 to $3.36 per mcf in 2000. In 2000, our hedging activities resulted in a decrease in oil and gas revenues of $30.6 million or $0.23 per mcfe, a decrease of $1.7 million or $0.01 per mcfe in 1999, and an increase of $11.3 million or $0.09 per mcfe in 1998.

Oil and Gas Marketing Sales. Chesapeake realized $157.8 million in oil and gas marketing sales for third parties in 2000, with corresponding oil and gas marketing expenses of $152.3 million, for a net margin of $5.5 million. This compares to sales of $74.5 million and $121.1 million, expenses of $71.5 million and $119.0 million, and a margin of $3.0 million and $2.1 million in 1999 and 1998, respectively. The increase in marketing sales and cost of sales in 2000 as compared to 1999 and 1998 was due primarily to higher oil and gas prices in 2000 and the fact that we began marketing oil in June 1999.

Production Expenses and Taxes. Production expenses and taxes, which include lifting costs, production taxes and ad valorem taxes, were $74.9 million in 2000, compared to $59.6 million and $59.5 million in 1999 and 1998, respectively. On a unit of production basis, production expenses and taxes were $0.56 per mcfe in 2000 and $0.45 per mcfe in 1999 and 1998. The increase in costs on a per unit basis in 2000 is due primarily to higher production taxes resulting from 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. We expect that lease operating expenses per mcfe will generally remain at current levels throughout 2001, although production taxes will fluctuate with changes in oil and gas prices.

General and Administrative Expense. General and administrative expenses, which are net of internal payroll and non-payroll costs capitalized in our oil and gas properties (see note 11 of notes to consolidated financial statements), were $13.2 million in 2000, $13.5 million in 1999 and $19.9 million in 1998. 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. We capitalized $7.0 million, $2.7 million and $5.3 million of internal costs in 2000, 1999 and 1998, respectively, directly related to our oil and gas exploration and development efforts. We anticipate that general and administrative expenses for 2001 per mcfe will remain at approximately the same level as 2000.

Oil and Gas Depreciation, Depletion and Amortization. Depreciation, depletion and amortization of oil and gas properties was $101.3 million, $95.0 million and $146.6 million during 2000, 1999 and 1998, 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 $0.75 ($0.76 in U.S. and $0.71 in Canada), $0.71 ($0.73 in U.S. and $0.52 in Canada), and $1.13 ($1.17 in U.S. and $0.43 in Canada) in 2000, 1999 and 1998, respectively. We expect the 2001 DD&A rate to be between $1.00 and $1.05 per mcfe.

Depreciation and Amortization of Other Assets. Depreciation and amortization of other assets was $7.5 million in 2000, compared to $7.8 million in 1999 and $8.1 million in 1998.

Impairment of Oil and Gas Properties. We use the full-cost method to account for our 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 our independent engineering consultants and our internal reservoir 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.

We incurred an impairment of oil and gas properties charge of $826 million in 1998. No such charge was incurred in 2000 or 1999. The 1998 writedown was caused primarily by the significant decreases in oil and gas prices throughout 1998. Oil and gas prices used to value our 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 additional factors which contributed to the writedown in 1998.

Impairment of Other Assets. Chesapeake incurred a $55 million other asset impairment charge during 1998. Of this amount, $30 million related to our investment in preferred stock of Gothic Energy Corporation and the remainder was related to certain of our gas processing and transportation assets located in Louisiana. No such charge was recorded in 2000 or 1999.

Interest and Other Income. Interest and other income was $3.6 million, $8.6 million and $3.9 million in 2000, 1999 and 1998, respectively. The increase in 1999 was due primarily to gains on sales of various non-oil and gas assets during 1999 which did not occur in 2000 and 1998.

Interest Expense. Interest expense increased to $86.3 million in 2000, compared to $81.1 million in 1999 and $68.2 million in 1998. The increase in 2000 is due to additional borrowings under our bank credit facility. The increase in 1999 compared to 1998 is due primarily to a full year of interest on our $500 million senior notes issued in April 1998. In addition to the interest expense reported, we capitalized $2.4 million of interest during 2000, compared to $3.5 million capitalized in 1999, and $6.5 million capitalized in 1998. We anticipate that capitalized interest for 2001 will be between $2.0 million and $3.0 million.

Provision (Benefit) for Income Taxes. Chesapeake recorded an income tax benefit of $259.4 million in 2000 compared to income tax expense of $1.8 million in 1999 and none in 1998. The income tax benefit was comprised of $5.6 million of income tax expense related to our Canadian operations and the reversal of a $265 million deferred tax valuation allowance which was established in prior years. The valuation allowance had been established due to uncertainty surrounding our ability to utilize extensive regular tax NOLs prior to their expiration. Based upon our recent results of operations, the improved outlook for the natural gas industry and our projected results of future operations, we believe it is more likely than not that Chesapeake will be able to generate sufficient future taxable income to utilize our existing NOLs prior to their expiration. Consequently, management has determined that a valuation allowance is no longer required. The income tax expense recorded in 1999 is related entirely to our Canadian operations.

LIQUIDITY AND CAPITAL RESOURCES

Years Ended December 31, 2000, 1999 and 1998

Cash Flows from Operating Activities. Cash provided by operating activities (inclusive of changes in working capital) was $314.6 million in 2000, compared to $145.0 million in 1999 and $94.6 million in 1998.

The $169.6 million increase from 1999 to 2000 and the $50.4 million increase from 1998 to 1999 were due primarily to increased oil and gas revenues resulting from higher prices.

Cash Flows from Investing Activities. Cash used in investing activities increased to $330.0 million in 2000, compared to $159.8 million in 1999 and $548.1 million in 1998. During 2000, Chesapeake invested $188.8 million for exploration and development drilling, $78.9 million for the acquisition of oil and gas properties, and received $1.5 million related to divestitures of oil and gas properties. During 2000, we invested $36.7 million in the purchase of Gothic notes and acquisition related costs. Also in 2000, we invested $7.9 million in Advanced Drilling Technologies, L.L.C., a 50% owned drilling company joint venture. Additionally in 2000, we invested $4.0 million to construct a new building at our Oklahoma City complex. We anticipate the availability of this additional office space will reduce our general and administrative costs in future years. In 1999, we 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. During 1998, we invested $259.7 million for exploratory and developmental drilling. Also during 1998, we sold our 19.9% stake in Pan East Petroleum Corp. to Poco Petroleums, Ltd. for approximately $21.2 million.

Cash Flows from Financing Activities. Cash used in financing activities was $22.9 million in 2000, compared to cash provided of $19.0 million in 1999 and $363.8 million in 1998. During 2000, we made additional borrowings under our bank credit facility of $244.0 million and made repayments under this facility of $262.5 million. Also in 2000, we paid $8.3 million in connection with an exchange of our preferred stock for our common stock and paid cash dividends of $4.6 million on our preferred stock. In connection with our purchase of Gothic notes, we received $7.1 million cash from the sellers of Gothic notes pursuant to make-whole provisions included in the purchase agreements. These provisions required payments to be made by the sellers to us or additional payments to be made by us to the sellers, depending upon changes in market value of our common stock during a specified period pending registration of our common stock issued to the sellers of Gothic notes. During 1999, we made additional borrowings under our bank credit facility of $116.5 million and made repayments under this facility of $98.0 million. During 1998, we 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 our bank credit facility. Also during 1998, we issued $500 million in senior notes and $230 million in preferred stock. We also repurchased common stock and preferred stock for $30 million.

Financial Flexibility and Liquidity

Chesapeake had working capital of $4.2 million at December 31, 2000 including a restricted cash balance of $3.5 million. We have a $100 million revolving bank credit facility which matures in July 2002, with a committed borrowing base of $100 million. As of December 31, 2000, we had borrowed $25 million under this facility and had $31.5 million of the facility securing various letters of credit. Borrowings under the facility are secured by certain producing oil and gas properties and bear interest at a variable rate, which was 9.3% per annum as of December 31, 2000. Interest is payable quarterly calculated at .50% to 1.25%, depending on utilization, plus the higher of (a) the Union Bank of California reference rate or (b) the federal funds rate plus .50% per year. We may elect to convert a portion of our borrowings to interest calculated under a London Interbank Offered Rate (LIBOR) plus 2.00% to 2.75%, depending on utilization. We are required to pay a commitment fee on the unused portion of the borrowing base equal to 0.375% per annum due quarterly.

During 2000, we obtained a standby commitment for a $275 million credit facility, consisting of a $175 million term loan and a $100 million revolving credit facility which, if needed, would have replaced our existing revolving credit facility. The term loan was available to provide funds to repurchase any of Gothic Production Corporation's 11.125% senior secured notes tendered following the closing of the Gothic acquisition pursuant to a change-of-control offer to purchase. In February 2001, we purchased $1.0 million of notes tendered for 101% of such amount. We did not use the standby credit facility and the commitment terminated on February 23, 2001. Chesapeake incurred $3.2 million of costs for the standby facility.

At December 31, 2000, our senior notes represented $919 million of our $945 million of long-term debt. Debt ratings for the senior notes are B2 by Moody's Investors Service and B+ by Standard & Poor's Ratings Services as of January 2001. There are no scheduled principal payments required on any of the senior notes until 2004, 2005, and thereafter, when $150 million, $500 million and $269 million, respectively, are due.

As of March 28, 2001, Chesapeake has purchased and subsequently retired $7.3 million of the $150 million 8.5% senior notes for total consideration of $7.4 million, including accrued interest of $0.2 million.

Chesapeake's senior note indentures restrict the ability of Chesapeake and our restricted subsidiaries to incur additional indebtedness. As of December 31, 2000, we estimate that secured commercial bank indebtedness of $681 million could have been incurred within these restrictions. The Chesapeake indenture restrictions do not apply to our unrestricted subsidiaries, Chesapeake Energy Marketing, Inc. and Gothic Energy Corporation and its subsidiary.

Chesapeake's senior note indentures also limit our ability to make restricted payments (as defined), including the payment of cash dividends, unless certain tests are met. From December 31, 1998 through March 31, 2000, we were unable to meet the requirements to incur additional unsecured indebtedness, and consequently were restricted from paying cash dividends on our 7% cumulative convertible preferred stock. On September 22, 2000, we declared a regular quarterly dividend and a special dividend equal to all unpaid dividends on our preferred stock both payable November 1, 2000 to shareholders of record on October 16, 2000. A total combined dividend of $7.444 per outstanding preferred share was paid November 1, 2000, eliminating the accumulated unpaid dividends.

During 2000, Chesapeake engaged in unsolicited transactions in which a total of 43.4 million shares of Chesapeake common stock, plus a cash payment of $8.3 million, were exchanged for 3,972,363 shares of Chesapeake preferred stock. These transactions reduced the number of preferred shares outstanding from 4.6 million to 0.6 million, and reduced the liquidation value of shares of outstanding preferred stock from $229.8 million to $31.2 million. In addition, these transactions eliminated $22.9 million of dividends in arrears during 2000. A gain on redemption of all preferred shares exchanged during 2000 of $6.6 million is reflected in net income available to common shareholders in determining basic earnings per share for the year ended December 31, 2000. Chesapeake has called for redemption all outstanding shares of preferred stock for $52.45 per share, plus accumulated and unpaid dividends, on May 1, 2001 pursuant to the optional redemption provisions of the certificate of designation for the preferred stock. We intend to use our common stock (other than for the redemption premium) to redeem any shares of the outstanding preferred stock that are not converted into common stock prior to the redemption date.

During 2000, Chesapeake Energy Marketing, Inc. purchased 99.8% of Gothic Energy Corporation's $104 million 14.125% Series B senior secured discount notes for total consideration of $80.8 million, comprised of $17.2 million in cash and $63.6 million of Chesapeake common stock (8,875,775 shares valued at $7.16 per share), as adjusted for make-whole provisions described above. Through the make-whole provisions, Chesapeake Energy Marketing, Inc. received $6.1 million in cash and $7.2 million of Chesapeake common stock (982,562 shares). Gothic redeemed all remaining outstanding senior secured discount notes on March 12, 2001 for total cash consideration of $243,000 pursuant to the optional make-whole redemption provisions of the indenture.

In 2000, Chesapeake purchased $31.6 million of the 11.125% senior secured notes issued by Gothic Production Corporation for total consideration of $34.8 million, comprised of $11.5 million in cash and $23.3 million of Chesapeake common stock (3,694,939 shares valued at $6.30 per share), as adjusted for make-whole provisions described above. Through the make-whole provisions, Chesapeake received $1.0 million in cash. In February 2001, Chesapeake purchased $1.0 million principal amount of Gothic senior secured notes tendered at 101%. The notes purchased in 2000 and those tendered pursuant to the change-of-control offer to purchase, representing a total of $32.7 million principal amount, were retired and cancelled in February 2001.

We completed the acquisition of Gothic Energy Corporation on January 16, 2001 by merging a wholly-owned subsidiary into Gothic. We issued a total of 4.0 million common shares in the merger. Gothic shareholders (other than Chesapeake) received 0.1908 of a share of Chesapeake common stock for each share

of Gothic common stock. In addition, outstanding warrants and options to purchase Gothic common stock were converted to the right to purchase Chesapeake common stock based on the merger exchange ratio. As of March 15, 2001, 1.1 million shares of Chesapeake common stock may be purchased upon the exercise of such warrants and options at an average price of $12.28 per share.

Gothic Production Corporation's senior secured notes, of which $202.3 million principal amount remains presently outstanding, have been guaranteed by its parent Gothic Energy Corporation. Chesapeake has not assumed any payment obligations with respect to the notes. The notes are secured by Gothic Production's oil and gas properties and mature on May 1, 2005. The notes may be redeemed beginning May 1, 2002 at an initial redemption price of 105.563%. At any time prior to May 1, 2002, Gothic may, at its option, redeem all or any portion of the Senior Secured Notes at the Make-Whole Price (as defined in the Senior Note Indenture) plus accrued or unpaid interest to the date of redemption. The indenture for the notes contains covenants imposing restrictions on the incurrence of additional indebtedness, the payment of dividends, distributions and other restricted payments (including such payments to Chesapeake), the sale of assets, the creation of liens and transactions with affiliates, among other covenants. Gothic Production will continue to operate in accordance with the terms of the senior secured note indenture. Gothic will produce its existing oil and gas properties but will not add to its reserves through drilling or acquisitions. As a result of the acquisition, Chesapeake will develop all future wells. Chesapeake has assumed operations of all properties formerly operated by Gothic Production.

We believe we have adequate resources, including budgeted cash flow from operations, to fund our capital expenditure budget for exploration and development activities during 2001, which are currently estimated to be approximately $310 million. However, lower oil and gas prices, unfavorable drilling results or other factors could cause us to reduce our drilling program, which is largely discretionary. Based on our current cash flow assumptions, we expect to have an additional $250 to $325 million available for acquisitions, debt repayment and general corporate purposes in 2001. Additionally, we have approximately $60 million available under our bank credit facility as of March 29, 2001.

We will have additional cash needs to fund our future operations. If we do not have cash available, or borrowings under our credit facilities have been utilized when our cash need arises, we would be forced to seek additional debt or equity financing or to forego the opportunity. In the event that we determine to seek additional debt or equity financing, there can be no assurance that any such financing will be available, on commercially reasonable terms or at all, or permitted by the terms of our existing indebtedness.

On March 29, 2001, we announced a proposed private offering to sell $800 million of senior notes due 2011 in order to lower the interest rate and extend the maturity of approximately 74% of our senior notes. If the offering is successfully completed, the proceeds from the proposed offering, together with available cash and bank borrowings, would be used to redeem Chesapeake's existing $120 million principal amount of 9.125% senior notes due 2006, $500 million principal amount of 9.625% senior notes due 2005 and $202.5 million principal amount of 11.125% senior secured notes due 2005 of Gothic Production Corporation, a Chesapeake subsidiary. Redemption of these notes will include payment of aggregate make-whole and redemption premiums estimated at approximately $74 million. The notes to be offered by Chesapeake would not be initially registered under the Securities Act of 1933, as amended, and will not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

RECENTLY ISSUED ACCOUNTING STANDARDS

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

SFAS 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 SFAS 133 are required to be reported in earnings. In addition, all hedging relationships must be designated, reassessed and documented pursuant to the provisions of SFAS 133. We will fully adopt SFAS 133 on January 1, 2001, the effective date as amended by SFAS 138. SFAS 133 is expected to increase volatility of stockholders' equity, reported earnings (losses) and other comprehensive income. If we had adopted SFAS 133 on December 31, 2000, Chesapeake would have recorded an additional $9.3 million in current assets and $98.6 million in current liabilities related to our existing oil and gas hedges based on the forward price curve in effect at December 31, 2000. The net liability of $89.3 million related to qualifying hedge instruments would have been charged to other comprehensive income which appears in the equity section of the balance sheet. After adoption, Chesapeake will be required to recognize any hedge ineffectiveness in the income statement each period.

FORWARD-LOOKING STATEMENTS

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give our current expectations or forecasts of future events. They include statements regarding oil and gas reserve estimates, planned capital expenditures, the drilling of oil and gas wells and future acquisitions, expected oil and gas production, cash flow and anticipated liquidity, business strategy and other plans and objectives for future operations, expected future expenses and utilization of net operating loss carryforwards.

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

- the volatility of oil and gas prices,
- our substantial indebtedness,
- our commodity price risk management activities,
- our ability to replace reserves,
- the availability of capital,
- uncertainties inherent in estimating quantities of oil and gas reserves,
- projecting future rates of production and the timing of development expenditures,
- uncertainties in evaluating oil and gas reserves of acquired properties and associated potential liabilities,
- drilling and operating risks,
- our ability to generate future taxable income sufficient to utilize our NOLs before expiration,
- future ownership changes which could result in additional limitations to our NOLs,
- adverse effects of governmental and environmental regulation,
- losses possible from pending or future litigation,
- the strength and financial resources of our competitors,
- the loss of officers or key employees, and
- conflicts of interest our chief executive officer and chief operating officer may have as a result of their participation in company wells and their substantial stock ownership.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

COMMODITY PRICE RISK

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

HEDGING ACTIVITIES

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

- swap arrangements that establish an index-related price above which we pay the counterparty and below which we are paid by the counterparty (counterparty payments in some contracts are subject to a cap),
- the purchase of index-related puts that provide for a "floor" price below which the counterparty pays us the amount by which the price of the commodity is below the contracted floor,
- the sale of index-related calls that provide for a "ceiling" price above which we pay the counterparty the amount by which the price of the commodity is above the contracted ceiling,
- basis protection swaps, which are arrangements that guarantee the price differential of oil or gas from a specified delivery point or points, and
- collar arrangements that establish an index-related price below which the counterparty pays us and a separate index-related price above which we pay the counterparty.

Commodity markets are volatile, and as a result, our hedging activity is dynamic. As market conditions warrant, we may elect to settle a hedging transaction prior to its scheduled maturity date and, as a result, realize a gain or loss on the transaction.

Results from commodity hedging transactions are reflected in oil and gas sales to the extent related to our oil and gas production. We only enter into commodity hedging transactions related to our oil and gas production volumes or physical purchase or sale commitments of our marketing subsidiary. 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, 2000, we had the following open natural gas swap arrangements designed to hedge a portion of our domestic gas production for periods after December 2000:

MONTHS	VOLUME (MMBTU)	NYMEX-INDEX STRIKE PRICE (PER MMBTU)
January 2001	4,960,000	$6.03
February 2001	5,320,000	6.12
March 2001	4,650,000	5.11
April 2001	5,100,000	4.79
May 2001	5,270,000	4.63
June 2001	3,900,000	4.61
July 2001	4,030,000	4.59
August 2001	4,030,000	4.58
September 2001	3,900,000	4.57
October 2001	620,000	4.80

If the swap arrangements listed above had been settled on December 31, 2000, we would have incurred a loss of $80.1 million. Subsequent to December 31, 2000, we settled the natural gas swaps for January, February and March 2001. A loss of $18.6 million and $4.4 million and a gain of $0.1 million will be recognized as price adjustments in January, February and March, respectively. If we had settled the remaining swaps (April through October) using March 21, 2001 prices, we would have incurred a loss of $13.5 million.

On June 2, 2000, we entered into a natural gas basis protection swap transaction for 13,500,000 mmbtu for the period of January 2001 through March 2001. This transaction requires that the counterparty pay us if the NYMEX price exceeds the Houston Ship Channel Beaumont/Texas Index by more than $0.0675 for each of the related months of production. If the NYMEX price less $0.0675 does not exceed the Houston Ship Channel Beaumont/Texas Index for each month, we will pay the counterparty. Gains or losses on basis swap transactions are recognized as price adjustments in the month of related production. Subsequent to December 31, 2000, we settled the natural gas basis protection swaps for January, February and March 2001.

A gain of $0.3 million, a loss of $0.1 million and a loss of $0.5 million will be recognized as price adjustments in January, February and March, respectively.

As of December 31, 2000, we had open natural gas collar transactions designed to hedge 60,000 mmbtu per day throughout 2001 at an average NYMEX-defined high strike price (cap) of $6.08 per mmbtu and an average NYMEX-defined low strike price (floor) of $4.00 per mmbtu. If the collar transactions had been settled on December 31, 2000, we would have incurred a loss of $18.5 million. Subsequent to December 31, 2000, we settled the natural gas collar transactions for January, February and March 2001. A loss of $6.9 million and $1.4 million will be recognized as price adjustments in January and February, respectively. The March 2001 contract was settled for no gain or loss.

As of December 31, 2000, we had the following open crude oil swap arrangements designed to hedge a portion of our domestic crude oil production for periods after December 2000:

MONTHS	VOLUME (BBLS)	NYMEX-INDEX STRIKE PRICE (PER BBL)
January 2001	165,000	$29.97
February 2001	150,000	29.92
March 2001	165,000	29.84
April 2001	160,000	29.80
May 2001	165,000	29.75
June 2001	160,000	29.71
July 2001	165,000	29.68
August 2001	165,000	29.65
September 2001	160,000	29.62
October 2001	165,000	29.59
November 2001	160,000	29.56
December 2001	165,000	29.54

If the swap arrangements listed above had been settled on December 31, 2000, we would have realized a gain of $9.3 million. Subsequent to December 31, 2000, we settled the crude oil swap for January 2001 for a gain of $0.1 million and February 2001 for a gain of $41,350, which will be recognized as a price adjustment in January and February 2001.

Subsequent to December 31, 2000, we entered into the following natural gas swap arrangements designed to hedge a portion of our domestic gas production for periods after December 2000:

MONTHS	VOLUME (MMBTU)	NYMEX-INDEX STRIKE PRICE (PER MMBTU)
March 2001	310,000	$5.93
April 2001	300,000	5.66
May 2001	930,000	5.34
June 2001	900,000	5.37
July 2001	930,000	5.40
August 2001	930,000	5.42
September 2001	900,000	5.38
October 2001	1,240,000	5.40

The natural gas swap for March 2001 was settled for a gain of $0.3 million which will be recognized as a price adjustment in March 2001. If we had settled the remaining swaps (April through October) using March 21, 2001 prices, we would have incurred a gain of $1.0 million.

Subsequent to December 31, 2000, we entered into the following natural gas collar transactions designed to hedge a portion of our domestic gas production for periods after December 2000:

MONTHS	VOLUME (MMBTU)	NYMEX DEFINED HIGH STRIKE PRICE (PER MMBTU)	NYMEX DEFINED LOW STRIKE PRICE (PER MMBTU)
June 2001	600,000	$6.80	$5.00
July 2001	620,000	6.80	5.00
August 2001	620,000	6.80	5.00
September 2001	600,000	6.80	5.00
January 2002	620,000	5.75	4.00
February 2002	560,000	5.75	4.00
March 2002	620,000	5.75	4.00
April 2002	1,200,000	5.38	4.00
May 2002	1,240,000	5.38	4.00
June 2002	1,200,000	5.38	4.00
July 2002	1,240,000	5.38	4.00
August 2002	1,240,000	5.38	4.00
September 2002	1,200,000	5.38	4.00
October 2002	1,240,000	5.38	4.00
November 2002	600,000	5.75	4.00
December 2002	620,000	5.75	4.00

Subsequent to December 31, 2000, we entered into natural gas cap-swaps designed to hedge a portion of our domestic gas production for periods after December 2000. This transaction requires that we pay the counterparty if the NYMEX price exceeds an average Nymex defined strike price. If the NYMEX price is less than the strike price, the counterparty pays us. However, the counterparty's payment is capped.

MONTHS	VOLUME (MMBTU)	NYMEX INDEX STRIKE PRICE (PER MMBTU)	CAPPED LOW STRIKE PRICE (PER MMBTU)
May 2001	1,860,000	5.77	4.60
June 2001	1,800,000	5.81	4.64
July 2001	1,860,000	5.85	4.68
August 2001	1,860,000	5.87	4.70
September 2001	1,800,000	5.83	4.66
October 2001	1,860,000	5.83	4.66
November 2001	2,400,000	6.00	4.78
December 2001	2,480,000	6.10	4.88
January 2002	2,790,000	6.03	4.83
February 2002	2,520,000	5.82	4.62
March 2002	2,790,000	5.48	4.28
April 2002	5,700,000	4.85	3.85
May 2002	5,890,000	4.81	3.81
June 2002	5,700,000	4.80	3.80
July 2002	5,890,000	4.81	3.81
August 2002	5,890,000	4.81	3.81
September 2002	5,700,000	4.81	3.81
October 2002	5,890,000	4.80	3.80
November 2002	2,100,000	4.97	3.97
December 2002	2,170,000	5.06	4.06

In addition to commodity hedging transactions related to our oil and gas production, our marketing subsidiary, CEMI, periodically enters into various hedging transactions designed to hedge against physical purchase and sale commitments it makes. 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 material by management.

INTEREST RATE RISK

Chesapeake also utilizes hedging strategies to manage fixed-interest rate exposure. Through the use of a swap arrangement, we reduced our interest expense by $2.6 million from May 1998 through December 2000.

During 2000, our interest rate swap resulted in a net $38,000 increase in 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 us accordingly. If the floating rate exceeds the fixed rate, we 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 shares of Chesapeake'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.

Based on current market prices for Chesapeake common stock, we expect the interest rate swap agreement will terminate in May 2001 under the knockout provision of the agreement discussed above. The fair value of the swap agreement at December 31, 2000 was not material. 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, 2000							
	YEARS OF MATURITY							
	2001	2002	2003	2004	2005	THEREAFTER	TOTAL	FAIR VALUE
	($ IN MILLIONS)							
LIABILITIES:								
Long-term debt, including current portion -- fixed rate	$0.8	$ 0.6	$--	$150.0	$500.0	$270.0	$921.4	$894.7
Average interest rate	9.1%	9.1%	--	7.9%	9.6%	8.8%	9.1%	--
Long-term debt -- variable rate	$--	$25.0	$--	$ --	$ --	$ --	$ 25.0	$ 25.0
Average interest rate	--	9.3%	--	--	--	--	9.3%	--

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

CHESAPEAKE ENERGY CORPORATION

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Chesapeake Energy Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Chesapeake Energy Corporation and its subsidiaries (the "Company") at December 31, 1999 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

PricewaterhouseCoopers LLP
Oklahoma City, Oklahoma
March 28, 2001

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1999	2000
	($ IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 38,658	$ --
Restricted cash	192	3,500
Accounts receivable:		
Oil and gas sales	17,045	50,109
Oil and gas marketing sales	18,199	46,953
Joint interest and other, net of allowances of $3,218,000 and $1,085,000, respectively	11,247	15,998
Related parties	4,574	4,383
Deferred income tax asset	--	40,819
Inventory	4,582	3,167
Other	3,049	1,997
Total Current Assets	97,546	166,926
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full-cost accounting:		
Evaluated oil and gas properties	2,315,348	2,590,512
Unevaluated properties	40,008	25,685
Less: accumulated depreciation, depletion and amortization	(1,670,542)	(1,770,827)
	684,814	845,370
Other property and equipment	67,712	79,898
Less: accumulated depreciation and amortization	(33,429)	(37,034)
Total Property and Equipment	719,097	888,234
INVESTMENT IN GOTHIC ENERGY CORPORATION	10,000	126,434
DEFERRED INCOME TAX ASSET	--	229,823
OTHER ASSETS	23,890	29,009
TOTAL ASSETS	$ 850,533	$ 1,440,426
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 763	$ 836
Accounts payable	24,822	62,940
Accrued property acquisitions	--	22,530
Accrued interest	17,807	17,537
Other accrued liabilities	16,906	21,637
Revenues and royalties due others	27,888	35,682
Income tax payable	--	1,539
Total Current Liabilities	88,186	162,701
LONG-TERM DEBT, NET	964,097	944,845
REVENUES AND ROYALTIES DUE OTHERS	9,310	7,798
DEFERRED INCOME TAX LIABILITY	6,484	11,850
CONTINGENCIES AND COMMITMENTS (NOTE 4)		
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred Stock, $.01 par value, 10,000,000 shares authorized; 4,596,400 and 624,037 shares of 7% cumulative convertible stock issued and outstanding at December 31, 1999 and 2000, respectively, entitled in liquidation to $229.8 million and $31.2 million, respectively	229,820	31,202
Common Stock, par value of $.01, 250,000,000 shares authorized; 105,858,580 and 157,819,171 shares issued at December 31, 1999 and 2000, respectively	1,059	1,578
Paid-in capital	682,905	963,584
Accumulated deficit	(1,093,929)	(659,286)
Accumulated other comprehensive income (loss)	196	(3,901)
Less: treasury stock, at cost; 10,856,185 and 4,788,747 common shares at December 31, 1999 and 2000, respectively	(37,595)	(19,945)
Total Stockholders' Equity (Deficit)	(217,544)	313,232
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 850,533	$ 1,440,426

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,		
	1998	1999	2000
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)		
REVENUES:			
Oil and gas sales	$ 256,887	$280,445	$ 470,170
Oil and gas marketing sales	121,059	74,501	157,782
Total Revenues	377,946	354,946	627,952
OPERATING COSTS:			
Production expenses	51,202	46,298	50,085
Production taxes	8,295	13,264	24,840
General and administrative	19,918	13,477	13,177
Oil and gas marketing expenses	119,008	71,533	152,309
Oil and gas depreciation, depletion and amortization	146,644	95,044	101,291
Depreciation and amortization of other assets	8,076	7,810	7,481
Impairment of oil and gas properties	826,000	--	--
Impairment of other assets	55,000	--	--
Total Operating Costs	1,234,143	247,426	349,183
INCOME (LOSS) FROM OPERATIONS	(856,197)	107,520	278,769
OTHER INCOME (EXPENSE):			
Interest and other income	3,926	8,562	3,649
Interest expense	(68,249)	(81,052)	(86,256)
	(64,323)	(72,490)	(82,607)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(920,520)	35,030	196,162
PROVISION (BENEFIT) FOR INCOME TAXES	--	1,764	(259,408)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(920,520)	33,266	455,570
EXTRAORDINARY ITEM:			
Loss on early extinguishment of debt, net of applicable income tax of $0	(13,334)	--	--
NET INCOME (LOSS)	(933,854)	33,266	455,570
PREFERRED STOCK DIVIDENDS	(12,077)	(16,711)	(8,484)
GAIN ON REDEMPTION OF PREFERRED STOCK	--	--	6,574
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ (945,931)	$ 16,555	$ 453,660
EARNINGS (LOSS) PER COMMON SHARE:			
EARNINGS (LOSS) PER COMMON SHARE -- BASIC:			
Income (loss) before extraordinary item	$ (9.83)	$ 0.17	$ 3.52
Extraordinary item	(0.14)	--	--
Net income (loss)	$ (9.97)	$ 0.17	$ 3.52
EARNINGS (LOSS) PER COMMON SHARE-ASSUMING DILUTION:			
Income (loss) before extraordinary item	$ (9.83)	$ 0.16	$ 3.01
Extraordinary item	(0.14)	--	--
Net income (loss)	$ (9.97)	$ 0.16	$ 3.01
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (IN THOUSANDS):			
Basic	94,911	97,077	128,993
Assuming dilution	94,911	102,038	151,564

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,		
	1998	1999	2000
	($ IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME (LOSS)	$(933,854)	$ 33,266	$ 455,570
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation, depletion and amortization	152,204	99,516	105,103
Provision (benefit) for deferred income taxes	--	1,764	(259,408)
Impairment of oil and gas assets	826,000	--	--
Impairment of other assets	55,000	--	--
Amortization of loan costs	2,516	3,338	3,669
Amortization of bond discount	98	84	84
Bad debt expense	1,589	9	256
Gain (loss) on sale of fixed assets	(90)	(459)	8
Extraordinary loss	13,334	--	--
Equity in (earnings) losses from investments	703	1,209	131
Other	--	--	391
Cash provided by operating activities before changes in current assets and liabilities	117,500	138,727	305,804
CHANGES IN ASSETS AND LIABILITIES:			
(Increase) decrease in short-term investments	12,027	--	--
(Increase) decrease in accounts receivable	12,191	17,592	(66,706)
(Increase) decrease in inventory	168	743	1,415
(Increase) decrease in other current assets	7,637	3,614	2,884
Increase (decrease) in accounts payable, accrued liabilities and other	(46,785)	(23,891)	64,955
Increase (decrease) in current and non-current revenues and royalties due others	(8,099)	3,517	6,282
Increase (decrease) in deferred income taxes	--	4,720	6
Changes in assets and liabilities	(22,861)	6,295	8,836
Cash provided by operating activities	94,639	145,022	314,640
CASH FLOWS FROM INVESTING ACTIVITIES:			
Exploration and development of oil and gas properties	(259,710)	(153,268)	(188,778)
Acquisitions of oil and gas companies, proved properties and unproved properties, net of cash acquired	(279,924)	(49,893)	(78,910)
Divestitures of oil and gas properties	15,712	45,635	1,529
Investment in preferred stock of Gothic Energy Corporation	(39,500)	--	--
Investment in Gothic (notes and other costs)	--	--	(36,693)
Repayment of note receivable	2,000	--	--
Proceeds from sale of investment in PanEast	21,245	--	--
Other proceeds from sales	3,600	5,530	1,069
Increase in deferred charges	--	(5,865)	(4,807)
Other investments	--	(730)	(10,019)
Other property and equipment additions	(11,473)	(1,182)	(13,427)
Cash used in investing activities	(548,050)	(159,773)	(330,036)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term borrowings	658,750	116,500	244,000
Payments on long-term borrowings	(474,166)	(98,000)	(262,500)
Dividends paid on common stock	(5,592)	--	--
Dividends paid on preferred stock	(8,050)	--	(4,645)
Proceeds from issuance of preferred stock	222,663	--	--
Purchase of treasury stock and preferred stock	(29,962)	(53)	--
Cash paid in connection with issuance of common stock for preferred stock	--	--	(8,269)
Cash received from previous Gothic noteholders in settlement of make-whole provision	--	--	7,083
Cash received from exercise of stock options	154	520	1,398
Cash provided by (used in) financing activities	363,797	18,967	(22,933)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(4,726)	4,922	(329)
Net increase (decrease) in cash and cash equivalents	(94,340)	9,138	(38,658)
Cash and cash equivalents, beginning of period	123,860	29,520	38,658
Cash and cash equivalents, end of period	$ 29,520	$ 38,658	$ --

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,		
	1998	1999	2000
	($ IN THOUSANDS)		
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
CASH PAYMENTS FOR:			
Interest, net of capitalized interest	$ 59,881	$80,684	$85,401
Income taxes	$ --	$ --	$ --
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 December 1997, we declared a dividend of $0.02 per common share, or $1,486,000, which was paid in January 1998.

Proceeds from the issuance of $500 million of 9.625% senior notes in April 1998 are net of $11.7 million in offering fees and expenses which were deducted from the actual cash received.

In 1999, the chief executive officer and chief operating officer of Chesapeake tendered to Chesapeake Energy Marketing, Inc. 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, we issued a $2.2 million note payable as consideration for the acquisition of certain oil and gas properties.

During 2000, Chesapeake engaged in unsolicited transactions in which a total of 43.4 million shares of Chesapeake common stock, plus a cash payment of $8.3 million, were exchanged for 3,972,363 shares of Chesapeake preferred stock.

During 2000, Chesapeake Energy Marketing, Inc. purchased 99.8% of Gothic Energy Corporation's $104 million 14.125% Series B senior secured discount notes for total consideration of $80.8 million, comprised of $17.2 million in cash and $63.6 million of Chesapeake common stock (8,875,775 shares valued at $7.16 per share), as adjusted for make-whole provisions. Through the make-whole provisions, Chesapeake Energy Marketing, Inc. received $6.1 million in cash and $7.2 million of Chesapeake common stock (982,562 shares).

In 2000, Chesapeake purchased $31.6 million of the $235 million of 11.125% senior secured notes issued by Gothic Production Corporation for total consideration of $34.8 million comprised of $11.5 million in cash and $23.3 million of Chesapeake common stock (3,694,939 shares valued at $6.30 per share), as adjusted for make-whole provisions. Through the make-whole provisions, Chesapeake received $1.0 million in cash.

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,		
	1998	1999	2000
	($ IN THOUSANDS)		
PREFERRED STOCK:			
Balance, beginning of period	$ --	$ 230,000	$ 229,820
Exchange of common stock and cash for 3,972,363 shares of preferred stock	--	--	(198,618)
Exchange of common stock for 3,600 shares of preferred stock	--	(180)	--
Issuance of preferred stock	230,000	--	--
Balance, end of period	230,000	229,820	31,202
COMMON STOCK:			
Balance, beginning of period	743	1,052	1,059
Exercise of stock options and warrants	--	6	20
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	--	--
Exchange of 36,366,915 shares of common stock for preferred stock	--	--	363
Issuance of 13,553,302 shares of common stock to acquire Gothic notes	--	--	136
Change in par value and other	1	1	--
Balance, end of period	1,052	1,059	1,578
PAID-IN CAPITAL:			
Balance, beginning of period	460,770	682,263	682,905
Exercise of stock options and warrants	153	514	1,377
Issuance of common stock to acquire Gothic notes	--	--	93,885
Issuance of common stock to acquire Hugoton Energy Corporation	206,063	--	--
Issuance of common stock to acquire DLB Oil and Gas, Inc.	29,950	--	--
Offering expenses and other	(16,723)	1	--
Stock options issued in Hugoton purchase	2,050	--	--
Exchange of 36,366,915 shares of common stock for preferred stock	--	127	187,069
Exchange of 7,050,000 shares of treasury stock for preferred stock	--	--	(5,640)
Compensation related to stock options	--	--	238
Tax benefit from exercise of stock options	--	--	3,750
Balance, end of period	682,263	682,905	963,584
ACCUMULATED DEFICIT:			
Balance, beginning of period	(181,270)	(1,127,195)	(1,093,929)
Net income (loss)	(933,854)	33,266	455,570
Dividends on common stock	(4,021)	--	--
Dividends on preferred stock	(8,050)	--	(4,645)
Fair value of common stock exchanged in excess of book value of preferred stock	--	--	(8,013)
Cash paid in connection with issuance of common stock for preferred stock	--	--	(8,269)
Balance, end of period	(1,127,195)	(1,093,929)	(659,286)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Balance, beginning of period	(37)	(4,726)	196
Foreign currency translation adjustments	(4,689)	4,922	(4,097)
Balance, end of period	(4,726)	196	(3,901)
TREASURY STOCK -- COMMON:			
Balance, beginning of period	--	(29,962)	(37,595)
Settlement of notes receivable for 2,320,107 shares of common stock from related parties	--	(7,633)	--
Purchase of 8,503,300 shares of treasury stock	(29,962)	--	--
Exchange of 7,050,000 shares of treasury stock for preferred stock	--	--	24,841
Receipt of 982,562 shares of common stock from previous Gothic note holders in settlement of make-whole provision	--	--	(7,191)
Balance, end of period	(29,962)	(37,595)	(19,945)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	$ (248,568)	$ (217,544)	$ 313,232
COMPREHENSIVE INCOME (LOSS):			
Net income (loss)	$ (933,854)	$ 33,266	$ 455,570
Other comprehensive income (loss) -- foreign currency translation adjustments	(4,689)	4,922	(4,097)

Comprehensive income (loss).....	$ (938,543)	$ 38,188	$ 451,473

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

Chesapeake Energy Corporation 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. Our properties are located in Oklahoma, Texas, Arkansas, Louisiana, Kansas, Montana, Colorado, North Dakota, New Mexico and British Columbia and Saskatchewan, Canada.

Principles of Consolidation

The accompanying consolidated financial statements of Chesapeake Energy Corporation include the accounts of our direct and indirect wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in companies and partnerships which give us significant influence, but not control, over the investee are accounted for using the equity method. Other investments are generally carried at cost.

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, Chesapeake considers investments in all highly liquid debt instruments with maturities of three months or less at date of purchase to be cash equivalents.

Inventory

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

Oil and Gas Properties

Chesapeake follows the full-cost method of accounting under which all costs associated with property acquisition, exploration and development activities are capitalized. We capitalize internal costs that can be directly identified with our acquisition, exploration and development activities and do not include any costs related to production, general corporate overhead or similar activities (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, 2000, approximately 72% of our present value (discounted at 10%) of estimated future net revenues of proved reserves was evaluated by independent petroleum engineers, with the balance evaluated by our internal reservoir engineers. In addition, our internal engineers evaluate all properties quarterly. The average composite rates used for depreciation, depletion and amortization were $1.13 ($1.17 in U.S. and $0.43 in Canada) per equivalent mcf in 1998, $0.71 ($0.73 in U.S. and $0.52 in Canada) per equivalent mcf in 1999, and $0.75 ($0.76 in U.S. and $0.71 in Canada) per equivalent mcf in 2000.

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. We review all of our 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.

We review the carrying value of our 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 our proved reserves, net of related income tax considerations, resulting in writedowns in the carrying value of oil and gas properties of $826 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 1998, 1999 and 2000, interest of approximately $6.5 million, $3.5 million and $2.4 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

Chesapeake has adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. 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, requires presentation of "basic" and "diluted" earnings per share, as defined, on the face of the statements of operations for all entities with complex capital structures. SFAS 128 requires a reconciliation of the numerator and denominator of the basic and diluted EPS computations. For 1998, 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.

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

- For the year ended December 31, 1999 and 2000, outstanding options to purchase 1.3 million and 1.1 million shares of common stock at a weighted average exercise price of $7.14 and $8.73, respectively, were antidilutive because the exercise prices of the options were greater than the average market price of the common stock.

- For the year ended December 31, 1999, the assumed conversion of the outstanding preferred stock (convertible into 33 million common shares) was not included as the effect was antidilutive.

A reconciliation for the year ended December 31, 1999 and 2000 is as follows:

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
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
FOR THE YEAR ENDED DECEMBER 31, 2000:			
BASIC EPS			
Income available to common stockholders	$453,660	128,993	$3.52
EFFECT OF DILUTIVE SECURITIES			
Assumed conversion at the beginning of the period of preferred shares exchanged during the period:			
Common shares assumed issued	--	11,440	
Preferred stock dividends	8,484	--	
Gain on redemption of preferred stock	(6,574)	--	
Assumed conversion of 624,037 shares of preferred stock at beginning of period	--	4,489	
Employee stock options	--	6,642	
DILUTED EPS			
Income available to common stockholders and assumed conversions	$455,570	151,564	$3.01

During the year ended December 31, 2000, Chesapeake engaged in a number of unsolicited stock exchange transactions with institutional investors. A total of 43.4 million shares of common stock, plus a cash payment of $8.3 million, were exchanged for 3,972,363 shares of preferred stock. These transactions reduced (i) the number of preferred shares from 4.6 million to 0.6 million, (ii) the liquidation value of the preferred stock from $229.8 million to $31.2 million, and (iii) dividends in arrears by $22.9 million. A gain on redemption of all preferred shares exchanged during 2000 of $6.6 million is reflected in net income available to common shareholders in determining basic earnings per share. All preferred shares acquired in these transactions were cancelled and retired and have the status of authorized but unissued shares of undesignated preferred stock. 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 and cash paid in exchange for the preferred shares.

Gas Imbalances -- Revenue Recognition

Revenues from the sale of oil and gas production are recognized when title passes, net of royalties. We follow the "sales method" of accounting for our gas revenue whereby we recognize sales revenue on all gas sold to our purchasers, regardless of whether the sales are proportionate to our ownership in the property. A liability is recognized only to the extent that we have a net imbalance in excess of the remaining gas reserves on the underlying properties. Our net imbalance positions at December 31, 1998, 1999 and 2000 were not material.

Hedging

Chesapeake periodically uses commodity price risk management instruments to hedge our 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 our oil and gas production, in oil and gas marketing sales to the extent related to our marketing activities, and in interest expense to the extent so related.

On June 15, 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 133 establishes a new model for accounting for derivatives and hedging

activities and supersedes and amends a number of existing standards. SFAS 133 (as amended by SFAS 137 and SFAS 138) is effective for all fiscal quarters of fiscal years beginning after June 15, 2000.

SFAS 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 SFAS 133 are required to be reported in earnings. In addition, all hedging relationships must be designated, reassessed and documented pursuant to the provisions of SFAS 133. We will fully adopt SFAS 133 on January 1, 2001, the effective date as amended by SFAS 138. SFAS 133 is expected to increase volatility of stockholders' equity, reported earnings (losses) and other comprehensive income. If we had adopted SFAS 133 on December 31, 2000, Chesapeake would have recorded an additional $9.3 million in current assets and $98.6 million in current liabilities related to our existing oil and gas hedges based on the forward price curve in effect at December 31, 2000. The net liability of $89.3 million related to qualifying hedge instruments would have been charged to other comprehensive income which appears in the equity section of the balance sheet. After adoption, Chesapeake will be required to recognize any hedge ineffectiveness in the income statement each period.

Debt Issue Costs

Included in other assets are costs associated with the issuance of our senior notes. The remaining unamortized costs on these issuances of senior notes at December 31, 1999 and 2000 totaled $16.6 million and $13.9 million, respectively, and are being amortized over the life of the senior notes.

Currency Translation

The results of operations for non-U.S. subsidiaries are translated from local currencies into U.S. dollars using average exchange rates during each period; assets and liabilities are translated using exchange rates at the end of each period. Adjustments resulting from the translation process are reported in a separate component of stockholders' equity, and are not included in the determination of the results of operations.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements for 1998 and 1999 to conform to the presentation used for the 2000 consolidated financial statements.

2. SENIOR NOTES

On April 22, 1998, we issued $500 million principal amount of 9.625% Senior Notes due 2005. The 9.625% Senior Notes are redeemable at our option 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. We may also redeem at our 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, we issued $150 million principal amount of 7.875% Senior Notes due 2004. The 7.875% Senior Notes are redeemable at our option at any time prior to March 15, 2004, at the make-whole prices determined in accordance with the indenture.

Also on March 17, 1997, we issued $150 million principal amount of 8.5% Senior Notes due 2012. The 8.5% Senior Notes are redeemable at our option 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 in the indenture. As of March 28, 2001, Chesapeake has purchased and subsequently retired $7.3 million of these notes for total consideration of $7.4 million, including accrued interest of $0.2 million.

On April 9, 1996, we issued $120 million principal amount of 9.125% Senior Notes due 2006. The 9.125% Senior Notes are redeemable at our option 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 in the indenture.

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

Chesapeake is a holding company and owns no operating assets and has no significant operations independent of its subsidiaries. Our 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 our "Restricted Subsidiaries" (as defined in the respective indentures governing the Senior Notes). Each guarantor subsidiary is a direct or indirect wholly-owned subsidiary.

The senior note indentures contain certain covenants, including covenants limiting us 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. We are 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 our ability to make restricted payments (as defined), including the payment of cash dividends, unless certain tests are met. From December 31, 1998 through March 31, 2000, we were unable to meet the requirements to incur additional unsecured indebtedness, and consequently were restricted from paying cash dividends on our 7% cumulative convertible preferred stock. As a result of our failure to pay dividends for six quarterly periods, the holders of preferred stock were entitled to elect two new directors to the Chesapeake board after May 1, 2000. On September 22, 2000, we declared a regular quarterly dividend and a special dividend equal to all unpaid dividends on our preferred stock, both payable November 1, 2000 to shareholders of record on October 16, 2000. A total combined dividend of $7.444 per outstanding preferred share was paid November 1, 2000, eliminating the right of preferred stockholders to elect directors.

Set forth below are condensed consolidating financial statements of the guarantor subsidiaries and Chesapeake's subsidiaries which are not guarantors of the Senior Notes. Chesapeake Energy Marketing, Inc. was a non-guarantor subsidiary for all periods presented. All of our other subsidiaries were guarantor subsidiaries during all periods presented.

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

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
	ASSETS				
CURRENT ASSETS:					
Cash and cash equivalents	$ (7,156)	$ 20,409	$ 25,405	$ --	$ 38,658
Restricted cash	192	--	--	--	192
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	--	--	(686,097)	686,097	--
INVESTMENT IN GOTHIC ENERGY CORPORATION	10,000	--	--	--	10,000
OTHER ASSETS	6,402	8,409	16,765	(7,686)	23,890
TOTAL ASSETS	$ 757,627	$ 54,245	$ (627,275)	$665,936	$ 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 TAX LIABILITY	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	(721,354)	35,229	(210,906)	678,428	(218,603)
	(721,327)	35,230	(209,858)	678,411	(217,544)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 757,627	$ 54,245	$ (627,275)	$665,936	$ 850,533

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2000
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
	ASSETS				
CURRENT ASSETS:					
Cash and cash equivalents	$ (19,868)	$ 7,200	$ 12,668	$ --	$ --
Restricted cash	3,500	--	--	--	3,500
Accounts receivable	91,903	46,903	--	(21,363)	117,443
Deferred income tax asset	--	--	40,819	--	40,819
Inventory	3,040	127	--	--	3,167
Other	1,997	--	--	--	1,997
Total Current Assets	80,572	54,230	53,487	(21,363)	166,926
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,590,512	--	--	--	2,590,512
Unevaluated leasehold	25,685	--	--	--	25,685
Other property and equipment	30,670	23,246	25,982	--	79,898
Less: accumulated depreciation, depletion and amortization	(1,787,314)	(18,153)	(2,394)	--	(1,807,861)
Net Property and Equipment	859,553	5,093	23,588	--	888,234
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	--	--	(612,832)	612,832	--
INVESTMENT IN GOTHIC ENERGY CORPORATION	--	9,732	116,702	--	126,434
DEFERRED TAX ASSET	--	--	229,823	--	229,823
OTHER ASSETS	9,890	418	89,516	(70,815)	29,009
TOTAL ASSETS	$ 950,015	$ 69,473	$ (99,716)	$520,654	$ 1,440,426
	LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 836	$ --	$ --	$ --	$ 836
Accounts payable and other	118,620	49,613	19,090	(25,458)	161,865
Total Current Liabilities	119,456	49,613	19,090	(25,458)	162,701
LONG-TERM DEBT	92,321	--	919,244	(66,720)	944,845
REVENUES AND ROYALTIES DUE OTHERS	7,798	--	--	--	7,798
DEFERRED INCOME TAX LIABILITY	11,850	--	--	--	11,850
INTERCOMPANY PAYABLES	1,351,144	138	(1,351,282)	--	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Common Stock	26	1	1,569	(18)	1,578
Other	(632,580)	19,721	311,663	612,850	311,654
	(632,554)	19,722	313,232	612,832	313,232
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 950,015	$ 69,473	$ (99,716)	$520,654	$ 1,440,426

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1998:					
REVENUES:					
Oil and gas sales	$ 256,887	$ --	$ --	$ --	$ 256,887
Oil and gas marketing sales	--	222,849	--	(101,790)	121,059
Total Revenues	256,887	222,849	--	(101,790)	377,946
OPERATING COSTS:					
Production expenses and taxes	59,497	--	--	--	59,497
General and administrative	18,081	1,766	71	--	19,918
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
Total Operating Costs	1,102,426	230,690	2,817	(101,790)	1,234,143
INCOME (LOSS) FROM OPERATIONS	(845,539)	(7,841)	(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)
Equity in net earnings of subsidiaries	--	--	(949,232)	949,232	--
	(95,565)	1,877	(919,867)	949,232	(64,323)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(941,104)	(5,964)	(922,684)	949,232	(920,520)
INCOME TAX EXPENSE (BENEFIT)	--	--	--	--	--
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(941,104)	(5,964)	(922,684)	949,232	(920,520)
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	(2,164)	--	(11,170)	--	(13,334)
NET INCOME (LOSS)	$ (943,268)	$ (5,964)	$(933,854)	$ 949,232	$ (933,854)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1999:					
REVENUES:					
Oil and gas sales	$280,445	$ --	$ --	$ --	$280,445
Oil and gas marketing sales	--	193,900	--	(119,399)	74,501
Total Revenues	280,445	193,900	--	(119,399)	354,946
OPERATING COSTS:					
Production expenses and taxes	59,158	404	--	--	59,562
General and administrative	12,143	1,251	83	--	13,477
Oil and gas marketing expenses	--	190,932	--	(119,399)	71,533
Oil and gas depreciation, depletion and amortization	94,649	395	--	--	95,044
Other depreciation and amortization	4,474	80	3,256	--	7,810
Total Operating Costs	170,424	193,062	3,339	(119,399)	247,426
INCOME (LOSS) FROM OPERATIONS	110,021	838	(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)
Equity in net earnings of subsidiaries	--	--	34,227	(34,227)	--
	(79,595)	4,727	36,605	(34,227)	(72,490)
INCOME (LOSS) BEFORE INCOME TAXES	30,426	5,565	33,266	(34,227)	35,030
INCOME TAX EXPENSE (BENEFIT)	1,764	--	--	--	1,764
NET INCOME (LOSS)	$ 28,662	$ 5,565	$ 33,266	$ (34,227)	$ 33,266

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 2000:					
REVENUES:					
Oil and gas sales	$469,823	$ 347	$ --	$ --	$ 470,170
Oil and gas marketing sales	--	361,023	--	(203,241)	157,782
Total Revenues	469,823	361,370	--	(203,241)	627,952
OPERATING COSTS:					
Production expenses and taxes	74,845	80	--	--	74,925
General and administrative	11,635	1,218	324	--	13,177
Oil and gas marketing expenses	--	355,550	--	(203,241)	152,309
Oil and gas depreciation, depletion and amortization	101,190	101	--	--	101,291
Other depreciation and amortization	4,082	80	3,319	--	7,481
Total Operating Costs	191,752	357,029	3,643	(203,241)	349,183
INCOME (LOSS) FROM OPERATIONS	278,071	4,341	(3,643)	--	278,769
OTHER INCOME (EXPENSE):					
Interest and other income	2,736	883	87,910	(87,880)	3,649
Interest expense	(90,170)	(35)	(83,931)	87,880	(86,256)
Equity in net earnings of subsidiaries	--	--	190,234	(190,234)	--
	(87,434)	848	194,213	(190,234)	(82,607)
INCOME BEFORE INCOME TAXES	190,637	5,189	190,570	(190,234)	196,162
INCOME TAX EXPENSE (BENEFIT)	5,592	--	(265,000)	--	(259,408)
NET INCOME	$185,045	$ 5,189	$ 455,570	$(190,234)	$ 455,570

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1998:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 66,960	$(13,137)	$(908,416)	$ 949,232	$ 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	466,534	(949,232)	--
	476,663	6,035	830,331	(949,232)	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

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1999:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 135,303	$ 7,193	$ 36,753	$(34,227)	$ 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	(50,509)	34,227	--
	34,001	728	(49,989)	34,227	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

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 2000:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 320,002	$ (9,627)	$ 194,499	$(190,234)	$ 314,640
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties, net	(267,674)	1,515	--	--	(266,159)
Proceeds from sale of assets	782	16	271	--	1,069
Other investments	(8,019)	--	(2,000)	--	(10,019)
Investment in Gothic Energy Corporation	--	(33,076)	(3,617)	--	(36,693)
Other additions	(4,453)	(2,740)	(11,041)	--	(18,234)
	(279,364)	(34,285)	(16,387)	--	(330,036)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term borrowings	244,000	--	--	--	244,000
Payments on long-term borrowings	(262,500)	--	--	--	(262,500)
Cash paid for redemption of preferred stock	--	--	(8,269)	--	(8,269)
Cash received on make whole provision	--	6,109	974	--	7,083
Cash dividends paid on preferred stock	--	--	(4,645)	--	(4,645)
Exercise of stock options	--	--	1,398	--	1,398
Intercompany advances, net	(34,521)	24,594	(180,307)	190,234	--
	(53,021)	30,703	(190,849)	190,234	(22,933)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(329)	--	--	--	(329)
Net increase (decrease) in cash and cash equivalents	(12,712)	(13,209)	(12,737)	--	(38,658)
Cash, beginning of period	(7,156)	20,409	25,405	--	38,658
Cash, end of period	$ (19,868)	$ 7,200	$ 12,668	$ --	$ --

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

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1998:					
Net income (loss)	$(943,268)	$(5,964)	$(933,854)	$ 949,232	$(933,854)
Other comprehensive income (loss) -- foreign currency translation	(4,689)	--	--	--	(4,689)
Comprehensive income (loss)	$(947,957)	$(5,964)	$(933,854)	$ 949,232	$(938,543)
FOR THE YEAR ENDED DECEMBER 31, 1999:					
Net income (loss)	$ 28,662	$ 5,565	$ 33,266	$ (34,227)	$ 33,266
Other comprehensive income (loss) -- foreign currency translation	4,922	--	--	--	4,922
Comprehensive income (loss)	$ 33,584	$ 5,565	$ 33,266	$ (34,227)	$ 38,188
FOR THE YEAR ENDED DECEMBER 31, 2000:					
Net income	$ 185,045	$ 5,189	$ 455,570	$(190,234)	$ 455,570
Other comprehensive income (loss) -- foreign currency translation	(4,097)	--	--	--	(4,097)
Comprehensive income	$ 180,948	$ 5,189	$ 455,570	$(190,234)	$ 451,473

3. NOTES PAYABLE AND LONG-TERM DEBT

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

	DECEMBER 31,	
	1999	2000
	($ IN THOUSANDS)	
7.875% Senior Notes (see note 2)	$150,000	$150,000
Discount on 7.875% Senior notes	(73)	(55)
8.5% Senior Notes (see note 2)	150,000	150,000
Discount on 8.5% Senior notes	(715)	(657)
9.125% Senior Notes (see note 2)	120,000	120,000
Discount on 9.125% Senior notes	(52)	(44)
9.625% Senior Notes (see note 2)	500,000	500,000
Note payable	2,200	1,437
Revolving bank credit facility	43,500	25,000
Total notes payable and long-term debt	964,860	945,681
Less -- current maturities	(763)	(836)
Notes payable and long-term debt, net of current maturities	$964,097	$944,845

Chesapeake has a $100 million revolving bank credit facility which matures in July 2002, with a committed borrowing base of $100 million. As of December 31, 2000, we had borrowed $25 million under the revolving bank credit facility and had $31.5 million of the facility securing various letters of credit. Borrowings under the facility are collateralized by certain producing oil and gas properties and bear interest at a variable rate, which was 9.3% per annum as of December 31, 2000. Interest is payable quarterly calculated at .50% to 1.25%, depending on utilization, plus the higher of (a) the Union Bank of California reference rate or (b) the federal funds rate plus .50% per year. We may elect to convert a portion of our borrowings to interest calculated under a London Interbank Offered Rate ("LIBOR") plus 2.00% to 2.75%, depending on utilization. We are required to pay a commitment fee on the unused portion of the borrowing base equal to 0.375% per annum due quarterly.

During 2000, we obtained a standby commitment for a $275 million credit facility, consisting of a $175 million term loan and a $100 million revolving credit facility which would have replaced our existing revolving credit facility. The term loan was available to repurchase any of Gothic Production Corporation's 11.125% senior secured notes tendered following the closing of the Gothic acquisition pursuant to a change-of-control offer to purchase. In February 2001, we purchased $1.0 million of notes tendered for 101% of such amount. We did not use the standby credit facility and the commitment terminated on February 23, 2001. Chesapeake incurred $3.2 million of costs for the standby facility.

The aggregate scheduled maturities of notes payable and long-term debt for the next five fiscal years ending December 31, 2005, and thereafter were as follows as of December 31, 2000 ($ in thousands):

2001	$ 836
2002	25,601
2003	--
2004	149,945
2005	500,000
After 2005	269,299
	$945,681

4. CONTINGENCIES AND COMMITMENTS

West Panhandle Field Cessation Cases. One of our subsidiaries, Chesapeake Panhandle Limited Partnership ("CP") (f/k/a MC Panhandle, Inc.), and two subsidiaries of Kinder Morgan, Inc. have been 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 we acquired in April 1998, has owned the leases since January 1, 1997. The co-defendants are prior lessees. The plaintiffs in these cases have claimed the leases terminated upon the cessation of production for various periods, primarily during the 1960s. In addition, the

plaintiffs have sought to recover conversion damages, exemplary damages, attorneys' fees and interest. The defendants have asserted 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, and there have been appellate decisions in three of them. In January 2001, the principal plaintiffs in eight of ten cases tried or pending in the District Court of Moore County, Texas, 69th Judicial District agreed to settle their claims. We do not consider our portion of the settlement consideration material to our financial condition or results of operations.

There are five related West Panhandle cessation cases which continue to be pending, two in the District Court of Moore County, Texas, 69th Judicial District, one in the District Court of Carson County, Texas, 100th Judicial District, and two in the U.S. District Court, Northern District of Texas, Amarillo Division. In one of the Moore County cases, CP and the other defendants have appealed a January 2000 judgment notwithstanding verdict 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. We will have additional cash needs to fund our future operations. If we do not have cash available, or borrowings under our credit facilities have been utilized when our cash need arises, we would be forced to seek additional debt or equity financing or to forego the opportunity. In the event that we determine to seek additional debt or equity financing, there can be no assurance that any such financing will be available, on commercially reasonable terms or at all, or permitted by the terms of our existing indebtedness. In the other Moore County, Texas case, in June 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. In February 2001, the court granted plaintiffs' motion for summary judgment on defendants' affirmative defenses but reversed its ruling that the lease had terminated as a matter of law. In one of the U.S. District Court cases, after a trial in May 1999, the jury found plaintiffs' claims were barred by the payment of shut-in royalties, laches and revivor. Plaintiffs have moved for a new trial. There are motions pending in the remaining two cases and no trial date has been set.

We have previously established an accrued liability we believe will be sufficient to cover the estimated costs of litigation for each of the pending cases and the settlement consideration under the terms of the settlement agreement mentioned above. 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 pending cases, the outcome of any future trials and the amount of damages that might ultimately be awarded could differ from management's estimates. CP and the other defendants intend to vigorously defend against the plaintiffs' claims.

Chesapeake 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 Chesapeake.

Chesapeake has employment contracts with its chief executive officer, chief operating officer and 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. The agreements with the chief executive officer and chief operating officer have terms of five years commencing July 1, 2000. The term of each agreement is automatically extended for one additional year on each June 30 unless one of the parties provides 30 days notice of non-extension. The agreements with the chief financial officer and other senior managers expire on June 30, 2003.

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

5. INCOME TAXES

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

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
	($ IN THOUSANDS)		
Current	$ --	$ --	$ 1,800
Deferred:			
United States	--	--	(266,800)
Foreign	--	1,764	5,592
Total	$ --	$1,764	$(259,408)

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,		
	1998	1999	2000
	($ IN THOUSANDS)		
Computed "expected" income tax provision (benefit)	$(322,182)	$12,720	$ 70,168
Tax percentage depletion	(430)	(240)	(191)
Change in valuation allowance	380,969	(10,956)	(329,516)
State income taxes and other	(58,357)	240	131
	$ --	$ 1,764	$(259,408)

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	2000
	($ IN THOUSANDS)	
Deferred tax liabilities:		
Acquisition, exploration and development costs and related depreciation, depletion and amortization	$ (6,484)	$(11,850)
Deferred tax assets:		
Acquisition, exploration and development costs and related depreciation, depletion and amortization	211,961	50,567
Net operating loss carryforwards	228,279	216,332
Percentage depletion carryforward	1,776	1,851
Alternative minimum tax credits	--	1,892
Deferred tax asset	442,016	270,642
Net deferred tax asset (liability)	435,532	258,792
Less: Valuation allowance	(442,016)	--
Total deferred tax asset (liability)	$ (6,484)	$258,792
Reflected in accompanying balance sheets as:		
Current income tax asset	--	40,819
Deferred income tax asset	--	229,823
Deferred income tax liability	(6,484)	(11,850)
	$ (6,484)	$258,792

At December 31, 2000, we classified $41 million of our deferred tax assets as current to recognize the portion of the NOL carryover that is expected to be utilized to reduce taxable income in 2001.

During 2000, we revised our estimate of the 1999 U.S. net deferred tax asset from $442 million to $330 million as a result of further evaluation of the income tax basis of several acquisitions. Since there was a full valuation allowance against the deferred tax asset, this revision had no impact on net income.

In the fourth quarter of 2000, we eliminated our valuation allowance resulting in the recognition of a $265 million income tax benefit. This resulted in an increase to 2000 net income of $265 million, or $1.75 per diluted share. Based upon recent results of operations and anticipated improvement in Chesapeake's outlook for sustained profitability, we believe that it is more likely than not that we will generate sufficient future taxable income to realize the tax benefits associated with our NOL carryforwards prior to their expiration.

At December 31, 2000, Chesapeake had U.S. regular tax net operating loss carryforwards of approximately $567 million and a U.S. alternative minimum tax net operating loss carryforward of approximately $301 million. The U.S. loss carryforward amounts will expire during the years 2009 through 2019. We also had a U.S. percentage depletion carryforward of approximately $5 million at December 31, 2000, which is available to offset Chesapeake's future U.S. federal income and has no expiration date. A summary of our NOLs follows:

	NOL	AMT NOL
	($ IN THOUSANDS)	
Expiration Date:		
December 31, 2009	$ 19,099	$ --
December 31, 2010	41,494	--
December 31, 2011	168,186	17,559
December 31, 2012	48,229	--
December 31, 2018	154,642	146,840
December 31, 2019	135,697	137,094
Total	$567,347	$301,493

In the event of an ownership change, Section 382 of the Internal Revenue Code imposes an annual limitation on the amount of a corporation's taxable income that can be offset by these carryforwards. The limitation is generally equal to the product of (i) the fair market value of the equity of the company multiplied by (ii) a percentage approximately equivalent to the yield on long-term tax exempt bonds during the month in which an ownership change occurs. Of the $567 million NOLs and $301 million AMT NOLs, the utilization of $254 million and the utilization of $25 million, respectively, are subject to annual limitations under Section 382. Therefore, $313 million of NOLs and $276 million of the AMT NOLs are not subject to the limitation. The utilization of $254 million of the NOLs and $25 million of the AMT NOLs subject to the Section 382 limitation are both limited to approximately $26 million each taxable year.

6. RELATED PARTY TRANSACTIONS

Certain directors, shareholders and employees of Chesapeake have acquired working interests in certain of our 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 2000, we had accounts receivable from related parties, primarily related to such participation, of $4.6 million and $4.4 million, respectively.

As of December 31, 1998, the chief executive officer and chief operating officer of Chesapeake had notes payable to Chesapeake Energy Marketing, Inc. in the principal amount of $9.9 million. In November 1999, the chief executive officer and the chief operating officer tendered 2,320,107 shares of Chesapeake common stock in full satisfaction of the notes, which had 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 1998, 1999 and 2000, we incurred legal expenses of $493,000, $398,000 and $439,000, respectively, for legal services provided by a law firm of which a director is a member.

7. EMPLOYEE BENEFIT PLANS

We maintain 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 Chesapeake matches up to 10% of the employee's annual salary with Chesapeake's common stock purchased in the open-market. The amount of employee contribution is limited as specified in the plan. We may, at our discretion, make additional contributions to the plan. We contributed $1,359,000, $1,163,000 and $1,490,000 to the plan during 1998, 1999 and 2000, 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)	
1998	Koch Oil Company	$30,564	12%
	Aquila Southwest Pipeline Corporation	$28,946	11%
1999	Aquila Southwest Pipeline Corporation	$31,505	11%
2000	Aquila Southwest Pipeline Corporation	$54,931	12%

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

Chesapeake has two reportable segments under SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" consisting of exploration and production, and marketing. The reportable segment information can be derived from note 2 as Chesapeake Energy Marketing, Inc., which is our marketing segment, is the only non-guarantor subsidiary for all periods presented. The geographic distribution of our revenue, operating income and long-lived assets is summarized below:

	UNITED STATES	CANADA	COMBINED
	($ IN THOUSANDS)		
1998:			
Revenue	$ 369,968	$ 7,978	$ 377,946
Operating income (loss)	(842,798)	(13,399)	(856,197)
Long-lived assets	617,431	77,185	694,616
1999:			
Revenue	$ 340,969	$ 13,977	$ 354,946
Operating income (loss)	103,188	4,332	107,520
Long-lived assets	648,841	104,146	752,987
2000:			
Revenue	$ 594,126	$ 33,826	$ 627,952
Operating income (loss)	259,828	18,941	278,769
Long-lived assets	1,163,952	109,548	1,273,500

9. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

During 1998, our Board of Directors approved the expenditure of up to $30 million to purchase our outstanding common stock. During 1998, we purchased 8.5 million shares of common stock for an aggregate amount of $30 million pursuant to such authorization.

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

On April 22, 1998, we issued $230 million (4.6 million shares) of our 7% cumulative convertible preferred stock, $50 per share liquidation preference, resulting in net proceeds to us of $223 million.

On March 10, 1998, we acquired Hugoton Energy Corporation pursuant to a merger by issuing 25.8 million shares of our common stock in exchange for 100% of Hugoton's common stock.

In November 1999, the chief executive officer and the chief operating officer of Chesapeake tendered 2,320,107 shares of Chesapeake common stock in full satisfaction of two notes payable to Chesapeake Energy Marketing, Inc. with a combined outstanding balance of $7.6 million. See note 6.

During 2000, Chesapeake entered into a number of unsolicited transactions whereby we issued 43.4 million shares of our common stock, plus a cash payment of $8.3 million, in exchange for 3,972,363 shares of our preferred stock. This reduced the liquidation amount of preferred stock outstanding by $198.6 million to $31.2 million, and reduced the amount of preferred dividends in arrears by $22.9 million.

During 2000, Chesapeake Energy Marketing, Inc. purchased 99.8% of Gothic Energy Corporation's $104 million 14.125% Series B senior secured discount notes for total consideration of $80.8 million, comprised of $17.2 million in cash and $63.6 million of Chesapeake common stock (8,875,775 shares valued at $7.16 per share), as adjusted for make-whole provisions. Chesapeake Energy Marketing, Inc. received $6.1 million in cash and $7.2 million of Chesapeake common stock (982,562 shares) from the sellers of Gothic notes pursuant to make-whole provisions included in the purchase agreements. These provisions required payments to be made by the sellers to us or additional payments to be made by us to the sellers, depending upon changes in market value of our common stock during a specified period pending registration of our common stock issued to the sellers of Gothic notes.

In 2000, Chesapeake purchased $31.6 million of the $235 million of 11.125% senior secured notes issued by Gothic Production Corporation for total consideration of $34.8 million consisting of $11.5 million in cash and $23.3 million of Chesapeake common stock (3,694,939 shares valued at $6.30 per share), as adjusted for make-whole provisions as described above. Through the make-whole provisions, Chesapeake received cash of $1.0 million.

Stock Option Plans

Chesapeake's 1992 Incentive Stock Option Plan terminated on December 16, 1994. Until then, we 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 ten 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 our 1992 Nonstatutory Stock Option Plan, non-qualified options to purchase common stock may be granted only to directors and consultants of Chesapeake. Subject to any adjustment as provided by this 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 ten 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. This 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 7,500 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 from 20,000 shares to 15,000 shares per year in 1998, to 25,000 shares per year in 1999 and to 30,000 shares per year in 2000. No options can be granted under this plan after December 10, 2002.

Under Chesapeake's 1994 Stock Option Plan, and our 1996 Stock Option Plan, incentive and nonqualified stock options to purchase Chesapeake common stock may be granted to employees and consultants of Chesapeake. 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 ten 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 Chesapeake's 1999 Stock Option Plan, nonqualified stock options to purchase Chesapeake common stock may be granted to employees and consultants of Chesapeake. Subject to any adjustment as provided by this 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 ten 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 this 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 this plan after March 4, 2009.

Under Chesapeake's 2000 Employee Stock Option Plan, nonqualified stock options to purchase Chesapeake common stock may be granted to employees of Chesapeake. 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 ten 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 this 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 this plan after April 25, 2010.

Under Chesapeake's 2000 Executive Officer Stock Option Plan, nonqualified stock options to purchase Chesapeake common stock may be granted to executive officers of Chesapeake. Subject to any adjustment as provided by the plan, the aggregate number of shares which may be issued and sold may not exceed 2,500,000 shares and must represent issued shares which have been reacquired by Chesapeake. The maximum period for exercise of an option may not be more than ten 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 this 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 this plan after April 25, 2010.

Chesapeake has elected to follow APB No. 25, Accounting for Stock Issued to Employees and related interpretations in accounting for its employee stock options. Under APB No. 25, compensation expense is recognized for the difference between the option price and market value on the measurement date. In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44 which provided clarification regarding the application of APB No. 25. FIN 44 specifically addressed the accounting consequence of various modifications to the terms of a previously granted fixed stock option. Compensation expense of $238,000 was recognized in 2000 as a result of modifications that were made during the year ended December 31, 2000. No compensation expense has been recognized for newly issued stock options in 1998, 1999 or 2000 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 we had accounted for our 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 1998, 1999 and 2000, respectively: interest rates (zero-coupon U.S. government issues with a remaining life equal to the expected term of the options) of 5.20%, 5.88% and 6.32%; dividend yields of 0.0%, 0.0% and 0.0%; volatility factors of the expected market price of our common stock of .96, .82, and .73; 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 our 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.

Chesapeake's pro forma information follows:

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
	($ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Net Income (Loss)			
As reported	$(933,854)	$33,266	$455,570
Pro forma	(948,014)	24,802	444,865
Basic Earnings (Loss) per Share			
As reported	$ (9.97)	$ 0.17	$ 3.52
Pro forma	(10.12)	0.08	3.43
Diluted Earnings (Loss) per Share			
As reported	$ (9.97)	$ 0.16	$ 3.01
Pro forma	(10.12)	0.08	2.94

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

	YEARS ENDED DECEMBER 31,					
	1998		1999		2000	
	OPTIONS	WEIGHTED-AVG EXERCISE PRICE	OPTIONS	WEIGHTED-AVG EXERCISE PRICE	OPTIONS	WEIGHTED-AVG EXERCISE PRICE
Outstanding Beginning of Period	8,330,381	$5.49	11,260,375	$1.86	12,858,429	$1.76
Granted	14,580,063	2.78	3,210,493	1.11	8,143,280	4.08
Exercised	(108,761)	1.35	(622,120)	0.99	(2,177,644)	1.21
Cancelled/Forfeited	(11,541,308)	5.64	(990,319)	1.87	(424,903)	2.47
Outstanding End of Period	11,260,375	$1.86	12,858,429	$1.76	18,399,162	$2.83
Exercisable End of Period	3,535,126	$2.99	5,040,302	$2.66	5,422,884	$2.61
Shares Authorized for Future Grants	1,761,359		2,560,687		588,435	
Fair Value of Options Granted During the Period		$2.34		$0.77		$2.63

The following table summarizes information about stock options outstanding at December 31, 2000:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING @ 12/31/00	WEIGHTED-AVG. REMAINING CONTRACTUAL LIFE	WEIGHTED-AVG. EXERCISE PRICE	NUMBER EXERCISABLE @ 12/31/00	WEIGHTED-AVG. EXERCISE PRICE
$0.08-$0.78	694,282	3.04	$0.63	694,282	$0.63
0.94-1.00	2,090,445	8.09	0.94	312,258	0.95
1.13-2.06	5,574,715	7.36	1.15	2,341,978	1.17
2.25-2.25	2,346,300	8.95	2.25	46,250	2.25
2.25-3.81	1,341,275	4.15	2.50	1,307,405	2.49
4.00-4.00	2,629,000	9.31	4.00	31,250	4.00
4.06-5.50	97,569	7.26	4.75	62,336	4.91
5.56-5.92	3,041,663	9.74	5.57	91,313	5.81
6.13-8.75	439,663	5.66	7.09	398,187	7.10
10.69-30.63	144,250	5.43	25.14	137,625	25.66
$0.08-$30.63	18,399,162	7.86	$2.83	5,422,884	$2.61

The exercise of certain stock options results in state and federal income tax benefits to us related to the difference between the market price of the common stock at the date of disposition and the option price. During 2000, we recognized a tax benefit of $3.8 million, which was recorded as adjustments to additional paid-in capital and deferred income taxes with respect to such benefits. There was no similar tax benefit in 1998 or 1999.

Shareholder Rights Plan

Chesapeake maintains a shareholder rights plan designed to deter coercive or unfair takeover tactics, to prevent a person or group from gaining control of Chesapeake without offering fair value to all shareholders and to deter other abusive takeover tactics which are not in the best interest of shareholders.

Under the terms of the plan, each share of common stock is accompanied by one right, which given certain acquisition and business combination criteria, entitles the shareholder to purchase from Chesapeake one one-thousandth of a newly issued share of Series A preferred stock at a price of $25.00, subject to adjustment by Chesapeake.

The rights become exercisable 10 days after Chesapeake learns that an acquiring person (as defined in the plan) has acquired 15% or more of the outstanding common stock of Chesapeake or 10 business days after the commencement of a tender offer which would result in a person owning 15% or more of such shares. Chesapeake may redeem the rights for $0.01 per right within ten days following the time Chesapeake learns that a person has become an acquiring person. The rights will expire on July 27, 2008, unless redeemed earlier by Chesapeake.

10. FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Chesapeake 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. Our primary objective is to hedge a portion of our exposure to price volatility from producing crude oil and natural gas. These arrangements may expose us to credit risk from our counterparties and to basis risk. We do not expect that the counterparties will fail to meet their obligations given their high credit ratings.

Hedging Activities

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

- swap arrangements that establish an index-related price above which we pay the counterparty and below which we are paid by the counterparty (counterparty payments in some contracts are subject to a cap),
- the purchase of index-related puts that provide for a "floor" price below which the counterparty pays the amount by which the price of the commodity is below the contracted floor,
- the sale of index-related calls that provide for a "ceiling" price above which we pay the counterparty the amount by which the price of the commodity is above the contracted ceiling,
- basis protection swaps, which are arrangements that guarantee the price differential of oil or gas from a specified delivery point or points, and
- collar arrangements that establish an index-related price below which the counterparty pays us and a separate index-related price above which we pay the counterparty.

Commodity markets are volatile, and as a result, our hedging activity is dynamic. As market conditions warrant, we may elect to settle a hedging transaction prior to its scheduled maturity date and, as a result, realize a gain or loss on the transaction.

Results from commodity hedging transactions are reflected in oil and gas sales to the extent related to our oil and gas production. We only enter into commodity hedging transactions related to our oil and gas production volumes or physical purchase or sale commitments of our marketing subsidiary. 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, 2000, we had the following open natural gas swap arrangements designed to hedge a portion of our domestic gas production for periods after December 2000:

MONTHS	VOLUME (MMBTU)	NYMEX-INDEX STRIKE PRICE (PER MMBTU)
January 2001	4,960,000	$6.03
February 2001	5,320,000	6.12
March 2001	4,650,000	5.11
April 2001	5,100,000	4.79
May 2001	5,270,000	4.63
June 2001	3,900,000	4.61
July 2001	4,030,000	4.59
August 2001	4,030,000	4.58
September 2001	3,900,000	4.57
October 2001	620,000	4.80

If the swap arrangements listed above had been settled on December 31, 2000, we would have incurred a loss of $80.1 million. Subsequent to December 31, 2000, we settled the natural gas swaps for January, February and March 2001. A loss of $18.6 million and $4.4 million and a gain of $0.1 million will be recognized as price adjustments in January, February and March, respectively. If we had settled the remaining swaps (April through October) using March 21, 2001 prices, we would have incurred a loss of $13.5 million.

On June 2, 2000, we entered into a natural gas basis protection swap transaction for 13,500,000 mmbtu for the period of January 2001 through March 2001. This transaction requires that the counterparty pay us if the NYMEX price exceeds the Houston Ship Channel Beaumont/Texas Index by more than $0.0675 for each of the related months of production. If the NYMEX price less $0.0675 does not exceed the Houston Ship Channel Beaumont/ Texas Index for each month, we will pay the counterparty. Gains or losses on basis swap transactions are recognized as price adjustments in the month of related production. Subsequent to December 31, 2000, we settled the natural gas basis protection swaps for January, February and March 2001. A gain of $0.3 million, a loss of $0.1 million and a loss of $0.5 million will be recognized as price adjustments in January, February and March, respectively.

As of December 31, 2000, we had open natural gas collar transactions designed to hedge 60,000 mmbtu per day throughout 2001 at an average NYMEX-defined high strike price (cap) of $6.08 per mmbtu and an average NYMEX-defined low strike price (floor) of $4.00 per mmbtu. If the collar transactions had been settled on December 31, 2000, we would have incurred a loss of $18.5 million. Subsequent to December 31, 2000, we settled the natural gas collar transactions for January, February and March 2001. A loss of $6.9 million and $1.4 million will be recognized as price adjustments in January and February, respectively. The March 2001 contract was settled for no gain or loss.

As of December 31, 2000, we had the following open crude oil swap arrangements designed to hedge a portion of our domestic crude oil production for periods after December 2000:

MONTHS	VOLUME (BBLS)	NYMEX-INDEX STRIKE PRICE (PER BBL)
January 2001	165,000	$29.97
February 2001	150,000	29.92
March 2001	165,000	29.84
April 2001	160,000	29.80
May 2001	165,000	29.75
June 2001	160,000	29.71
July 2001	165,000	29.68
August 2001	165,000	29.65
September 2001	160,000	29.62
October 2001	165,000	29.59
November 2001	160,000	29.56
December 2001	165,000	29.54

If the swap arrangements listed above had been settled on December 31, 2000, we would have realized a gain of $9.3 million. Subsequent to December 31, 2000, we settled the crude oil swap for January 2001 for a gain of $0.1 million and February for a gain of $41,350, which will be recognized as a price adjustment in January and February 2001.

Subsequent to December 31, 2000, we entered into the following natural gas swap arrangements designed to hedge a portion of our domestic gas production for periods after December 2000:

MONTHS	VOLUME (MMBTU)	NYMEX-INDEX STRIKE PRICE (PER MMBTU)
March 2001	310,000	$5.93
April 2001	300,000	5.66
May 2001	930,000	5.34
June 2001	900,000	5.37
July 2001	930,000	5.40
August 2001	930,000	5.42
September 2001	900,000	5.38
October 2001	1,240,000	5.40

The natural gas swap for March 2001 was settled for a gain of $0.3 million which will be recognized as a price adjustment in March 2001. If we had settled the remaining swaps (April through October) using March 21, 2001 prices, we would have realized a gain of $1.0 million.

Subsequent to December 31, 2000, we entered into the following natural gas collar transactions designed to hedge a portion of our domestic gas production for periods after December 2000:

MONTHS	VOLUME (MMBTU)	NYMEX DEFINED HIGH STRIKE PRICE (PER MMBTU)	NYMEX DEFINED LOW STRIKE PRICE (PER MMBTU)
June 2001	600,000	$ 6.80	$ 5.00
July 2001	620,000	6.80	5.00
August 2001	620,000	6.80	5.00
September 2001	600,000	6.80	5.00
January 2002	620,000	5.75	4.00
February 2002	560,000	5.75	4.00
March 2002	620,000	5.75	4.00
April 2002	1,200,000	5.38	4.00
May 2002	1,240,000	5.38	4.00
June 2002	1,200,000	5.38	4.00
July 2002	1,240,000	5.38	4.00
August 2002	1,240,000	5.38	4.00
September 2002	1,200,000	5.38	4.00
October 2002	1,240,000	5.38	4.00
November 2002	600,000	5.75	4.00
December 2002	620,000	5.75	4.00

Subsequent to December 31, 2000, we entered into natural gas cap-swaps designed to hedge a portion of our domestic gas production for periods after December 2000. This transaction requires that we pay the counterparty if the NYMEX price exceeds an average Nymex defined strike price. If the NYMEX price is less than the strike price, the counterparty pays us. However, the counterparty's payment is capped.

MONTHS	VOLUME (MMBTU)	NYMEX INDEX STRIKE PRICE (PER MMBTU)	CAPPED LOW STRIKE PRICE (PER MMBTU)
May 2001	1,860,000	5.77	4.60
June 2001	1,800,000	5.81	4.64
July 2001	1,860,000	5.85	4.68
August 2001	1,860,000	5.87	4.70
September 2001	1,800,000	5.83	4.66
October 2001	1,860,000	5.83	4.66
November 2001	2,400,000	6.00	4.78
December 2001	2,480,000	6.10	4.88
January 2002	2,790,000	6.03	4.83
February 2002	2,520,000	5.82	4.62
March 2002	2,790,000	5.48	4.28
April 2002	5,700,000	4.85	3.85
May 2002	5,890,000	4.81	3.81
June 2002	5,700,000	4.80	3.80
July 2002	5,890,000	4.81	3.81
August 2002	5,890,000	4.81	3.81
September 2002	5,700,000	4.81	3.81
October 2002	5,890,000	4.80	3.80
November 2002	2,100,000	4.97	3.97
December 2002	2,170,000	5.06	4.06

In addition to commodity hedging transactions related to our oil and gas production, our marketing subsidiary, CEMI, periodically enters into various hedging transactions designed to hedge against physical purchase and sale commitments it makes. 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

Chesapeake also utilizes hedging strategies to manage fixed-interest rate exposure. Through the use of a swap arrangement, we reduced our interest expense by $2.6 million from May 1998 through December 2000. During 2000, our interest rate swap resulted in a $38,000 increase in 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 us accordingly. If the floating rate exceeds the fixed rate, we 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 shares of Chesapeake'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.

Based on current market prices for Chesapeake common stock, we expect the interest rate swap agreement will terminate in May 2001 under the knockout provision of the agreement discussed above. The fair value of the swap arrangement at December 31, 2000 was not material. Results from interest rate hedging transactions are reflected as adjustments to interest expense in the corresponding months covered by the swap agreement.

Concentration of Credit Risk

Other financial instruments which potentially subject us to concentrations of credit risk consist principally of cash, short-term investments in debt instruments and trade receivables. Our accounts receivable are primarily from purchasers of oil and natural gas products and exploration and production companies which own interests in

properties we operate. The industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. We generally require letters of credit for receivables from customers which are judged to have sub-standard credit, unless the credit risk can otherwise be mitigated. 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." We have determined the estimated fair value amounts by using available market information and valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying values of items comprising current assets and current liabilities approximate fair values due to the short-term maturities of these instruments. We estimate the fair value of our long-term (including current maturities), fixed-rate debt using primarily quoted market prices. Our carrying amount for such debt at December 31, 1999 and 2000 was $921.4 million and $920.7 million, respectively, compared to approximate fair values of $838.7 million and $894.7 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. We estimate the fair value of our convertible preferred stock, which was issued in April 1998, using quoted market prices. Our carrying amount for such preferred stock at December 31, 1999 and 2000 was $229.8 million and $31.2 million, compared to an approximate fair value of $119.0 million and $49.6 million, respectively.

11. DISCLOSURES ABOUT OIL AND GAS PRODUCING ACTIVITIES

Net Capitalized Costs

Evaluated and unevaluated capitalized costs related to Chesapeake'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, 2000	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Oil and gas properties:			
Proved	$ 2,453,316	$137,196	$ 2,590,512
Unproved	23,673	2,012	25,685
Total	2,476,989	139,208	2,616,197
Less accumulated depreciation, depletion and amortization	(1,737,892)	(32,935)	(1,770,827)
Net capitalized costs	$ 739,097	$106,273	$ 845,370

Unproved properties not subject to amortization at December 31, 1999 and 2000 consisted mainly of lease acquisition costs. We capitalized approximately $6.5 million, $3.5 million and $2.4 million of interest during 1998, 1999 and 2000, respectively, on significant investments in unproved properties that were not yet included in the

amortization base of the full-cost pool. We will continue to evaluate our 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, 1998	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Development and leasehold costs	$145,657	$ 4,584	$150,241
Exploration costs	63,245	5,427	68,672
Acquisition costs:			
Proved	662,104	78,176	740,280
Unproved	23,834	2,535	26,369
Sales of oil and gas properties	(15,712)	--	(15,712)
Capitalized internal costs	5,262	--	5,262
Total	$884,390	$90,722	$975,112

YEAR ENDED DECEMBER 31, 1999	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Development and leasehold costs	$ 92,582	$31,536	$124,118
Exploration costs	23,651	42	23,693
Acquisition costs:			
Proved	47,993	4,100	52,093
Unproved	2,747	--	2,747
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, 2000	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Development and leasehold costs	$138,285	$13,559	$151,844
Exploration costs	24,648	10	24,658
Acquisition costs:			
Proved	75,285	--	75,285
Unproved	3,625	--	3,625
Sales of oil and gas properties	(1,529)	--	(1,529)
Capitalized internal costs	6,958	--	6,958
Total	$247,272	$13,569	$260,841

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

Chesapeake's results of operations from oil and gas producing activities are presented below for 1998, 1999 and 2000. The following table includes revenues and expenses associated directly with our oil and gas producing activities. It does not include any allocation of our interest costs and, therefore, is not necessarily indicative of the contribution to consolidated net operating results of our oil and gas operations.

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)

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, 2000	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Oil and gas sales	$ 436,344	$ 33,826	$ 470,170
Production expenses	(46,280)	(3,805)	(50,085)
Production taxes	(24,840)	--	(24,840)
Depletion and depreciation	(92,708)	(8,583)	(101,291)
Imputed income tax (provision) benefit(a)	(103,556)	(9,647)	(113,203)
Results of operations from oil and gas producing activities	$ 168,960	$ 11,791	$ 180,751

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(a) The imputed income tax provision is hypothetical (at the statutory rate) and determined without regard to our 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 capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues for our proved reserves, net of related income tax considerations, resulting in writedowns in the carrying value of oil and gas properties of $826 million.

Oil and Gas Reserve Quantities (unaudited)

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

- As of December 31, 1998, Williamson Petroleum Consultants, Inc., Ryder Scott Company L.P., H.J. Gruy and Associates, Inc. and our internal reservoir engineers evaluated 63%, 12%, 1% and 24% of the combined discounted future net revenues from our estimated proved reserves, respectively.
- As of December 31, 1999, Williamson, Ryder Scott, and our internal reservoir engineers evaluated 50%, 16%, and 34% of the combined discounted future net revenues from our estimated proved reserves, respectively.
- As of December 31, 2000, Williamson, Ryder Scott, Lee Keeling and Associates and our internal reservoir engineers evaluated 31%, 25%, 16% and 28% of our combined discounted future net revenues from our estimated proved reserves, respectively.

The information is presented in accordance with regulations prescribed by the Securities and Exchange Commission. Chesapeake emphasizes that reserve estimates are inherently imprecise. Our 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.

Presented below is a summary of changes in estimated reserves of Chesapeake for 1998, 1999 and 2000:

DECEMBER 31, 1998

	U.S.			CANADA			COMBINED		
	OIL (MBBL)	GAS (MMCF)	TOTAL (MMCFE)	OIL (MBBL)	GAS (MMCF)	TOTAL (MMCFE)	OIL (MBBL)	GAS (MMCF)	TOTAL (MMCFE)
Proved reserves, beginning of period	18,226	339,118	448,473	--	--	--	18,226	339,118	448,473
Extensions, discoveries and other additions	3,448	90,879	111,567	--	--	--	3,448	90,879	111,567
Revisions of previous estimates	(4,082)	(60,477)	(84,969)	--	--	--	(4,082)	(60,477)	(84,969)
Production	(5,975)	(86,681)	(122,531)	(1)	(7,740)	(7,746)	(5,976)	(94,421)	(130,277)
Sale of reserves-in-place	(30)	(3,515)	(3,695)	--	--	--	(30)	(3,515)	(3,695)
Purchase of reserves-in-place	10,973	444,694	510,532	34	239,513	239,717	11,007	684,207	750,249
Proved reserves, end of period	22,560	724,018	859,377	33	231,773	231,971	22,593	955,791	1,091,348
Proved developed reserves:									
Beginning of period	10,087	178,082	238,604	--	--	--	10,087	178,082	238,604
End of period	18,003	552,953	660,971	33	105,990	106,188	18,036	658,943	767,159

DECEMBER 31, 1999

	U.S.			CANADA			COMBINED		
	OIL (MBBL)	GAS (MMCF)	TOTAL (MMCFE)	OIL (MBBL)	GAS (MMCF)	TOTAL (MMCFE)	OIL (MBBL)	GAS (MMCF)	TOTAL (MMCFE)
Proved reserves, beginning of period	22,560	724,018	859,377	33	231,773	231,971	22,593	955,791	1,091,348
Extensions, discoveries and other additions	4,593	158,801	186,359	--	37,835	37,835	4,593	196,636	224,194
Revisions of previous estimates	3,404	59,904	80,328	--	(98,571)	(98,571)	3,404	(38,667)	(18,243)
Production	(4,147)	(96,873)	(121,755)	--	(11,737)	(11,737)	(4,147)	(108,610)	(133,492)
Sale of reserves-in-place	(4,371)	(31,616)	(57,842)	(33)	(796)	(994)	(4,404)	(32,412)	(58,836)
Purchase of reserves-in-place	2,756	64,350	80,886	--	19,738	19,738	2,756	84,088	100,624
Proved reserves, end of period	24,795	878,584	1,027,353	--	178,242	178,242	24,795	1,056,826	1,205,595
Proved developed reserves:									
Beginning of period	18,003	552,953	660,971	33	105,990	106,188	18,036	658,943	767,159
End of period	17,750	627,120	733,620	--	136,203	136,203	17,750	763,323	869,823

DECEMBER 31, 2000

	U.S.			CANADA			COMBINED		
	OIL (MBBL)	GAS (MMCF)	TOTAL (MMCFE)	OIL (MBBL)	GAS (MMCF)	TOTAL (MMCFE)	OIL (MBBL)	GAS (MMCF)	TOTAL (MMCFE)
Proved reserves, beginning of period	24,795	878,584	1,027,353	--	178,242	178,242	24,795	1,056,826	1,205,595
Extensions, discoveries and other additions	3,599	157,719	179,313	--	20,772	20,772	3,599	178,491	200,085
Revisions of previous estimates	(3,210)	25,652	6,392	--	(27,973)	(27,973)	(3,210)	(2,321)	(21,581)
Production	(3,068)	(103,694)	(122,102)	--	(12,077)	(12,077)	(3,068)	(115,771)	(134,179)
Sale of reserves-in-place	(136)	(2,155)	(2,971)	--	--	--	(136)	(2,155)	(2,971)

Purchase of reserves-in-place.....	1,817	96,963	107,864	--	--	--	1,817	96,963	107,864
Proved reserves, end of period....	23,797	1,053,069	1,195,849	--	158,964	158,964	23,797	1,212,033	1,354,813
Proved developed reserves:									
Beginning of period.....	17,750	627,120	733,620	--	136,203	136,203	17,750	763,323	869,823
End of period.....	15,445	739,775	832,445	--	118,688	118,688	15,445	858,463	951,133
CHESAPEAKE AND GOTHIC ON A COMBINED BASIS:									
Proved reserves, end of period.....	25,565	1,343,976	1,497,364	--	158,964	158,964	25,565	1,502,940	1,656,328
Proved developed reserves, end of period.....	17,012	985,247	1,087,319	--	118,688	118,688	17,012	1,103,935	1,206,007

During 1999, Chesapeake acquired approximately 101 bcfe of proved reserves through purchases of oil and gas properties for consideration of $52 million. We also sold 59 bcfe of proved reserves for consideration of approximately $46 million. During 1999, we recorded upward revisions of 80 bcfe to the December 31, 1998 estimates of our U.S. reserves, and downward revisions of 99 bcfe to the December 31, 1998 estimates of our Canadian reserves, for a total revision of 19 bcfe, or approximately 1.7%. The upward revisions to our 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 our Canadian reserves were caused by a reduction of our proved undeveloped locations and an increase in projected transportation and operating costs in Canada, which decreased the economic lives of the underlying properties.

During 2000, Chesapeake acquired 107.9 bcfe of proved reserves for consideration of $75.3 million. Also during 2000, we recorded downward revisions to our U.S. oil reserves of 3.2 million barrels and upward revisions to our U.S. natural gas reserves of 25.7 bcf. The downward revisions to our U.S. oil reserves were related to lower estimates primarily in the Knox, Permian and Williston areas. The upward revisions to our U.S. gas reserves were due primarily to additional reserves added as a result of the significant increase in natural gas prices as of December 31, 2000, which had the effect of extending the economic life of our properties. These upward revisions were partially offset by the elimination of proved undeveloped locations primarily in the Knox, Independence and Sahara fields, as well as lower estimates in various areas located primarily in the Mid-Continent area. During 2000, we also had negative revisions to our Canadian gas reserves of 28.0 bcf. This decrease was primarily due to the increase in crown royalties resulting from higher natural gas prices at December 31, 2000, as well as lower estimates on various properties in the Helmet field.

Standardized Measure of Discounted Future Net Cash Flows (unaudited)

Statement of Financial Accounting Standards No. 69 prescribes guidelines for computing a standardized measure of future net cash flows and changes therein relating to estimated proved reserves. Chesapeake 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 our 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 our future net cash flows relating to proved oil and gas reserves based on the standardized measure prescribed in SFAS 69:

DECEMBER 31, 1998
- ----------------

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Future cash inflows(a)	$ 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, 1999

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Future cash inflows(b)	$ 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, 2000

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
Future cash inflows(c)	$11,336,112	$1,540,158	$12,876,270
Future production costs	(1,778,325)	(79,427)	(1,857,752)
Future development costs	(294,359)	(21,185)	(315,544)
Future income tax provision	(3,247,701)	(447,887)	(3,695,588)
Net future cash flows	6,015,727	991,659	7,007,386
Less effect of a 10% discount factor	(2,440,407)	(503,718)	(2,944,125)
Standardized measure of discounted future net cash flows	$ 3,575,320	$ 487,941	$ 4,063,261
Discounted (at 10%) future net cash flows before income taxes	$ 5,365,228	$ 680,800	$ 6,046,028(d)

- ---

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

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

(c) Calculated using weighted average prices of $26.41 per barrel of oil and $10.12 per mcf of gas.

(d) Based on the adjusted cash spot price for natural gas and oil at December 31, 2000. These prices are significantly higher than the prices received in 2000.

In January 2001, Chesapeake acquired Gothic Energy Corporation. Gothic reported $858 million as its standardized measure of discounted future net cash flows and $1,266,503 as its discounted future net cash flows before income taxes at December 31, 2001.

	U.S.	CANADA	COMBINED
		($ IN THOUSANDS)	
CHESAPEAKE AND GOTHIC ON A COMBINED BASIS AT DECEMBER 31, 2000:			
Future cash flows	$14,341,562	$1,540,158	$15,881,720
Future production costs	(2,128,696)	(79,427)	(2,208,123)
Future development costs	(336,619)	(21,185)	(357,804)
Future income tax provision	(4,091,330)	(447,887)	(4,539,217)
Net future cash flows	7,784,917	991,659	8,776,576
Less effect of a 10% discount factor	(3,352,024)	(503,718)	(3,855,742)
Standard measure of discounted future net cash flows	$ 4,432,893	$ 487,941	$ 4,920,834
Discounted (at 10%) future net cash flows before income taxes	$ 6,631,731	$ 680,800	$ 7,312,531

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

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, 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, 2000

	U.S.	CANADA	COMBINED
	($ IN THOUSANDS)		
Standardized measure, beginning of period	$ 908,898	$ 97,714	$ 1,006,612
Sales of oil and gas produced, net of production costs	(365,224)	(30,021)	(395,245)
Net changes in prices and production costs	2,750,651	573,654	3,324,305
Extensions and discoveries, net of production and development costs	878,128	87,647	965,775
Changes in future development costs	2,167	3,233	5,400
Development costs incurred during the period that reduced future development costs	38,112	6,415	44,527
Revisions of previous quantity estimates	25,818	(113,473)	(87,655)
Purchase of reserves-in-place	494,483	--	494,483
Sales of reserves-in-place	(3,113)	--	(3,113)
Accretion of discount	99,175	9,775	108,950
Net change in income taxes	(1,707,060)	(192,825)	(1,899,885)
Changes in production rates and other	453,285	45,822	499,107
Standardized measure, end of period	$ 3,575,320	$ 487,941	$ 4,063,261

12. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized unaudited quarterly financial data for 1999 and 2000 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(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, 2000	JUNE 30, 2000	SEPTEMBER 30, 2000	DECEMBER 31, 2000
Net sales	$114,661	$134,463	$168,182	$210,646
Gross profit(a)	40,975	53,142	76,918	107,734
Net income	21,202	31,634	54,689	348,045(b)
Net income per share:				
Basic	.27	.26	.33	2.28
Diluted	.15	.22	.31	2.12

- ---

(a) Total revenue less total operating costs.
(b) In the fourth quarter of 2000, we eliminated our valuation allowance resulting in the recognition of a $265 million income tax benefit. Based upon recent results of operations and anticipated improvement in Chesapeake's outlook for sustained profitability, we believe that it is more likely than not that we will generate sufficient future taxable income to realize the tax benefits associated with our NOL carryforwards prior to their expiration.

13. SUBSEQUENT EVENTS

We completed the acquisition of Gothic Energy Corporation on January 16, 2001 by merging a wholly-owned subsidiary into Gothic. We issued a total of 4.0 million shares in the merger. Gothic shareholders (other than Chesapeake) received 0.1908 of a share of Chesapeake common stock for each share of Gothic common stock. In addition, outstanding warrants and options to purchase Gothic common stock were converted to the right to purchase Chesapeake common stock (1.1 million shares as of March 15, 2001 at an average price of $12.28 per share) based on the merger exchange ratio. Prior to the merger, Chesapeake purchased substantially all of Gothic's 14.125% senior secured discount notes for total consideration valued at $80.8 million in cash and Chesapeake common stock. Prior to the merger, we also purchased $31.6 million principal amount of 11.125% senior secured notes due 2005 issued by Gothic's operating subsidiary and guaranteed by Gothic. The consideration for these purchases consisted of cash and Chesapeake common stock valued at a total of $34.8 million. In February 2001, we purchased $1.0 million principal amount of Gothic senior secured notes tendered at 101%. There remain outstanding $202.3 million principal amount of the 11.125% senior secured notes, all of which are secured by Gothic's oil and gas properties. Chesapeake has not assumed any payment obligations with respect to the notes. The parties executed a definitive merger agreement on September 8, 2000, as amended on October 1, 2000, and Gothic's shareholders approved the merger at a special meeting on December 12, 2000.

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, 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, 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, 2000:					
Allowance for doubtful accounts	$ 3,218	$ 256	$ --	$ 2,389	$ 1,085
Valuation allowance for deferred tax assets	$442,016	$ --	$ --	$442,016(b)	$ --

- ---

(a) At December 31, 1998, $5.9 million of the valuation allowance was related to our Canadian deferred tax assets. During 1999, this valuation allowance was eliminated as part of a purchase price reallocation related to a 1998 acquisition.

(b) In the fourth quarter of 2000, we eliminated the valuation allowance for deferred tax assets. The reversal was based upon recent results of operations and anticipated improvements in Chesapeake's outlook for sustained profitability. During 2000, we revised our estimate of the 1999 U.S. net deferred tax asset and related valuation allowance from $442 million to $330 million as a result of further evaluation of the income tax basis of several acquisitions.

CHESAPEAKE ENERGY CORPORATION

PRO FORMA COMBINED FINANCIAL STATEMENTS

SUMMARY

Chesapeake Energy Corporation completed the acquisition of Gothic Energy Corporation on January 16, 2001, by merging a wholly-owned subsidiary of Chesapeake into Gothic. We issued a total of 4.0 million shares of our common stock in the merger. Gothic shareholders (other than Chesapeake) received 0.1908 of a share of Chesapeake common stock for each share of Gothic common stock. In addition, outstanding warrants and options to purchase Gothic common stock were converted to the right to purchase Chesapeake common stock (1.1 million shares as of March 15, 2001 at an average price of $12.28 per share) based on the merger exchange ratio. Prior to the merger, Chesapeake purchased substantially all of Gothic's 14.125% senior secured discount notes for total consideration valued at $80.8 million in cash and Chesapeake common stock. We also purchased prior to the merger $31.6 million principal amount of 11.125% senior secured notes due 2005 issued by Gothic's operating subsidiary and guaranteed by Gothic. The consideration for these purchases consisted of cash and Chesapeake common stock valued at a total of $34.8 million. In February 2001, we purchased an additional $1.0 million principal amount of Gothic Production senior secured notes tendered pursuant to a change-of-control offer to purchase for 101%. There remain outstanding $202.3 million principal amount of the Gothic Production 11.125% senior secured notes. The notes are collateralized by Gothic's oil and gas properties. Chesapeake has not assumed any payment obligations with respect to the notes. Gothic's preferred stock, all of which was owned by Chesapeake prior to the merger, remains outstanding. As part of the merger, the terms of the Gothic preferred stock were amended to eliminate cumulative dividends and conversion rights. The parties executed a definitive merger agreement on September 8, 2000, as amended on October 1, 2000, and Gothic's shareholders approved the merger at a special meeting on December 12, 2000.

The following unaudited pro forma combined financial statements are derived from the historical financial statements of Chesapeake Energy Corporation and Gothic Energy Corporation. The pro forma combined statements of operations for the year ended December 31, 2000 reflect the Gothic acquisition, accounted for as a purchase, as if the acquisition occurred on January 1, 2000. The pro forma combined balance sheet at December 31, 2000 reflects the consummation of the Gothic acquisition as if it occurred on December 31, 2000. The unaudited pro forma combined financial data should be read in conjunction with the notes thereto and the historical financial statements of Chesapeake and Gothic, including the notes thereto.

The unaudited pro forma combined financial statements do not purport to be indicative of the results of operations that would actually have occurred if the transaction described had occurred as presented in such statements or that may occur in the future. In addition, future results may vary significantly from the results reflected in such statements due to general economic conditions, oil and gas commodity prices, Chesapeake's ability to successfully integrate the operations of Gothic with its current business and several other factors, many of which are beyond Chesapeake's control.

CHESAPEAKE ENERGY CORPORATION

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
AS OF DECEMBER 31, 2000
($ IN THOUSANDS)

	HISTORICAL		PRO FORMA	
	CHESAPEAKE	GOTHIC	ADJUSTMENTS	AS ADJUSTED
ASSETS				
Current assets	$ 166,926	$ 22,229	$ 58(a) (1,010)(j)	$ 188,203
Property, plant and equipment:				
Proved properties	2,590,512	275,827	87,374(a) (336)(k)	2,953,377
Unproved properties	25,685	6,191	3,809(a)	35,685
Accumulated DD&A	(1,770,827)	(75,003)	75,003(a)	(1,770,827)
Net proved and unproved properties	845,370	207,015	165,850	1,218,235
Other, net	42,864	4,737	(4,587)(a)	43,014
Total property, plant and equipment, net	888,234	211,752	161,263	1,261,249
Investment in Gothic	126,434	--	(125,521)(a) (913)(k)	--
Deferred tax asset	229,823	--	(20)(j) 1,280(i)	231,083
Other	29,009	8,675	(8,675)(a) (2,800)(i)	26,209
Total assets	$1,440,426	$ 242,656	$ 23,662	$ 1,706,744
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities	$ 162,701	$ 11,209	$ 12,000(a) (1,137)(a) (1,249)(k) 400(i)	$ 183,924
Long-term debt	944,845	321,676	(112,400)(a) 6,434(a) (1,060)(j)	1,159,495
Deferred income tax liabilities	11,850	--	--	11,850
Other liabilities	7,798	2,835	--	10,633
Stockholders equity:				
Preferred stock	31,202	55,139	(55,139)(a)	31,202
Common stock	1,578	233	(233)(a) 40(a)	1,618
Warrants	--	--	1,500(a)	1,500
Paid-in capital	963,584	44,830	(44,830)(a) 27,960(a)	991,544
Accumulated earnings (deficit)	(659,286)	(193,266)	193,266(a) (1,920)(i) 30(j)	(661,176)
Accumulated other comprehensive income (loss)	(3,901)	--	--	(3,901)
Less treasury stock	(19,945)	--	--	(19,945)
Total stockholders' equity (deficit)	313,232	(93,064)	120,674	340,842
Total liabilities and stockholders' equity (deficit)	$1,440,426	$ 242,656	$ 23,662	$ 1,706,744

The accompanying notes are an integral part of these pro forma combined financial statements.

CHESAPEAKE ENERGY CORPORATION

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2000
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	HISTORICAL		PRO FORMA	
	CHESAPEAKE	GOTHIC	ADJUSTMENTS	AS ADJUSTED
REVENUES:				
Oil and gas sales	$ 470,170	$ 83,065	$ --	$ 553,235
Oil and gas marketing sales	157,782	--	--	157,782
Well operations	--	2,680	(2,680)(h)	--
Total revenues	627,952	85,745	(2,680)	711,017
OPERATING COSTS:				
Production expenses and taxes	74,925	11,800	--	86,725
General and administrative	13,177	5,763	(2,680)(h)	16,260
Oil and gas marketing expenses	152,309	--	--	152,309
Oil and gas depreciation, depletion and amortization	101,291	21,817	25,286(b)	148,394
Depreciation and amortization of other assets	7,481	2,632	(2,582)(c)	7,531
Total operating costs	349,183	42,012	20,024	411,219
INCOME FROM OPERATIONS	278,769	43,733	(22,704)	299,798
OTHER INCOME (EXPENSE):				
Interest and other income	3,649	280	--	3,929
Interest expense	(86,256)	(37,931)	14,427(g) 2,773(l)	(106,987)
Total other income (expense)	(82,607)	(37,651)	17,200	(103,058)
INCOME (LOSS) BEFORE INCOME TAXES	196,162	6,082	(5,504)	196,740
INCOME TAX EXPENSE (BENEFIT)	(259,408)	--	(2,202)(d)	(261,610)
NET INCOME (LOSS)	455,570	6,082	(3,302)	458,350
Preferred stock dividends	(8,484)	(9,527)	9,527(f)	(8,484)
Gain (loss) on redemption of preferred stock	6,574	--	--	6,574
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 453,660	$ (3,445)	$ 6,225	$ 456,440
EARNINGS (LOSS) PER COMMON SHARE(E):				
Basic	$ 3.52			$ 3.27
Assuming dilution	$ 3.01			$ 2.83
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING(E):				
Basic	128,993			139,536
Assuming dilution	151,564			162,107

The accompanying notes are an integral part of these pro forma combined financial statements.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

(a) The purchase price reflects:

- the issuance of 4.0 million shares of Chesapeake common stock, valued at $7.00 per share, the closing price of Chesapeake common stock on the day the merger was announced, in exchange for all outstanding shares of Gothic common stock (other than shares of Gothic common stock held by Chesapeake);
- the issuance of Chesapeake warrants and options to purchase 2.9 million shares of Chesapeake common stock in exchange for all of the outstanding warrants and options to purchase shares of Gothic common stock based on the exchange ratio of 0.1908 of a share of Chesapeake common stock for each share of Gothic common stock;
- Chesapeake's investment in Gothic preferred and common stock, which has a carrying value of $10.0 million;
- Chesapeake estimated the fair value of the Gothic Production senior secured notes equalled 106% of their face value; and
- the incurrence of acquisition costs of approximately $12.0 million.

Below is a summary of the purchase price allocation to the estimated fair value of the assets acquired and liabilities assumed ($ in 000's):

Issuance of common stock	$ 28,000
Investment in Gothic preferred and common stock	10,000
Fair value of Chesapeake warrants	1,500
Investment in Gothic senior secured discount notes	80,761
Investment in Gothic Production senior secured notes	34,760
Other acquisition costs	12,000
Purchase price	$167,021

	GOTHIC BOOK VALUE	ESTIMATED FAIR VALUE	PRO FORMA ADJUSTMENT
Current assets	$ 22,229	$ 22,287	$ 58
Property and equipment -- proved properties	275,827	363,201	87,374
Property and equipment -- unproved properties	6,191	10,000	3,809
Accumulated DD&A	(75,003)	--	75,003
Other property and equipment	4,737	150	(4,587)
Other assets	8,675	--	(8,675)
Current liabilities	(11,209)	(10,072)	1,137
Debt, less $112.4 million of Gothic notes held by Chesapeake	(209,276)	(215,710)	(6,434)
Other liabilities	(2,835)	(2,835)	--
	$ 19,336	$ 167,021	$147,685

(b) To adjust DD&A expense of oil and gas properties using a rate of $0.92 per mcfe. This combined rate reflects the impact of the allocation of purchase price to Gothic's proved oil and gas properties.

(c) To adjust depreciation and amortization expense in connection with the allocation of purchase price to the estimated fair value of Gothic's other property and equipment and other assets. A significant portion of Gothic's depreciation and amortization expense was related to (1) telemetry assets which have been classified to oil and gas properties (and depreciated accordingly), and (2) debt issue costs that will have no future value to Chesapeake. The remaining fair value of other property and equipment will be depreciated over a three-year period.

(d) To record tax effects of the pro forma adjustments at a statutory rate of 40% (federal and state).

(e) Basic and diluted earnings per share have been calculated assuming the transaction was consummated at the beginning of the period and are calculated as follows (in 000's):

	YEAR ENDED DECEMBER 31, 2000
Chesapeake's basic shares outstanding (as reported).....	128,993
Adjustment to reflect issuance of common stock to acquire Gothic debt at January 1, 2000.....	6,543
Issuance of common stock to Gothic -- merger consideration.....	4,000
Basic shares outstanding -- as adjusted.....	139,536
Chesapeake's diluted shares outstanding (as reported).....	151,564
Adjustment to reflect issuance of common stock to acquire Gothic debt at January 1, 2000.....	6,543
Issuance of common stock to Gothic -- merger consideration.....	4,000
Diluted shares outstanding -- as adjusted.....	162,107

(f) To eliminate dividends on Gothic's preferred stock held by Chesapeake.

(g) To eliminate interest expense related to the Gothic senior discount notes and Gothic Production senior secured notes acquired by Chesapeake.

(h) To reclassify overhead reimbursements recognized by Gothic as operator of certain oil and gas properties and reported as well operations revenue. These reimbursements have been reclassified as a reduction to general and administrative expenses to conform with Chesapeake's presentation of similar reimbursements.

(i) To record the remaining financing fees (net of income tax) incurred by Chesapeake to establish a standby credit facility to fund purchases of Gothic Production senior secured notes tendered after the merger pursuant to a change-of-control offer to purchase the notes at 101% principal amount. The standby credit facility was not utilized, and therefore the associated fees were expensed when the holders' change-of-control put options expired in February 2001. Chesapeake incurred $2.8 million in financing fees prior to December 31, 2000 and $0.4 million subsequent thereto.

(j) To record the purchase of $1.0 million principal amount of Gothic Production senior secured notes which were tendered pursuant to the post-acquisition change-of-control offer to purchase at 101%. These notes were adjusted to their market value of 106% in the purchase price allocation (see note a). The gain on extinguishment is tax effected.

(k) To adjust the purchase price allocation and accrued merger-related costs for $1.24 million incurred through December 31, 2000. This amount includes $913 thousand paid by Chesapeake, included in Other Assets, and $336 thousand paid and expensed by Gothic.

(l) To record amortization of the 6% premium on remaining Gothic senior secured notes held by third parties.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholder of Gothic Energy Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows present fairly, in all material respects, the financial position of Gothic Energy Corporation ("Gothic") and Subsidiary at December 31, 1999 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Gothic's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audits 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 our opinion.

Chesapeake Energy Corporation ("Chesapeake") acquired all of the outstanding common stock and related outstanding warrants and options to acquire common stock of Gothic and Gothic was merged into a wholly owned subsidiary of Chesapeake.

PricewaterhouseCoopers LLP
Tulsa, Oklahoma
February 26, 2001

GOTHIC ENERGY CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1999	2000
	($ IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,583	$ 2,000
Natural gas and oil receivables	8,163	18,273
Receivable from officers and employees	77	1,764
Other	624	192
Total Current Assets	11,447	22,229
PROPERTY AND EQUIPMENT:		
Natural gas and oil properties on full cost method:		
Properties being amortized	258,818	275,827
Unproved properties not subject to amortization	5,473	6,191
Equipment, furniture and fixtures	6,123	6,385
Accumulated depreciation, depletion and amortization	(54,170)	(76,651)
PROPERTY AND EQUIPMENT, NET	216,244	211,752
OTHER ASSETS, NET	10,706	8,675
TOTAL ASSETS	$ 238,397	$ 242,656
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable trade	$ 4,630	$ 203
Revenues payable	6,047	6,349
Accrued interest	4,357	4,366
Other accrued liabilities	893	291
Total Current Liabilities	15,927	11,209
LONG-TERM DEBT	319,857	321,676
GAS IMBALANCE LIABILITY	3,648	2,835
COMMITMENTS AND CONTINGENCIES (NOTES 1 AND 6)		
STOCKHOLDERS' EQUITY (DEFICIT):		
Series B Preferred stock, par value $.05, authorized 165,000 shares; 59,216 and 66,674 shares issued and outstanding, respectively	45,612	55,139
Common stock, par value $.01, authorized 100,000,000 shares; 18,685,765 and 23,305,094 shares issued and outstanding, respectively	187	233
Additional paid in capital	42,987	44,830
Accumulated deficit	(189,821)	(193,266)
Total Stockholders' Equity (Deficit)	(101,035)	(93,064)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 238,397	$ 242,656

See accompanying notes to consolidated financial statements.

GOTHIC ENERGY CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)		
REVENUES:			
Natural gas and oil sales	$ 50,714	$ 52,967	$ 83,065
Well operations	2,319	2,657	2,680
Total revenues	53,033	55,624	85,745
COSTS AND EXPENSES:			
Lease operating expense	12,129	9,605	11,800
Depletion, depreciation and amortization	24,001	20,969	22,621
General and administrative expense	3,823	4,675	4,551
Investment banking and related fees	--	638	1,212
Provision for impairment of natural gas and oil properties	76,000	--	--
Operating income (loss)	(62,920)	19,737	45,561
Interest expense and amortization of debt issuance costs	(35,438)	(37,988)	(39,759)
Interest and other income	433	942	280
Loss on sale of investments	(305)	--	--
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(98,230)	(17,309)	6,082
LOSS ON EARLY EXTINGUISHMENT OF DEBT	31,459	--	--
NET INCOME (LOSS)	(129,689)	(17,309)	6,082
PREFERRED DIVIDEND	5,599	6,820	7,678
PREFERRED DIVIDEND -- AMORTIZATION OF PREFERRED DISCOUNT	5,095	1,847	1,849
NET LOSS AVAILABLE FOR COMMON SHARES	$(140,383)	$(25,976)	$ (3,445)
LOSS PER COMMON SHARE BEFORE EXTRAORDINARY ITEM, BASIC AND DILUTED	$ (6.70)	$ (1.51)	$ (0.17)
LOSS ON EARLY EXTINGUISHMENT OF DEBT	(1.93)	--	--
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	$ (8.63)	$ (1.51)	$ (0.17)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	16,262	17,219	20,637

See accompanying notes to consolidated financial statements.

GOTHIC ENERGY CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
	($ IN THOUSANDS)		
PREFERRED STOCK:			
Balance beginning of period	$ --	$ 36,945	$ 45,612
Preferred stock dividend -- Series B	4,187	6,820	7,678
Preferred dividend -- amortization of discount -- Series B	1,231	1,847	1,849
Issuance of Series A preferred stock	33,909	--	--
Redemption of Series A preferred stock	(33,909)	--	--
Issuance of Series B preferred stock	31,527	--	--
Balance, end of period	$ 36,945	$ 45,612	$ 55,139
COMMON STOCK:			
Balance, beginning of period	$ 162	$ 162	$ 187
Issuance of common stock on exercise of options	--	--	44
Issuance of common stock on exercise of warrants	--	--	2
Issuance of common stock on warrant conversion	--	25	--
Balance, end of period	$ 162	$ 187	$ 233
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of period	$ 36,043	$ 42,996	$ 42,987
Issuance of common stock on exercise of options	--	--	1,695
Issuance of common stock as employee severance	--	16	--
Issuance of common stock on exercise of warrants	--	--	148
Issuance of common stock on warrant conversion	--	(25)	--
Issuance of Series A preferred stock	(20)	--	--
Warrants issued in connection with Series A preferred	941	--	--
Warrants issued in connection with Amoco acquisition	1,153	--	--
Warrants issued in connection with Series B preferred	4,879	--	--
Balance, end of period	$ 42,996	$ 42,987	$ 44,830
ACCUMULATED DEFICIT:			
Balance, beginning of period	$ (23,462)	$(163,845)	$(189,821)
Net income (loss)	(129,689)	(17,309)	6,082
Preferred stock dividend -- Series B	(4,187)	(6,820)	(7,678)
Preferred stock dividend -- amortization of discount -- Series B	(1,231)	(1,847)	(1,849)
Preferred stock dividend -- Series A	(1,412)	--	--
Preferred stock dividend -- amortization of discount -- Series A	(3,864)	--	--
Balance, end of period	$(163,845)	$(189,821)	$(193,266)
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Balance, beginning of period	$ (121)	$ --	$ --
Realized loss on available for sale investments	121	--	--
Balance, end of period	$ --	$ --	$ --
NOTE RECEIVABLE:			
Balance, beginning of period	$ (169)	$ (179)	$ --
Advance to officer	(10)	--	--
Forgiveness of officer note receivable	--	179	--
Balance, end of period	$ (179)	$ --	$ --
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	$ (83,921)	$(101,035)	$ (93,064)

See accompanying notes to consolidated financial statements.

GOTHIC ENERGY CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
	($ IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$(129,689)	$(17,309)	$ 6,082
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation, depletion and amortization	24,001	20,969	22,621
Amortization of discount and loan costs	1,994	1,769	1,828
Provision for impairment of natural gas and oil properties	76,000	--	--
Accretion of interest on discount notes	6,023	9,678	10,819
Loss on early extinguishment of debt	31,459	--	--
Other	--	179	--
CHANGES IN ASSETS AND LIABILITIES:			
Increase in accounts receivable	(4,009)	(949)	(11,797)
(Increase) decrease in other current assets	(143)	(403)	432
Increase (decrease) in accounts and revenues payable	5,605	1,438	(4,125)
Increase (decrease) in gas imbalance and other liabilities	65	(2,532)	(813)
Increase (decrease) in accrued liabilities	411	639	(593)
(Increase) decrease in other assets	(150)	228	202
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,567	13,707	24,656
NET CASH USED BY INVESTING ACTIVITIES:			
Collection of note receivable from officer and director	167	--	--
Purchase of available-for-sale investments	(462)	--	--
Proceeds from sale of investments	1,359	--	--
Proceeds from sale of property and equipment	44,678	2,228	1,877
Purchase of property and equipment	(218,738)	(3,413)	(939)
Property development costs	(18,379)	(21,056)	(19,066)
NET CASH USED BY INVESTING ACTIVITIES	(191,375)	(22,241)	(18,128)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings	60,000	--	--
Payments of short-term borrowings	(60,000)	--	--
Proceeds from long-term borrowings	431,290	31,000	13,473
Payments of long-term borrowings	(259,884)	(22,000)	(22,473)
Redemption of preferred stock, net	(40,809)	--	--
Proceeds from sale of preferred stock, net	73,475	--	--
Proceeds from exercise of stock options	--	--	1,739
Proceeds from exercise of stock warrants	--	--	150
Payment of loan and offering fees	(38,535)	(172)	--
Other	(162)	--	--
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	165,375	8,828	(7,111)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(14,433)	294	(583)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	16,722	2,289	2,583
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 2,289	$ 2,583	$ 2,000
SUPPLEMENTAL DISCLOSURE OF INTEREST PAID	$ 23,063	$ 26,541	$ 27,104

See accompanying notes to consolidated financial statements.

GOTHIC ENERGY CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND ACCOUNTING POLICIES

Organization and Nature of Operations

The consolidated financial statements include the accounts of Gothic Energy Corporation, ("Gothic Energy"), a holding company, and its wholly owned subsidiary, Gothic Production Corporation ("Gothic Production") since its formation in April of 1998 (collectively referred to as "Gothic" or the "Company"). All significant intercompany balances and transactions have been eliminated. Through January 15, 2001, Gothic Production was an independent energy company engaged in the business of acquiring, developing and exploiting natural gas and oil reserves in Oklahoma, Texas, New Mexico and Kansas.

On January 16, 2001, Gothic Energy Corporation merged with Chesapeake Merger 2000 Corp., a wholly owned subsidiary of Chesapeake Energy Corporation ("Chesapeake") (the "Merger"). Gothic was the surviving corporation in the Merger and since January 16, 2001 has been a wholly owned subsidiary of Chesapeake. Chesapeake had previously acquired all of Gothic's Series B Preferred Stock, substantially all of Gothic Energy's 14 1/8% Senior Secured Discount Notes, and $31.6 million of Gothic Production's 11 1/8% Senior Secured Notes. Under terms of the Merger, Chesapeake issued 4.0 million shares of common stock to the Gothic stockholders, with an exchange ratio of 0.1908 of a Chesapeake share for each share of Gothic common stock.

Use of 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In addition, accrued and deferred lease operating expenses, gas imbalance liabilities, natural gas and oil reserves (see Note 11) and the tax valuation allowance (see Note 5) also include significant estimates which, in the near term, could materially differ from the amounts ultimately realized or incurred.

Cash Equivalents

Cash equivalents include cash on hand, amounts held in banks, money market funds and other highly liquid investments with a maturity of three months or less at date of purchase.

Concentration of Credit Risk

Financial instruments, which potentially subject Gothic to concentrations of credit risk consist principally of derivative contracts (see "Hedging Activities" below), cash, cash equivalents and trade receivables. Gothic's accounts receivable are primarily from the purchasers (See Note 8 -- Major Customers) of natural gas and oil products and exploration and production companies which own interests in properties operated by Gothic. The industry concentration has the potential to impact Gothic'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. Gothic generally does not require collateral from customers. Gothic had an account receivable from one customer (CMS Continental Natural Gas) of approximately $2.3 million at December 31, 1999 and $8.8 million at December 31, 2000. The cash and cash equivalents are with major banks or institutions with high credit ratings. At December 31, 1999 and 2000, Gothic had a concentration of cash of $5.8 million and $6.5 million, respectively, with one bank, which was in excess of federally insured limits.

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." Gothic, using available market information, has determined the estimated fair value amounts. 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. Gothic estimates the fair value of Gothic Production's 11 1/8% Senior Secured Notes and Gothic Energy's 14 1/8% Senior Secured Discount Notes using estimated market prices. Gothic's carrying amount for such debt at December 31, 1999 was $235.0 million and $75.9 million, respectively, compared to approximate fair value of $197.4 million and $35.9 million, respectively. At December 31, 2000, the notes were carried at $235.0 million and $86.7 million, respectively, compared to an approximate fair value of $249.1 million and $80.1 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.

Hedging Activities

Gothic has 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. Gothic's objective is to hedge a portion of its exposure to price volatility from producing natural gas. These arrangements may expose Gothic to credit risk from its counterparty.

In July 1999, Gothic entered into a costless collar agreement with respect to the production of 50,000 mmbtu per day during the period of November 1999 through March 2000, which placed a floor of $2.30 per mmbtu and a ceiling of $3.03 per mmbtu. Collar arrangements limit the benefits Gothic will realize if actual prices rise above the ceiling price. These arrangements provide for Gothic to exchange a floating market price for a fixed range contract price. Payments are made by Gothic when the floating price exceeds the fixed range for a contract month and payments are received when the fixed range price exceeds the floating price. The commodity reference price for the contract was the Panhandle Eastern Pipeline Company, Texas, and Oklahoma Mainline Index. In August 1999, Gothic entered into a hedge agreement covering 10,000 barrels of oil per month at a price of $20.10 per barrel. This hedge was in effect from September 1999 through August 2000.

Additionally, in January 2000, Gothic entered into a hedge agreement covering 50,000 mmbtu per day at a fixed price of $2.435 per mmbtu. This hedge was in effect from April 2000 through October 2000. In February 2000, Gothic entered into a hedge agreement covering 20,000 mmbtu per day at a fixed price of $2.535 per mmbtu for April 2000 and $2.555 per mmbtu for May 2000. This hedge was in effect for the months of April and May 2000. The commodity price for both contracts was the Panhandle Eastern Pipeline Company, Texas, Oklahoma Mainline Index.

In September 2000, Gothic entered into hedge contracts for the months of November and December 2000, for 60,000 mmbtu per day at a price of $4.88 and $5.00, respectively. The commodity price for both contracts was the Panhandle Eastern Pipeline Company, Texas, Oklahoma Mainline Index.

Gains and losses on such natural gas and oil hedging contracts are reflected in revenues when the natural gas or crude oil is sold. Hedging activities reduced 2000 realized prices by $0.65 per mcf and $5.79 per barrel, and reduced natural gas and oil sales by $17.9 million. Gothic had no open commodity hedges at December 31, 2000. If the open commodity hedges outstanding at December 31, 1999 had been settled at that date, Gothic would have realized a gain of approximately $500,000.

Natural Gas and Oil Properties

Gothic accounts for its natural gas and oil exploration and development activities using the full-cost method of accounting prescribed by the Securities and Exchange Commission ("SEC"). Accordingly, all productive and non-productive costs incurred in connection with the acquisition, exploration and development of natural gas and oil reserves are capitalized and depleted using the units-of-production method based on proved natural gas and oil reserves. Gothic capitalizes costs, including salaries and related fringe benefits of employees and/or consultants directly engaged in the acquisition, exploration and development of natural gas and oil properties, as well as other

directly identifiable general and administrative costs associated with such activities. Such costs do not include any costs related to production, general corporate overhead, or similar activities.

Gothic's natural gas and oil reserves are estimated annually by independent petroleum engineers. Gothic's calculation of depreciation, depletion and amortization ("DD&A") includes estimated future expenditures to be incurred in developing proved reserves and estimated dismantlement and abandonment costs, net of salvage values. The average composite rate used for DD&A of natural gas and oil properties was $0.91, $0.77 and $0.81 per mcfe in 1998, 1999 and 2000, respectively. DD&A of natural gas and oil properties amounted to $23.6 million, $20.4 million and $21.9 million in 1998, 1999 and 2000, respectively.

In the event the unamortized cost of natural gas and oil properties being amortized exceeds the full-cost ceiling as defined by the SEC, the excess is charged to expense in the period during which such excess occurs. The full-cost ceiling is based principally on the estimated future discounted net cash flows from Gothic's natural gas and oil properties. Gothic recorded a $76.0 million provision for impairment of natural gas and oil properties during the year ended December 31, 1998. No such provision was recorded in 1999 or 2000. As discussed in Note 11, estimates of natural gas and oil reserves are imprecise. Changes in the estimates or declines in natural gas and oil prices could cause Gothic in the near-term to reduce the carrying value of its natural gas and oil properties.

Sales and abandonments of properties are accounted for as adjustments of capitalized costs with no gain or loss recognized unless a significant amount of reserves is involved. Since all of Gothic's natural gas and oil properties are located in the United States, a single cost center is used.

Equipment, Furniture and Fixtures

Equipment, furniture and fixtures are stated at cost and are depreciated on the straight-line method over their estimated useful lives which range from three to seven years.

Debt Issuance Costs

Debt issuance costs, including the original issue discount associated with Gothic's 11 1/8% Senior Secured Notes Due 2005 and Gothic Energy's 14 1/8% Senior Secured Discount Notes Due 2006, are amortized and included in interest expense using the effective interest method over the term of the notes. The unamortized portion of debt issuance costs associated with Gothic's credit facility is also included in other assets and amortized and included in interest expense using the straight-line method over the term of the facility. Amortization of debt issuance costs for the years ended December 31, 1998, 1999 and 2000 amounted to $2.0 million, $1.8 million and $1.8 million, respectively. Unamortized debt issue costs at December 31, 1999 and 2000 were $9.9 million and $7.4 million, respectively.

Natural Gas and Oil Sales and Natural Gas Balancing

Gothic uses the sales method for recording natural gas sales. Gothic's oil and condensate production is sold, the title passes, and revenue is recognized at or near its wells under short-term purchase contracts at prevailing prices in accordance with arrangements which are customary in the oil industry. Sales of gas applicable to Gothic's interest in producing natural gas and oil leases are recorded as revenues when the gas is metered and title transferred pursuant to the gas sales contracts covering its interest in gas reserves. During such times as Gothic's sales of gas exceed its pro rata ownership in a well, such sales are recorded as revenues unless total sales from the well have exceeded Gothic's share of estimated total gas reserves underlying the property at which time such excess is recorded as a gas imbalance liability. At December 31, 1999, total sales exceeded Gothic's share of estimated total gas reserves on 32 wells by $2.8 million (1,449 mmcf), based on historical settlement prices. At December 31, 2000, total sales exceeded Gothic's share of estimated total gas reserves on 27 wells by $2.2 million (1,233 mmcf). The gas imbalance liability has been classified in the balance sheet as non-current, as Gothic does not expect to settle the liability during the next twelve months.

Gothic has recorded deferred charges for estimated lease operating expenses incurred in connection with its underproduced gas imbalance position. Cumulative total gas sales volumes for underproduced wells were less than Gothic's pro-rata share of total gas production from these wells by 4,435 mmcf and 4,122 mmcf for 1999 and 2000,

respectively, resulting in prepaid lease operating expenses of $1.5 million and $1.2 million for 1999 and 2000, respectively, which are included in other assets in the accompanying balance sheet. The rate used to calculate the deferred charge is the average annual production costs per mcf.

Gothic has recorded accrued charges for estimated lease operating expenses incurred in connection with its overproduced gas imbalance position. Cumulative total gas sales volumes for overproduced wells exceeded Gothic's pro-rata share of total gas production from these wells by 2,717 mmcf and 2,271 mmcf for 1999 and 2000, respectively, resulting in accrued lease operating expenses of $897,000 and $681,000 in 1999 and 2000, respectively, which are included in the gas imbalance liability in the accompanying balance sheet. The rate used to calculate the accrued liability is the average annual production costs per mcf.

Income Taxes

Gothic applies the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Under SFAS No. 109, deferred tax liabilities or assets arise from the temporary differences between the tax basis of assets and liabilities, and their basis for financial reporting, and are subject to tests of realizability in the case of deferred tax assets. A valuation allowance is provided for deferred tax assets to the extent realization is not judged to be more likely than not.

Loss per Common Share

Loss per common share before extraordinary item and net loss per common share are computed in accordance with Statement of Financial Accounting Standards No. 128 ("FAS 128"). Presented on the Consolidated Statement of Operations is a reconciliation of loss available to common shareholders. There is no difference between actual weighted average shares outstanding, which are used in computing basic loss per share, and diluted weighted average shares, which are used in computing diluted loss per share, because the effect of outstanding options and warrants would be antidilutive. Warrants and options to purchase approximately 20,775,000, 19,940,000 and 14,731,000 shares were outstanding as of December 31, 1998, 1999 and 2000, and were excluded from the computation of diluted loss per share due to their anti-dilutive impact.

Stock Based Compensation

Gothic applies Accounting Principles Board Opinion No. 25 in accounting for its stock option plans. Under this standard, no compensation expense is recognized for grants of options which include an exercise price equal to or greater than the market price of the stock on the date of grant. Accordingly, based on Gothic's grants in 1998 and 1999 no compensation expense has been recognized.

Recently Issued Financial Accounting Pronouncements

In June 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". FAS 133, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 (January 1, 2001 for Gothic). FAS 133 standardizes the accounting for derivative instruments by requiring that all derivatives be recognized as assets and liabilities and measured at fair value. Upon the Statement's initial application, all derivatives are required to be recognized in the statement of financial position as either assets or liabilities and measured at fair value. In addition, all existing hedging relationships must be designated, reassessed, documented and the accounting conformed to the provisions of FAS 133. Gothic had no derivative instruments outstanding at December 31, 2000, and has not subsequently entered into any hedging instruments.

2. FINANCING ACTIVITIES

Credit Facility

On April 27, 1998, Gothic Production, with Gothic Energy as guarantor, entered into a credit facility, with Bank One (the "Credit Facility"). The Credit Facility consists of a revolving line of credit, with an initial borrowing base of $25.0 million. Borrowings are limited to being available for the acquisition and development of natural gas and oil properties, letters of credit and general corporate purposes. The borrowing base will be redetermined at least

semi-annually. Upon an amendment to the Credit Facility dated November 15, 2000, the borrowing base was reduced to $10.75 million and the principal is due at maturity, January 31, 2001. Interest is payable monthly calculated at the Bank One base rate, as determined from time to time by Bank One. Gothic may elect to calculate interest under a London Interbank Offered Rate ("LIBOR") plus 1.5% (or up to 2.0% in the event the loan balance is greater than 75% of the borrowing base). Gothic is required to pay a commitment fee on the unused portion of the borrowing base equal to 1/2 of 1% per annum. Under the Credit Facility, Bank One holds first priority liens on substantially all of the natural gas and oil properties of Gothic, whether currently owned or hereafter acquired. As of December 31, 2000 there were no borrowings outstanding under the Credit Facility. The Credit Facility was terminated on January 31, 2001.

11 1/8% Senior Secured Notes Due 2005

The 11 1/8% Senior Secured Notes Due 2005 ("Senior Secured Notes") issued by Gothic Production are fully and unconditionally guaranteed by Gothic Energy. The aggregate original principal amount of Senior Secured Notes outstanding was $235.0 million issued under an indenture dated April 21, 1998 (the "Senior Note Indenture"). The Senior Secured Notes bear interest at 11 1/8% per annum payable semi-annually in cash in arrears on May 1 and November 1 of each year commencing November 1, 1998. The Senior Secured Notes mature on May 1, 2005. All of the obligations of Gothic Production under the Senior Secured Notes are collateralized by a second priority lien on substantially all of Gothic's natural gas and oil properties, subject to certain permitted liens.

Gothic may, at its option, at any time on or after May 1, 2002, redeem all or any portion of the Senior Secured Notes at redemption prices decreasing from 105.563%, if redeemed in the 12-month period beginning May 1, 2002, to 100.00% if redeemed in the 12-month period beginning May 1, 2004 and thereafter plus, in each case, accrued and unpaid interest thereon. Notwithstanding the foregoing, at any time prior to May 1, 2002, Gothic may, at its option, redeem all or any portion of the Senior Secured Notes at the Make-Whole Price (as defined in the Senior Note Indenture) plus accrued or unpaid interest to the date of redemption. In addition, in the event Gothic consummates one or more Equity Offerings (as defined in the Senior Note Indenture) on or prior to May 1, 2001, Gothic, at its option, may redeem up to 33 1/3% of the aggregate principal amount of the Senior Secured Notes with all or a portion of the aggregate net proceeds received by Gothic from such Equity Offering or Equity Offerings at a redemption price of 111.125% of the aggregate principal amount of the Senior Secured Notes so redeemed, plus accrued and unpaid interest thereon to the redemption date; provided, however, that following such redemption, at least 66 2/3% of the original aggregate principal amount of the Senior Secured Notes remains outstanding.

Following the occurrence of any Change of Control (as defined in the Senior Note Indenture), Gothic must offer to repurchase all outstanding Senior Secured Notes at a purchase price equal to 101% of the aggregate principal amount of the Senior Secured Notes, plus accrued and unpaid interest to the date of repurchase. Gothic made a Change of Control offer following the Chesapeake Merger. The offer terminated on February 22, 2001. Prior to the expiration of the offer, $1.0 million of the Senior Secured Notes were tendered and purchased by Gothic.

The Senior Note Indenture under which the Senior Secured Notes were issued contains certain covenants limiting Gothic with respect to or imposing restrictions on the incurrence of additional indebtedness, the payment of dividends, distributions and other restricted payments, including the payment of dividends and distributions to Gothic Energy and Chesapeake, the sale of assets, creating, assuming or permitting to exist any liens (with certain exceptions) on its assets, mergers and consolidations (subject to meeting certain conditions), sale leaseback transactions, and transactions with affiliates, among other covenants.

Events of default under the Senior Note Indenture include the failure to pay any payment of principal or premium when due, failure to pay for 30 days any payment of interest when due, failure to make any optional redemption payment when due, failure to perform any covenants relating to mergers or consolidations, failure to perform any other covenant or agreement not remedied within 30 days of notice from the Trustee under the Senior Note Indenture or the holders of 25% in principal amount of the Senior Secured Notes then outstanding, defaults under other indebtedness of Gothic causing the acceleration of the due date of such indebtedness having an outstanding principal amount of $10.0 million or more, the failure of Gothic Production to be a wholly owned subsidiary of Gothic Energy, and certain other bankruptcy and other court proceedings, among other matters.

14 1/8% Senior Secured Discount Notes Due 2006

The 14 1/8% Senior Secured Discount Notes Due 2006 (the "Discount Notes") were issued by Gothic Energy under an indenture (the "Discount Note Indenture") dated April 21, 1998 in such aggregate principal amount and at such rate of interest as generated gross proceeds of $60.2 million. Gothic also issued seven-year warrants to purchase, at an exercise price of $2.40 per share, 825,000 shares of Gothic Energy's common stock with the Discount Notes. The estimated fair value of such warrants was approximately $554,000 on the date of issuance. The Discount Notes were issued at a substantial discount from their principal amount and accrete at a rate per annum of 14 1/8%, compounded semi-annually, to an aggregate principal amount of $104.0 million at May 1, 2002. Thereafter, the Discount Notes accrue interest at the rate of 14 1/8% per annum, payable in cash semi-annually in arrears on May 1 and November 1 of each year, commencing November 1, 2002. The Discount Notes mature on May 1, 2006 and are collateralized by a first priority lien against the outstanding shares of capital stock of Gothic Production. The carrying amount of the Discount Notes as of December 31, 2000 was $86.7 million.

Gothic may, at its option, at any time on or after May 1, 2003, redeem all or any portion of the Discount Notes at redemption prices decreasing from 107.063% if redeemed in the 12-month period beginning May 1, 2003 to 100.00% if redeemed in the 12-month period beginning May 1, 2005 and thereafter plus, in each case, accrued and unpaid interest thereon. Notwithstanding the foregoing, at any time prior to May 1, 2003, Gothic may, at its option, redeem all or any portion of the Discount Notes at the Make-Whole Price (as defined in the Discount Note Indenture) plus accrued or unpaid interest to the date of redemption.

3. STOCKHOLDERS' EQUITY

In January 1999, Gothic Energy issued 30,000 shares of its common stock as part of a severance package to a former employee. On August 17, 1999, Chesapeake fully exercised the common stock purchase warrant issued to it in April 1998 and purchased 2,394,125 shares of Gothic Energy's common stock. The warrant had been issued to Chesapeake as part of the transaction involving the sale to Chesapeake of shares of Gothic Energy's Series B Senior Redeemable Preferred Stock, a 50% interest in Gothic's Arkoma basin natural gas and oil properties and a 50% interest in substantially all of Gothic's undeveloped acreage. The shares were issued pursuant to the cashless exercise provisions of the warrant that permitted Chesapeake to surrender the right to exercise the warrant for a number of shares of Gothic Energy's common stock having a market value equivalent to the total exercise price. The total exercise price was $23,941.25 or $0.01 per share. An aggregate of 45,121 warrants were surrendered in payment of the total exercise price. The shares of common stock were issued pursuant to the exemption from the registration requirements of the Securities Act of 1933, as amended, afforded by section 4(2) thereof.

In July 2000, Gothic Energy issued 225,000 shares of its common stock to one director and certain employees upon their exercise of stock options.

In July 2000, Gothic Energy issued 233,000 shares of its common stock to two warrant holders upon the exercise of outstanding common stock purchase warrants.

In August 2000, Gothic Energy issued 4,161,000 shares of its common stock to certain employees, two officers and two directors, upon their exercise of stock options. The directors, officers and employees issued full recourse interest bearing promissory notes, due one year from the date of issuance, upon exercise of the stock options. All of these notes were paid in full prior to January 31, 2001.

Preferred Stock

On April 27, 1998, as part of a recapitalization, Gothic Energy issued 50,000 shares of Series B Preferred Stock with an aggregate liquidation preference of $50.0 million and a warrant to purchase 2,439,246 shares of Gothic Energy's common stock, discussed above. The estimated fair value of such warrant was $4.9 million on the date of issuance. The Series B Preferred Stock, with respect to dividend rights and rights on liquidation, winding-up and dissolution, ranks senior to all classes of common stock of Gothic Energy and senior to all other classes or series of any class of preferred stock. Holders of the Series B Preferred Stock are entitled to receive dividends payable at a rate per annum of 12% of the aggregate liquidation preference of the Series B Preferred Stock payable in additional shares of Series B Preferred Stock; provided that after April 1, 2000, at Gothic Energy's option, it may pay the

dividends in cash. Dividends are cumulative and will accrue from the date of issuance and are payable quarterly in arrears.

At any time prior to April 30, 2000, the Series B Preferred Stock may have been redeemed at the option of Gothic Energy in whole or in part, at 105% of the liquidation preference payable in cash out of the net proceeds from a public or private offering of any equity security, plus accrued and unpaid dividends (whether or not declared), which shall also be paid in cash. At any time on or after April 30, 2000, the Series B Preferred Stock may have been redeemed at the option of Gothic Energy in whole or in part, in cash at a redemption price equal to the liquidation preference.

Gothic Energy is required to redeem the Series B Preferred Stock on June 30, 2008 at a redemption price equal to the liquidation preference payable in cash or, at the option of Gothic Energy, in shares of common stock valued at the fair market value at the date of such redemption.

Except as required by Oklahoma law, the holders of Series B Preferred Stock are not entitled to vote on any matters submitted to a vote of the stockholders of Gothic Energy.

The Series B Preferred Stock is convertible at the option of the holders on or after April 30, 2000 into the number of fully paid and non-assessable shares of common stock determined by dividing the liquidation preference by the higher of (i) $2.04167 or (ii) the fair market value on the date the Series B Preferred Stock is converted. Notwithstanding the foregoing, no holder or group shall be able to convert any shares of Series B Preferred Stock to the extent that the conversion of such shares would cause such holder or group to own more than 19.9% of the outstanding common stock of Gothic Energy.

The Series B Preferred Stock, all of which was owned by Chesapeake prior to the Merger, remains outstanding. As part of the Merger, the terms of the Series B Preferred Stock were amended to provide for noncumulative cash dividends of $80 per share per annum if, as and when declared by the Board of Directors, optional redemption rights permitting Gothic Energy to redeem the shares at any time or from time to time, and mandatory redemption for cash on June 30, 2008. The amendment also eliminated conversion rights.

Other Warrants

In connection with past financing arrangements and as compensation for consulting and professional services, Gothic Energy has issued other warrants to purchase its common stock.

A summary of the status of Gothic Energy's warrants as of December 31, 1997, 1998, 1999 and 2000, and changes during the years ended December 31, 1998, 1999 and 2000 is presented below:

	NUMBER OUTSTANDING	WEIGHTED AVERAGE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
Balance at December 31, 1997.....	11,404,531	$2.54	11,404,531	$2.54
Warrants granted.....	5,940,024	1.06		
Balance at December 31, 1998.....	17,344,555	$2.00	17,344,555	$2.00
Warrants exercised/expired.....	(2,639,246)	0.20		
Balance at December 31, 1999.....	14,705,309	$2.33	14,705,309	$2.33
Warrants exercised/expired.....	(1,233,121)	2.20		
Warrants adjusted for antidilution.....	524,109	--		
Balance at December 31, 2000.....	13,996,297	$2.40	13,996,297	$2.40

The following table summarizes information about Gothic Energy's warrants, which were outstanding, and those which were exercisable, as of December 31, 2000:

	WARRANTS OUTSTANDING			WARRANTS EXERCISABLE	
PRICE RANGE	NUMBER OUTSTANDING	WEIGHTED AVERAGE LIFE	WEIGHTED AVERAGE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE PRICE
$1.78 -- $3.00	13,996,297	1.1 years	$2.40	13,996,297	$2.40

4. STOCK OPTIONS

Incentive Stock Option Plan

Gothic Energy has an incentive stock option and non-statutory option plan, which provides for the issuance of options to purchase up to 2,500,000 shares of common stock to key employees and directors. The incentive stock options granted under the Plan are generally exercisable for a period of ten years from the date of the grant, except that the term of an incentive stock option granted under the Plan to a stockholder owning more than 10% of the outstanding common stock must not exceed five years and the exercise price of an incentive stock option granted to such a stockholder must not be less than 110% of the fair market value of the common stock on the date of grant. The exercise price of a non-qualified option granted under the Plan may not be less than 40% of the fair market value of the common stock at the time the option is granted. No non-qualified options have been issued under the Plan. As of December 31, 1998 and 1999, options to purchase 2,095,000 and 2,500,000 shares of common stock, respectively, had been issued under the Plan. As of December 31, 2000, all options granted under the Plan had been exercised.

Omnibus Incentive Plan

On August 13, 1996 at the annual shareholders' meeting, the shareholders approved the 1996 Omnibus Incentive Plan and the 1996 Non-Employee Stock Option Plan. The 1996 Omnibus Incentive Plan provides for compensatory awards of up to an aggregate of 1,000,000 shares of common stock of Gothic Energy to officers, directors and certain other key employees. Awards may be granted for no consideration and consist of stock options, stock awards, stock appreciation rights, dividend equivalents, other stock-based awards (such as phantom stock) and performance awards consisting of any combination of the foregoing. Generally, options will be granted at an exercise price equal to the lower of (i) 100% of the fair market value of the shares of common stock on the date of grant or (ii) 85% of the fair market value of the shares of common stock on the date of exercise. Each option will be exercisable for the period or periods specified in the option agreement, which will generally not exceed 10 years from the date of grant. As of December 31, 1999, options to purchase 1,000,000 shares of common stock had been issued under the Omnibus Incentive Plan. As of December 31, 2000, all options granted under the Omnibus Incentive Plan had been exercised.

Non-Employee Stock Option Plan

The 1996 Non-Employee Stock Option Plan provides a means by which non-employee directors of Gothic and consultants to Gothic can be given an opportunity to purchase stock in Gothic Energy. The plan provides that a total of 1,000,000 shares of Gothic Energy's common stock may be issued pursuant to options granted under the Non-Employee Plan, subject to certain adjustments. The exercise price for each option granted under the Non-Employee Plan will not be less than the fair market value of the common stock on the date of grant. Each option will be exercisable for the period or periods specified in the option agreement, which can not exceed 10 years from the date of grant. Options granted to directors will terminate thirty (30) days after the date the director is no longer a director of Gothic. As of December 31, 1998 and 1999, options to purchase 600,000 and 1,000,000 shares of common stock, respectively, had been issued under the Non-Employee Plan. As of December 31, 2000, all options granted under the Non-Employee Plan had been exercised.

A summary of the status of Gothic Energy's stock options as of December 31, 1997, 1998, 1999 and 2000, and changes during December 31, 1998, 1999 and 2000, is presented below:

	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED AVERAGE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE PRICE
Balance at December 31, 1997	2,690,000	$ 1.17	1,850,000	$1.52
Options granted	1,285,000	.40		
Options forfeited	(545,000)	.40		
Balance at December 31, 1998	3,430,000	$ 1.00	1,927,500	$1.47
Options granted	2,185,000	.39		
Options forfeited	(380,000)	.40		
Balance at December 31, 1999	5,235,000	$ .79	2,807,500	$1.13
Options exercised	(4,390,000)	.15-.53		
Options forfeited	(110,000)	.40		
Balance at December 31, 2000	735,000	$ 3.21	735,000	$3.21

The following table summarizes information about Gothic Energy's stock options which were outstanding, and those which were exercisable, as of December 31, 2000:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
PRICE RANGE	NUMBER OUTSTANDING	WEIGHTED AVERAGE LIFE	WEIGHTED AVERAGE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE PRICE
$1.50 -- $3.30	735,000	0.3 years	$3.21	735,000	$3.21

Gothic applies Accounting Principles Board Opinion No. 25 in accounting for stock options granted to employees, including directors, and Statement of Financial Accounting Standards No. 123 ("SFAS No. 123") for stock options and warrants granted to non-employees. No compensation cost has been recognized in 1998, 1999 or 2000.

Had compensation been determined on the basis of fair value pursuant to SFAS No. 123, net loss and loss per share would have been increased as follows:

	1998	1999	2000
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net loss available for common shares:			
As reported	$(140,383)	$(25,976)	$(3,445)
Pro forma	$(141,232)	$(26,439)	$(3,751)
Basic and diluted loss per share:			
As reported	$ (8.63)	$ (1.51)	$ (0.17)
Pro forma	$ (8.68)	$ (1.54)	$ (0.18)

The fair value of each option granted is estimated using the Black Scholes model. Gothic's stock volatility was 0.81 and 0.95 in 1998 and 1999, respectively, based on previous stock performance. Dividend yield was estimated to remain at zero with an average risk-free interest rate of 4.81 percent and 5.59 percent in 1998 and 1999, respectively. Expected life was three years for options issued in both 1998 and 1999 based on the vesting periods involved and the make up of participating employees within each grant. Fair value of options granted during 1998 and 1999 under the Stock Option Plan were $643,000 and $646,000, respectively. No options were granted during 2000. As part of the Merger, all plans terminated on January 16, 2001.

5. INCOME TAXES

A reconciliation of the income tax expense or benefit, computed by applying the federal statutory rate to pre-tax income or loss, to Gothic's effective income tax expense or benefit is as follows:

	1998	1999	2000
	($ IN THOUSANDS)		
Income tax (expense) benefit computed at the statutory rate (34%)	$ 44,094	$ 5,885	$(2,068)
State income taxes, net of federal	5,135	685	(260)
Change in valuation allowance	(49,229)	(6,570)	2,555
Other	--	--	(227)
Income tax (expense) benefit	--	--	--

Deferred tax assets and liabilities are comprised of the following at December 31, 1999 and 2000:

	1999	2000
	($ IN THOUSANDS)	
Deferred tax assets:		
Gas balancing liability	$ 1,386	$ 1,077
Net operating loss carryforwards	68,448	68,436
Depletion carryforwards	257	257
Tax over book basis of property and equipment	2,627	426
Accrued wages	119	--
Gross deferred tax assets	72,837	70,196
Deferred tax liabilities:		
Deferred lease operating expenses	(556)	(470)
Gross deferred tax liabilities	(556)	(470)
Net deferred tax assets	72,281	69,726
Valuation allowance	(72,281)	(69,726)
	--	--

Net operating losses of approximately $180.3 million are available for future use against taxable income. These net operating loss carryforwards ("NOL") expire in the years 2010 through 2019.

Pursuant to Section 382 of the Internal Revenue Code of 1986, as amended, in the event that a substantial change in the ownership of Gothic Energy were to occur in the future (whether through the sale of stock by a significant shareholder or shareholders, new issuances of stock by Gothic Energy, conversions, a redemption, recapitalization, reorganization, any combination of the foregoing or any other method) so that ownership of more than 50% of the value of Gothic Energy's capital stock changed during any three-year period, Gothic Energy's ability to utilize its NOLs could be substantially limited.

Realization of the net deferred tax asset is dependent on generating sufficient taxable income in future periods. As a result of significant losses in prior years, Gothic has recorded a 100% valuation allowance, as management presently deems it is more likely than not that realization will not occur in the future.

6. COMMITMENTS AND CONTINGENCIES

Gothic entered into an employment agreement with its President effective January 1, 1999. The President received a base salary of $225,000 per year. In addition, he was to receive a cash bonus as was determined by Gothic's Board of Directors. The President was also entitled to participate in such incentive compensation and benefit programs as Gothic made available. The term of the agreement was for a period of three years and at the end of the first year and at the end of each succeeding year the agreement was automatically extended for one year such that at the end of each year there would automatically be three years remaining on the term of the agreement. The President could terminate the agreement at the end of the initial term and any succeeding term on not less than six months notice. In the event the employment agreement was terminated by Gothic (other than for cause, as defined), the President was entitled to receive a payment representing all salary due under the remaining full term of his agreement and Gothic was obligated to continue his medical insurance and other benefits provided under the

agreement in effect for a period of one year after such termination. In the event of a change in control, as defined, of Gothic, the President had the right to terminate his employment agreement with Gothic within sixty days thereafter, whereupon Gothic would be obligated to pay to him a sum equal to three years of his base salary under the agreement, plus a lump sum payment of $250,000. The President resigned from Gothic effective January 16, 2001, upon completion of the Chesapeake Merger.

Gothic also entered into an employment agreement with its Chief Financial Officer effective January 1, 1999. The Chief Financial Officer received a base salary of $187,500 per year. In addition, he was to receive a cash bonus as was determined by Gothic's Board of Directors. The CFO was also entitled to participate in such incentive compensation and benefit programs as Gothic made available. The term of the agreement was for a period of three years and at the end of the first year and at the end of each succeeding year the agreement was automatically extended for one year such that at the end of each year there would automatically be three years remaining on the term of the agreement. The CFO could terminate the agreement at the end of the initial term and any succeeding term on not less than six months notice. In the event the employment agreement was terminated by Gothic (other than for cause, as defined), the CFO was entitled to receive a payment representing all salary due under the remaining full term of his agreement, and Gothic was obligated to continue his medical insurance and other benefits provided under the agreement in effect for a period of one year after such termination. In the event of a change in control, as defined, of Gothic, the CFO had the right to terminate his employment with Gothic within sixty days thereafter, whereupon Gothic would be obligated to pay to him a sum equal to three years base salary, plus a lump sum payment of $200,000. The Chief Financial Officer resigned from Gothic effective January 16, 2001, upon completion of the Chesapeake Merger.

The above employment agreements were amended in connection with the Merger whereby the executives each received a severance payment equal to their year 2000 base salary, and entered into consulting and non-compete agreements with Chesapeake.

Gothic leases its corporate offices and certain office equipment and automobiles under non-cancelable operating leases. Rental expense under non-cancelable operating leases was $190,000, $240,000 and $345,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

Remaining minimum annual rentals under non-cancelable lease agreements subsequent to December 31, 2000 are as follows:

2001	$295,000
2002	$282,000
2003	$267,000
2004	$247,000

Gothic is not a defendant in any pending legal proceedings other than routine litigation incidental to its business. While the ultimate results of these proceedings cannot be predicted with certainty, Gothic does not believe that the outcome of these matters will have a material adverse effect on Gothic's financial position or results of operations.

7. BENEFIT PLAN

Gothic maintained a 401(k) plan for the benefit of its employees. The plan was implemented in October 1997. The plan permitted employees to make contributions on a pre-tax salary reduction basis. Gothic made limited matching contributions to the plan, and also made other discretionary contributions. Gothic's contributions for 1998, 1999 and 2000 were $62,000, $85,000 and $81,000, respectively. The plan was terminated in December 2000.

8. MAJOR CUSTOMERS

During the year ended December 31, 2000, Gothic was a party to contracts whereby it sold approximately 60% of its natural gas production to CMS Continental Natural Gas Corporation ("Continental"), and approximately 64% of its oil production to Duke Energy, Inc. Gothic has a ten-year marketing agreement, whereby the majority of the natural gas associated with properties acquired from Amoco in January 1998 will be sold to Continental, at market prices, under this agreement.

9. RELATED PARTY TRANSACTIONS

During 1997, Gothic made advances totaling $336,000 to two officers and directors of Gothic. In February 1998, $168,000 was received in connection with a severance agreement. The balance outstanding on the remaining advance was $179,000 as of December 31, 1998. This amount was forgiven by Gothic during 1999.

During 2000, Gothic made advances to directors, officers and employees totaling $1.7 million for the exercise of options to purchase Gothic common stock. These amounts were settled in connection with the Merger on January 16, 2001.

10. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly financial information for 1999 and 2000 is as follows:

	THREE MONTHS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)			
Year Ended December 31, 1999:				
Revenues	$11,470	$13,206	$14,150	$16,798
Gross profit(1)	$ 3,846	$5,577	$ 6,217	$ 9,410
Net loss	$(5,621)	$(4,850)	$(4,296)	$(2,542)
Loss per common share:(2)				
Basic	$ (0.47)	$(0.43)	$ (0.37)	$ (0.26)
Diluted	$ (0.47)	$(0.43)	$ (0.37)	$ (0.26)
Year Ended December 31, 2000:				
Revenues	$15,559	$17,660	$21,904	$30,622
Gross profit(1)	$ 8,334	$10,467	$12,920	$19,603
Net income (loss)	$(2,883)	$ (517)	$ 1,325	$ 8,157
Earnings (loss) per common share:(2)				
Basic	$ (0.28)	$(0.15)	$ (0.05)	$ 0.24
Diluted	$ (0.28)	$(0.15)	$ (0.05)	$ 0.24

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(1) Gross profit includes total revenues, less lease operating expenses and depletion, depreciation and amortization expense.

(2) As a result of shares issued during the year, earnings per share for the year's four quarters, which is based on average shares outstanding during each quarter, does not equal the annual earnings per share, which is based on the average shares outstanding during the year.

11. SUPPLEMENTARY NATURAL GAS AND OIL INFORMATION

The following supplemental historical and reserve information is presented in accordance with Financial Accounting Standards Board Statement No. 69, "Disclosures About Oil and Gas Producing Activities".

FINANCIAL DATA

Capitalized Costs

The aggregate amounts of capitalized costs relating to natural gas and oil producing activities, net of valuation allowances, and the aggregate amounts of the related accumulated depreciation, depletion, and amortization at December 31, 1999 and 2000 were as follows:

	1999	2000
	($ IN THOUSANDS)	
Proved properties	$258,818	$275,827
Unproved, not subject to depreciation, depletion and amortization	5,473	6,191
Less accumulated depreciation, depletion, and amortization	(53,137)	(75,003)
Net natural gas and oil properties	$211,154	$207,015

Costs Incurred

Costs incurred in natural gas and oil property acquisition, exploration and development activities for the years ended December 31, 1998, 1999 and 2000 were as follows:

	1998	1999	2000
	($ IN THOUSANDS)		
Proved property acquisition	$225,103	$ 1,499	$ 655
Unproved property acquisition	2,109	2,611	718
Development costs	16,270	18,445	18,535
Total costs incurred	$243,482	$22,555	$19,908

RESULTS OF OPERATIONS FROM OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

Gothic's results of operations from natural gas and oil producing activities are presented below for 1998, 1999 and 2000. The following table includes revenues and expenses associated directly with Gothic's natural gas and oil producing activities.

	1998	1999	2000
	($ IN THOUSANDS)		
Oil and gas sales	$ 50,714	$ 52,967	$ 83,065
Production expenses	(8,608)	(5,725)	(5,234)
Production taxes	(3,521)	(3,880)	(6,566)
Impairment of oil and gas properties	(76,000)	--	--
Depletion and depreciation	(24,001)	(20,969)	(22,621)
Results of operations from oil and gas producing activities	$(61,416)	$ 22,393	$ 48,644

NATURAL GAS AND OIL RESERVES DATA (UNAUDITED)

Estimated Quantities

Natural gas and oil reserves cannot be measured exactly. Estimates of natural gas and oil reserves require extensive judgments of reservoir engineering data and are generally less precise than other estimates made in connection with financial disclosures.

Proved reserves are those quantities which, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known natural gas and oil reservoirs under existing economic and operating conditions. Proved developed reserves are those reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are those reserves which are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required.

Estimates of natural gas and oil reserves require extensive judgments of reservoir engineering data as explained above. Assigning monetary values to such estimates does not reduce the subjectivity and changing nature of such reserve estimates. Indeed, the uncertainties inherent in the disclosure are compounded by applying additional estimates of the rates and timing of production and the costs that will be incurred in developing and producing the reserves. The information set forth herein is therefore subjective and, since judgments are involved, may not be comparable to estimates submitted by other natural gas and oil producers. In addition, since prices and costs do not remain static and no price or cost escalations or de-escalations have been considered, the results are not necessarily indicative of the estimated fair market value of estimated proved reserves nor of estimated future cash flows and significant revisions could occur in the near term. Accordingly, these estimates are expected to change as future information becomes available. All of Gothic's reserves are located onshore in the states of Oklahoma, Texas, New Mexico, Arkansas and Kansas.

The following unaudited table, which is based on reports of Lee Keeling and Associates, Inc., sets forth proved natural gas and oil reserves:

	1998		1999		2000	
	MBBLS	MMCF	MBBLS	MMCF	MBBLS	MMCF
Proved Reserves:						
Beginning of year	3,585	127,460	1,761	306,668	1,922	289,191
Revisions of previous estimates	(872)	39,577	319	6,598	50	32,051
Purchases of reserves in place	1,362	233,007	--	1,402	--	172
Production	(257)	(24,455)	(158)	(25,477)	(135)	(26,309)
Sales of reserves in place	(2,057)	(68,921)	--	--	(69)	(4,198)
End of year	1,761	306,668	1,922	289,191	1,768	290,907
Proved Developed:						
Beginning of year	2,503	91,690	1,523	254,762	1,683	251,631
End of year	1,523	254,762	1,683	251,631	1,567	245,472

Standardized Measure of Discounted Future Net Cash Flows

Future net cash inflows are based on the future production of proved reserves of natural gas and crude oil as estimated by Lee Keeling and Associates, Inc., independent petroleum engineers, by applying current prices of natural gas and oil to estimated future production of proved reserves. The average prices used in determining future cash inflows for natural gas and oil as of December 31, 2000, were $10.19 per mcf, and $26.54 per barrel, respectively. These prices were based on the adjusted cash spot price for natural gas and oil at December 31, 2000. These prices are significantly higher than the average natural gas and oil price ($5.88 per mcf and $25.00 per barrel) received by Gothic during December 2000, and the prices Gothic expects to receive during 2001. Future net cash flows are then calculated by reducing such estimated cash inflows by the estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves and by the estimated future income taxes.

Estimated future income taxes are computed by applying the appropriate year-end statutory tax rate to the future pretax net cash flows relating to Gothic's estimated proved natural gas and oil reserves. The estimated future income taxes give effect to permanent differences and tax credits and allowances.

Included in the estimated standardized measure of future cash flows are certain capital projects (future development costs). Gothic estimates the capital required to develop its undeveloped natural gas and oil reserves during 2001 to be approximately $30.0 million. If such capital is not employed, the estimated future cash flows will be negatively impacted.

The following table sets forth Gothic's unaudited estimated standardized measure of discounted future net cash flows.

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1999	2000
	($ IN THOUSANDS)		
Cash Flows Relating to Proved Reserves:			
Future cash inflows	$ 573,604	$ 596,216	$3,005,450
Future production costs	(141,253)	(139,458)	(350,371)
Future development costs	(37,028)	(26,969)	(42,260)
Future income tax expense	(47,264)	(30,113)	(843,629)
	348,059	399,676	1,769,190
Ten percent annual discount factor	(169,297)	(201,291)	(911,617)
Standardized measure of discounted future net cash flows	$ 178,762	$ 198,385	$ 857,573

The following table sets forth changes in the standardized measure of discounted future net cash flows:

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1999	2000
	($ IN THOUSANDS)		
Standardized measure of discounted future cash flows-beginning of period	$ 94,102	$178,762	$198,385
Sales of natural gas and oil produced, net of operating expenses	(38,585)	(43,362)	(71,265)
Purchases of reserves-in-place	231,184	1,000	114
Sales of reserves-in-place	(62,933)	--	(3,815)
Revisions of previous quantity estimates and changes in sales prices and production costs	(54,416)	44,109	714,315
Accretion of discount	9,410	17,876	19,839
Standardized measure of discounted future cash flows-end of period	$178,762	$198,385	$857,573

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by this Item 10 is incorporated herein by reference to the definitive Proxy Statement to be filed by Chesapeake pursuant to Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934 not later than April 30, 2001.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this Item 11 is incorporated herein by reference to the definitive Proxy Statement to be filed by Chesapeake pursuant to Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934 not later than April 30, 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by this Item 12 is incorporated herein by reference to the definitive Proxy Statement to be filed by Chesapeake pursuant to Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934 not later than April 30, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by this Item 13 is incorporated herein by reference to the definitive Proxy Statement to be filed by Chesapeake pursuant to Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934 not later than April 30, 2001.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. Financial Statements. Chesapeake's consolidated financial statements, Gothic's consolidated financial statements and pro forma combined financial statements are included in Item 8 of this report. Reference is made to the accompanying Index to Financial Statements.

2. Financial Statement Schedules. Schedule II is included in Item 8 of this report with our consolidated financial statements. No other financial statement schedules are applicable or required.

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

EXHIBIT NUMBER		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. Incorporated herein by reference to Exhibit 2.1 to Registrant's Form S-1 Registration Statement (No. 333-41014).
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. Incorporated herein by reference to Exhibit 2.2 to Registrant's Form S-1 Registration Statement (No. 333-41014).
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. Incorporated herein by reference to Exhibit 2.3 to Registrant's Form S-1 Registration Statement (No. 333-41014).
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. Incorporated herein by reference to Exhibit 2.4 to Registrant's Form S-1 Registration Statement (No. 333-41014).
2.5	--	Senior Secured Discount Notes Purchase Agreement dated August 29, 2000 between Chesapeake Energy Marketing, Inc. and BNP Paribas. Incorporated herein by reference to Exhibit 2.5 to Registrant's registration statement on Form S-1 (No. 333-45872).
2.6	--	Senior Secured Notes Purchase Agreement dated September 1, 2000 between Chesapeake Energy Corporation and Lehman Brothers Inc. Incorporated herein by reference to Exhibit 2.6 to Registrant's registration statement on Form S-1 (No. 333-45872).
2.7	--	Agreement and Plan of Merger dated September 8, 2000 among Chesapeake Energy Corporation, Chesapeake Merger 2000 Corp. and Gothic Energy Corporation, as amended by Amendment No. 1 to Agreement and Plan of Merger dated October 31, 2000. Incorporated by reference to Annex A to proxy statement/prospectus included in Amendment No. 1 to Registrant's registration statement on Form S-4 (No. 333-47330).
3.1	--	Registrant's Certificate of Incorporation as amended. Incorporated herein by reference to Exhibit 3.1 to Registrant's registration statement on Form S-1 (No. 333-45872).
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).

EXHIBIT NUMBER	DESCRIPTION
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.
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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.
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Trust Company, as warrant agent, and Supplement to Warrant Agreement dated as of January 16, 2001.

4.10* -- Registration Rights Agreement dated as of September 9, 1997 among Gothic Energy Corporation, two of its subsidiaries, Oppenheimer & Co., Inc., Banc One Capital Corporation and Paribas Corporation.

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4.12*	-- Common Stock Registration Rights Agreement dated as of January 23, 1998 among Gothic Energy Corporation and purchasers of its senior redeemable preferred stock.
4.13*	-- Substitute Warrant to Purchase Common Stock of Chesapeake Energy Corporation dated as of January 16, 2001 issued to Amoco Corporation.
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4.15*	-- Warrant Registration Rights Agreement dated as of April 21, 1998 among Gothic Energy Corporation and purchasers of units consisting of its 14 1/8% senior secured discount notes due 2006 and warrants to purchase its common stock.
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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.
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10.4.1*	-- Amended and Restated Consulting Agreement dated January 11, 2001 between Chesapeake Energy Corporation and Michael Paulk.
10.4.2*	-- Amended and Restated Consulting Agreement dated January 11, 2001 between Chesapeake Energy Corporation and Steven P. Ensz.
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.
21*	-- Subsidiaries of Registrant
23.1*	-- Consent of PricewaterhouseCoopers LLP
23.2*	-- Consent of Williamson Petroleum Consultants, Inc.
23.3*	-- Consent of Ryder Scott Company L.P.
23.4*	-- Consent of Lee Keeling and Associates, Inc.
23.5*	-- Consent of PricewaterhouseCoopers LLP
23.6*	-- Consent of Lee Keeling and Associates, Inc.

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* Filed herewith.

+ Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K

During the quarter ended December 31, 2000, Chesapeake filed the following current reports on Form 8-K:

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quarter of 2000 and full year 2001.

On December 4, 2000, we filed a current report on Form 8-K providing under Item 9 guidance on future financial performance with respect to the fourth quarter of 2000 and full year 2001.

On December 18, 2000, we filed a current report on Form 8-K including under Item 5 an amendment to the description of our capital stock contained in our Registration Statement on Form 8-B (No. 001-13726).

On December 21, 2000, we filed a current report on Form 8-K reporting under Item 5 that we had issued a press release reporting a major exploratory success, increased 2001 capital expenditure budget, higher production and cash flow forecasts and an update on the Gothic merger.

On December 21, 2000, we filed a current report on Form 8-K providing under Item 9 guidance on future financial performance with respect to the fourth quarter of 2000 and full year 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHESAPEAKE ENERGY CORPORATION

By /s/ AUBREY K. McCLENDON
Aubrey K. McClendon
Chairman of the Board and
Chief Executive Officer

Date: March 29, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ AUBREY K. McCLENDON Aubrey K. McClendon	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 29, 2001
/s/ TOM L. WARD Tom L. Ward	President, Chief Operating Officer and Director (Principal Executive Officer)	March 29, 2001
/s/ MARCUS C. ROWLAND Marcus C. Rowland	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 29, 2001
/s/ MICHAEL A. JOHNSON Michael A. Johnson	Senior Vice President -- Accounting, Controller and Chief Accounting Officer (Principal Accounting Officer)	March 29, 2001
/s/ EDGAR F. HEIZER, JR. Edgar F. Heizer, Jr.	Director	March 29, 2001
/s/ BREENE M. KERR Breene M. Kerr	Director	March 29, 2001
/s/ SHANNON T. SELF Shannon T. Self	Director	March 29, 2001
/s/ FREDERICK B. WHITTEMORE Frederick B. Whittemore	Director	March 29, 2001

INDEX TO EXHIBITS

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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. Incorporated herein by reference to Exhibit 2.1 to Registrant's Form S-1 Registration Statement (No. 333-41014).	
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. Incorporated herein by reference to Exhibit 2.2 to Registrant's Form S-1 Registration Statement (No. 333-41014).	
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. Incorporated herein by reference to Exhibit 2.3 to Registrant's Form S-1 Registration Statement (No. 333-41014).	
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. Incorporated herein by reference to Exhibit 2.4 to Registrant's Form S-1 Registration Statement (No. 333-41014).	
2.5	--	Senior Secured Discount Notes Purchase Agreement dated August 29, 2000 between Chesapeake Energy Marketing, Inc. and BNP Paribas. Incorporated herein by reference to Exhibit 2.5 to Registrant's registration statement on Form S-1 (No. 333-45872).	
2.6	--	Senior Secured Notes Purchase Agreement dated September 1, 2000 between Chesapeake Energy Corporation and Lehman Brothers Inc. Incorporated herein by reference to Exhibit 2.6 to Registrant's registration statement on Form S-1 (No. 333-45872).	
2.7	--	Agreement and Plan of Merger dated September 8, 2000 among Chesapeake Energy Corporation, Chesapeake Merger 2000 Corp. and Gothic Energy Corporation, as amended by Amendment No. 1 to Agreement and Plan of Merger dated October 31, 2000. Incorporated by reference to Annex A to proxy statement/prospectus included in Amendment No. 1 to Registrant's registration statement on Form S-4 (No. 333-47330).	
3.1	--	Registrant's Certificate of Incorporation as amended. Incorporated herein by reference to Exhibit 3.1 to Registrant's registration statement on Form S-1 (No. 333-45872).	
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quarter of 2000 and full year 2001.

EXHIBIT 4.8

THE REGISTERED HOLDER OF THIS WARRANT, BY ITS ACCEPTANCE HEREOF, AGREES THAT IT WILL NOT SELL, TRANSFER OR ASSIGN THIS WARRANT EXCEPT AS HEREIN PROVIDED.

VOID AFTER 5:00PM EASTERN TIME, AUGUST 19, 2001

WARRANT
FOR THE PURCHASE OF
200,000 SHARES OF COMMON STOCK
OF
GOTHIC ENERGY CORPORATION

1. WARRANT

This certifies that in consideration of $10.00 and other good and valuable consideration, duly paid by or on behalf of Gaines, Berland Inc. ("Holder"), as registered owner of this Warrant, to Gothic Energy Corporation ("Company"), Holder is entitled, at any time or from time to time at or after August 19, 1996 ("Commencement Date"), and at or before 5:00PM, Eastern Time August 19, 2001 ("Expiration Date"), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to two hundred thousand (200,000) shares of Common Stock of the Company, $0.01 par value ("Common Stock"). If the Expiration Date is a day on which banking Institutions are authorized by law to close, then this Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate the Warrant. This Warrant is initially exercisable at $2.25 per share

of Common Stock purchased: provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Warrant, including the exercise price and the number of shares of Common Stock to be received upon such exercise, shall be adjusted as therein specified. The term "Exercise Price" shall mean the initial exercise price or the adjusted exercise price, depending on the context, of a share of Common Stock. The term "Securities" shall mean the shares of Common Stock issuable upon exercise of this Warrant.

2. EXERCISE

2.1 Exercise Form. In order to exercise this Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Warrant and payment of the Exercise Price for the Securities being purchased. If the subscription rights represented hereby shall not be exercised at or before 5:00PM, Eastern time, on the Expiration Date, this Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

2.2 Legend. Each certificate for Securities purchased under this Warrant shall bear a legend as follows, unless such Securities have been registered under the Securities Act of 1933, as amended ("Act"):

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended ("Act") or applicable state law. The securities may not be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act and applicable state law."

2.3 Conversion Right.

2.3. Determination of Amount. In lieu of the payment of the Exercise Price in cash, the Holder shall have the right (but not the obligation) to convert this Warrant, in whole or in part, into Common Stock ("Conversion Right"), as follows: upon exercise of the Conversion Right, the Company shall deliver to the Holder (without payment by the Holder of any of the Exercise Price) that number of shares of Common Stock equal to the quotient obtained by dividing (x) the "Value" (as defined below) of the portion of the Warrant being converted at the time the Conversion Right is exercised by (y) the Exercise Price. The "Value" of the portion of the Warrant being converted shall equal the remainder derived from subtracting (a) the Exercise Price multiplied by the number of shares of Common Stock being converted from (b) the Market Price of the Common Stock multiplied by the number of shares of Common Stock being converted. As used herein, the term "Market Price" at any date shall be deemed to be the last reported sale price of the Common Stock on such date, or, in case no such reported sale takes place on such day, the average of the last reported sale prices for the Immediately preceding three trading days, in either case as officially reported by the principal securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted to trading on any national securities exchange or if any such exchange on which the Common Stock is listed is not its principal trading market, the last reported sale price as furnished by the National Association of Securities Dealers, Inc. ("NASD") through the Nasdaq National Market or SmallCap Market, or, if applicable, the OTC Bulletin Board, or if the

Common Stock is not listed or admitted to trading on any of the foregoing markets, or similar organization, as determined in good faith by resolution of the Board of Directors of the Company, based on the best information available to it.

2.3.2 Exercise of Conversion. The Conversion Right may be exercised by the Holder on any business day on or after the Commencement Date and not later than the Expiration Date by delivering the Warrant with a duly executed exercise form attached hereto with the conversion section completed to the Company, exercising the Conversion Right and specifying the total number of shares of Common Stock the Holder will purchase pursuant to such conversion.

3. TRANSFER.

3.1 General Restrictions. The registered Holder of this Warrant, by its acceptance hereof, agrees that it will not sell, transfer or assign or hypothecate this Warrant to anyone except upon compliance with, or pursuant to exemptions from, applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto duly executed and completed, together with this Warrant and payment of all transfer taxes, if any, payable in connection therewith. The Company shall immediately transfer this Warrant on the books of the Company and shall execute and deliver a new Warrant or Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of shares of Common Stock purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.

3.2 Restrictions Imposed by the Securities Act. This Warrant and the Securities underlying this Warrant shall not be transferred unless and until (i) the Company has received the opinion of counsel for the Holder that such securities may be sold pursuant to an exemption from registration under the Act, and applicable state law. the availability of which is established to the reasonable satisfaction of the Company, or (ii) a registration statement relating to such Securities has been filed by the Company and declared effective by the Securities and Exchange Commission and compliance with applicable state law.

4. NEW WARRANTS TO BE ISSUED.

4.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only. upon surrender of this Warrant for cancellation, together with the duly executed exercise or assignment form and funds (or conversion equivalent) sufficient to pay any Exercise Price and/or transfer tax, the Company shall cause to be delivered to the Holder without charge a new Warrant of like tenor to this Warrant in the name of the Holder evidencing the right of the Holder to purchase the aggregate number of shares of Common Stock and Warrants purchasable hereunder as to which this Warrant has not been exercised or assigned.

4.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and of reasonably satisfactory indemnification, the Company shall execute and deliver a new Warrant of like tenor and date. Any such new Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

5. REGISTRATION RIGHTS.

5.1 "Piggy-Back" Registration.

5.1.1 Grant of Right. The Holders of this Warrant shall have the right for a period of seven years from the Commencement Date to include all or any part of this Warrant and the shares of Common Stock underlying this Warrant (collectively, the "Registrable Securities") as part of any registration of securities filed by the Company (other than in connection with a transaction contemplated by Rule 145(a) promulgated under the Act or pursuant to Form S-8 or any equivalent form); provided, however, that if, In the written opinion of the Company's managing underwriter or underwriters, if any, for such offering (the "Underwriter"), the inclusion of the Registrable Securities, when added to the securities being registered by the Company or the selling stockholder(s). will exceed the maximum amount of the Company's securities which can be marketed (i) at a price reasonably related to their then current market value, or (ii) without materially and adversely affecting the entire offering, the Company shall nevertheless register all or any portion of the Registrable Securities required to be so registered but such Registrable Securities shall not be sold by the Holders until 90 days after the registration statement for such offering has become effective; and provided further that, if any securities are registered for sale on behalf of other stockholders in such offering and such stockholders have not agreed to defer such sale until the expiration of such 90-day period, the number of securities to be sold by all stockholders In such public offering during such 90-day period shall be apportioned pro rata among all such selling stockholders, including all holders of the Registrable Securities, according to the total amount of securities of the Company proposed to be sold by said selling stockholders, including all holders of the Registrable Securities.

5.1.2 Terms. The Company shall bear all fees and expenses attendant to registering the Registrable Securities, but the Holders shall pay any and all underwriting commissions and the expenses of any legal counsel selected by the Holders to represent them in connection with the sale of the Registrable Securities. In the event of such a proposed registration, the Company shall furnish the then Holders of outstanding Registrable Securities with not less than thirty days written notice prior to the proposed date of filing of such

registration statement. Such notice to the Holders shall continue to be given for each registration statement filed by the Company until such time as all of the Registrable Securities have been sold by the Holder. The holders of the Registrable Securities shall exercise the "piggy-back" rights provided for herein by giving written notice, within twenty days of the receipt of the Company's notice of its Intention to file a registration statement, The Company shall cause any registration statement filed pursuant to the above "piggy-back" rights to remain effective for at least nine months from the date that the Holders of the Registrable Securities are first given the opportunity to sell all of such securities. Nothing contained in this Warrant shall be construed as, requiring any Holder to exercise this Warrant or any part thereof prior to the initial filing of any registration statement or the effectiveness thereof.

5.2 General Terms

5.2.1 Indemnification.

(a) The Company shall indemnify the Holder(s) of the Registrable Securities to be sold pursuant to any registration statement hereunder and any underwriter or person deemed to be an underwriter under the Act and each person. if any, who controls such Holders or underwriters or persons deemed to be underwriters within the meaning of Section 16 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise, arising from such registration statement. The Holder(s) of the Registrable Securities to be sold pursuant to such registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such Holders, in writing, for specific inclusion in such registration statement.

(b) If any action is brought against a party hereto, ("Indemnified Party") in respect of which indemnity may be sought against the other party ("Indemnifying Party"), such Indemnified Party shall promptly notify Indemnifying Party in writing of the institution of such action and Indemnifying Party shall assume the defense of such action. including the employment and fees of counsel reasonably satisfactory to the Indemnified Party. Such Indemnified Party shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the employment of such counsel shall have been authorized in writing by Indemnifying Party in connection with the defense of such action, or (ii) Indemnifying Party shall not have

employed counsel to defend such action, or (iii) such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which may result in a conflict between the Indemnified Party and Indemnifying Party (in which case Indemnifying Party shall not have the right to direct the defense of such action on behalf of the Indemnified Party), in any of which events. the reasonable fees and expenses of not more than one additional firm of attorneys designated in writing by the Indemnified Party shall be borne by Indemnifying Party. Notwithstanding anything to the contrary contained herein, if Indemnified Party shall assume the defense of such action as provided above, Indemnifying Party shall not be liable for any settlement of any such action effected without its written consent.

(c) It the indemnification or reimbursement provided for hereunder is finally judicially determined by a court of competent jurisdiction to be unavailable to an Indemnified Party (other than as a consequence of a final judicial determination of willful misconduct, bad faith or gross negligence of such Indemnified Party), then Indemnifying Party agrees, in lieu of indemnifying such Indemnified Party, to contribute to the amount paid or payable by such Indemnified Party (i) in such proportion as is appropriate to reflect the relative benefits received, or sought to be received, by Indemnifying Party on the one hand and by such Indemnified Party on the other or (ii) if (but only if) the allocation provided in clause (i) of this sentence is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of Indemnifying Party and of such indemnified Party; provided, however, that in no event shall the aggregate amount contributed by a Holder exceed the profit. if any, earned by such Holder as a result of the exercise by him of the Warrants and the sale by him of the underlying shares of Common Stock.

(d) The rights accorded to Indemnified Parties hereunder shall be in addition to any rights that any Indemnified Party may have at common law, by separate agreement or otherwise.

5.2.2 Exercise of Warrants. Nothing contained in this Warrant shall be construed as requiring the Holder(s) to exercise their Warrants prior to or after the initial filing of any registration statement or the effectiveness thereof.

5.2.3 Documents Delivered to Holders. The Company shall furnish to each Holder participating in any of the foregoing offerings and to each Underwriter of any such offering, if any, a signed counterpart addressed to such Holder or Underwriter, of (i) an opinion of counsel to the Company, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, an opinion dated the date of the closing under any underwriting agreement related thereto), and (ii) a "cold comfort" letter dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, a letter dated the date of the closing under the underwriting agreement) signed by

the independent public accountants who have issued a report on the Company's financial statements included in such registration statement, in each case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuers counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities. The Company shall also deliver promptly to each Holder participating in the offering requesting the correspondence and memoranda described below and to the managing underwriter copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to the registration statement and permit each Holder and underwriter to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of the NASD. Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times and as often as any such Holder shall reasonably request.

6. ADJUSTMENTS.

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of shares of Common Stock underlying this Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Stock Dividends - Recapitalization, Reclassification, Split-Ups. If, after the date hereof, and subject to the provisions of Section 6.2 below, the number of outstanding shares of Common Stock is increased by a stock dividend on the Common Stock payable in shares of Common Stock or by a split-up, recapitalization or reclassification of shares of Common Stock or other similar event, then, on the effective date thereof, the number of shares of Common Stock issuable on exercise of this Warrant shall be increased in proportion to such increase in outstanding shares.

6.1.2 Aggregation of Shares. If after the date hereof, and subject to the provisions of Section 6.3, the number of outstanding shares of Common Stock is decreased by a consolidation, combination or reclassification of shares of Common Stock or other similar event, then, upon the effective date thereof, the number of shares of Common Stock issuable on exercise of this Warrant shall be decreased in proportion to such decrease in outstanding shares.

6.1.3 Adjustments in Exercise Price. Whenever the number of shares of Common Stock purchasable upon the exercise of this Warrant is adjusted, as provided in this Section 6.1, the Exercise Price shall be adjusted (to the nearest cent) by multiplying such Exercise Price immediately prior to such adjustment by a fraction (x) the numerator of which shall be the number of shares of Common Stock purchasable upon the exercise of this Warrant immediately prior to such adjustment, and (y) the denominator of which shall be the number of shares of Common Stock so purchasable immediately thereafter.

6.1.4 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding shares of Common Stock other than a change covered by Section 6. 1.1 hereof or which solely affects the par value of such shares of Common Stock, or in the case of any merger or consolidation of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and which does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety In connection with which the Company is dissolved, the Holder of this Warrant shall have the right thereafter (until the expiration of the right of exercise of this Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or other transfer, by a Holder of the number of shares of Common Stock of the Company obtainable upon exercise of this Warrant immediately prior to such event: and If any reclassification also results in a change in shares of Common Stock covered by Sections 6.1.1 or 6.1.2, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.2, 6.1.3 and this Section 6.1.4. The provisions of this Section 6.1.4 shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

6.1.5 Changes in Form of Warrant. This form of Warrant need not be changed because of any change pursuant to this Section, and Warrants issued after such change may state the same Exercise Price and the same number of shares of Common Stock and Warrants as are stated in the Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the Issuance of new Warrants reflecting a required or permissive change shall not be deemed to waive any rights to a prior adjustment or the computation thereof.

6.2 Elimination of Fractional Interests. The Company shall not be required to Issue certificates representing fractions of shares of Common Stock upon the exercise of this Warrant, nor shall It be required to issue scrip or pay cash In lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up to the nearest whole number of shares of Common Stock or other securities, properties or rights.

7. RESERVATION AND LISTING.

The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of Issuance upon exercise of this Warrant, such number of shares of Common Stock or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that. upon exercise of the Warrants and payment of the Exercise Price therefor, all shares of Common Stock and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any stockholder. As long as the Warrants shall be outstanding, the Company shall use its best efforts to cause all shares of Common Stock issuable upon exercise of the Warrants to be listed (subject to official notice of issuance) on all securities exchanges (or, if applicable on Nasdaq) on which the Common Stock is then listed and/or quoted.

8. CERTAIN NOTICE REQUIREMENTS.

8.1 Holders Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a stockholder for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company. If, however, at any time prior to the expiration of the Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall give written notice of such event at least fifteen days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution, conversion or exchange of securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of the closing of the transfer books, as the case may be.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its shares of Common Stock for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, or (ii) the Company shall offer to all the holders of its Common Stock any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor, or (iii) a merger or reorganization in which the Company is not the surviving party, or (iv) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or merger) or a sale of all or substantially all of its property, assets and business shall be proposed.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change In the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change ("Price Notice"). The Price Notice shall describe the event causing the change and the method of calculating same and shall be certified as being true and accurate by the Company's President and Chief Financial Officer.

8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Warrant shall be In writing and shall be deemed to have been duly made on the date of delivery if delivered personally or sent by overnight courier, with acknowledgment of receipt by the party to which notice is given, or on the fifth day after mailing if mailed to the party to whom notice is to be given. by registered or certified mail, return receipt requested, postage prepaid and properly addressed as follows: (i) if to the registered Holder of this Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to its principal executive office.

9. MISCELLANEOUS.

9.1 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or Interpretation of any of the terms or provisions of this Warrant.

9.2 Entire Agreement. This Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.3 Binding Effect. This Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Warrant or any provisions herein contained.

9.4 Governing Law; Submission to Jurisdiction. This Warrant shall be governed by and construed and enforced in accordance with the law of the State of New York, without giving effect to conflict of laws. The Company hereby agrees that any action, proceeding or claim against it a (arising out of, or relating in any way to this Warrant shall be brought and enforced in the courts of the State of New York or of the United States of America for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts

represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company agrees that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor.

9.6 Waiver, Etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer as of the 19th day of August, 1996.

GOTHIC ENERGY CORPORATION

By: /s/ MICHAEL PAULK

Michael Paulk, President

FORM TO BE USED TO EXERCISE WARRANT

To: Gothic Energy Corporation
5727 South Lewis Avenue - Suite 700
Tulsa, Oklahoma 74105

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The undersigned hereby elects irrevocably to exercise the within Warrant and to purchase _____ shares of Common Stock of Gothic Energy Corporation and hereby makes payment of $_____ (at the rate of $_____ per share of Common Stock) in payment of the Exercise Price pursuant thereto. Please issue the Common Stock as to which this Warrant is exercised in accordance with the instructions given below.

- OR -

The undersigned hereby elects irrevocably to convert its rights to purchase _____shares of Common Stock purchasable under the within Warrant into _____ shares of Common Stock of Gothic Energy Corporation (based on a "Market Price" of $_____ per share of Common Stock). Please issue the Common Stock in accordance with the instructions given below.

/(1)/
- ------------------------------ ----------
(Signature Guaranteed) (Signature)

INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name:

(Print in Block Letters or Type)

Address:

City, State, Zip Code:

/(1)/ The Signature to this form must correspond with the name as written upon the face of the within Warrant in every particular, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

FORM TO BE USED TO ASSIGN WARRANT

ASSIGNMENT
(To be executed by the Registered Holder to effect a transfer of the within Warrant)

For value received, _____ does hereby sell, assign and transfer unto _____ the right to purchase _____ shares of Common Stock of Gothic Energy Corporation ("Company") evidenced by the within Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Date:

/(1)/

(Signature of Owner)

Type or Print Name of Owner

Street Address of Owner

City, State, Zip Code of Owner

/(1)/ The Signature to this form must correspond with the name as written upon the face of the within Warrant in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT 4.9

Execution Copy

WARRANT AGREEMENT

BETWEEN

GOTHIC ENERGY CORPORATION

AND

AMERICAN STOCK TRANSFER

& TRUST COMPANY,

AS WARRANT AGENT

DATED AS OF SEPTEMBER 9, 1997

WARRANTS TO PURCHASE 1,400,000 COMMON SHARES

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EXHIBITS

WARRANT AGREEMENT

THIS WARRANT AGREEMENT, dated as of September 9, 1997 (the "Issue Date"), is entered into between GOTHIC ENERGY CORPORATION, an Oklahoma corporation (the "Company"), and AMERICAN STOCK TRANSFER & TRUST, a New York corporation, as warrant agent (the "Warrant Agent").

RECITALS

A. This Agreement is entered into in connection with the offering by the Company of 100,000 Units (the "Units") consisting of an aggregate of $100,000,000 principal amount of 12 1/4% Senior Notes due September 1, 2004 (the "Notes") and 1,400,000 Common Stock Purchase Warrants (the "Warrants"). Each of the Units consists of $1,000 principal amount of the Notes and 14 Warrants, each to purchase one share of Common Stock, par value $.01 per share (the "Common Stock"), of the Company. The Warrants and the Notes are not detachable or separately transferable until the Unit Termination Date (as defined below).

B. The Company proposes to issue 1,400,000 Warrants, as hereinafter described, each to purchase at the Warrant Exercise Price (as defined below) one Common Share, par value $.01 per share, of the Company on or after the Separation Date (as defined below) and prior to the Expiration Date (as defined below).

C. The Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to act on behalf of the Company, in connection with the issuance of the Warrant Certificates (as defined below) and the other matters provided herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

1. DEFINITIONS

"Additional Common Shares" shall mean all Common Shares issued or issuable by the Company after the date of this Agreement, other than the Warrant Shares.

"Affiliate" shall mean, as to any Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control of such Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. Notwithstanding the foregoing, "Affiliate" shall not include any wholly-owned Subsidiary of the Company.

"Agreement" shall mean this Warrant Agreement, as the same may be amended, modified or supplemented from time to time.

"Business Day" shall mean a day which in New York, New York is neither a legal holiday nor a day on which banking institutions are authorized by law or regulation to close.

"Capital Stock" of any Person shall mean any and all shares, interests, participations, or other equivalents (however designated) of such Person's capital stock, and any warrants, options or similar rights to acquire such capital stock.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Common Equity Securities" shall mean any class or series of Common Shares of the Company.

"Common Shares" shall mean (i) the common stock, par value $.01 per share, of the Company, as constituted on the original issuance of the Warrants, (ii) any Capital Stock into which such Common Shares may thereafter be changed and (iii) any share of the Company of any other class issued to holders of such Common Shares upon any reclassification thereof.

"Company" shall mean the company identified in the preamble hereof and its successors and assigns.

"Company Order" shall mean a written request or order signed in the name of the Company by its Chairman or any Co-Chairman of the Board, its Chief Executive Officer, its President, any Vice President, and by its Treasurer, any Assistant Treasurer, its Secretary or any Assistant Secretary, and delivered to the Warrant Agent.

"Corporate Agency Office" shall have the meaning given such term in Section 9.

"Countersigning Agent" shall mean any Person authorized by the Warrant Agent to act on behalf of the Warrant Agent to countersign Warrant Certificates.

"Current Common Equityholder" shall mean any Person who is a holder of Common Equity Securities on the date of this Agreement.

"Current Market Price" shall mean, with respect to any security on any date:

(1) if the Company does not have a class of equity securities registered under the Exchange Act, the value of such security (a) determined in good faith in the most recently completed arm's-length transaction between the Company and an unaffiliated third party in which such determination is necessary and the closing of which occurs on such date or shall have occurred within the six months preceding such date, (b) if no such transaction shall have occurred on such date or within such six-month period, most recently determined as of a date within the six

months preceding such date by an Independent Financial Expert using one or more valuation methods that such Independent Financial Expert, in its best professional judgment, determines to be most appropriate but without giving effect to the discount for any lack of liquidity of the security or to the fact that the Company may not have any class of equity securities registered under the Exchange Act and assuming that the Warrants are currently exercisable (in the event of more than one such determination, the determination for the later date shall be used) or (c) if no such determination shall have been made within such six-month period, determined as of such date by an Independent Financial Expert as described in (b) above, or

(2) if the Company does have a class of equity securities registered under the Exchange Act, the average of the daily Market Prices of such security for each Business Day during the period commencing thirty (30) Business Days before such date and ending on the date one day prior to such date or, if the Company has had a class of equity securities registered under the Exchange Act for less than thirty (30) consecutive Business Days before such date, then the average of the daily Market Price for all of the Business Days before such date for which daily Market Prices are available provided, however, that in the event that the Current Market Price per share of a security is determined during a period following the announcement by the Company of (A) a dividend or distribution on such a security payable in shares of such a security or securities convertible into shares of such a security, or (B) any subdivision, combination or reclassification of such security, and prior to the expiration of such thirty (30) Business Day period before such date (or, if applicable, such lesser number of Business Days before such date for which daily Market Prices are available) after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then in each such case, Current Market Price shall be properly adjusted to take into account ex-dividend trading.

"Effective Date" shall mean the date of declaration by the SEC of effectiveness of the Warrants Shelf Registration Statement.

"Effective Registration" shall mean that the Company shall have filed and caused to become effective a Warrants Shelf Registration Statement under the Securities Act for the sale of Warrants by the Holders.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Expiration Date" shall mean September 1, 2004 or such earlier date as determined in accordance with Section 5.

"Exchange Offer Registration Statement" shall have the meaning set forth in the

Registration Rights Agreement.

"Guarantors" shall mean Gothic Energy of Texas, Inc., an Oklahoma corporation, and Gothic Gas Corporation, an Oklahoma corporation.

"Holder" or "Warrantholder" shall mean any Person in whose name at the time any Warrant Certificate is registered upon the Warrant Register.

"Indenture" shall mean the Indenture dated as of September 9, 1997, by and among the Company, the Guarantors and The Bank of New York, as trustee.

"Independent" shall mean a nationally recognized investment banking firm or Person (as the case may be) (i) that does not then have, and for the ten years immediately preceding such time has not had (and, in the case of a nationally recognized investment banking firm, whose directors, officers, employees and Affiliates do not then have, and for the ten years immediately preceding such time have not had) a direct or indirect interest in the Company or any of its Subsidiaries or Affiliates or any successor to any of them and (ii) that is not then, and for the ten years immediately preceding such time was not (and, in the case of a nationally recognized investment banking firm, whose directors, officers, employees or Affiliates are not then, and for the ten years immediately preceding such time were not) an employee, consultant, advisor, director, officer or Affiliate (it being understood that the term "Independent" when applied to a director of the Company, means a non-employee director of the Company whose only relationship with the Company during the relevant period has been as a director of the Company) of the Company, any of its Subsidiaries or Affiliates or any successor to any of them.

"Independent Financial Expert" shall mean an Independent nationally recognized investment banking firm with assets in excess of $1.0 billion selected by a majority of the members of the Board of Directors (and by a majority of the Independent members of the board, if any) of the Company.

"Initial Purchasers" shall mean Oppenheimer & Co., Inc., Banc One Capital Corporation and Paribas Corporation.

"Institutional Accredited Investor" shall mean an institution that is an "accredited investor" as that term is defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Market Price" shall mean (A) in the case of a security listed or admitted to trading on any securities exchange, the closing price, regular way, on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, (B) in the case of a security not then listed or admitted to trading on any securities exchange, the last reported sale price on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reputable quotation source designated by the Company, (C) in the case of a security not then listed or admitted to trading on any securities exchange and as to which no such reported sale price or bid and asked prices are available, the average of the

reported high bid and low asked prices on such day, as reported by a reputable quotation service, or The Wall Street Journal, Eastern Edition, or if such newspaper is no longer published then in a newspaper of general circulation in the Borough of Manhattan, City and State of New York, customarily published on each Business Day, designated by the Company or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than thirty (30) days prior to the date in question) for which prices have been so reported, and (D) if there are no bid and asked prices reported during the thirty (30) days prior to the date in question, the Current Market Value of the security shall be determined as if the Company did not have a class of equity securities registered under the Exchange Act.

"Non-Stock Dividend" shall mean any payment by the Company to all holders of its Common Shares of any dividend, or any other distribution by the Company to such holders, of any shares of Capital Stock of the Company, evidences of indebtedness of the Company, cash or other assets (including rights, warrants or other securities (of the Company or any other Person)), other than any dividend or distribution (i) upon a merger or consolidation or sale to which Section 6.1(h) applies, (ii) of any Common Shares referred to in Section 6.1(a) or (iii) of cash not in liquidation of the Company.

"Non-Surviving Combination" shall mean any merger, consolidation or other business combination by the Company with one or more other entities in a transaction in which the Company is not the surviving entity or becomes a wholly-owned subsidiary of another entity.

"outstanding" shall mean, as of the time of determination, when used with respect of any Warrants, all Warrants originally issued under this Agreement except (i) Warrants that have been exercised pursuant to Section 3.2(a), (ii) Warrants that have expired pursuant to Sections 3.2(b), 5 or 7 and (iii) Warrants that have otherwise been acquired by the Company; provided, however, that in determining whether the Holders of the requisite amount of the outstanding Warrants have given any request, demand, authorization, direction, notice, consent or waiver under the provisions of this Agreement, Warrants owned by the Company or any Subsidiary or Affiliate of the Company or any Person that is at such time a party to a merger or acquisition agreement with the Company shall be disregarded and deemed not to be outstanding.

"Person" shall mean any individual, corporation (including a business trust), partnership, joint venture, association, joint-stock company, trust, estate, limited liability company, unincorporated association, unincorporated organization, government or agency or political subdivision thereof or any other entity.

"Purchase Agreement" shall mean that Purchase Agreement, dated September 2, 1997, by and among the Company, the Guarantors and the Initial Purchasers, as such agreement may be amended, modified or supplemented from time to time.

"Qualified Institutional Buyer" shall have the meaning given such term in Rule 144A under the Securities Act.

"Recipient" shall have the meaning given such term in Section 3.2(e).

"Registration Rights Agreement" shall mean that certain Registration Rights Agreement, dated as of September 9, 1997, by and among the Company, the Guarantors and the Initial Purchasers, as such agreement may be amended, modified or supplemented from time to time.

"Registrar" shall have the meaning set forth in the Indenture.

"Restricted Warrants" shall have the meaning given such term in Section 2.2(b).

"Restricted Warrant Legend" shall mean the legend so designated on the Warrant Certificate attached hereto as Exhibit A.

"Rule 144" shall mean Rule 144 promulgated under the Securities Act.

"Separation Date" shall mean the date that is the earlier of (i) the date on which the Exchange Offer Registration Statement is declared effective under the Securities Act and (ii) March 8, 1998. The Company shall notify the Warrant Agent promptly if the Separation Date occurs prior to March 8, 1998 in accordance with Section 13.3. The Company shall notify the Warrant Agent in accordance with Section 13.3 if the Unit Termination Date occurs prior to March 8, 1998.

"SEC" shall mean the Securities and Exchange Commission or any successor agency thereto.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Subsidiary" shall mean, with respect to any Person, any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof.

"Voting Stock" shall mean, with respect to any Person, one or more classes of the Capital Stock of such Person entitled to vote under ordinary circumstances in the election of directors, managers or trustees of such Person.

"Units" shall have the meaning set forth in the Preamble.

"Unit Certificate" shall have the meaning set forth in the Indenture.

"Unit Termination Date" shall mean (i) March 8, 1998 or (ii) such earlier date as determined under the Indenture.

"Warrant Agent" shall mean the warrant agent named in the preamble hereof or the successor or successors of such Warrant Agent appointed in accordance with the terms hereof.

"Warrant Certificates" shall mean those certain warrant certificates evidencing the Warrants, substantially in the form of Exhibit A attached hereto.

"Warrant Price" shall mean the exercise price per Warrant Share, initially set at $3.00, subject to adjustment as provided in Section 6.1(g).

"Warrant Register" shall have the meaning given such term in Section 9.

"Warrant Shares" shall mean the Common Shares issuable upon exercise of the Warrants, the number of which is subject to adjustment from time to time in accordance with Section 6.

"Warrants" shall mean those warrants issued hereunder to purchase initially up to an aggregate of 1,400,000 Warrant Shares at the Warrant Price, subject to adjustment pursuant to Section 6.

"Warrants Shelf Registration Statement" shall have the meaning given such term in the Registration Rights Agreement.

2. WARRANT CERTIFICATES

2.1 Issuance of Warrants.

(a) An aggregate of 1,400,000 Warrants are deemed issued on the date of this Agreement to the registered holders of Unit Certificates issued pursuant to the Indenture on such date. Notwithstanding any provision of this Agreement to the contrary, on or prior to the Unit Termination Date, the Warrants shall be evidenced by the Unit Certificates issued pursuant to the terms of the Indenture and the ownership of which shall be registered by the Registrar in accordance with the Indenture.

(b) After the Unit Termination Date, the Warrant Agent shall issue Warrant Certificates to each registered owner of Unit Certificates as of the close of the Unit Termination Date, in the name and number (14 Warrants per Unit) and in such form (global or definitive) as set forth on a list of registered holders of Unit Certificates as of the close of the Unit Termination Date furnished to the Warrant Agent by the Registrar pursuant to Section 2.15 (c) (iii) of the Indenture; provided that no Warrant Certificate shall be issued to holders in respect of Unit Certificates that have been noted by the Warrant Agent as having had the Warrants evidenced thereby exercised pursuant to Section 3.2(g) hereof. Each Warrant Certificate issued pursuant to this paragraph (b) shall evidence 14 Warrants multiplied by the number of Units specified as held by the holder as set forth in the above list, and each Warrant evidenced thereby shall represent the right, subject to the provisions contained herein and therein, to purchase one Warrant Share, subject to adjustment as provided in Section 6.

2.2 Form, Denomination and Date of Warrants.

(a) The Unit Certificates shall be issued in the form provided in the Indenture. Warrant Certificates shall be substantially in the form of Exhibit A hereto. The Warrants shall be numbered, lettered or otherwise distinguished in such manner or in accordance with such plans as the officers of the Company executing the same may determine with the approval of the Warrant Agent. Each Warrant shall be dated the date of its authentication. Any of the Warrants may be issued with appropriate insertions, omissions, substitutions and variations, and may have imprinted or otherwise reproduced thereon such legend or legends, not inconsistent with the provisions of this Agreement, as may be required to comply with any law or with any rules or regulations pursuant thereto, or with the rules of any securities market in which the Warrants are admitted to trading, or to conform to general usage. All Warrants shall be otherwise substantially identical except as to denomination and as provided herein.

(b) Purchasers of Warrants will receive certificated Warrants bearing the Restricted Warrant Legend ("Restricted Warrants"). Restricted Warrants will bear the Restricted Warrant Legend unless removed in accordance with Section 2.4.

Upon the occurrence of an Effective Registration, all requirements with respect to legends on Warrants will cease to apply, and certificated Warrants without legends will be available to the Holders.

2.3 Execution and Delivery of Warrant Certificates.

(a) Warrant Certificates evidencing the Warrants which may be countersigned and delivered under this Agreement are limited to Warrant Certificates evidencing 1,400,000 Warrants, except for Warrant Certificates countersigned and delivered upon registration of transfer of, or in exchange for, or in lieu of, one or more previously countersigned Warrant Certificates pursuant to Sections 2.6, 3.2(d), 7 and 9.

(b) At any time and from time to time on or after the date of this Agreement, Warrant Certificates evidencing the Warrants may be executed by the Company and delivered to the Warrant Agent for countersignature, and the Warrant Agent shall, upon receipt of a Company Order and at the direction of the Company set forth therein, countersign and deliver such Warrant Certificates to the Company for issuance. The Warrant Agent is further hereby authorized to countersign and deliver Warrant Certificates as required by this Section 2.3 or by Sections 2.2, 2.6, 3.2(d), 7 or 9.

(c) The Warrant Certificates shall be executed in the corporate name and on behalf of the Company by the Chairman (or any Co-Chairman) of the Board, the Chief Executive Officer, the President or any one of the Vice Presidents of the Company under corporate seal reproduced thereon and attested to by the Secretary or one of the Assistant Secretaries of the Company, either manually or by facsimile signature printed thereon. The Warrant Certificates shall be countersigned by the Warrant Agent and shall not be valid for any purpose unless so

countersigned. In case any officer of the Company whose signature shall have been placed upon any of the Warrant Certificates shall cease to be such officer of the Company before countersignature by the Warrant Agent and issue and delivery thereof, such Warrant Certificates may, nevertheless, be countersigned by the Warrant Agent and issued and delivered with the same force and effect as though such person had not ceased to be such officer of the Company, and any Warrant Certificate may be signed on behalf of the Company by such person as, at the actual date of the execution of such Warrant Certificate, shall be a proper officer of the Company, although at the date of the execution of this Agreement any such person was not such an officer.

(d) The Warrants are being offered and sold by the Company pursuant to the Purchase Agreement. Warrants offered and sold to Qualified Institutional Buyers shall be evidenced initially by a single, permanent global Unit Certificate in definitive, fully registered form with appropriate restrictive legends set forth thereon (the "Global Unit Certificate") deposited with The Bank of New York, as custodian for and registered in the name of the Depositary or a nominee of the Depositary. The number of Warrants represented by such Global Unit Certificate may from time to time be increased or decreased by adjustments made on the records of the Registrar and the Depositary or its nominee as provided in the Indenture. After the Unit Termination Date, a Warrant Certificate issued in the name Depositary in respect of the Global Unit Certificate shall be a single, permanent global Warrant Certificate in definitive, fully registered form with the Global Warrant Legend and Restricted Warrant Legend set forth in the form of Warrant (the "Global Warrant") and deposited with the Warrant Agent, as custodian for and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Company and authenticated by the Warrant Agent as hereinafter provided. The number of Warrants represented by such Global Warrant may from time to time be increased or decreased by adjustments made on the records of the Warrant Agent and the Depositary or its nominee as hereinafter provided.

(e) This Section 2.3(e) shall apply only to the Global Warrant deposited with or on behalf of the Depositary.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Agreement with respect to any Global Warrant held on their behalf by the Depositary or under the Global Warrant, and the Depositary may be treated by the Company, the Warrant Agent, and any agent of the Company or the Warrant Agent as the absolute owner of the Global Warrant for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Warrant Agent, or any agent of the Company or the Warrant Agent, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members the operation of customary practices governing the exercise of the rights of a holder of any Warrant.

(f) Except as otherwise provided herein, owners of beneficial interests in the Global Warrant will not be entitled to receive physical delivery of certificated Warrants. After the Unit Termination Date, purchasers of Warrants who are not Qualified Institutional Buyers, or

holders of Unit Certificates as of the Unit Termination Date and issued in definitive form, will receive certificated Warrants bearing the Restricted Warrant Legend ("Restricted Warrants"); provided, however, that upon transfer of such certificated Warrants to a Qualified Institutional Buyer, such certificated Warrants will, until the Global Warrant has previously been exchanged, be exchanged for an interest in the Global Warrant pursuant to the provisions of Section 2.4 hereof. Restricted Warrants will bear the Restricted Warrant Legend unless removed in accordance with Section 2.4(b).

Upon the occurrence of an Effective Registration, all requirements with respect to the Global Warrant and legends on Warrants will cease to apply, and certificated Warrants without legends will be available to the Holders.

2.4 Transfer and Exchange.

(a) If a holder of a Restricted Warrant wishes at any time to transfer such Restricted Warrant to a Person who wishes to take delivery thereof in the form of a Restricted Warrant, such holder may, subject to the restrictions on transfer set forth herein and in such Restricted Warrant, cause the exchange of such Restricted Warrants for one or more Restricted Warrants of any authorized denomination or denominations and exercisable for the same aggregate number of Warrant Shares. Upon receipt by the Warrant Agent at its Corporate Agency Office of (1) such Restricted Warrant, duly endorsed as provided herein, (2) instructions from such holder directing the Warrant Agent to authenticate and deliver one or more Restricted Warrants exercisable for the same aggregate number of Warrant Shares as the Restricted Warrant to be exchanged, such instructions to contain the name or names of the designated transferee or transferees, the authorized denomination or denominations of the Restricted Warrants to be so issued and appropriate delivery instructions, (3) a certificate in the form of Exhibit B attached hereto given by the Person acquiring the Restricted Warrants, to the effect set forth therein, and (4) an opinion of counsel to the transferor of such Restricted Warrant in the form of Exhibit C hereto, to the effect set forth therein, then the Warrant Agent shall cancel or cause to be canceled such Restricted Warrant and, concurrently therewith, the Company shall execute, and the Warrant Agent shall authenticate and deliver, one or more Restricted Warrants to the effect set forth therein, in accordance with the instructions referred to above.

(b) If Warrants are issued upon the transfer, exchange or replacement of Warrants bearing the Restricted Warrant Legend, or if a request is made to remove such Restricted Warrant Legend, the Warrants so issued shall bear the Restricted Warrant Legend, or the Restricted Warrant Legend shall not be removed, as the case may be, unless (i) there is delivered to the Company satisfactory evidence, which may include an opinion of counsel as may be reasonably required by the Company to the effect that neither the Restricted Warrant Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of the Securities Act or, with respect to Restricted Warrants, that such Warrants are not "restricted" within the meaning of Rule 144 under the Securities Act or (ii) there is an Effective Registration with respect to the Warrants then in effect or the Warrants as to which the Restricted Warrant Legend is sought to be removed have been disposed

of in accordance with the Warrants Shelf Registration. Upon (i) provision of such satisfactory evidence, or (ii) notification by the Company to the Warrant Agent of an Effective Registration with respect to the Warrants, the Warrant Agent, at the direction of the Company, shall authenticate and deliver Warrant Certificates that do not bear the Restricted Warrant Legend.

(c) No service charge shall be made to a Warrantholder for any registration of transfer or exchange; provided, however, that the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates.

(d) The Warrant Agent shall use CUSIP numbers in notices of repurchase or exchange as a convenience to Warrantholders; provided that any such notice shall state that no representation is made as to the correctness or accuracy of such numbers either as printed on the Warrants or as contained in any notice of repurchase or exchange and that reliance may be placed only on the other identification numbers printed on the Warrants. The Company will promptly notify the Warrant Agent of any change in the CUSIP numbers.

2.5 Temporary Securities.

Pending the preparation of definitive Warrants, the Company may execute and the Warrant Agent shall authenticate and deliver temporary Warrants (printed, lithographed, typewritten or otherwise reproduced, in each case in form satisfactory to the Warrant Agent). Temporary Warrants shall be issuable as registered Warrants, of any authorized denomination, and substantially in the form of the definitive Warrants but with such omissions, insertions and variations as may be appropriate for temporary Warrants, all as may be determined by the Company with the concurrence of the Warrant Agent. Temporary Warrants may contain such reference to any provisions of this Agreement as may be appropriate. Every temporary Warrant shall be executed by the Company and be authenticated by the Warrant Agent upon the same conditions and in substantially the same manner, and with like effect, as the definitive Warrants. Without unreasonable delay the Company shall execute and shall furnish definitive Warrants and thereupon temporary Warrants may be surrendered in exchange therefor without charge at each office or agency to be maintained by the Company for the purpose pursuant to Section 12.3, and the Warrant Agent shall authenticate and deliver in exchange for such temporary Warrants definitive Warrants of authorized denominations exercisable for a like number of Warrant Shares. Until so exchanged the temporary Warrants shall be entitled to the same benefits under this Agreement as definitive Warrants.

2.6 Effective Registration.

In the event the Company has an Effective Registration, the Company shall notify the Warrant Agent within two Business Days after the Effective Date. Promptly after delivering to the Warrant Agent notice of the Effective Registration, the Company shall cause to be delivered to the Warrant Agent certificates for Warrants without legends and the Warrant Agent shall authenticate and deliver certificated Warrants without legends to Holders presenting their

certificated Warrants for exchange to transferees of Warrants covered by the Warrants Shelf Registration in the names and denominations specified by them.

3. EXERCISE AND EXPIRATION OF WARRANTS

3.1 Right to Acquire Warrant Shares Upon Exercise.

Each Warrant Certificate (or prior to the Unit Termination Date, each Unit Certificate) shall, when countersigned by the Warrant Agent, entitle the Holder thereof, subject to the provisions thereof and of this Agreement, to acquire from the Company, for each Warrant evidenced thereby, one Warrant Share at the Warrant Price, subject to adjustment as provided in this Agreement. The Warrant Price shall be adjusted from time to time as required by Section 6.1. The Warrants are exercisable at any time after the Separation Date and on or prior to the Expiration Date.

3.2 Exercise and Expiration of Warrants.

(a) Exercise of Warrants. Subject to the terms and conditions set forth herein, including, without limitation, the exercise procedure described in Section 3.2(c), a Holder of a Warrant Certificate may exercise all or any whole number of the Warrants evidenced thereby, on any Business Day from and after the Separation Date until 5:00 p.m., New York City time, on the Expiration Date (subject to earlier expiration pursuant to Section 5) for the Warrant Shares purchasable thereunder. The Company shall notify the Warrant Agent promptly if the Separation Date occurs prior to March 8, 1998 in accordance with Section 13.3.

(b) Expiration of Warrants. The Warrants shall terminate and become void as of 5:00 p.m., New York time on the Expiration Date, subject to earlier expiration in accordance with Section 5. In the event that the Warrants are to expire by reason of Section 5, the term "Expiration Date" shall mean such earlier date for all purposes of this Agreement.

(c) Method of Exercise. The Holder may exercise all or any of the Warrants by either of the following methods:

(i) The Holder may deliver to the Warrant Agent at the Corporate Agency Office (A) a written notice of such Holder's election to exercise Warrants, duly executed by such Holder in the form set forth on the reverse of, or attached to, such Warrant Certificate, which notice shall specify the number of Warrant Shares to be purchased, (B) the Warrant Certificate evidencing such Warrants and (C) a sum equal to the aggregate Warrant Price for the Warrant Shares into which such Warrants are being exercised, which sum shall be paid in any combination elected by such Holder of (x) certified or official bank checks in New York Clearing House funds payable to the order of the Company and delivered to the Warrant Agent at the corporate Agency Office, or (y) wire transfers in immediately available funds to the account of the company at such banking

institution as the company shall have given notice to the Warrant Agent and the Holders in accordance with Section 13.1(b); or

(ii) The Holder may also exercise all or any of the Warrants in a "cashless" or "net-issue" exercise by delivering to the Warrant Agent at the Corporate Agency Office (A) a written notice of such Holder's election to exercise Warrants, duly executed by such Holder in the form set forth on the reverse of, or attached to, such Warrant Certificate, which notice shall specify the number of Warrant Shares to be delivered to such Holder and the number of Warrant Shares with respect to which such Warrants are being surrendered in payment of the aggregate Warrant Price for the Warrant Shares to be delivered to the Holder, and (B) the Warrant Certificate evidencing such Warrants. For purposes of this subparagraph (ii), each Warrant Share as to which such Warrants are surrendered in payment of the aggregate Warrant Price will be attributed a value equal to (x) the Current Market Price per share of Common Shares minus (y) the then-current Warrant Price.

(d) Partial Exercise. If fewer than all the Warrants represented by a Warrant Certificate are exercised, such Warrant Certificate shall be surrendered and a new Warrant Certificate of the same tenor and for the number of Warrants which were not exercised shall be executed by the Company. The Warrant Agent shall countersign the new Warrant Certificate, registered in such name or names, subject to the provisions of Section 9, as may be directed in writing by the Holder, and shall deliver the new Warrant Certificate to the Person or Persons in whose name such new Warrant Certificate is so registered. The Company, whenever required by the Warrant Agent, will supply the Warrant Agent with Warrant Certificates duly executed on behalf of the Company for such purpose.

(e) Issuance of Warrant Shares. Upon surrender of a Warrant Certificate evidencing Warrants in conformity with the foregoing provisions and payment of the Warrant Price in respect of the exercise of one or more Warrants evidenced thereby, the Warrant Agent shall, when such payment is received, deliver to the Company the notice of exercise received pursuant to Section 3.2(c), and, in accordance with Section 3.3, deliver or deposit all funds received as instructed in writing by the Company and advise the Company by telephone at the end of such day of the amount of funds so deposited to its account. The Company shall thereupon, as promptly as practicable, and in any event within five Business Days after receipt by the Company of such notice of exercise, execute or cause to be executed and deliver or cause to be delivered to the Recipient (as defined below) a certificate or certificates representing the aggregate number of Warrant Shares issuable upon such exercise (based upon the aggregate number of Warrants so exercised), determined in accordance with Section 3.6, together with an amount in cash in lieu of any fractional share(s) determined in accordance with Section 6.4. The certificate or certificates so delivered shall be, to the extent possible, in such denomination or denominations as such Holder shall request in such notice of exercise and shall be registered or otherwise placed in the name of, and delivered to, the Holder or, subject to Section 2.2 and Section 3.4, such other Person as shall be designated by the Holder in such notice (the Holder or

such other Person being referred to herein as the "Recipient").

(f) Time of Exercise. A Warrant shall be deemed to have been exercised immediately prior to the close of business on the date on which all requirements set forth in Section 3.2(c) applicable to such exercise have been satisfied. Subject to Section 6.1(f)(iv), certificate(s) evidencing the Warrant Shares issued upon the exercise of such Warrant shall be deemed to have been issued and, for all purposes of this Agreement, the Recipient shall, as between such Person and the Company, be deemed to be and entitled to all rights of the holder of record of such Warrant Shares as of such time.

(g) Exercise of Certain Warrants Evidenced by Unit Certificates. In the event Warrants continue to be evidenced by Unit Certificates after the Separation Date, a holder of a Unit Certificate may, from and after the Separation Date but prior to 5:00 p.m., New York time on the Unit Termination Date, exercise all (but not less than all) the Warrants evidenced thereby by complying with Section 3.2 (c) hereof and delivering the Unit Certificate evidencing the Warrants to the Warrant Agent in lieu of a Warrant Certificate. A notation shall be placed on the Unit Certificate by the Warrant Agent indicating that the Warrants evidenced by such Unit Certificate have been fully exercised and accordingly such Warrants are no longer outstanding. The noted Unit Certificate shall be delivered by the Warrant Agent to the offices of the Registrar for cancellation and reissuance to the registered holder in the appropriate form of Note. Registered holders of Unit Certificates as of the Unit Termination Date shall also be entitled to exercise the Warrants to which they are entitled prior to issuance of their Warrant Certificates pursuant to Section 2.1(b) by complying with Section 3.2(c) except that delivery of a Warrant Certificate shall not be required, whereupon such registered holder shall be entitled to receive a Warrant Certificate only with respect to any unexercised Warrants. The Warrant Agent shall keep a record of Unit Certificates (by number and registered holder) that have been properly tendered to the Warrant Agent for Warrant exercise pursuant to this Section 3.2(g).

3.3 Application of Funds Upon Exercise of Warrants.

Any funds delivered to the Warrant Agent upon exercise of any Warrant(s) shall be held by the Warrant Agent in trust for the Company. The Warrant Agent shall promptly deliver and pay to or upon the written order of the Company all funds received by it upon the exercise of any Warrants by bank wire transfer to an account designated by the Company or as the Warrant Agent otherwise may be directed in writing by the Company.

3.4 Payment of Taxes.

The Company shall pay any and all taxes (other than income taxes) and other charges that may be payable in respect of the issue or delivery of Warrant Shares on exercise of Warrants pursuant hereto. The Company shall not be required, however, to pay any tax or other charge imposed in respect of any transfer involved in the issue and delivery of any certificates for Warrant Shares or payment of cash to any Recipient other than the Holder of the Warrant Certificate surrendered upon the exercise of a Warrant, and in case of such transfer or payment,

the Warrant Agent and the Company shall not be required to issue or deliver any certificate or pay any cash until (a) such tax or charge has been paid or an amount sufficient for the payment thereof has been delivered to the Warrant Agent or the Company or (b) it has been established to the Company's satisfaction that any such tax or other charge that is or may become due has been paid.

3.5 Surrender of Certificates.

Any Warrant Certificate surrendered for exercise shall, if surrendered to the Company, be delivered to the Warrant Agent, and all Warrant Certificates surrendered or so delivered to the Warrant Agent shall be promptly canceled by such Warrant Agent and shall not be reissued by the Company. The Warrant Agent shall destroy such canceled Warrant Certificates and deliver its certificate of destruction to the Company, unless the Company shall otherwise direct.

3.6 Shares Issuable.

The number of Warrant Shares "issuable upon exercise" of Warrants at any time shall be the number of Warrant Shares into which such Warrants are then exercisable. The number of Warrant Shares "into which each Warrant is exercisable" initially shall be one share, subject to adjustment as provided in Section 6.1.

4. REGISTRATION RIGHTS

The Warrantholders and holders of Warrant Shares shall have the registration rights provided for in the Registration Rights Agreement. The Warrant Agent shall keep copies of the Registration Rights Agreement available for inspection by the Holders during normal business hours at its office. The Company shall supply the Warrant Agent from time to time with such numbers of copies of the Registration Rights Agreement as the Warrant Agent may request.

5. DISSOLUTION, LIQUIDATION OR WINDING UP

If, on or prior to the Expiration Date, the Company (or any other Person controlling the Company) shall propose a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, the Company shall give written notice thereof to the Warrant Agent and all Holders of Warrant Certificates in the manner provided in Section 13 prior to the date on which such transaction is expected to become effective or, if earlier, the record date for such transaction. Such notice shall also specify the date as of which the holders of record of the Common Shares shall be entitled to exchange their shares for moneys, securities or other property deliverable upon such dissolution, liquidation or winding up, as the case may be, on which date each Holder of Warrant Certificates shall be entitled to receive the moneys, securities or other property which such Holder would have been entitled to receive had such Holder been the holder of record of the Warrant Shares into which the Warrants were exercisable immediately prior to such dissolution, liquidation or winding up (net of the then applicable Warrant Price) and the rights to exercise the Warrants shall terminate.

In case of any such voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall deposit with the Warrant Agent any moneys, securities or other property which the Holders are entitled to receive under this Agreement, together with a Company Order as to the distribution thereof. After receipt of such deposit from the Company and after any Holder has surrendered a Warrant Certificate to the Warrant Agent, the Warrant Agent shall make payment in the appropriate amount to such Person or Persons as it may be directed in writing by the Holder surrendering such Warrant Certificate. The Warrant Agent shall not be required to pay interest on any money deposited pursuant to the provisions of this Section 5 except such as it shall agree with the Company to pay thereon. Any moneys, securities or other property which at any time shall be deposited by the Company or on its behalf with the Warrant Agent pursuant to this Section 5 shall be, and are hereby, assigned, transferred and set over to the Warrant Agent in trust for the purpose for which such moneys, securities or other property shall have been deposited; provided that moneys, securities or other property need not be segregated from other moneys, securities or other property held by the Warrant Agent except to the extent required by law.

6. ADJUSTMENTS

6.1 Adjustments.

The number of Warrant Shares into which each Warrant is exercisable and the Warrant Price shall be subject to adjustment from time to time after the Effective Date in accordance (and only in accordance) with the provisions of this Section 6:

(a) Stock Dividends, Subdivisions and Combinations. In case at any time or from time to time after the Effective Date the Company shall:

(i) pay to the holders of its Common Shares a dividend payable in, or make any other distribution on any class of its capital stock in, Common Shares (other than a dividend or distribution upon a merger or consolidation or sale to which Section 6.1(h) applies);

(ii) subdivide its outstanding Common Shares into a larger number of Common Shares (other than a subdivision upon a merger or consolidation or sale to which Section 6.1(h) applies); or

(iii) combine its outstanding Common Shares into a smaller number of Common Shares (other than a combination upon a merger or consolidation or sale to which Section 6.1(h) applies);

then, (x) in the case of any such dividend or distribution, effective immediately after the opening of business on the day after the date for the determination of the holders of Common Shares entitled to receive such dividend or distribution or (y) in the case of any subdivision or combination, effective immediately after the opening of business on the day after the day upon

which such subdivision or combination becomes effective, the number of Warrant Shares into which each Warrant is exercisable shall be adjusted to that number of Warrant Shares determined by (A) in the case of any such dividend or distribution, multiplying the number of Warrant Shares into which each Warrant is exercisable at the opening of business on the day after the day for determination by a fraction (not to be less than one), (1) the numerator of which shall be equal to the sum of the number of Common Shares outstanding at the close of business on such date for determination and the total number of shares constituting such dividend or distribution and (2) the denominator of which shall be equal to the number of Common Shares outstanding at the close of business on such date for determination, or (B) in the case of any such combination, by proportionately reducing, or, in the case of any such subdivision, by proportionately increasing, the number of Warrant Shares into which each Warrant is exercisable at the opening of business on the day after the day upon which such subdivision or combination becomes effective.

(b) Certain Other Dividends and Distributions. In case at any time or from time to time after the Effective Date the Company shall effect a Non-Stock Dividend (other than any dividend or distribution of any warrants, options or rights referred to in Section 6.1(d)), then, and in each such case, effective immediately after the opening of business on the day after the date for the determination of the holders of Common Shares entitled to receive such distribution, the number of Warrant Shares into which each Warrant is exercisable shall be adjusted to that number determined by multiplying the number of Warrant Shares into which each Warrant is exercisable immediately prior to the close of business on the date of determination by a fraction, (i) the numerator of which shall be the Current Market Price per Common Share on such date of determination and (ii) the denominator of which shall be such Current Market Price per Common Share minus the portion applicable to one Common Share of the fair market value (as determined in good faith by the Board of Directors of the Company) of such securities or other assets so distributed.

(c) Reclassifications. A reclassification of the Common Shares (other than any such reclassification in connection with a merger or consolidation or sale to which Section 6.1(h) applies) into Common Shares and shares of any other class of stock shall be deemed a distribution by the Company to the holders of its Common Shares of such shares of such other class of stock for the purposes and within the meaning of Section 6.1(b) (and the effective date of such reclassification shall be deemed to be "the date for the determination of the holders of Common Shares entitled to receive such distribution" for the purposes and within the meaning of Section 6.1(b)) and, if the outstanding number of Common Shares shall be changed into a larger or smaller number of Common Shares as a part of such reclassification, such change shall be deemed a subdivision or combination, as the case may be, of the outstanding Common Shares for the purposes and within the meaning of Section 6.1(a) (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision or combination becomes effective" for the purposes and within the meaning of Section 6.1(a)).

(d) Distribution of Warrants or Other Rights to Holders of Common Shares. In case at any time or from time to time after the Effective Date the Company shall make a

distribution to all holders of outstanding Common Shares of any warrants, options or other rights to subscribe for or purchase any Additional Common Shares or securities convertible into or exchangeable for Additional Common Shares (other than a distribution of such warrants, options or rights upon a merger or consolidation or sale to which Section 6.1(h) applies), whether or not the rights to subscribe or purchase thereunder are immediately exercisable, and the consideration per share for which Additional Common Shares may at any time thereafter be issuable pursuant to such warrants or other rights shall be less than the Current Market Price per Common Share on the date fixed for determination of the holders of Common Shares entitled to receive such distribution, then, and for each such case, effective immediately after the opening of business on the day after the date for determination, the number of Warrant Shares into which each Warrant is exercisable shall be adjusted to that number determined by multiplying the number of Warrant Shares into which each Warrant is exercisable at the opening of business on the day after such date for determination by a fraction (not less than one), (i) the numerator of which shall be the number of Common Shares outstanding at the close of business on such date for determination plus the maximum number of Additional Common Shares issuable pursuant to all such warrants or other rights and (ii) the denominator of which shall be the number of Common Shares outstanding at the close of business on such date for determination plus the number of Common Shares that the minimum consideration received and receivable by the Company for the issuance of such maximum number of Additional Common Shares pursuant to the terms of such warrants or other rights would purchase at such Current Market Price.

(e) Superseding Adjustment of Number of Warrant Shares into Which Each Warrant is Exercisable. In case at any time after any adjustment of the number of Warrant Shares into which each Warrant is exercisable shall have been made pursuant to Section 6.1(d) on the basis of the distribution of warrants or other rights or after any new adjustment of the number of Warrant Shares into which each Warrant is exercisable shall have been made pursuant to this Section 6.1(e), such warrants or rights shall expire, and all or a portion of such warrants or rights shall not have been exercised, then, and in each such case, upon the election of the Company by written notice to the Warrant Agent, such previous adjustment in respect of such warrants or rights which have expired without exercise shall be rescinded and annulled as to any then outstanding Warrants, and the Additional Common Shares that were deemed for purposes of the computations set forth in Section 6.1(d) to have been issued or sold by virtue of such adjustment in respect of such warrants or rights shall no longer be deemed to have been distributed.

(f) Other Provisions Applicable to Adjustments under this Section. The following provisions shall be applicable to the making of adjustments of the number of Warrant Shares into which each Warrant is exercisable and to the Warrant Price under this Section 6.1:

(i) Treasury Stock. The sale or other disposition (other than any shares specified in the definition of "Additional Common Shares") of any issued Common Shares owned or held by or for the account of the Company shall be deemed an issuance or sale of Additional Common Shares for purposes of this Section 6. The Company shall not pay any dividend on or make any distribution on Common Shares

held in the treasury of the Company. For the purposes of this Section 6.1, the number of Common Shares at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of Common Shares.

(ii) When Adjustments Are to be Made. The adjustments required by Sections 6.1(a), 6.1(b) 6.1(c) and 6.1(d) shall be made whenever and as often as any specified event requiring an adjustment shall occur, except that no adjustment of the Warrant Shares into which each Warrant is exercisable that would otherwise be required shall be made unless and until such adjustment either by itself or with other adjustments not previously made increases or decreases the Warrant Shares into which each Warrant is exercisable immediately prior to the making of such adjustment by at least 1%. Any adjustment representing a change of less than such minimum amount (except as aforesaid) shall be carried forward and made as soon as such adjustment, together with other adjustments required by Sections 6.1(a), 6.1(b), 6.1(c) and 6.1(d) and not previously made, would result in such minimum adjustment.

(iii) Fractional Interests. In computing adjustments under this Section 6, fractional interests in Common Shares shall be taken into account to the nearest one-thousandth of a share.

(iv) Deferral of Issuance upon Exercise. In any case in which this Section 6 shall require that an adjustment to the Warrant Shares into which each Warrant is exercisable be made effective pursuant to Section 6.1(a)(i), 6.1(b) or 6.1(d) prior to the occurrence of a specified event and any Warrant is exercised after the tine at which the adjustment became effective but prior to the occurrence of such specified event the Company may elect to defer until the occurrence of such specified event the issuing to the Holder of the Warrant Certificate evidencing such Warrant (or other Person entitled thereto) of, and may delay registering such Holder or other Person as the recordholder of, the Warrant Shares over and above the Warrant Shares issuable upon such exercise determined in accordance with Section 3.6 on the basis of the Warrant Shares into which each Warrant is exercisable prior to such adjustment determined in accordance with Section 3.6; provided, however, that the Company shall deliver to such Holder or other person a due bill or other appropriate instrument evidencing the right of such Holder or other Person to receive, and to become the record holder of, such Additional Common Shares, upon the occurrence of the event requiring such adjustment.

(g) Warrant Price Adjustment. Whenever the number of Warrant Shares into which a Warrant is exercisable is adjusted as provided in this Section 6.1, the Warrant Price payable upon exercise of the Warrant shall simultaneously be adjusted by multiplying such Warrant Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of Warrant Shares into which such Warrant was exercisable immediately prior to such adjustment, and the denominator of which shall be the number of Warrant Shares into which such Warrant was exercisable immediately thereafter.

(h) Merger, Consolidation or Combination. In the event the Company merges, consolidates or otherwise combines with or into any Person, then, as a condition of such merger, consolidation or combination, lawful and adequate provisions shall be made whereby Warrantholders shall, in addition to their other rights hereunder, thereafter have the right to purchase and receive upon the basis and upon the terms and conditions specified in this Agreement upon exercise of the Warrants and in lieu of the Warrant Shares immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding Common Shares equal to the number of Warrant Shares immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby, and in any such case appropriate provision shall be made with respect to the rights and interests of the Warrantholders to the end that the provisions hereof (including, without limitation, provisions for adjustments of the number of Warrant Shares) shall thereafter be applicable, as nearly as may be practicable, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof.

(i) Compliance with Governmental Requirements. Before taking any action that would cause an adjustment reducing the Warrant Price below the then par value of any of the Warrant Shares into which the Warrants are exercisable, the Company will take any corporate action that may be necessary in order that the Company may validly and legally issue fully paid and non assessable Warrant Shares at such adjusted Warrant Price.

(j) Optional Tax Adjustment. The Company may at its option, at any time during the term of the Warrants, increase the number of Warrant Shares into which each Warrant is exercisable, or decrease the Warrant Price, in addition to those changes required by Section 6.1(a), 6.1(b), 6.1(c), 6.1(d) or 6.1(g), as deemed advisable by the Board of Directors of the Company, in order that any event treated for Federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the Recipients.

(k) Warrants Deemed Exercisable. For purposes solely of this Section 6, the number of Warrant Shares which the holder of any Warrant would have been entitled to receive had such Warrant been exercised in full at any time or into which any Warrant was exercisable at any time shall be determined assuming such Warrant was exercisable in full at such time, although such Warrant may not be exercisable in full at such time pursuant to Section 3.2(a).

(l) Limitations on Certain Non-Stock Dividends. The Company agrees that it will not declare or pay any Non-Stock Dividend subject to Section 6.1(b) hereof to the extent that the fair market value of the property or other assets to be distributed in respect of one Common Share equals or exceeds the Current Market Price per Common Share at the date of determination.

6.2 Notice of Adjustment.

Whenever the number of Warrant Shares into which a Warrant is exercisable is to be

adjusted, or the Warrant Price is to be adjusted, in either case as herein provided, the Company shall compute the adjustment in accordance with Section 6.1, shall, promptly after such adjustment becomes effective, cause a notice of such adjustment or adjustments to be given to all Holders in accordance with Section 13.1(b) and shall deliver to the Warrant Agent a certificate of the Chief Financial Officer of the Company setting forth the number of Warrant Shares into which each Warrant is exercisable after such adjustment, or the adjusted Warrant Price, as the case may be, and setting forth in brief a statement of the facts requiring such adjustment and the computation by which such adjustment was made. As provided in Section 11.1, the Warrant Agent shall be entitled to rely on such certificate and shall be under no duty or responsibility with respect to any such certificate, except to exhibit the same from time to time to any Holder desiring an inspection thereof during reasonable business hours.

6.3 Statement on Warrant Certificates.

Irrespective of any adjustment in the number or kind of shares into which the Warrants are exercisable, Warrant Certificates theretofore or thereafter issued may continue to express the same price and number and kind of shares initially issuable pursuant to this Agreement.

6.4 Fractional Interest.

The Company shall not issue fractional Warrant Shares on the exercise of Warrants. If Warrant Certificates evidencing more than one Warrant shall be presented for exercise at the same time by the same Holder, the number of full Warrant Shares which shall be issuable upon such exercise thereof shall be computed on the basis of the aggregate number of Warrants so to be exercised. If any fraction of a Warrant Share would, except for the provisions of this Section 6.4, be issuable on the exercise of any Warrant (or specified portion thereof), the Company shall, in lieu of issuing any fractional Warrant Shares, pay an amount in cash calculated by it to be equal to the then Current Market Price per Common Share on the date of such exercise multiplied by such fraction computed to the nearest whole cent. The Holders, by their acceptance of the Warrant Certificates, expressly waive their right to receive any fraction of a Warrant Share or a stock certificate representing a fraction of a Warrant Share.

7. LOSS OR MUTILATION

Upon (i) receipt by the Company and the Warrant Agent of evidence satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any Warrant Certificate and such security or indemnity as may be required by them to save each of them harmless and (ii) surrender, in the case of mutilation, of the mutilated Warrant Certificate to the Warrant Agent and cancellation thereof, then, in the absence of notice to the Company or the Warrant Agent that the Warrants evidenced thereby have been acquired by a bona fide purchaser, the Company shall execute and upon its written request the Warrant Agent shall countersign and deliver to the registered Holder of the lost, stolen, destroyed or mutilated Warrant Certificate, in exchange therefor or in lieu thereof, a new Warrant Certificate of the same tenor and for a like aggregate

number of Warrants. At the written request of such registered Holder, the new Warrant Certificate so issued shall be retained by the Warrant Agent as having been surrendered for exercise, in lieu of delivery thereof to such Holder, and shall be deemed for purposes of Section 3.2 to have been surrendered for exercise on the date the conditions specified in clauses (i) and (ii) of the preceding sentence were first satisfied.

Upon the issuance of any new Warrant Certificate under this Section 7, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and other expenses (including the fees and expenses of the Warrant Agent and of counsel to the Company) in connection therewith.

Every new Warrant Certificate executed and delivered pursuant to this Section 7 in lieu of any lost, stolen or destroyed Warrant Certificate shall constitute an additional contractual obligation of the Company, whether or not the allegedly lost, stolen or destroyed Warrant Certificate shall be at any time enforceable by anyone, and shall be entitled to the benefits of this Agreement equally and proportionately with any and all other Warrant Certificates duly executed and delivered hereunder.

The provisions of this Section 7 are exclusive and shall preclude (to the extent lawful) all other rights or remedies with respect to the replacement of mutilated, lost, stolen, or destroyed Warrant Certificates.

8. RESERVATION AND AUTHORIZATION OF WARRANT SHARES

The Company shall at all times reserve and keep available, free from preemptive rights, solely for issue upon the exercise of Warrants as herein provided, such number of its authorized but unissued Warrant Shares deliverable upon the exercise of Warrants as will be sufficient to permit the exercise in full of all outstanding Warrants. The Company covenants that all Warrant Shares will, at all times that Warrants are exercisable, be duly approved for listing subject to official notice of issuance on each securities exchange, if any, on which the Common Shares are then listed. The Company covenants that (i) all Warrant Shares that may be issued upon exercise of Warrants shall upon issuance be duly and validly authorized, issued and fully paid and nonassessable and free of preemptive or similar rights and (ii) the stock certificates issued to evidence any such Warrant Shares will comply with the Oklahoma General Corporation Act and any other applicable law.

The Company hereby authorizes and directs its current and future transfer agents for the Common Shares at all times to reserve stock certificates for such number of authorized shares as shall be requisite for such purpose. The Warrant Agent is hereby authorized to requisition from time to time from any such transfer agents stock certificates required to honor outstanding Warrants upon exercise thereof in accordance with the terms of this Agreement, and the Company hereby authorizes and directs such transfer agents to comply with all such requests of the Warrant Agent. The Company will supply such transfer agents with duly executed stock certificates for such purposes. Promptly after the date of expiration of all of the Warrants in

accordance with Section 3.2(b), the Warrant Agent shall certify to the Company the aggregate number of Warrants then outstanding, and thereafter no Warrant Shares shall be reserved in respect of such Warrants.

9. WARRANT TRANSFER BOOKS

The Warrant Agent will maintain an office (the "Corporate Agency Office") in the United States of America, where Warrant Certificates may be surrendered for registration of transfer or exchange and where Warrant Certificates may be surrendered for exercise of Warrants evidenced thereby, which office is 40 Wall Street, New York, New York 10005, Attention: Michael Karfunkel, on the date hereof. The Warrant Agent will give prompt written notice to all Holders of Warrant Certificates of any change in the location of such office.

The Warrant Certificates evidencing the Warrants shall be issued in registered form only. The Company shall cause to be kept at the office of the Warrant Agent designated for such purpose a warrant register (the "Warrant Register") in which, subject to such reasonable regulations as the Warrant Agent may prescribe and such regulations as may be prescribed by law, the Company shall provide for the registration of Warrant Certificates and of transfers or exchanges of Warrant Certificates as herein provided.

Subject to Section 2.4, upon surrender for registration of transfer of any Warrant Certificate at the Corporate Agency Office, the Company shall execute, and the Warrant Agent shall countersign and deliver, in the name of the designated transferee or transferees, one or more new Warrant Certificates evidencing a like aggregate number of Warrants.

Subject to Section 2.4, (i) at the option of the Holder, Warrant Certificates may be exchanged at the office of the Warrant Agent upon payment of the charges hereinafter provided for other Warrant Certificates evidencing a like aggregate number of Warrants and (ii) whenever any Warrant Certificates are so surrendered for exchange, the Company shall execute, and the Warrant Agent shall countersign and deliver, the Warrant Certificates of the same tenor and evidencing the same number of Warrants as evidenced by the Warrant Certificates surrendered by the Holder making the exchange.

All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under this Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange.

Subject to Section 2.4, every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

The Warrant Agent shall, upon request of the Company from time to time, deliver to the

Company such reports of registered ownership of the Warrants and such records of transactions with respect to the Warrants and the Warrant Shares as the Company may request. The Warrant Agent shall also make available to the Company for inspection by the Company's agents or employees, from time to time as the Company may request, such original books of accounts and records maintained by the Warrant Agent in connection with the issuance and exercise of Warrants hereunder, such inspections to occur at the Corporate Agency Office during normal business hours.

The Warrant Agent shall keep copies of this Agreement and any notices given to Holders hereunder available for inspection by the Holders (or any holders of Unit Certificates) during normal business hours at the Corporate Agency Office. The Company shall supply the Warrant Agent from time to time with such numbers of copies of this Agreement as the Warrant Agent may request.

10. WARRANT HOLDERS

10.1 Voting or Dividend Rights.

Prior to the exercise of the Warrants, except as may be specifically provided for herein, (i) no Holder of a Warrant Certificate, as such, shall be entitled to any of the rights of a holder of Common Shares, including, without limitation, the right to vote at or to receive any notice of any meetings of stockholders; (ii) the consent of any Holder shall not be required with respect to any action or proceeding of the Company; (iii) except as provided in Section 5, no Holder, by reason of the ownership or possession of a Warrant or the Warrant Certificate representing the same, shall have any right to receive any stock dividends, allotments or rights or other distributions paid, allotted or distributed or distributable to the stockholders of the Company prior to, or for which the relevant record date preceded, the date of the exercise of such Warrant; and (iv) no Holder shall have any right not expressly conferred by this Agreement or Warrant Certificate held by such Holder.

10.2 Rights of Action.

All rights of action against the Company in respect of this Agreement, except rights of action vested in the Warrant Agent, are vested in the Holders of the Warrant Certificates, and any Holder of any Warrant Certificate, without the consent of the Warrant Agent or the Holder of any other Warrant Certificate, may, in such Holder's own behalf and for such Holder's own benefit, enforce and may institute and maintain any suit, action or proceeding against the Company suitable to enforce, or otherwise in respect of, such Holder's right to exercise, exchange or tender for purchase such Holder's Warrants in the manner provided in this Agreement.

10.3 Treatment of Holders of Warrant Certificates.

Every Holder of a Warrant Certificate, by accepting the same, consents and agrees with the Company, with the Warrant Agent and with every subsequent holder of such Warrant

Certificate that, prior to due presentment of such Warrant Certificate for registration of transfer, the Company and the Warrant Agent may treat the Person in whose name the Warrant Certificate is registered as the owner thereof for all purposes and as the Person entitled to exercise the rights granted under the Warrants, and neither the Company, the Warrant Agent nor any agent thereof shall be affected by any notice to the contrary.

10.4 Communications to Holders.

(a) If any Holder of a Warrant Certificate applies in writing to the Warrant Agent and such application states that the applicant desires to communicate with other Holders with respect to its rights under this Agreement or under the Warrants, then the Warrant Agent shall, within five (5) Business Days after the receipt of such application, and upon payment to the Warrant Agent by such applicant of the reasonable expenses of preparing such list, provide to such applicant a list of the names and addresses of all Holders of Warrant Certificates as of the most recent practicable date.

(b) Every Holder of Warrant Certificates, by receiving and holding the same, agrees with the Company and the Warrant Agent that neither the Company nor the Warrant Agent nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 10.4(a).

11. CONCERNING THE WARRANT AGENT

11.1 Nature of Duties and Responsibilities Assumed.

The Company hereby appoints the Warrant Agent to act as agent of the Company as set forth in this Agreement. The Warrant Agent hereby accepts the appointment as agent of the Company and agrees to perform that agency upon the terms and conditions set forth in this Agreement and in the Warrant Certificates or as the Company and the Warrant Agent may hereafter agree, by all of which the Company and the Holders of Warrant Certificates, by their acceptance thereof, shall be bound; provided, however, that the terms and conditions contained in the Warrant Certificates are subject to and governed by this Agreement or any other terms and conditions hereafter agreed to by the Company and the Warrant Agent.

The Warrant Agent shall not, by countersigning Warrant Certificates or by any other act hereunder, be deemed to make any representations as to validity or authorization of (i) the Warrants or the Warrant Certificates (except as to its countersignature thereon), (ii) any securities or other property delivered upon exercise of any Warrant, (iii) the accuracy of the computation of the number or kind or amount of stock or other securities or other property deliverable upon exercise of any Warrant, (iv) the independence of any Independent Financial Expert or (v) the correctness of any of the representations of the Company made in such certificates that the Warrant Agent receives. The Warrant Agent shall not at any time have any duty to calculate or determine whether any facts exist that may require any adjustments pursuant to Section 6 hereof

with respect to the kind and amount of shares or other securities or any property issuable to Holders upon the exercise of Warrants required from time to time. The Warrant Agent shall have no duty or responsibility to determine the accuracy or correctness of such calculation or with respect to the methods employed in making the same. The Warrant Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any Warrant Shares or of any securities or property which may at any time be issued or delivered upon the exercise of any Warrant or upon any adjustment pursuant to Section 6 hereof, and it makes no representation with respect thereto. The Warrant Agent shall not be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any Warrant Shares or stock certificates or other securities or property upon the surrender of any Warrant Certificate for the purpose of exercise or upon any adjustment pursuant to Section 6 hereof or to comply with any of the covenants of the Company contained in Section 12 hereof.

The Warrant Agent shall not (i) be liable for any recital or statement of fact contained herein or in the Warrant Certificates or for any action taken, offered or omitted by it in good faith on the belief that any Warrant Certificate or any other documents or any signatures are genuine or properly authorized, (ii) be responsible for any failure on the part of the Company to comply with any of its covenants and obligations contained in this Agreement or in the Warrant Certificates or (iii) be liable for any act or omission in connection with this Agreement except for its own gross negligence, bad faith or willful misconduct.

The Warrant Agent is hereby authorized to accept and is protected in accepting instructions with respect to the performance of its duties hereunder by Company Order and to apply to any such officer named in such Company Order for instructions (which instructions will be promptly given in writing when requested), and the Warrant Agent shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with the instructions in any Company Order.

The Warrant Agent is hereby authorized to accept and is protected in accepting, and may rely upon without otherwise verifying, the list of registered holders of Unit Certificates as of the close of the Unit Termination Date as set forth in Section 2.1(c) and related information furnished by the Registrar for the purpose of determining those holders who are entitled to receive Warrant Certificates, and the Warrant Agent shall not be liable for any action taken or suffered to be taken by it in good faith in reliance upon such lists and information furnished by the Registrar.

The Warrant Agent may execute and exercise any of the rights and powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys, agents or employees, provided that reasonable care has been exercised in the selection and in the continued employment of any such attorney, agent or employee. The Warrant Agent shall not be under any obligation or duty to institute, appear in or defend any action, suit or legal proceeding in respect hereof, unless first indemnified to its satisfaction, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without such indemnity. The Warrant Agent shall promptly notify the Company in writing of

any claim made or action, suit or proceeding instituted against it arising out of or in connection with this Agreement.

The Company shall perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further acts, instruments and assurances as may reasonably be required by the Warrant Agent in order to enable it to carry out or perform its duties under this Agreement.

The Warrant Agent shall act solely as agent of the Company hereunder and does not assume any obligation or relationship of agency or trust for or with any of the Holders or any beneficial owners of Warrants. The Warrant Agent shall not be liable except for the failure to perform such duties as are specifically set forth herein or specifically set forth in the Warrant Certificates, and no implied covenants or obligations shall be read into this Agreement against the Warrant Agent whose duties and obligations shall be determined solely by the express provisions hereof or the express provisions of the Warrant Certificates.

11.2 Right to Consult Counsel.

The Warrant Agent may at any time consult with legal counsel satisfactory to it (who may be legal counsel for the Company), and the Warrant Agent shall incur no liability or responsibility to the Company or to any Holder for any action taken, suffered or omitted by it in good faith in accordance with the opinion or advice of such counsel.

11.3 Compensation, Reimbursement and Indemnification.

The Company agrees to pay the Warrant Agent from time to time compensation for all fees and expenses relating to its services hereunder as the Company and the Warrant Agent may agree from time to time and to reimburse the Warrant Agent for reasonable expenses and disbursements, including reasonable counsel fees and expenses incurred in connection with the execution and administration of this Agreement. The Company further agrees to indemnify the Warrant Agent for and save it harmless against any losses, liabilities or reasonable expenses arising out of or in connection with the acceptance and administration of this Agreement, including the reasonable costs, legal fees and expenses of investigating or defending any claim of such liability, except that the Company shall have no liability hereunder to the extent that any such loss, liability or expense results from the Warrant Agent's own gross negligence, bad faith or willful misconduct.

11.4 Warrant Agent May Hold Company Securities.

The Warrant Agent, any Countersigning Agent and any stockholder, director, officer or employee of the Warrant Agent or any Countersigning Agent may buy, sell or deal in any of the Warrants or other securities of the Company or its Affiliates, become pecuniarily interested in transactions in which the Company or its Affiliates may be interested, contract with or lend money to the Company or its Affiliates or otherwise act as fully and freely as though it were not

the Warrant Agent or the Countersigning Agent, respectively, under this Agreement. Nothing herein shall preclude the Warrant Agent or any Countersigning Agent from acting in any other capacity for the Company or for any other legal entity.

11.5 Resignation and Removal; Appointment of Successor.

(a) The Warrant Agent may resign its duties and be discharged from all further duties and liability hereunder (except liability arising as a result of the Warrant Agent's own gross negligence or willful misconduct) after giving thirty (30) days' prior written notice to the Company. The Company may remove the Warrant Agent upon thirty (30) days' written notice, and the Warrant Agent shall thereupon in like manner be discharged from all further duties and liabilities hereunder, except as aforesaid. The Warrant Agent shall, at the expense of the Company, cause notice to be given in accordance with Section 13.1(b) to each Holder of a Warrant Certificate of said notice of resignation or notice of removal, as the case may be. Upon such resignation or removal, the Company shall appoint in writing a new Warrant Agent. If the Company shall fail to make such appointment within a period of thirty (30) calendar days after it has been notified in writing of such resignation by the resigning Warrant Agent or after such removal, then the Holder of any Warrant Certificate may apply to any court of competent jurisdiction for the appointment of a new Warrant Agent. Any new Warrant Agent, whether appointed by the Company or by such a court, shall be a corporation doing business under the laws of the United States or any state thereof in good standing, authorized under such laws to act as Warrant Agent, and is ordinarily in the business as a transfer agent for publicly held securities. After acceptance in writing of such appointment by the new Warrant Agent, it shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as the Warrant Agent, without any further assurance, conveyance, act or deed; but if for any reason it shall be reasonably necessary or expedient to execute and deliver any further assurance, conveyance, act or deed, the same shall be done at the reasonable expense of the Company and shall be legally and validly executed and delivered by the resigning or removed Warrant Agent. Not later than the effective date of any such appointment, the Company shall file notice thereof with the resigning or removed Warrant Agent. Failure to give any notice provided for in this Section 11.5(a), however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Warrant Agent or the appointment of a new Warrant Agent, as the case may be.

(b) Any corporation into which the Warrant Agent or any new Warrant Agent may be merged, or any corporation resulting from any consolidation to which the Warrant Agent or any new Warrant Agent shall be a party, shall be a successor Warrant Agent under this Agreement without any further act, provided that such corporation would be eligible for appointment as successor to the Warrant Agent under the provisions of Section 11.5(a). Any such successor Warrant Agent shall promptly cause notice of its succession as Warrant Agent to be given in accordance with Section 13.1(b) to each Holder of a Warrant Certificate at such Holder's last address as shown on the Warrant Register.

11.6 Appointment of Countersigning Agent.

(a) The Warrant Agent may appoint a Countersigning Agent or Agents which shall be authorized to act on behalf of the Warrant Agent to countersign Warrant Certificates issued upon original issue and upon exchange, registration of transfer or pursuant to Section 7, and Warrant Certificates so countersigned shall be entitled to the benefits of this Agreement equally and proportionately with any and all other Warrant Certificates duly executed and delivered hereunder. Wherever reference is made in this Agreement to the countersignature and delivery of Warrant Certificates by the Warrant Agent or to Warrant Certificates countersigned by the Warrant Agent, such reference shall be deemed to include countersignature and delivery on behalf of the Warrant Agent by a Countersigning Agent and Warrant Certificates countersigned by a Countersigning Agent. Each Countersigning Agent shall be acceptable to the Company and shall at the time of appointment be a corporation doing business under the laws of the United States of America or any State thereof in good standing, authorized under such laws to act as Countersigning Agent, and having a combined capital and surplus of not less than $100,000,000. The combined capital and surplus of any such new Countersigning Agent shall be deemed to be the combined capital and surplus as set forth in the most recent annual report of its condition published by such Countersigning Agent prior to its appointment, provided that such reports are published at least annually pursuant to law or to the requirements of a Federal or state supervising or examining authority.

(b) Any corporation into which a Countersigning Agent may be merged, or any corporation resulting from any consolidation to which such Countersigning Agent shall be a party, shall be a successor Countersigning Agent without any further act, provided that such corporation would be eligible for appointment as a new Countersigning Agent under the provisions of Section 11.6(a), without the execution or filing of any paper or any further act on the part of the Warrant Agent or the Countersigning Agent. Any such successor Countersigning Agent shall promptly cause notice of its succession as Countersigning Agent to be given in accordance with Section 13.1(b) to each Holder of a Warrant Certificate at such Holder's last address as shown on the Warrant Register.

(c) A Countersigning Agent may resign at any time by giving thirty (30) days' prior written notice thereof to the Warrant Agent and to the Company. The Warrant Agent may at any time terminate the agency of a Countersigning Agent by giving thirty (30) days' prior written notice thereof to such Countersigning Agent and to the Company.

(d) The Warrant Agent agrees to pay to each Countersigning Agent from time to time reasonable compensation for its services under this Section, and the Warrant Agent shall be entitled to be reimbursed for such payments, subject to the provisions of Section 11.3.

(e) Any Countersigning Agent shall have the same rights and immunities as those of the Warrant Agent set forth in Section 11.1.

12. ADDITIONAL COVENANTS OF THE COMPANY

12.1 Reports to Holders.

(a) Whether or not required by Sections 13 or 15(d) of the Exchange Act, the Company shall file with the SEC (i) within ninety (90) days after the end of the last fiscal year such annual reports as would be required by Sections 13 or 15(d) of the Exchange Act, (ii) within forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year such quarterly reports as would be required by Section 13 or 15(d) of the Exchange Act and (iii) all other reports and information as would be required by Sections 13 or 15(d) of the Exchange Act. Within fifteen (15) days after the same shall be filed with the SEC, the Company shall file with the Warrant Agent, and make available to each Holder of Warrants, without cost to such Holder, copies of such reports or other information. The provisions of this Section 12.1 shall cease to apply to the Company upon the occurrence of a Non-Surviving Combination provided the successor to the Company assumes the obligations of the Company (including under this Section 12.1) in accordance with Section 19.

(b) The Company shall provide the Warrant Agent with a sufficient number of copies of all reports and other documents and information that the Warrant Agent may be required to deliver to the Holders of the Warrants under this Section 12.1.

12.2 Compliance with Agreements.

The Company shall comply in all material respects with the terms and conditions of the Indenture, dated as of September 9, 1997, by and among the Company, the Guarantors and The Bank of New York, as trustee, and the Registration Rights Agreement.

12.3 Maintenance of Office.

So long as any of the Warrants remain outstanding, the Company will maintain in the City of New York the following: (a) an office or agency where the Warrants may be presented for exercise, (b) an office or agency where the Warrants may be presented for registration of transfer and for exchange as in this Agreement provided and (c) an office or agency where notices and demands to or upon the Company in respect of the Warrants or of this Agreement may be served. The Company will give to the Warrant Agent written notice of the location of any such office or agency and of any change of location thereof. The Company hereby initially designates the office of the Warrant Agent at American Stock Transfer & Trust Company, 40 Broad Street, New York, New York 10004, or such other location as the Company may designate upon notice from the Warrant Agent as the office or agency for each such purpose. In case the Company shall fail to maintain any such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Corporate Agency Office.

13. NOTICES

13.1 Notices Generally.

(a) Any request, notice, direction, authorization, consent, waiver, demand or

other communication permitted or authorized by this Agreement to be made upon, given or furnished to or filed with the Company or the Warrant Agent by the other party hereto or by any Holder shall be sufficient for every purpose hereunder if in writing (including telecopy communication) and telecopied or delivered by hand (including by courier service) as follows:

If to the Company, to it at:

Gothic Energy Corporation
5727 South Lewis Avenue
Suite 700
Tulsa, Oklahoma 74105

Attention: President
Telecopy No.: (918) 749-5882

or

If to the Warrant Agent, to it at:

American Stock Transfer & Trust Company
40 Wall Street
New York, New York 10005

Attention: Michael Karfunkel
Telecopy No.: (718) 236-4588

or, in either case, such other address as shall have been set forth in a notice delivered in accordance with this Section 13.1(a).

All such communications shall, when so telecopied or delivered by hand, be effective when telecopied with confirmation of receipt or received by the addressee, respectively.

Any Person that telecopies any communication hereunder to any Person shall, on the same date as such telecopy is transmitted, also send, by first class mail, postage prepaid and addressed to such Person as specified above, an original copy of the communication so transmitted.

(b) Where this Agreement provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Warrant Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made by a method approved by the Warrant Agent as one which would be most reliable under the circumstances for successfully delivering the notice to the addressees shall constitute a sufficient notification for every purpose hereunder.

13.2 Required Notices to Holders.

In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of its Common Shares or to make any other distribution to the holders of its Common Shares for which an adjustment is required to be made pursuant to Section 6, (ii) to distribute to the holders of its Common Shares rights to subscribe for or to purchase any Additional Common Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Common Shares, (iv) to effect any transaction described in Section 6.1(h) or (v) to effect the liquidation, dissolution or winding up of the Company, then, and in each such case, the Company shall cause to be filed with the Warrant Agent and shall give to each Holder of a Warrant Certificate, in accordance with Section 13.1(b), a notice of such proposed action or event. Such notice shall specify (x) the date on which a record is to be taken for the purposes of such dividend or distribution; and (y) the date on which such reclassification, transaction, event, liquidation, dissolution or winding up is expected to become effective and the date as of which it is expected that holders of Common Shares of record shall be entitled to exchange their Common Shares for securities, cash or other property deliverable upon such reclassification, transaction, event, liquidation, dissolution or winding up. Such notice shall be given, in the case of any action covered by clause (i) or (ii) above, at least ten (10) days prior to the record date for determining holders of the Common Shares for purposes of such action or, in the case of any action covered by clauses (iii) through (v), at least twenty (20) days prior to the applicable effective or expiration date specified above or, in any such case, prior to such earlier time as notice thereof shall be required to be given pursuant to Rule 10b-17 under the Exchange Act, if applicable.

If at any time the Company shall cancel any of the proposed transactions for which notice has been given under this Section 13.2 prior to the consummation thereof, the Company shall give each Holder prompt notice of such cancellation in accordance with Section 13.1(b) hereof.

13.3 Company Notices to Warrant Agent.

The Company shall notify the Warrant Agent on or prior to the occurrence of the Separation Date if the Separation Date occurs before March 8, 1998. The Company shall notify

the Warrant Agent at least five Business Days prior to the occurrence of the Unit Termination Date if the Unit Termination Date will occur before March 8, 1998.

14. APPLICABLE LAW

THIS AGREEMENT, EACH WARRANT CERTIFICATE ISSUED HEREUNDER, EACH WARRANT EVIDENCED THEREBY AND ALL RIGHTS ARISING HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

15. PERSONS BENEFITING

This Agreement shall be binding upon and inure to the benefit of the Company and the Warrant Agent, and their respective successors and assigns and the Holders from time to time of the Warrant Certificates. Nothing in this Agreement is intended or shall be construed to confer upon any Person, other than the Company, the Warrant Agent and the Holders of the Warrant Certificates, any right, remedy or claim under or by reason of this Agreement or any part hereof. Each Holder, by acceptance of a Warrant Certificate, agrees to all of the terms and provisions of this Agreement applicable thereto.

16. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

17. AMENDMENTS

The Company and the Warrant Agent may, without the consent or concurrence of the Holders of the Warrant Certificates, by supplemental agreement or otherwise, amend this Agreement for the purpose of making any changes or corrections in this Agreement that (i) are required to cure any ambiguity or to correct or supplement any defective or inconsistent provision or clerical omission or mistake or manifest error herein contained or (ii) add to the covenants and agreements of the Company in this Agreement further covenants and agreements of the Company thereafter to be observed, or surrender any rights or powers reserved to or conferred upon the Company in this Agreement; provided, however, that in either case, such amendment shall not adversely affect the rights or interests of the Holders of the Warrant Certificates hereunder in any material respect. This Agreement may otherwise be amended by the Company and the Warrant Agent only with the consent of the Holders of a majority of the then outstanding Warrants. Notwithstanding the foregoing, the consent of each Holder of a Warrant affected shall be required for any amendment pursuant to which the Warrant Price

would be increased or the number of Warrant Shares purchasable upon exercise of Warrants would be decreased (other than pursuant to adjustments provided herein).

The Warrant Agent shall join with the Company in the execution and delivery of any such amendment unless such amendment affects the Warrant Agent's own rights, duties or immunities hereunder, in which case the Warrant Agent may, but shall not be required to, join in such execution and delivery. Upon execution and delivery of any amendment pursuant to this Section 17, such amendment shall be considered a part of this Agreement for all purposes and every Holder of a Warrant Certificate theretofore or thereafter countersigned and delivered hereunder shall be bound thereby.

Promptly after the execution by the Company and the Warrant Agent of any such amendment, the Company shall give notice to the Holders of Warrant Certificates, setting forth in general terms the substance of such amendment, in accordance with the provisions of Section 13.1(b). Any failure of the Company to mail such notice or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

18. INSPECTION

The Warrant Agent shall cause a copy of this Agreement to be available at all reasonable times at the Corporate Agency Office of the Warrant Agent for inspection by the Holder of any Warrant Certificate. The Warrant Agent may require such Holder to submit his Warrant Certificate for inspection by it.

19. SUCCESSOR TO THE COMPANY

So long as Warrants remain outstanding, the Company will not enter into any Non-Surviving Combination unless the acquirer (or its parent company under any triangular acquisition) shall expressly assume by a supplemental agreement, executed and delivered to the Warrant Agent, in form reasonably satisfactory to the Warrant Agent, the due and punctual performance of every covenant of this Agreement on the part of the Company to be performed and observed and shall have provided for exercise rights in accordance with Section 6.1(h). Upon the consummation of such Non-Surviving Combination, the acquirer (or its parent company under any triangular acquisition) shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Agreement with the same effect as if such acquirer (or its parent company under any triangular acquisition) had been named as the Company herein.

20. ENTIRE AGREEMENT

This Agreement sets forth the entire agreement of the parties hereto as to the subject matter hereof and supersedes all previous agreements among all or some of the parties hereto with respect thereto, whether written, oral or otherwise.

21. HEADINGS

The descriptive headings of the several Sections of this Agreement are inserted for convenience and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

GOTHIC ENERGY CORPORATION

By:

Michael K. Paulk
President

AMERICAN STOCK TRANSFER &
TRUST COMPANY

By:

Name:
Title:

EXHIBIT A

FORM OF FACE OF WARRANT CERTIFICATE

[Restricted Warrant Legend]

[Unless and until it is exchanged in whole or in part for Securities in definitive form, this Security may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. The Depository Trust Company shall act as the Depositary until a successor shall be appointed by the Company and the Registrar. Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as may be requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]/1/

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED TO OR FOR THE ACCOUNT OR BENEFIT OF ANY PERSON EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) WHICH IS AN INSTITUTION (AN "INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IS NOT A U.S. PERSON AND IS PURCHASING IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT AND HAS NOT ENGAGED IN, AND PRIOR TO THE EXPIRATION OF THE 40-DAY RESTRICTED PERIOD PROVIDED FOR IN RULE 903 OF REGULATION S, WILL NOT OFFER OR SELL THESE SECURITIES OR TO A U.S. PERSON OR FOR THE ACCOUNT OF A U.S. PERSON WITHIN THE MEANING OF RULE 902(O) OF REGULATION S IN THE UNITED STATES, (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD AS COMPLIES

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/1/ Include this legend for Global Warrants.

WITH RULE 144 UNDER THE SECURITIES ACT) AFTER THE LATER OF THE DATE OF ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (THE "RESALE RESTRICTION TERMINATION DATE") RESELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY, EXCEPT (A) TO THE ISSUER, (B) TO A PERSON THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH THE RESALE PROVISIONS OF RULE 144A UNDER THE SECURITIES ACT, (C) TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE WARRANT AGENT A WRITTEN CERTIFICATION CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (COPIES OF SUCH FORM CAN BE OBTAINED FROM THE WARRANT AGENT), PROVIDED THAT CERTAIN HOLDERS SPECIFIED IN THE WARRANT AGREEMENT MAY NOT TRANSFER THIS SECURITY PURSUANT TO THIS CLAUSE (C) PRIOR TO THE EXPIRATION OF THE "40- DAY RESTRICTED PERIOD" (WITHIN THE MEANING OF RULE 903(C)(3) OF REGULATION S UNDER THE SECURITIES ACT, (D) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IF SUCH TRANSFER IS BEING EFFECTED BY CERTAIN TRANSFERORS SPECIFIED IN THE WARRANT AGREEMENT PRIOR TO THE EXPIRATION OF THE "40-DAY RESTRICTED PERIOD" DESCRIBED ABOVE, A CERTIFICATE (WHICH MAY BE OBTAINED FROM THE WARRANT AGENT) IS DELIVERED BY THE TRANSFEREE TO THE COMPANY AND THE WARRANT AGENT, (E) PURSUANT TO THE RESALE LIMITATIONS PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (G) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH ACCOUNT BE AT ALL TIMES WITHIN ITS CONTROL AND TO COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHICH THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IF THE PROPOSED TRANSFEREE IS NOT A QUALIFIED INSTITUTIONAL BUYER, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE WARRANT AGENT AND THE ISSUER SUCH CERTIFICATIONS, LEGAL

OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE FOREGOING RESTRICTIONS ON RESALE WILL NOT APPLY SUBSEQUENT TO THE RESALE RESTRICTION TERMINATION DATE.

GOTHIC ENERGY CORPORATION

WARRANT CERTIFICATE

EVIDENCING

WARRANTS TO PURCHASE COMMON SHARES

(VALID ONLY IF COUNTERSIGNED BY THE WARRANT AGENT

AS PROVIDED HEREIN)

No. _____ _____ Warrants

THIS CERTIFIES THAT, for value received, _____ _____, or registered assigns, is the registered owner of _____ Warrants to Purchase Common Shares of Gothic Energy Corporation, an Oklahoma corporation (the "Company," which term includes any successor thereto under the Warrant Agreement), and is entitled, subject to and upon compliance with the provisions hereof and of the Warrant Agreement, at such Holder's option, at any time when the Warrants evidenced hereby are exercisable, to purchase from the Company one Warrant Share for each Warrant evidenced hereby, at the purchase price of $3.00 per share (as adjusted from time to time, the "Warrant Price"), payable in full at the time of purchase, the number of Warrant Shares into which and the Warrant Price at which each Warrant shall be exercisable, each being subject to adjustment as provided in Section 6 of the Warrant Agreement.

The Holder of this Warrant Certificate may exercise all or any whole number of the Warrants evidenced hereby, on any Business Day from and after the Separation Date (as defined in the Warrant Agreement) until 5:00 p.m., New York City time, on September 1, 2004 (subject to earlier expiration pursuant to Section 5 of the Warrant Agreement, the "Expiration Date") for the Warrant Shares purchasable hereunder.

Reference is hereby made to the further provisions of this Warrant Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless this Warrant Certificate has been countersigned by the Warrant Agent by manual

signature of an authorized officer on behalf of the Warrant Agent, this Warrant Certificate shall not be valid for any purpose and no Warrant evidenced hereby shall be exercisable.

IN WITNESS WHEREOF, the Company has caused this certificate to be duly executed under its corporate seal.

GOTHIC ENERGY CORPORATION

[SEAL]

By:

Michael K. Paulk
President

ATTEST:

Dated:

Countersigned:

AMERICAN STOCK TRANSFER & TRUST COMPANY

Warrant Agent

By:

Authorized Signature

[REVERSE OF WARRANT CERTIFICATE]

GOTHIC ENERGY CORPORATION

WARRANT CERTIFICATE

EVIDENCING

WARRANTS TO PURCHASE COMMON SHARES

1. General.

The Warrants evidenced hereby are one of a duly authorized issue of Warrants of the Company designated as its Warrants to Purchase Common Shares ("Warrants"), limited in aggregate number to 1,400,000 Warrants issued under and in accordance with the Warrant Agreement, dated as of September 9, 1997 (the "Warrant Agreement"), between the Company and American Stock Transfer & Trust Company, as warrant agent (the "Warrant Agent", which term includes any successor thereto permitted under the Warrant Agreement), to which Warrant Agreement and all amendments thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Warrant Agent, the Holders of Warrant Certificates and the owners of the Warrants evidenced thereby and of the terms upon which the Warrant Certificates are, and are to be, countersigned and delivered. A copy of the Warrant Agreement shall be available at all reasonable times at the office of the Warrant Agent for inspection by the Holder hereof.

In the event of the exercise of less than all of the Warrants evidenced hereby, a new Warrant Certificate of the same tenor and for the number of Warrants which are not exercised shall be issued by the Company in the name or upon the written order of the Holder of this Warrant Certificate upon the cancellation hereof.

All Warrant Shares issuable by the Company upon the exercise of Warrants shall, upon such issuance, be duly authorized, validly issued, fully paid and nonassessable and free of preemptive or similar rights. The Company shall pay any and all taxes (other than income taxes) that may be payable in respect of the issue or delivery of Warrant Shares on exercise of Warrants. The Company shall not be required, however, to pay any tax or other charge imposed in respect of any transfer involved in the issue and delivery of any certificates for Warrant Shares or payment of cash to any Person other than the Holder of the Warrant Certificate surrendered upon the exercise of a Warrant, and in case of such transfer or payment, the Warrant Agent and the Company shall not be required to issue or deliver any certificate or pay any cash until (a) such tax or charge has been paid or an amount sufficient for the payment thereof has been delivered to the Warrant Agent or to the Company or (b) it has been established to the Company's satisfaction that any such tax or other charge that is or may become due has been paid.

The Warrant Certificates are issuable only in registered form in denominations of whole numbers of Warrants. Upon surrender at the office of the Warrant Agent and payment of the charges specified herein and in the Warrant Agreement, this Warrant Certificate may be

exchanged for Warrant Certificates in other authorized denominations or the transfer hereof may be registered in whole or in part in authorized denominations to one or more designated transferees, subject to the restrictions on transfer set forth herein and in the Warrant Agreement; provided, however, that such other Warrant Certificates issued upon exchange or registration of transfer shall evidence the same aggregate number of Warrants as this Warrant Certificate. The Company shall cause to be kept at the office of the Warrant Agent the Warrant Register in which, subject to such reasonable regulations as the Warrant Agent may prescribe and such regulations as may be prescribed by law, the Company shall provide for the registration of Warrant Certificates and of transfers or exchanges of Warrant Certificates.

2. Expiration.

Except as provided in the Warrant Agreement, all outstanding Warrants shall expire and all rights of the Holders of Warrant Certificates evidencing such Warrants shall terminate and cease to exist, as of 5:00 p.m., New York time, on the Expiration Date. "Expiration Date" shall mean September 1, 2004, or such earlier date as determined in accordance with the Warrant Agreement.

3. Registration Rights.

The Warrantholders and the holders of Warrant Shares shall have the registration rights provided for in the Registration Rights Agreement, dated as of September 9, 1997 (the "Registration Rights Agreement"), by and among the Company, the Subsidiary Guarantors named on the execution pages thereof and the Purchasers named on the execution pages thereof. A copy of the Registration Rights Agreement is on file at the office of the Warrant Agent.

4. Liquidation of the Company.

If, on or prior to the Expiration Date, the Company (or any other Person controlling the Company) shall propose a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, each Warrantholder shall receive the securities, money or other property which such Warrantholder would have been entitled to receive had such Warrantholder been the holder of record of the Warrant Shares into which the Warrants were exercisable immediately prior to such dissolution, liquidation or winding up (net of the then applicable Warrant Price), and the rights to exercise such Warrants shall terminate.

5. Anti-Dilution Adjustments.

The number of Warrant Shares issuable upon exercise of a Warrant shall be adjusted on occurrence of certain events, including, without limitation, the payment of a certain dividends on, or the making of a certain distributions in respect of, the Common Shares, including the distribution of rights to purchase Common Shares (or securities convertible into or exchangeable for Common Shares) at a price below the Current Market Price. An adjustment shall also be made in the event of a combination, subdivision or reclassification of the Common Shares.

Adjustments will be made whenever and as often as any specified event requires an adjustment to occur.

6. Procedure for Exercising Warrant.

Subject to the provisions hereof and of the Warrant Agreement, the Holder of this Warrant Certificate may exercise all or any whole number of the Warrants evidenced hereby by either of the following methods:

(A) The Holder may deliver to the Warrant Agent at the Corporate Agency Office (i) a written notice of such Holder's election to exercise all or a portion of the Warrants evidenced hereby, duly executed by such Holder in the form set forth below, which notice shall specify the number of Warrant Shares to be purchased, (ii) this Warrant Certificate and (iii) a sum equal to the aggregate Warrant Price for the Warrant Shares into which the Warrants represented by this Warrant Certificate are being exercised, which sum shall be paid in any combination elected by such Holder of (x) certified or official bank checks in New York Clearing House funds payable to the order of the Company and delivered to the Warrant Agent at the Corporate Agency Office, or (y) wire transfers in immediately available funds to the account of the Company at such banking institution as the Company shall have given notice to the Warrant Agent and the Holders in accordance with the Warrant Agreement; or

(B) The Holder may also exercise all or any of the Warrants in a "cashless" or "net-issue" exercise by delivering to the Warrant Agent at the Corporate Agency Office (i) a written notice of such Holder's election to exercise all or a portion of the Warrants evidenced hereby, duly executed by such Holder in the form set forth below, which notice shall specify the number of Warrant Shares to be delivered to such Holder and the number of Warrant Shares with respect to which Warrants represented by this Warrant Certificate are being surrendered in payment of the aggregate Warrant Price for the Warrant Shares to be delivered to the Holder, and (ii) this Warrant Certificate. For purposes of this subparagraph (B), each Warrant Share as to which such Warrants are surrendered in payment of the aggregate Warrant Price will be attributed a value equal to (x) the Current Market Price per share of Common Shares minus (y) the then-current Warrant Price.

7. Registered Holder.

Prior to due presentment of this Warrant Certificate for registration of transfer, the Company, the Warrant Agent and any agent of the Company or the Warrant Agent may treat the Person in whose name this Warrant Certificate is registered as the owner hereof for all purposes, and neither the Company, the Warrant Agent nor any such agent shall be affected by notice to the contrary.

8. Amendment.

The Warrant Agreement permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of Warrant Certificates under the Warrant Agreement at any time by the Company and the Warrant Agent with the consent of the Holders of Warrant Certificates evidencing a majority of the then outstanding Warrants.

9. Status as Warrantholder.

Prior to the exercise of the Warrants, except as may be specifically provided for in the Warrant Agreement, (i) no Holder of a Warrant Certificate, as such, shall be entitled to any of the rights of a holder of Common Shares of the Company, including, without limitation, the right to vote at, or to receive any notice of, any meetings of stockholders of the Company; (ii) the consent of any Holder shall not be required with respect to any action or proceeding of the Company; (iii) except as provided with respect to the dissolution, liquidation or winding up of the Company, no Holder, by reason of the ownership or possession of a Warrant or the Warrant Certificate representing the same, shall have any right to receive any stock dividends, allotments or rights or other distributions (except as specifically provided in the Warrant Agreement), paid, allotted or distributed or distributable to the stockholders of the Company prior to or for which the relevant record date preceded the date of the exercise of such Warrant; and (iv) no Holder shall have any right not expressly conferred by the Warrant Agreement or Warrant Certificate held by such Holder. Notwithstanding anything herein to the contrary, if the Company declares and pays any cash dividend or makes any distribution in cash in respect of its Common Shares, it shall pay each Holder of Warrants an amount in cash equal to the amount that such Holder would have received had it been a holder of record of the Warrant Shares issuable upon exercise of its Warrants immediately prior to the record date for such dividend or distribution.

10. Governing Law.

This Warrant Certificate, each Warrant evidenced thereby and the Warrant Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to principles of conflicts of laws to the extent that application of the law of another jurisdiction would be required thereby.

11. Definitions.

All terms used in this Warrant Certificate which are defined in the Warrant Agreement shall have the meanings assigned to them in the Warrant Agreement.

FORM OF EXERCISE

In accordance with and subject to the terms and conditions hereof and of the Warrant Agreement, the undersigned registered Holder of this Warrant Certificate hereby irrevocably elects to exercise _____ Warrants evidenced by this Warrant Certificate or represents that such Holder has tendered the Warrant Price for each of the Warrants evidenced hereby being exercised in the aggregate amount of $_____ in the indicated combination of:

(i) cash ($_____);

(ii) certified bank check payable to the order of the Company ($_____);

(iii) official bank check in New York Clearing House funds payable to the order of the Company ($_____); or

(iv) wire transfer in immediately available funds to the account designated by the Company for such purpose ($_____).

The undersigned requests that the Warrant Shares issuable upon exercise be in fully registered form in such denominations and registered in such names and delivered, together with any other property receivable upon exercise, in such manner as is specified in the instructions set forth below.

If the number of Warrants exercised is less than all of the Warrants evidenced hereby, the undersigned requests that a new Warrant Certificate representing the remaining Warrants evidenced hereby be issued and delivered to the undersigned unless otherwise specified in the instructions below.

Dated: ----------

Name: ----------
(Please Print)

(Insert Social Security or Other Identifying Number of Holder)

Address: ----------

Signature

(Signature must conform in all respects to name of Holder as specified on the face of this Warrant Certificate and must bear a signature guarantee by a bank, trust company or member firm of a national securities exchange.)

Signature Guaranteed:

Instructions (i) as to denominations and names of Warrant Shares issuable upon exercise and as to delivery of such securities and any other property issuable upon exercise and (ii) if applicable, as to Warrant Certificates evidencing unexercised Warrants:

- ---

- ---

- ---

Assignment

(Form of Assignment To Be Executed If Holder Desires To Transfer Warrant Certificate)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto

Please insert social security
or other identifying number

(Please print name and address including zip code)

the Warrants represented by the within Warrant Certificate and does hereby irrevocably constitute and appoint _____ Attorney, to transfer said Warrant Certificate on the books of the within-named Company with full power of substitution in the premises.

Dated:

Signature

(Signature must conform in all respects to name of Holder as specified on the face of this Warrant Certificate and must bear a signature guarantee by a bank, trust company or member firm of a national securities exchange.)

Signature Guaranteed:

EXHIBIT B

FORM OF ACCREDITED INVESTOR TRANSFEREE CERTIFICATE

(Transfers Pursuant to ss.2.4(a) of the Warrant Agreement)

_____, 199__

American Stock Transfer and Trust 40 Wall Street New York, New York 10005
Attention: _____

Re: Gothic Energy Corporation Warrants to Purchase Common Shares (the "Warrants")

Reference is hereby made to the Warrant Agreement dated as of September 9, 1997 (the "Warrant Agreement") between Gothic Energy Corporation and American Stock Transfer & Trust Company, as Warrant Agent. Capitalized terms used but not defined herein shall have the meanings given them in the Warrant Agreement.

This letter relates to Warrants exercisable for an aggregate of _____ Common Shares ("Warrant Shares"), which Warrants are held in the name of [name of transferor] (the "Transferor") to effect the transfer of the Warrants to the undersigned.

In connection with such request, and in respect of such Warrants, we confirm that:

1. We have received a copy of the Offering Memorandum, dated September 2, 1997, relating to the Units and such other information as we deem necessary in order to make our investment decision.

2. We understand that the Units, Warrants and Warrant Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and unless so registered, may not be sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing Units, Warrants or Warrant Shares to offer, sell or otherwise transfer such securities prior to the date which is two years after the later of the date of original issue and the last date on which the Company or any affiliate or the Company was the owner of such securities (or any predecessor thereto) (the "Resale Restriction Termination Date") only (a) to the Company (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as the Units, Warrants or Warrant Shares are eligible for resale pursuant to Rule 144A under the Securities Act, to a person we reasonably believe is a Qualified Institutional Buyer (as defined in Rule 144A) that purchases for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that

the transfer is being made in reliance on Rule 144A, (d) to an "Accredited Investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) which is an institution (an "Institutional Accredited Investor") that is purchasing for his own account or for the account of such an Institutional Accredited Investor for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, (e) pursuant to the resale limitations provided by Rule 144 under the Securities Act (if available), (f) outside the United States to a person who is not a U.S. person in an offshore transaction meeting the requirements of Rule 904 of the Securities Act, or (g) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and to compliance with any applicable state securities law. The foregoing restrictions on sale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Units, Warrants or Warrant Shares is proposed to be made pursuant to clause (d) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of this letter to the Company and the Trustee which shall provide, among other things, that the transferee is an Institutional Accredited Investor and that it is acquiring such Units, Warrants or Warrant Shares for investment purposes and not for distribution in violation of the Securities Act. Each purchaser acknowledges that the Company and the Warrant Agent reserve the right prior to any offer, sale or other transfer prior to the Resale Restriction Termination Date of the Units, Warrants or Warrant Shares pursuant to clauses (d), (e), (f) or (g) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company and the Warrant Agent.

3. We are an Institutional Accredited Investor or, if the transfer is of a beneficial interest in the Global Warrant, a Qualified Institutional Buyer, in either case purchasing for our own account or for the account of such an Institutional Accredited Investor as to each of which we exercise sole investment discretion and we are acquiring the Units, Warrants or Warrant Shares for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act and we have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Securities, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investments for an indefinite period.

4. All of you are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

(Name of Purchaser)

By:

Name:

Title:

Date:

Upon transfer, the Securities should be registered in the name of the new beneficial owner as follows:

Name:

Address:

Taxpayer ID Number:

EXHIBIT C

FORM OF LEGAL
OPINION ON TRANSFER

_____, 199___

American Stock & Transfer Company
40 Wall Street
New York, New York 10005
Attention: _____

Re: Gothic Energy Corporation Warrants to Purchase Common Shares

Ladies and Gentlemen:

This opinion is being furnished to you in connection with the sale by _____ (the "Transferor") to _____ (the "Purchaser") of Warrants to Purchase Common Shares exercisable for an aggregate of _____ Common Shares, par value $.01 per share, of Gothic Energy Corporation (the "Warrants").

We have examined such documents and records as we have deemed appropriate. In our examination of the foregoing, we have assumed the authenticity of all documents, the genuineness of all signatures and the due authorization, execution and delivery of the aforementioned by each of the parties thereto. We have further assumed the accuracy of the representations contained in the Accredited Investor Transferee Certificate executed and delivered by the Purchaser in connection with its purchase of the Warrants made by the parties executing such document. We have also assumed that the sale of the Warrants to the Transferor was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933, as amended (the "Securities Act").

Based on the foregoing, we are of the opinion that the sale to the Purchaser of the Warrants does not require registration of such Warrants under the Securities Act.

Very truly yours,

SUPPLEMENT TO WARRANT AGREEMENT

THIS SUPPLEMENT TO WARRANT AGREEMENT is made and entered into as of the 16th day of January, 2001, by and among CHESAPEAKE ENERGY CORPORATION, an Oklahoma Corporation ("Chesapeake Energy") and AMERICAN STOCK TRANSFER & TRUST COMPANY, a New York corporation, as Warrant Agent ("Warrant Agent").

RECITALS

WHEREAS, Gothic Energy Corporation ("Gothic Energy") and Warrant Agent entered into that certain Warrant Agreement, dated as of September 9, 1997, under which Gothic Energy issued 1,400,000 Common Stock Purchase Warrants (the "Warrant" and collectively referred to as the "Warrants"), each Warrant to purchase one share of Gothic Energy common stock (the "Warrant Agreement"); and

WHEREAS, the Warrant Agent agreed to act on behalf of Gothic Energy in connection with the Warrants; and

WHEREAS, Chesapeake Energy, Chesapeake Merger 2000 Corp. ("Sub"), and Gothic Energy entered into that certain Agreement and Plan of Merger dated September 8, 2000, as amended by the First Amendment to Agreement and Plan of Merger dated October 31, 2000 (the "Merger Agreement") providing for the merger of Sub with and into Gothic Energy and pursuant to which Gothic Energy will become a wholly owned subsidiary of Chesapeake Energy (the "Merger"); and

WHEREAS, the Warrant Agreement provides that Gothic Energy can not enter into any Non-Surviving Combination unless the parent company under any triangular acquisition expressly assumes by supplemental agreement, executed and delivered to the Warrant Agent, the due and punctual performance of every covenant of the Warrant Agreement on the part of Gothic Energy to be performed and observed; and

WHEREAS, the Warrant Agreement provides that in the event Gothic Energy merges with any company, then, as a condition to such merger, lawful and adequate provisions must be made that give the Warrant Holders the right to purchase and receive, upon exercise of the Warrants, such shares of stock that are issued in exchange for a number of outstanding shares of common stock equal to the number of shares of common stock that such Warrant Holder could immediately theretofore purchase and receive upon exercise of the Warrants; and

WHEREAS, the Merger was consummated on January 16, 2001 and as part of the Merger Agreement, each issued and outstanding share of Gothic Energy common stock will be converted into the right to receive a portion of a share of Chesapeake Energy common stock equal to the exchange ratio of .1908;

WHEREAS, under the Merger Agreement, Chesapeake Energy agreed to assume all of Gothic Energy's obligations under the Warrant Agreement and the parties desire to supplement the Warrant Agreement to reflect such assumption; and

WHEREAS, the parties further desire to supplement the Warrant Agreement to reflect the number of shares of Chesapeake Energy common stock acquirable upon exercise of the Warrant after the Merger and the exercise price per share of Chesapeake Energy common stock after the Merger;

NOW, THEREFORE, for and in consideration of the recitals and the mutual covenants and agreements set forth in the Warrant Agreement and this Supplement, the parties hereby supplement the Warrant Agreement as follows:

1. Definitions. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Warrant Agreement will have the same meanings whenever used in this Supplement.

2. Assumption. Chesapeake Energy hereby assumes the due and punctual performance of every covenant of the Warrant Agreement on the part of Gothic Energy and agrees to perform all of Gothic Energy's covenants and obligations under the Warrant Agreement, including the obligation to deliver to the Holders such shares of stock, securities or assets which the Holders are entitled to purchase in accordance with the terms of the Warrant Agreement. Chesapeake Energy shall succeed to, and be substituted for, and may exercise every right and power of Gothic Energy under the Warrant Agreement.

3. Application of Exchange Ratio. Under the Merger Agreement, pursuant to the Merger, each share of Gothic Energy common stock will be converted into the right to receive .1908 of a share of Chesapeake Energy common stock. Accordingly, upon exercise of a Warrant, a Holder will receive .1908 of a share of Chesapeake Energy common stock for every one share of Gothic Energy common stock that the Warrant Holder would have received upon exercise of the Warrants immediately prior to the Merger. The exercise price for each share of Chesapeake Energy common stock under the Warrant Agreement will be equal to the exercise price for one share of Gothic Energy common stock immediately prior to the Merger divided by the exchange ratio. Prior to the Merger the exercise price for one share of Gothic Energy common stock under the Warrant was $3.00 which, when divided by the exchange ratio, equals $15.72 per share of Chesapeake Energy common stock.

4. Miscellaneous. It is further agreed as follows:

   5.1 Effectiveness. This Supplement will become effective as of the date first above written.

   5.2 Ratification of Warrant Agreement. The Warrant Agreement as hereby supplemented and each other document, instrument or agreement executed in connection therewith are hereby ratified and confirmed in all respects. Any reference to the Warrant Agreement in any other document shall be deemed to be a reference to the Warrant Agreement as hereby supplemented. The execution, delivery and effectiveness of this Supplement shall not, except as expressly provided herein, operate as a waiver of any obligation, right, power or remedy of any party to the Warrant Agreement nor constitute a waiver of any provision of the Warrant Agreement or any other related documents.

5.3 Applicable Law. This Amendment will be governed in all respects, including validity, interpretation and effect, by the laws of the State of New York regardless of the laws that might otherwise govern under applicable principals of conflicts of law thereof.

5.5 Full Force and Effect. In all respects, except as specifically supplemented hereby, the Warrant Agreement remains in full force and effect and unabated.

IN WITNESS WHEREOF, Chesapeake Energy has executed and delivered this Supplement as of the date first above written.

CHESAPEAKE ENERGY CORPORATION, an
Oklahoma Corporation

By /s/ Marcus C. Rowland

Marcus C. Rowland, Executive Vice President and
Chief Financial Officer

EXHIBIT 4.10

Execution Copy

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered as of September 9, 1997, among GOTHIC ENERGY CORPORATION, an Oklahoma corporation (the "Company"), GOTHIC ENERGY OF TEXAS, INC., an Oklahoma corporation, and GOTHIC GAS CORPORATION, an Oklahoma corporation, and OPPENHEIMER & CO., INC., BANC ONE CAPITAL CORPORATION and PARIBAS CORPORATION (the "Initial Purchasers"). Collectively, Gothic Energy of Texas, Inc. and Gothic Gas Corporation are referred to herein as the "Guarantors."

This Agreement is made pursuant to the Purchase Agreement dated September 2, 1997 among the Company and the Initial Purchasers (the "Purchase Agreement"), which provides for the sale by the Company to the Initial Purchasers of an aggregate of 100,000 units ("Units"), each consisting of $1,000 principal amount of the Company's 12 1/4% Series A Senior Notes due 2004 (together with the related guarantees of the Guarantors, the "Notes") and 14 warrants (the "Warrants") to purchase, at a price of $3.00 per share, shares (the "Warrant Shares") of the Company's common stock, par value $.01 per share (the "Common Stock") of the Company, exercisable on or before September 1, 2004. The Notes will be issued pursuant to an indenture, to be dated as of September 9, 1997 (the "Indenture") by and among the Company, the Guarantors and the Bank of New York, as trustee (the "Trustee"), and the Warrants will be issued pursuant to a warrant agreement, to be dated as of September 9, 1997, by and between the Company and American Stock Transfer & Trust Company, as warrant agent (the "Warrant Agent"), each in the form previously furnished to the Initial Purchasers. The Notes and the Warrants shall be detachable and separately transferable on or after the Separation Date (as defined below). In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Company has agreed to provide to the Initial Purchasers and their direct and indirect transferees the registration rights set forth in this Agreement. The execution of this Agreement is a condition to the closing under the Purchase Agreement.

In consideration of the foregoing, the parties hereto agree, and all other holders of the Units, Notes, Warrants and Warrant Shares (as each term is defined below) from time to time, by their acceptance thereof, shall be conclusively deemed to have agreed, as follows:

SECTION 1. Definitions.

As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"1933 Act" shall mean the Securities Act of 1933, as amended from time to time.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Agreement" shall have the meaning set forth in the preamble.

"Closing Date" shall mean the date on which the Closing Time (as defined in the Purchase Agreement) occurs.

"Company" shall have the meaning set forth in the preamble and also includes the Company's successors.

"Depositary" shall mean the Trustee, or any other exchange agent appointed by the Company.

"Exchange Offer" shall mean the exchange offer by the Company of Exchange Notes for Registrable Notes pursuant to Section 2(a) hereof.

"Exchange Offer Registration" shall mean a registration under the 1933 Act effected pursuant to Section 2(a) hereof.

"Exchange Offer Registration Statement" shall mean an exchange offer registration statement on Form S-4 (or, if applicable, on another appropriate form), and all amendments and supplements to such registration statement, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Exchange Notes" shall mean 12 1/4% Series B Senior Notes due 2004 issued by the Company (and related guarantees of the Guarantors) under the Indenture containing terms identical in all material respects to the Notes (except that (i) interest on the Exchange Notes shall accrue from the last date on which interest was paid or duly provided for on the Notes or, if no such interest has been paid, from September 9, 1997, (ii) the transfer restrictions on the Notes shall be eliminated and (iii) certain provisions relating to an increase in the stated rate of interest on the Notes shall be eliminated), to be offered to Holders in exchange for Notes pursuant to the Exchange Offer.

"Guarantors" shall have the meaning set forth in the preamble.

"Indenture" shall mean the Indenture relating to the Notes and the Exchange Notes dated as of September 9, 1997 between the Company and The Bank of New York, as trustee, as the same may be amended from time to time in accordance with the terms thereof.

"Initial Purchasers" shall have the meaning set forth in the preamble.

"Majority Note Holders" shall mean the Note Holders of a majority of the aggregate principal amount of outstanding Registrable Notes; provided, however, that whenever the consent or approval of the Note Holders of a specified percentage of Registrable Notes is required hereunder, Registrable Notes directly or indirectly held by the Company shall be disregarded in determining whether such consent or approval was given by the Note Holders of such required percentage or amount; and provided, further, that whenever the consent or

approval of Note Holders of Registrable Notes is required hereunder with regard to matters related to a registered underwritten or similar offering or with regard to matters pertaining to a Registration Statement, Registrable Notes held by Note Holders not participating in such registered underwritten or similar offering, or Registrable Notes not registered pursuant to such Registration Statement (or, at any time prior to the filing of a Subject Registration Statement and after the determination to file such Subject Registration Statement is made, Registrable Notes whose Note Holders have not requested that such Registrable Notes be included in such Subject Registration Statement), as the case may be, shall be disregarded in determining whether such consent or approval was given by the Note Holders of such required percentage or amount.

"Majority Warrant Holders" shall have the meaning set forth in Section 4(d) hereof.

"Note Holders" shall mean each of the Initial Purchasers, for so long as they own any Registrable Notes, and each of its successors, assigns and direct and indirect transferees who shall at the time be owners of Registrable Notes under the Indenture; provided, however, that the term Note Holder shall exclude any underwriter who purchased Registrable Notes for distribution in an underwritten public offering pursuant to an effective Registration Statement.

"Notes" shall have the meaning set forth in the preamble.

"Notes Liquidated Damages" shall have the meaning set forth in Section 2(d) hereof.

"Notes Shelf Registration Statement" shall mean a "shelf" registration statement of the Company pursuant to the provisions of Section 2(b)(i) or (ii) of this Agreement which covers all of the Registrable Notes (except Registrable Notes which the Note Holders have elected not to include in such Notes Shelf Registration Statement or the Note Holders of which have not complied with their obligations under the penultimate paragraph of Section 4 hereof or under the penultimate sentence of Section 2(b) hereof) on an appropriate form under Rule 415 under the 1933 Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated or deemed to be incorporated by reference therein.

"Participating Broker Dealer" shall have the meaning set forth in Section 4(g)(i) hereof.

"Person" shall mean an individual, partnership, corporation, trust, unincorporated organization, limited liability company, joint stock company, joint venture, charitable foundation or other entity, or a government or any agency or political subdivision thereof.

"Prospectus" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including a prospectus supplement with respect to the terms of the offering of (i) any portion of the Registrable Notes covered by a Subject Registration Statement or (ii) any portion of the Registrable Warrants or Registrable Warrant Shares covered by the

Warrants Shelf Registration Statement, and by all other amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated or deemed to be incorporated by reference therein.

"Purchase Agreement" shall have the meaning set forth in the preamble.

"Purchaser Shelf Registration Statement" shall mean a "shelf" registration statement of the Company pursuant to the provisions of Section 2(b)(iii) of this Agreement with respect to offers and sales of Registrable Notes held by any or all of the Initial Purchasers (except Registrable Notes which the Initial Purchasers have elected not to include in such Purchaser Shelf Registration Statement or the Initial Purchasers of which have not complied with their obligations under the penultimate paragraph of Section 4 hereof or under the penultimate sentence of Section 2(b) hereof) after completion of the Exchange Offer on an appropriate form under Rule 415 under the 1933 Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated or deemed to be incorporated by reference therein.

"Registrable Notes" shall mean the Notes; provided, however, that any Notes shall cease to be Registrable Notes when (i) a Registration Statement with respect to such Notes shall have been declared effective under the 1933 Act and such Notes shall have been disposed of pursuant to such Registration Statement, (ii) such Notes shall have been sold to the public pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the 1933 Act, (iii) such Notes shall have become eligible for resale pursuant to Rule 144(k) under the 1933 Act, (iv) such Notes shall have ceased to be outstanding or (v) such Notes have been exchanged for Exchange Notes upon consummation of the Exchange Offer.

"Registrable Warrant" or "Registrable Warrant Share" shall mean, subject to the last sentence of Section 3(c), each Warrant or Warrant Share, until the earlier to occur of (i) the date on which Warrant or Warrant Share has been effectively registered under the 1933 Act and disposed of pursuant to the Warrant Shelf Registration Statement (as defined below) and (ii) such Warrant or Warrant Shares shall have become eligible for resale pursuant to Rule 144(k) under the 1933 Act.

"Registration Default" shall have the meaning set forth in Section 3(c) hereof.

"Registration Expenses" shall mean any and all expenses incident to performance of or compliance by the Company with this Agreement with respect to the Registrable Notes, the Exchange Notes, the Registrable Warrants and the Registrable Warrant Shares, including without limitation: (i) all SEC or National Association of Securities Dealers, Inc. ("NASD") registration and filing fees, (ii) all fees and expenses incurred in connection with compliance with state securities or blue sky laws (including reasonable fees and disbursements of one firm of legal counsel for any underwriters, Note Holders and holders of the Warrants and Warrant Shares in connection with blue sky qualification of any of the Exchange Notes, Registrable Notes,

Warrants, Registrable Warrants, Warrant Shares or Registrable Warrant Shares), (iii) all expenses of printing and distributing any Registration Statement, any Prospectus and any amendments or supplements thereto, (iv) all rating agency fees, (v) the fees and disbursements of counsel(s) for the Company and of the independent public accountants of the Company, including the expenses of "cold comfort" letters required by this Agreement, (vi) the fees and expenses of the Trustee and Warrant Agent, and any escrow agent or custodian, (vii) all fees and expenses incurred in connection with listing the Notes or the Exchange Notes, as the case may be, on any securities exchange or on any securities quotation system, (viii) all fees and expenses incurred in connection with listing the Warrants and the Warrant Shares on any securities exchange or on any securities quotation system and (ix) the reasonable fees and expenses of any special experts retained by the Company in connection with any Registration Statement, but excluding fees of counsel to the underwriters or the Note Holders and underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of (a) Registrable Notes, Registrable Warrants or Registrable Warrant Shares by any holder.

"Registration Statement" shall mean any registration statement of the Company which covers any of the Exchange Notes, Registrable Notes, Warrants, Registrable Warrants, Warrant Shares or Registrable Warrant Shares pursuant to the provisions of this Agreement, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated or deemed to be incorporated by reference therein.

"SEC" shall mean the Securities and Exchange Commission.

"Shelf Registration Statement" shall mean a Purchaser Shelf Registration Statement, the Notes Registration Statement or the Warrants Shelf Registration Statement.

"Subject Registration Statement" shall mean a Notes Shelf Registration Statement or a Purchaser Shelf Registration Statement or both (as the context requires).

"Separation Date" shall mean the earlier of (i) 180 days from the date of this Agreement or (ii) the effective date of the Exchange Offer Registration Statement.

"Trustee" shall mean the trustee with respect to the Notes under the Indenture.

"Units" shall have the meaning set forth in the preamble.

"Warrants" shall have the meaning set forth in the preamble.

"Warrant Agent" shall mean the warrant agent with respect to the Warrants under the Warrant Agreement.

"Warrant Agreement" shall mean the Warrant Agreement relating to the Warrants dated as of September 9, 1997 between the Company and American Stock Transfer & Trust Company, as warrant agent, as the same may be amended from time to time in accordance with the terms thereof.

"Warrant Shares" shall have the meaning set forth in the preamble.

"Warrant Shelf Registration Statement" shall have the meaning set forth in Section 3 hereof.

All references herein to information which is "included" or "contained" in a Registration Statement or Prospectus, and all references of like import, shall include the information (including financial statements) incorporated or deemed to be incorporated by reference therein, and all references herein to amendments or supplements to a Registration Statement or Prospectus shall include any documents filed by the Company under the 1934 Act which are deemed to be incorporated by reference therein.

SECTION 2. Registration Under the 1933 Act for the Registrable Notes.

(a) Exchange Offer Registration. To the extent not prohibited by law (including, without limitation, any applicable interpretation of the staff of the SEC), the Company shall use its reasonable best efforts (i) to file within 45 days after the Closing Date an Exchange Offer Registration Statement covering the offer by the Company to the Note Holders to exchange all of the Registrable Notes (except Registrable Notes held by an Initial Purchaser and acquired directly from the Company if such Initial Purchaser is not permitted, in the reasonable opinion of counsel to the Initial Purchasers, pursuant to applicable law or SEC interpretation, to participate in the Exchange Offer) for Exchange Notes, (ii) to cause such Exchange Offer Registration Statement to be declared effective by the SEC within 105 days after the Closing Date, (iii) to cause such Exchange Offer Registration Statement to remain effective until the closing of the Exchange Offer and (iv) to consummate the Exchange Offer within 180 days following the Closing Date. The Exchange Notes will be issued under the Indenture. Upon the effectiveness of the Exchange Offer Registration Statement, the Company shall promptly commence the Exchange Offer, it being the objective of such Exchange Offer to enable each Note Holder (other than Participating Broker-Dealers (as defined in Section 4(f) hereof) and broker-dealers who purchased Notes directly from the Company to resell pursuant to Rule 144A or any other available exemption under the 1933 Act) eligible and electing to exchange Registrable Notes for Exchange Notes (assuming that such Note Holder is not an affiliate of the Company, acquires the Exchange Notes in the ordinary course of such Note Holder's business and has no arrangements or understandings with any person to participate in the distribution (within the meaning of the 1933 Act) of Exchange Notes) to trade or sell such Exchange Notes from and after their receipt without any limitations or restrictions under the 1933 Act and without material restrictions under the securities laws of a substantial proportion of the several states of the United States.

In connection with the Exchange Offer, the Company shall:

(A) mail to each Note Holder a copy of the Prospectus forming

part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(B) keep the Exchange Offer open for not less than 30 days after the date notice thereof is mailed to the Note Holders (or longer if required by applicable law);

(C) use the services of the Depositary for the Exchange Offer;

(D) permit Note Holders to withdraw tendered Registrable Notes at any time prior to the close of business, New York City time, on the last business day on which the Exchange Offer shall remain open, by sending to the institution specified in the notice, a telegram, telex, facsimile transmission or letter setting forth the name of such Note Holder, the principal amount of Registrable Notes delivered for exchange and a statement that such Note Holder is withdrawing his election to have such Notes exchanged; and

(E) otherwise comply in all respects with all applicable laws relating to the Exchange Offer.

As soon as practicable after the close of the Exchange Offer, the Company shall:

(x) accept for exchange Registrable Notes duly tendered and not validly withdrawn pursuant to the Exchange Offer in accordance with the terms of the Exchange Offer Registration Statement and the letter of transmittal which is an exhibit thereto;

(y) deliver, or cause to be delivered, to the Trustee for cancellation all Registrable Notes so accepted for exchange by the Company; and

(z) cause the Trustee promptly to authenticate and deliver Exchange Notes to each Note Holder of Registrable Notes equal in amount to the Registrable Notes of such Note Holder so accepted for exchange.

Interest on each Exchange Security will accrue from the last date on which interest was paid or duly provided for on the Registrable Notes surrendered in exchange therefor or, if no interest has been paid on the Registrable Notes, from September 9, 1997. The Exchange Offer shall not be subject to any conditions, other than (1) that the Exchange Offer, or the making of any exchange by a Note Holder, does not violate applicable law or any applicable interpretation of the staff of the SEC, (2) that no action or proceeding shall have been instituted or threatened in any court or by or before any governmental agency or body with respect to the Exchange Offer, (3) that there shall not have been adopted or enacted any law, statute, rule or regulation

prohibiting or limiting the Exchange Offer, (4) that there shall not have been declared by United States federal or Texas or New York state authorities a banking moratorium, (5) that trading on the New York Stock Exchange or generally in the United States over-the-counter market shall not have been suspended by order of the SEC or any other governmental authority and (6) such other conditions as may be reasonably acceptable to Oppenheimer & Co., Inc. which, in the Company's judgment, would reasonably be expected to impair the ability of the Company to proceed with the Exchange Offer. In addition, each Note Holder (other than Participating Broker-Dealers) who wishes to exchange such Registrable Notes for Exchange Notes in the Exchange Offer will be required to represent that (I) it is not an affiliate of the Company or a broker-dealer who intends to tender Registerable Securities acquired directly from the Company for its own account, (II) any Exchange Notes to be received by it were acquired in the ordinary course of business and (III) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, the distribution (within the meaning of the 1933 Act) of the Exchange Notes. Each Participating Broker-Dealer shall be required to make such representations as, in the reasonable judgment of the Company, may be necessary under applicable SEC rules, regulations or interpretations or customary in connection with similar exchange offers. Each Note Holder (including Participating Broker-Dealers) shall be required to make such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to render the use of Form S-4 or another appropriate form under the 1933 Act available and will be required to agree to comply with their agreements and covenants set forth in this Agreement. The Exchange Offer shall be subject to the further condition that no stop order, injunction or similar order shall have been issued or obtained by the SEC or any state securities authority suspending the effectiveness of the Exchange Offer Registration Statement and no proceedings shall have been initiated or, to the knowledge of the Company, threatened for that purpose. To the extent permitted by law, the Company shall, upon request of Oppenheimer & Co., Inc., inform the Initial Purchasers of the names and addresses of the Note Holders to whom the Exchange Offer is made, and the Initial Purchasers shall have the right to, and, if requested by the Company, shall, contact such Note Holders and otherwise facilitate the tender of Registrable Notes in the Exchange Offer.

Prior to effectiveness of the Exchange Offer Registration Statement, the Company shall, if requested by the staff of the SEC, provide a supplemental letter to the SEC (aa) stating that the Company is registering the Exchange Offer in reliance on the position of the SEC enunciated in Exxon Capital Holdings Corporation (available May 13, 1988) and Morgan Stanley and Co., Inc. (available June 5, 1991) and (bb) including a representation that the Company has not entered into any arrangement or understanding with any Person to distribute the Exchange Notes and that, to the best of the Company's information and belief, each Note Holder participating in the Exchange Offer is acquiring the Exchange Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Exchange Notes received in the Exchange Offer.

If in the opinion of counsel to the Company there is a question as to whether the Exchange Offer is permitted by applicable law, the Company hereby agrees to seek a no-action

letter or other favorable decision from the SEC allowing the Company to consummate the Exchange Offer. The Company hereby agrees to pursue the issuance of such a decision to the SEC staff level, but shall not be required to take action to effect a change of stated or recognized SEC policy. The Company hereby agrees, however, to (xx) participate in telephonic conferences with the SEC and the staff of the SEC, (yy) deliver to the staff of the SEC an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that the Exchange Offer should be permitted and (zzz) diligently pursue a resolution (which need not be favorable) by the staff of the SEC of such submission.

(b) Notes Shelf Registration Statement. (i) If, because of any change in law or applicable interpretations thereof by the staff of the SEC, the Company is not permitted to effect the Exchange Offer as contemplated by Section 2(a) hereof, or (ii) if for any other reason the Exchange Offer Registration Statement is not declared effective within 105 days after the Closing Date or the Exchange Offer is not consummated within 180 days after the Closing Date, or (iii) upon the request of Oppenheimer & Co., Inc. (but only with respect to any Registrable Notes which the Initial Purchasers acquired directly from the Company) following the consummation of the Exchange Offer if any of the Initial Purchasers shall hold Registrable Notes which such Initial Purchaser acquired directly from the Company and if such Initial Purchaser is not permitted, in the opinion of counsel to the Initial Purchasers, pursuant to applicable law or applicable interpretation of the staff of the SEC to participate in the Exchange Offer, then the Company shall, at its cost:

(A) In the event clause (i) or (ii) is applicable, as promptly as practicable (but in no event (x) more than 30 days from the date on which the Company determined that it is not permitted to effect the Exchange Offer as contemplated by Section 2(a) hereof in the case of clause (i) or (y) on the 150th day after the Closing Date in the case of clause (ii)), use its best efforts to file with the SEC a Notes Shelf Registration Statement relating to the offer and sale of the Registrable Notes (other than Registrable Notes owned by Note Holders who have elected not to include such Registrable Notes in such Notes Shelf Registration Statement or who have not complied with their obligations under the penultimate paragraph of Section 4 hereof or under the penultimate sentence of this Section 2(b)) by the Note Holders from time to time in accordance with the methods of distribution elected by the Majority Note Holders of such Registrable Notes and set forth in such Notes Shelf Registration Statement, and use its best efforts to cause such Notes Shelf Registration Statement to be declared effective by the SEC by the 180th day after the Closing Date. In the event that the Company is required to file a Purchaser Shelf Registration Statement upon the request of Oppenheimer & Co., Inc. pursuant to clause (iii) above, the Company shall use its best efforts (unless clause (i) or (ii) above is applicable) to file and have declared effective by the SEC an Exchange Offer Registration Statement pursuant to Section 2(a) with respect to all Registrable Notes (other than Registrable Notes acquired directly from the Company and held by the Initial Purchasers) and use its best efforts to

file, promptly after any such request from Oppenheimer & Co., Inc., and have declared effective, a Purchaser Shelf Registration Statement (which may be a combined Registration Statement with the Exchange Offer Registration Statement or, if clause (i) or (ii) above is applicable, a combined Registration Statement with the Notes Shelf Registration Statement);

(B) use its best efforts to keep the relevant Subject Registration Statement continuously effective in order to permit the Prospectus forming part thereof to be usable by Note Holders for a period of two years from the date a Notes Shelf Registration Statement is declared effective by the SEC (or, in the case of a Purchaser Shelf Registration Statement, one year from the date a Purchaser Shelf Registration Statement is declared effective) or in each case such shorter period which will terminate when all of the Registrable Notes covered by the relevant Subject Registration Statement have been sold pursuant to such Subject Registration Statement or otherwise are no longer Registrable Notes; and

(C) notwithstanding any other provisions hereof, use its best efforts to ensure that (x) any Subject Registration Statement and any amendment thereto and any Prospectus forming part thereof and any supplement thereto complies in all material respects with the 1933 Act and the rules and regulations thereunder, (y) any Subject Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (z) any Prospectus forming part of any Subject Registration Statement, and any supplement to such Prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading.

To the extent permitted by law, the Company further agrees, if necessary, to supplement or amend the Notes Shelf Registration Statement (if reasonably requested by one firm of legal counsel selected by the Majority Note Holders) or the Purchaser Shelf Registration Statement (if reasonably requested by Oppenheimer & Co., Inc.), as the case may be, with respect to information relating to the Note Holders or the Initial Purchasers, respectively, and otherwise as required by Section 4(b) below, to use its best efforts to cause any such amendment to become effective and such Subject Registration Statement to become usable as soon as thereafter practicable and to furnish to the Note Holders of Registrable Notes registered thereby or the relevant Initial Purchasers, as the case may be, copies of any such supplement or amendment promptly after its being used or filed with the SEC. The Company may require, as a condition to including the Registrable Notes of any Note Holder in any Subject Registration Statement, that such Note Holder shall have furnished to the Company a written agreement to the effect that such Note Holder agrees to comply with and be bound by the provisions of this Agreement. For further clarity, the Company shall have no obligation to keep the Notes Shelf Registration

Statement effective after consummation of the Exchange Offer, and the Company's obligations to use its best efforts to file a Notes Shelf Registration Statement and to keep such Notes Shelf Registration Statement effective shall immediately terminate upon effectiveness of the Exchange Offer Registration Statement (regardless of when such effectiveness shall occur).

(c) Effective Registration Statement. (i) The Company will be deemed not to have used its best efforts to cause the Exchange Offer Registration Statement or any Subject Registration Statement, as the case may be, to become, or to remain, effective during the requisite period if the Company voluntarily takes any action that would result in any such Registration Statement not being declared effective or in the Note Holders of Registrable Notes covered thereby not being able to exchange or offer and sell such Registrable Notes during that period unless such action is, in the reasonable judgment of the Company, required by applicable law (including, without limitation, any interpretation of the SEC).

(ii) An Exchange Offer Registration Statement pursuant to Section 2(a) hereof or a Subject Registration Statement pursuant to Section 2(b) hereof will not be deemed to have become effective unless it has been declared effective by the SEC; provided, however, that if, after it has been declared effective, the offering of Registrable Notes pursuant to such Subject Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Subject Registration Statement will be deemed not to have been effective during the period of such interference, until the offering of Registrable Notes pursuant to such Subject Registration Statement may legally resume.

(d) Increase in Interest Rate. In the event that (i) the Exchange Offer Registration Statement is not filed with the SEC on or prior to the 45th calendar day after the Closing Date, (ii) the Exchange Offer Registration Statement is not declared effective by the SEC on or prior to the 120th calendar day after the Closing Date or (iii) the Exchange Offer is not consummated or a Notes Shelf Registration Statement required to be filed is not declared effective by the SEC on or prior to the 180th calendar day after the Closing Date, the interest rate borne by the Notes shall be increased by 0.50% per annum, as liquidated damages ("Notes Liquidated Damages"), following the occurrence of each of such 45th day in the case of clause (i) above, such 120th day in the case of clause (ii) above, or such 180th day in the case of clause (iii) above; provided, however, that the aggregate amount of any such increase in such interest rate will in no event exceed 1.50% per annum; and provided, further that if the Exchange Offer Registration Statement is not declared effective by the SEC on or prior to the 120th day following the Closing Date, then Notes owned by Persons who do not comply in all material respects with their obligations under the penultimate paragraph of Section 4 will not be entitled to any such increase in the interest rate for any day after the 180th day following the Closing Date. Upon (A) the filing of the Exchange Offer Registration Statement after the 45th day described in clause (i) above, (B) the effectiveness of the Exchange Offer Registration Statement after the 120th day described in clause (ii) above or (C) the consummation of the Exchange Offer

or the effectiveness of a Notes Shelf Registration Statement, as the case may be, after the 180th day described in clause (iii) above, the interest rate borne by the Notes from the date of such filing, effectiveness or consummation (effective immediately preceding such consummation), as the case may be, will be reduced to the original interest rate; provided, however, that the interest rate borne by the Notes will be reduced to the original interest rate only if there is not then continuing a default with respect to any of the events set forth in the immediately preceding sentence causing the interest rate borne by the Notes to increase.

(e) Specific Enforcement. Without limiting the remedies available to the Initial Purchasers and the Note Holders, the Company acknowledges that any failure by the Company to comply with its obligations under Section 2(a) and Section 2(b) hereof may result in material irreparable injury to the Initial Purchasers or the Note 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 Initial Purchasers or any Holder may, to the extent permitted by law, obtain such relief as may be required to specifically enforce the Company's obligations under Section 2(a) and Section 2(b) hereof.

SECTION 3. Warrants Shelf Registration.

(a) Warrants Shelf Registration Statement. Promptly (and in any event not more than 45 days) following the Closing Date, the Company shall file with the Commission and thereafter use its best efforts to have declared effective not later than 105 days after the Closing Date, a registration statement on an appropriate form under the 1933 Act relating to (i) the offer and sale of the Registrable Warrant Shares by the Company to the holders of the Registrable Warrants upon exercise thereof and (ii) the offer and sale of the Registrable Warrants and Registrable Warrant Shares by the holders thereof, in each case from time to time in accordance with the methods of distribution set forth in such registration statement and Rule 415 under the 1933 Act (the "Warrants Shelf Registration Statement"). For purposes of this Agreement, the term "Registrable Warrant Shares" shall be deemed to include any Warrant Shares issued and sold by the Company to any holder (other than the holders who purchased directly from the Initial Purchasers) of Registrable Warrants upon the exercise thereof.

(b) Effectiveness. The Company agrees to use its best efforts to keep the Warrants Shelf Registration Statement continuously effective in order to permit the Prospectus included therein to be usable by the holders of the Registrable Warrants and the Registrable Warrant Shares for nine years from the Closing Date or such shorter period that will terminate when all Registrable Warrants and Registrable Warrant Shares covered by the Warrants Registration Statement have been sold pursuant to such registration statement; provided, that the Company shall be deemed not to have used its best efforts to keep the Warrants Registration Statement effective during the requisite period if it voluntarily takes any action that would result in holders of the Registrable Warrants and Registrable Warrant Shares covered thereby not being able to offer and sell such Registrable Warrants and Registrable Warrant Shares during that period, unless such action is required by applicable law, and provided, further, that the foregoing shall not apply to actions if the Company determines, in its reasonable judgment, upon advice of

counsel, as authorized by a resolution of its Board of Directors, that the continued effectiveness and usability of such registration statement would (i) require the disclosure of material information, which the Company has a bona fide business reason for preserving as confidential, or (ii) interfere with any financing, acquisition, corporate reorganization or other material transaction involving the Company or any of its Affiliates (as defined in the rules and regulations adopted under the 1934 Act); provided, however, that the failure to keep the registration statement effective and usable for offers and sales of Registrable Warrants and Registrable Warrant Shares for such reasons shall last no longer than 60 days in any 12-month period (whereafter Warrant Liquidated Damages (as defined in Section 3(c)) shall accrue and be payable).

(c) Warrants Liquidated Damages. If the Company fails to file within 45 days, or cause to become effective within 105 days, the Warrants Shelf Registration Statement, or (subject to Section 3(b)) the Warrants Shelf Registration Statement is declared effective but thereafter ceases to be effective in connection with resales of the Registrable Warrants or Registrable Warrant Shares (each, a "Registration Default"), then the Company agrees to pay to each holder of Registrable Warrants or Registrable Warrant Shares, liquidated damages in an amount equal to (i) one-tenth of one cent ($.001) per day per Registrable Warrant or such Registrable Warrant Share held by such holder during the two week period immediately following a Registration Default, (ii) three-tenths of one cent ($.003) per day per Registrable Warrant or such Registrable Warrant Share held by such holder during the four week period immediately following the two week period referred to in clause (i) and (iii) thereafter, five-tenths of one cent ($.005) per day per Registrable Warrant or such Registrable Warrant Share held by such holder (the "Warrant Liquidated Damages"), accruing in each case from the date of such Registration Default and ceasing to accrue on the date such Registration Default has been cured by, by as applicable, the filing, declaration of effectiveness or withdrawal of suspension of effectiveness of the applicable Registration Statement. The Company shall deliver the Warrant Liquidated Damages to the Warrant Agent on the first day of each month next following a month as to which Warrant Liquidated Damages have accrued for the benefit of the holders of Registrable Warrants and to a paying agent (which may be the Company) for the benefit of the holders of Registrable Warrant Shares and cause the Warrant Agent and such paying agent to promptly deliver such funds to the holders of Registrable Warrants and Registrable Warrant Shares entitled thereto. For purposes of this Agreement, the term "Registration Default" shall not include the failure of the Company to register the offer and sale of the Registrable Warrant Shares of the Company to the holders of the Registrable Warrants as set forth under Section 3(a)(i) hereof if such registration is against the current policies of the staff of the SEC.

(d) Notwithstanding any other provisions of this Agreement to the contrary, the Company will cause the Warrants Shelf Registration Statement and the related Prospectus and any amendment or supplement thereto, as of the effective date of such Registration Statement, amendment or supplement, (i) to comply in all material respects with the applicable requirements of the 1933 Act and the rules and regulations of the Commission and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be

stated herein or necessary to make the statements therein not misleading.

(e) Specific Enforcement. Without limiting the remedies available to the Initial Purchasers and the holders of the Warrants and Warrant Shares, the Company acknowledges that t any failure by the Company to comply with its obligations under this Section 3 may result in material irreparable injury to the Initial Purchases or the holders of the Warrant sand Warrant Shares for which there is not 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 Initial Purchasers or any holder of Warrants or Warrant Shares may, to the extent permitted by law, obtain such relief as may be required to specifically enforce the Company's obligations under this Section 3.

SECTION 4. Registration Procedures.

In connection with the obligations of the Company with respect to the Exchange Offer Registration Statement pursuant to Sections 2(a), the Notes Shelf Registration Statement pursuant to Section 2(b) and the Warrants Shelf Registration Statement pursuant to Section 3(a) hereof, but only so long as the Company shall have an obligation under this Agreement to keep a Registration Statement effective, the Company shall:

(a) use its best efforts to prepare and file with the SEC a Registration Statement, within the relevant time period specified in Section 2 or 3, on the appropriate form under the 1933 Act, which form (i) shall be selected by the Company, (ii) shall, in the case of a Notes Shelf Registration, be available for the sale of the Registrable Notes by the selling Note Holders thereof, (iii) shall, in the case of a Warrants Shelf Registration Statement, be available for the sale of the Registrable Warrants and Registrable Warrant Shares by the selling holders thereof, and (iv) shall comply as to form in all material respects with the requirements of the applicable form and include or incorporate by reference all financial statements required by the SEC to be filed therewith, and use its best efforts to cause such Registration Statement to become effective and use its best efforts to cause such Registration Statement to remain effective in accordance with Section 2 or 3 hereof;

(b) to the extent permitted by law, use its best efforts to (i) prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary under applicable law to keep such Registration Statement effective for the applicable period, (ii) cause each Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed (if required) pursuant to Rule 424 under the 1933 Act, and (iii) comply with the provisions of the 1933 Act with respect to the disposition of all securities covered by each Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the selling Note Holders or selling holders of the Registrable Warrants or Registrable Warrant Shares;

(c) in the case of a Notes Shelf Registration Statement, (i) notify each Note Holder, at least ten business days prior to filing, that the Shelf Registration Statement with

respect to the Registrable Notes is being filed and advising such Note Holders that the distribution of Registrable Notes will be made in accordance with the method elected by the Majority Note Holders; and (ii) furnish to each Note Holder of registered under the Notes Shelf Registration Statement, to a single firm of legal counsel for the Note Holders (including the Initial Purchasers) and to the managing underwriters of an underwritten offering of Registrable Notes, if any, and their counsel, without charge, as many copies of each Prospectus, including each preliminary prospectus, and any amendment or supplement thereto and documents incorporated by reference therein as such Note Holder, counsel or underwriters may reasonably request and, if the Note Holder so requests, all exhibits thereto (including those incorporated by reference) in order to facilitate the public sale or other disposition of the Registrable Notes; and (iii) subject to Section 4(m) hereof and the last paragraph of this Section 4, hereby consent to the use of the Prospectus or any amendment or supplement thereto by each of the selling Note Holders of Registrable Notes in connection with the offering and sale of the Registrable Notes covered by the Prospectus or any amendment or supplement thereto but only during the period of time that the Company is required to keep the Shelf Registration Statement effective pursuant to this Agreement;

(d) in the case of a Warrants Shelf Registration Statement, (i) notify each holder of Registrable Warrants and Registrable Warrant Shares, at least 10 business days prior to filing, that the Warrants Shelf Registration Statement with respect to the Registrable Warrants and Registrable Warrant Shares is being filed and advising such holders that the distribution of Registrable Warrants and Registrable Warrant Shares will be made in accordance with the method elected by the majority of the holders of the Registrable Warrants and Registrable Warrant Shares acting as a single Class (the "Majority Warrant Holders") and (ii) furnish to each holder of Registrable Warrants and Registrable Warrant Shares registered under the Warrants Shelf Registration Statement, to a single firm of legal counsel for the holders of the Registrable Warrants and Registrable Warrant Shares (including the Initial Purchasers) and to the managing underwriters of an underwritten offering of Registrable Warrants and Registrable Warrant Shares, if any, and their counsel, without charge, as many copies of each Prospectus, including each preliminary prospectus, and any amendment or supplement thereto and documents incorporated by reference therein as such holders of Registrable Warrants and Registrable Warrant Shares, such holders' counsel or underwriters may reasonably request and, if such holders so request, all exhibits thereto (including those incorporated by reference) in order to facilitate the public sale or other disposition of the Registrable Warrants and Registrable Warrant Shares; and (iii) subject to Section 4(m) hereof and the last paragraph of this Section 4, hereby consent to the use of the Prospectus or any amendment or supplement thereto by each of the selling holders of Registrable Warrants and Registrable Warrant Shares in connection with the offering and sale of the Registrable Warrants and Registrable Warrant Shares covered by the Prospectus or any amendment or supplement thereto but only during the period of time that the Company is required to keep the Warrants Shelf Registration Statement effective pursuant to this Agreement;

(e) use its best efforts to register or qualify the Registrable Notes, Registrable

Warrants and Registrable Warrant Shares under all applicable state securities or "blue sky" laws, to the extent not preempted by federal law, of such jurisdictions in the United States as (i) the Majority Note Holders of Registrable Notes covered by a Registration Statement and the managing underwriter of an underwritten offering of Registrable Notes and (ii) the Majority Warrant Holders covered by the Warrants Shelf Registration Statement shall reasonably request prior to the time the applicable Registration Statement is declared effective by the SEC, to cooperate with the Note Holders and holders of the Registrable Warrants and Registrable Warrant Shares in connection with any filings required to be made with the NASD, and do any and all other acts and things which may be reasonably necessary or advisable to enable such holder to consummate the disposition of such Registrable Notes, Registrable Warrants and Registrable Warrant Shares in the jurisdiction of such holder pursuant to such Registration Statement; provided, however, that the Company shall not be required to (a) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Section 4(e) or (b) take any action that would subject it to general service of process or taxation in any such jurisdiction if it is not then so subject;

(f) in the case of a Shelf Registration Statement, promptly notify a single firm of legal counsel for the Note Holders or the holders of Registrable Warrants and Registrable Warrant Shares, as the case may be, registered thereby (including any Initial Purchasers) and Oppenheimer & Co., Inc. and, if requested by such counsel or Oppenheimer & Co., Inc., promptly confirm such advice in writing (by notice to such counsel or to Oppenheimer & Co., Inc.) (i) when such Registration Statement has become effective and when any post-effective amendments thereto become effective, (ii) of any request by the SEC or any state securities authority for post-effective amendments and supplements to such Registration Statement and the related Prospectus or for additional information after such Registration Statement has become effective, (iii) of the issuance by the SEC or any state securities authority of any stop order suspending the effectiveness of such Registration Statement or the initiation of any proceedings for that purpose, (iv) if, between the effective date of such Registration Statement and the closing of any sale of Registrable Notes or Registrable Warrants and Registrable Warrant Shares covered thereby pursuant to an underwriting agreement to which the Company is a party, the representations and warranties of the Company contained in such underwriting agreement cease to be true and correct in all material respects, (v) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Notes or Registrable Warrants and Registrable Warrant Shares covered by such Registration Statement for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose and (vi) upon the Company becoming aware thereof, of the happening of any event or the discovery of any facts during the period such Registration Statement is effective which (A) makes any statement made in such Registration Statement or the related Prospectus untrue in any material respect or (B) causes such Registration Statement or the related Prospectus to omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(g) (i) in the case of the Exchange Offer, (A) include in the Exchange

Offer Registration Statement a "Plan of Distribution" section covering the use of the Prospectus included in the Exchange Offer Registration Statement by Participating Broker-Dealers (as defined below) who have exchanged their Registrable Notes for Exchange Notes for the resale of such Exchange Notes, (B) furnish to each Participating Broker-Dealer who notifies the Company in writing that it desires to participate in the Exchange Offer, without charge, as many copies of each Prospectus included in the Exchange Offer Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, as such broker-dealer may reasonably request, (C) include in the Exchange Offer Registration Statement a statement that any broker-dealer who holds Registrable Notes acquired for its own account as a result of market-making activities or other trading activities (a "Participating Broker-Dealer"), and who receives Exchange Notes for Registrable Notes pursuant to the Exchange Offer, may be a statutory underwriter and must deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Notes, (D) subject to Section 3(m) hereof and the last paragraph of this Section 4, hereby consent to the use of the Prospectus forming part of the Exchange Offer Registration Statement or any amendment or supplement thereto by any Participating Broker-Dealer in connection with the sale or transfer of the Exchange Notes covered by the Prospectus or any amendment or supplement thereto for a period ending 180 days following consummation of the Exchange Offer or, if earlier, when all Exchange Notes received by such Participating Broker-Dealer in exchange for Registrable Notes acquired for their own account as a result of market-making or other trading activities have been disposed of by such Participating Broker-Dealer, and (E) include in the letter of transmittal or similar documentation to be executed by an exchange offeree in order to participate in the Exchange Offer a provision substantially in the following form (or such similar provision as is reasonably acceptable to counsel for the Initial Purchasers and as, in the reasonable opinion of the Company, may at the time be required by applicable law or SEC interpretation):

> "If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Registrable Notes, it represents that the Registrable Notes to be exchanged for Exchange Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Notes pursuant to the Exchange Offer; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the 1933 Act"; and

(ii) to the extent any Participating Broker-Dealer participates in the Exchange Offer, the Company shall use its best efforts to cause to be delivered at the request of an entity representing the Participating Broker-Dealers (which entity shall be

Oppenheimer & Co., Inc. or another Initial Purchaser) (A) a "cold comfort" letter addressed to the Participating Broker-Dealers from the Company's independent certified public accountants with respect to the Prospectus in the Exchange Offer Registration Statement in the form existing on the last date for which exchanges are accepted pursuant to the Exchange Offer, (B) a comfort letter addressed to the Participating Broker-Dealers from the Company's independent petroleum engineers in a form similar to the letter of such engineers delivered pursuant to the Purchase Agreement; and (C) an opinion of counsel to the Company addressed to the Participating Broker-Dealers in customary form relating to the Exchange Notes; and

(iii) to the extent any Participating Broker-Dealer participates in the Exchange Offer and notifies the Company or causes the Company to be notified in writing that it is a Participating Broker-Dealer, the Company shall use its best efforts to maintain the effectiveness of the Exchange Offer Registration Statement for a period of 180 days following the last date on which exchanges are accepted pursuant to the Exchange Offer, or, if earlier, when all Exchange Notes received by Participating Broker-Dealers in exchange for Registrable Notes acquired for their own account as a result of market-making or other trading activities have been disposed of by such Participating Broker-Dealers; and

(iv) not be required, however, to amend or supplement the Prospectus contained in the Exchange Offer Registration Statement as would otherwise be contemplated by Section 4(b) hereof, or take any other action as a result of this Section 4(g), at any time after 180 days after the last date for which exchanges are accepted pursuant to the Exchange Offer (or such earlier date referred to in Paragraph (C) above), and Participating Broker-Dealers shall not be authorized by the Company to, and shall not, deliver such Prospectus after such period in connection with resales contemplated by this Section 4 or otherwise;

it being understood that, notwithstanding anything in this Agreement to the contrary, the Company shall not be required to comply with any provision of this Section 4(g) or any other provision of this Agreement relating to the distribution of Exchange Notes by Participating Broker-Dealers, to the extent that the Company reasonably concludes (with the consent of Oppenheimer & Co., Inc., not to be unreasonably withheld) that compliance with such provision is no longer required by applicable law or interpretation of the staff of the SEC;

(h) in the case of an Exchange Offer, furnish to one firm of legal counsel for the Initial Purchasers and in the case of a Shelf Registration Statement, furnish to one firm of legal counsel for the Note Holders or one firm of legal counsel for the holders of the Registrable Warrants and Registrable Warrant Shares, as the case may be, covered thereby copies of any request received by or on behalf of the Company, from the SEC or any state securities authority for amendments or supplements to the relevant Registration Statement and Prospectus or for additional information;

(i) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement as soon as practicable and provide prompt notice to one firm of legal counsel for the Note Holders or holders of the Registrable Warrants and Registrable Warrant Shares, as the case may be, of the withdrawal of any such order;

(j) in the case of a Shelf Registration Statement, furnish to each Holder of Registrable Notes or holders of the Registrable Warrants and Registrable Warrant Shares, as the case may be, registered or holders of the Registrable Warrants and Registrable Warrant Shares, as the case may be, thereby, without charge, at least one conformed copy of each Registration Statement and any post-effective amendment thereto (without documents incorporated therein by reference or exhibits thereto, unless requested);

(k) in the case of a Subject Shelf Registration Statement cooperate with the selling Note Holders of Registrable Notes to facilitate the timely preparation and delivery of certificates representing Registrable Notes to be sold and not bearing any restrictive legend (except any customary legend borne by securities held through The Depository Trust Company or any similar depository); and cause such Registrable Notes to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Note Holders or the underwriters, if any, may request at least two business days prior to the closing of any sale of Registrable Notes;

(l) in the case of a Warrants Shelf Registration Statement, cooperate with the selling holders of the Registrable Warrants and Registrable Warrant Shares to facilitate the timely preparation and delivery of certificates representing Registrable Warrants and Registrable Warrant Shares to be sold and not bearing any restrictive legend (except any customary legend borne by securities held through the Depository Trust Company or any similar depository); and cause such Registrable Warrants and Registrable Warrant Shares to be in such denominations (consistent with the provisions of the Warrant Agreement) and registered in such names as the selling holders of the Registrable Warrants and Registrable Warrant Shares or the underwriters, if any, may request at least two business days prior to the closing of any sale of Registrable Warrants and Registrable Warrant Shares;

(m) in the case of a Shelf Registration, upon the Company becoming aware of the occurrence of any event or the discovery of any facts, each as contemplated by Section 4(e)(vi) hereof, use its best efforts to prepare a supplement or post-effective amendment to the relevant Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Notes or purchasers of the Registrable Warrants and Registrable Warrant Shares, as the case may be, such Prospectus will not contain at the time of such delivery any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company agrees to notify each Note Holder registered under the relevant Shelf Registration Statement to suspend use of the Prospectus as promptly as practicable after the Company

becomes aware of the occurrence of such an event, and each Note Holder registered under the relevant Shelf Registration Statement hereby agrees to suspend use of the Prospectus after receipt of such notice until the Company has amended or supplemented the Prospectus to correct such misstatement or omission or has advised such holders that use of such Prospectus may be resumed. At such time as such public disclosure is otherwise made or the Company determines that such disclosure is not necessary, in each case to correct any misstatement of a material fact or to include any omitted material fact, or the Company otherwise determines that use of such Prospectus may be resumed, the Company agrees promptly to notify each holder registered under the relevant Shelf Registration Statement of such determination and (if applicable) to furnish each such holder such numbers of copies of the Prospectus, as amended or supplemented, as such holder may reasonably request;

(n) not later than the effective date of the applicable registration statement, the Company will provide a CUSIP number for the Registrable Notes, the Exchange Notes, the Registrable Warrants or the Registrable Warrant Shares, as the case may be, and provide (x) the Trustee or Warrant Agent with printed certificates for the Registrable Notes, the Exchange Noes, the Registrable Warrants or the Registrable Warrant Shares, as the case may be, and (y) the transfer agent and registration for the Common Stock with printed certificates for the Registrable Warrants Shares in a form eligible for deposit with The Depository Trust Company; provided, however, that the Company shall not be required to provide printed certificates for any Exchange Notes or Registrable Notes to be so-called "book-entry only" securities;

(o) unless the Indenture, as it relates to the Exchange Notes or the Registrable Notes, as the case may be, has already been so qualified, use its best efforts to (i) cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended (the "TIA"), in connection with the registration of the Exchange Notes or Registrable Notes, as the case may be, (ii) cooperate with the Trustee and the Note Holders to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA and (iii) execute, and use its best efforts to cause the Trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner;

(p) in the case of a Shelf Registration Statement, take all customary and appropriate actions reasonably required (including those reasonably requested by the Majority Note Holders or Majority Warrant Holders, as the case may be) in order to expedite or facilitate the disposition of the Registrable Notes or Registrable Warrants and Registrable Warrant Shares, as the case may be, registered thereby. If requested as set forth below, the Company agrees that it will in good faith negotiate the terms of an Underwriting Agreement, which shall be in form and scope as is customary for similar offerings of notes with similar credit ratings (including, without limitation, representations and warranties to the underwriters) and shall otherwise be reasonably satisfactory to the Company and the managing underwriters; and:

(i) if requested by the managing underwriters, obtain opinions of counsel to the Company (which counsel shall be reasonably satisfactory to the managing

underwriters) addressed to such underwriters, covering the matters customarily covered in opinions requested in underwritten sales of securities in substantially the forms specified in the Underwriting Agreement;

(ii) if requested by the managing underwriters, obtain a "cold comfort" letter and an update thereto not later than two weeks after the date of the original letter (or if not available under applicable accounting pronouncements or standards, a single "procedures" letter and a single update thereto) from the Company's independent certified public accountants addressed to the underwriters named in the Underwriting Agreement and use its best efforts to have such letter addressed to the selling Note Holders or selling holders of Registrable Warrants and Registrable Warrant Shares, as the case may be, (provided, however, that such letter need not be addressed to any Note Holders or holders of Registrable Warrants and Registrable Warrant Shares, as the case may be, to whom, in the reasonable opinion of the Company's independent certified public accountants, addressing such letter is not permissible under applicable accounting standards), such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" (or "procedures") letters to underwriters in connection with similar underwritten offerings;

(iii) if requested by the managing underwriters, obtain a comfort letter from the Company's independent petroleum engineers addressed to the underwriters named in the Underwriting Agreement, such letter to be in a form similar to the letter of such engineers delivered pursuant to the Purchase Agreement; and

(iv) deliver such documents and certificates as may be reasonably requested and as are customarily delivered in similar underwritten offerings.

Notwithstanding anything herein to the contrary, the Company shall have no obligation to enter into any underwriting agreement or permit an underwritten offering of Registrable Notes or Registrable Warrants and Registrable Warrant Shares unless a request therefor shall have been received from the Majority Note Holders or the Majority Warrant Holders, as the case may be, then outstanding within ten business days of the date of the notice from the Company as required by Section 4(c) or 4(d). In the case of such a request for an underwritten offering, the Company shall provide reasonable advance written notice to the Note Holders or holders of Registrable Warrants and Registrable Warrant Shares, as the case may be, of such proposed underwritten offering. Such notice shall (A) offer each such holder the right to participate in such underwritten offering (but may indicate that whether or not all Registrable Notes or all Registrable Warrants and Registrable Warrant Shares, as the case may be, are included will be at the discretion of the underwriters), (B) specify a date, which shall be no earlier than ten business days following the date of such notice, by which such holder must inform the Company of its intent to participate in such underwritten offering and (C) include the instructions such holder must follow in order to participate in such underwritten offering;

(q) in the case of a Shelf Registration, (in the case of a Notes Shelf

Registration Statement, to the extent customary in connection with a "due diligence" investigation for an offering of Notes with a similar credit rating to that of the Registrable Notes) make available for inspection by representatives appointed by the Majority Note Holders or the Majority Warrant Holders, as the case may be, and any underwriters participating in any disposition pursuant to a Shelf Registration Statement and one firm of legal counsel retained for all Note Holders or holders of Registrable Warrants and Registrable Warrant Shares, as the case may be, participating in such Shelf Registration, and one firm of legal counsel to the underwriters, if any, all financial and other records, pertinent corporate documents and properties of the Company reasonably requested by any such persons, and cause the respective officers, employees and any other agents of the Company to supply all information reasonably requested by any such representative, underwriters or counsel in connection with the Shelf Registration Statement; provided, however, that, if any such records, documents or other information relates to pending or proposed acquisitions or dispositions, or otherwise relates to matters reasonably considered by the Company to constitute sensitive or proprietary information, the Company need not provide such records, documents or information unless the foregoing parties enter into a confidentiality agreement in customary form and reasonably acceptable to such parties and the Company;

(r) (i) a reasonable time prior to the filing of any Exchange Offer Registration Statement, any Prospectus forming a part thereof, any amendment to an Exchange Offer Registration Statement or amendment or supplement to such Prospectus, provide copies of such document to the Initial Purchasers, and make such changes in any such document prior to the filing thereof as Oppenheimer & Co., Inc. or one firm of legal counsel to the Initial Purchasers may reasonably request; (ii) in the case of a Shelf Registration Statement, a reasonable time prior to filing any Shelf Registration Statement, any Prospectus forming a part thereof, any amendment to such Shelf Registration Statement or amendment or supplement to such Prospectus, provide copies of such document to Oppenheimer & Co., Inc., one firm of legal counsel appointed by the Majority Note Holders or Majority Warrant Holders to represent the Note Holders or the Majority Warrant Holders, as the case may be, participating in such Shelf Registration Statement, the managing underwriters of an underwritten offering of Registrable Notes or Registrable Warrants and Registrable Warrant Shares, as the case may be, if any, and their counsel, and make such changes in any such document prior to the filing thereof as Oppenheimer & Co., Inc., such one firm of legal counsel for the Note Holders or holders of Registrable Warrants and Registrable Warrant Shares, as the case may be, such managing underwriters or their counsel may reasonably request; and (iii) cause the representatives of the Company to be available for discussion of such document as shall be reasonably requested by Oppenheimer & Co., Inc., one firm of legal counsel to the Note Holders, the holders of the Registrable Warrants and Registrable Warrant Shares, the managing underwriters and their counsel; and shall not at any time make any filing of any such document of which Oppenheimer & Co., Inc., one firm of legal counsel to the Note Holders, the holders of the Registrable Warrants and Registrable Warrant Shares, the managing underwriters and their counsel shall not have previously been advised and furnished a copy or to which Oppenheimer & Co., Inc., one firm of legal counsel to the Note Holders, the holders of the Registrable Warrants and

Registrable Warrant Shares, the managing underwriters and their counsel shall reasonably object; provided, however, that the provisions of this paragraph (p) shall not apply to any document filed by the Company pursuant to the 1934 Act which is incorporated or deemed to be incorporated by reference in any Registration Statement or Prospectus;

(s) in the case of a Shelf Registration Statement and if requested by the managing underwriters, if any, or the Majority Note Holders or the Majority Warrant Holders, as the case may be, (i) as soon as practicable incorporate in a prospectus supplement or post-effective amendment such information or revisions to information therein relating to such underwriters, selling Note Holders or selling holders of the Registrable Warrants and Registrable Warrant Shares, as the case may be, as the managing underwriters, if any, or such holders or their counsel reasonably request to be included or made therein, (ii) make all required filings of such prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such prospectus supplement or post-effective amendment and (iii) if required, supplement or make amendments to such Shelf Registration Statement;

(t) upon delivery of the Registrable Notes by Note Holders to the Company (or to such other Person as directed by the Company) in exchange for the Exchange Notes, the Company shall mark, or cause to be marked, on such Registrable Notes that such Registrable Notes are being canceled in exchange for the Exchange Notes; in no event shall such Registrable Notes be marked as paid or otherwise satisfied;

(u) use its best efforts to cause the Exchange Notes, if applicable, and, in the event of a Shelf Registration Statement, the Notes to be rated with not more than two rating agencies selected by the Company, if so requested by the Majority Note Holders or by the managing underwriters of an underwritten offering of Registrable Notes, if any, unless the Exchange Notes or the Registrable Notes, as the case may be, are already so rated or unless the Company has obtained such ratings for its long-term Notes generally;

(v) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC and make available to its security holders, as soon as reasonably practicable, an earnings statement covering at least 12 months which shall satisfy the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder; and

(w) cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any managing underwriters and their counsel.

In the case of a Shelf Registration Statement, the Company may (as a condition to such holder's participation in the Shelf Registration Statement) (i) require each holder of Registrable Notes, Registrable Warrants or Registrable Warrant Shares to furnish to the Company such information regarding such holder and the proposed distribution by such Holder of such Registrable Notes, Registrable Warrants or Registrable Warrant Shares as the Company may

from time to time reasonably request in writing and such other information as, in the reasonable opinion of the Company, is required for inclusion in the Shelf Registration Statement, and (ii) further require each holder of Registrable Notes, Registrable Warrants or Registrable Warrant Shares through one firm of legal counsel on behalf of all such holders of Registrable Notes, Registrable Warrants or Registrable Warrant Shares, to furnish to the Company any comments on the Shelf Registration Statement and the Prospectus included therein or any amendment or supplement to any of the foregoing not later than such times as the Company reasonably may request. Each holder of securities included in a Shelf Registration Statement agrees promptly to notify the Company of any inaccuracy or change in information previously furnished to the Company or the occurrence of any event, in either case, as a result of which the relevant Registration Statement or the related Prospectus contains or would contain an untrue statement of a material fact or omits or would omit to state any material fact regarding such Holder, its intended method of distribution of Registrable Notes, Registrable Warrants or Registrable Warrant Shares or otherwise that is required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing. As soon as practicable, the Company will, subject to the reasonable approval of its counsel, incorporate in a supplement or post-effective amendment to the relevant Registration Statement or related Prospectus such information furnished in writing to the Company and requested to be included therein, and furnish to such holder copies of the Prospectus, as amended or supplemented, as reasonably requested.

In the case of a Shelf Registration Statement, each holder agrees and, in the case of the Exchange Offer Registration Statement, each Participating Broker-Dealer agrees that, upon receipt of any notice from the Company of the happening of any event or the discovery of any facts, each of the kind described in Section 4(f)(ii)-(vi) or Section 4(m) hereof (it being understood and agreed that, for purposes of this paragraph, all references in Sections 4(f)(ii)-(vi) and Section 4(m) to a "Shelf Registration Statement" or a "Registration Statement" shall be deemed to mean and include the Shelf Registration Statement, the Purchaser Shelf Registration Statement or the Exchange Offer Registration Statement or all or any combination thereof (as the context requires), mutatis mutandis), such holder or Participating Broker-Dealer, as the case may be, will forthwith discontinue disposition of Registrable Notes, Registrable Warrants or Registrable Warrant Shares pursuant to such Registration Statement and discontinue use of the Prospectus included therein until such holder's or Participating Broker-Dealer's receipt, as the case may be, of (A) copies of the supplemented or amended Prospectus contemplated by Section 4(m) hereof or (B) notice from the Company that the sale of the Registrable Notes, Registrable Warrants or Registrable Warrant Shares may be resumed, and, if so directed by the Company, such holder or Participating Broker-Dealer, as the case may be, will deliver to the Company (at its expense) all copies in its possession, other than permanent file copies then in its possession, of the Prospectus covering such Registrable Notes, Registrable Warrants or Registrable Warrant Shares current at the time of receipt of such notice. If the Company shall give any such notice to suspend the disposition of Registrable Notes, Registrable Warrants or Registrable Warrant Shares pursuant to a Registration Statement as a result of the happening of any event or the discovery of any facts, each of the kind described in Section 4(f) (ii)- (vi) or 4(m) hereof, the

Company shall be deemed to have used its best efforts to keep such Registration Statement effective during such period of suspension, provided that the Company shall use its best efforts to file and have declared effective (if an amendment) as soon as practicable an amendment or supplement to such Registration Statement or the related Prospectus and shall extend the period during which such Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from and including the date of the giving of such notice to and including the date when the Note Holders or holders of the Registrable Warrants or Registrable Warrant Shares shall have received copies of the supplemented or amended Prospectus necessary to resume such dispositions or the date on which the Company has given notice that the sale of Registrable Notes or Registrable Warrants and Registrable Warrant Shares may be resumed, as the case may be. Each holder of Registrable Notes or Registrable Warrants and Registrable Warrant Shares hereby agrees that it will at all times use the then most current Prospectus, as then amended or supplemented, which has been provided to it by the Company in connection with the resale or transfer of any Registrable Notes or Registrable Warrants and Registrable Warrant Shares pursuant to a Registration Statement or Prospectus.

SECTION 5. Expenses.

The Company (i) shall pay all Registration Expenses in connection with the performance of its obligations under Section 2, Section 3 and Section 4, and (ii) in connection with the Exchange Offer Registration Statement and the Notes Shelf Registration Statement, shall reimburse the Note Holders of Registrable Notes being tendered in the Exchange Offer and/or resold pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or registered pursuant to the Notes Shelf Registration Statement, as applicable (or to the extent such fees and disbursements are paid to such counsel by the Initial Purchasers, the Initial Purchasers), for the reasonable fees and disbursements of not more than one counsel, to be chosen by the Note Holders of a majority in principal amount of the Registrable Notes for whose benefit such Registration Statement is being prepared. Each Note Holder (including each Initial Purchaser) shall pay all expenses of its counsel other than as set forth in the preceding sentence, underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Note Holder's Registrable Notes pursuant to any Subject Registration Statement or the exchange of its Registrable Notes pursuant to any Exchange Offer Registration Statement. Notwithstanding anything in this Agreement to the contrary, the Company shall not be required to pay the fees and disbursements of legal counsel for any Note Holders or holder of Registrable Warrants or Registrable Warrant Shares (including Initial Purchasers) except (A) as provided in clause (ii) of the first sentence of this paragraph, (B) to the extent such fees and disbursements constitute Registration Expenses which the Company is required to pay pursuant to the other provisions of this Agreement and (C) to the extent required by Section 7 hereof. In the case of the Warrants Shelf Registration Statement, the Company shall bear or reimburse the holders of the Registrable Warrants and the Registrable Warrant Shares for the reasonable fees and expenses of the one firm of counsel designated by holders of a majority of the Registrable Warrants or Warrant Shares (voting together as a class) to act as counsel.

SECTION 6. Underwritten Registrations.

If any of the Registrable Notes or Registrable Warrants and Registrable Warrant Shares covered by a Shelf Registration Statement are to be sold in an underwritten offering, the underwriter or underwriters and manager or managers that will manage the offering will be selected by the Company and shall be reasonably acceptable to the Majority Note Holders or the Majority Warrant Holders included in such offering, as the case may be.

No holder of Registrable Notes or Registrable Warrants and Registrable Warrant Shares may participate in any underwritten offering hereunder unless such holder (a) agrees to sell such holder's Registrable Notes or Registrable Warrants and Registrable Warrant Shares on the basis provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

SECTION 7. Indemnification and Contribution.

(a) The Company shall indemnify and hold harmless each Initial Purchaser, each holder of Notes, Exchange Notes, Warrants and Warrant Shares and each Person, if any, who controls any such Person within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all losses, liabilities, claims, damages and expenses whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) pursuant to which (A) Exchange Notes or Registrable Notes were registered under the 1933 Act or (B) the Warrants or Warrant Shares were registered under the 1933 Act, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all losses, liabilities, claims, damages and expenses whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 7(e) below) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expenses whatsoever, as incurred (including (subject to Section 7(c) below) the fees and disbursements of counsel chosen by Oppenheimer & Co., Inc. or, in the event that Oppenheimer & Co., Inc. is not an indemnified party, by a majority of the indemnified parties), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) of this Section 7(a);

provided, however, that this indemnity does not apply to any loss, liability, claim, damage or expense to the extent arising out of an untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Initial Purchaser, any Note Holder, any holder of a Warrant or Warrant Shares or any underwriter expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto); and provided, further, that this indemnity agreement with respect to any Prospectus shall not inure to the benefit of any Initial Purchaser or holder from whom the person asserting any such losses, claims, damages or liabilities purchased Registrable Notes, Exchange Notes, Registrable Warrants, Warrants, Registrable Warrant Shares or Warrant Shares (or any person who controls such Initial Purchaser or Holder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act) if a copy of the Prospectus (as then amended or supplemented and furnished by the Company to such Initial Purchaser or Bite Holder, as the case may be) was not sent or given by or on behalf of such Initial Purchaser or Holder, as the case may be, to such person at or prior to the sale of such securities and if the Prospectus (as so amended or supplemented) would have corrected any untrue statement or omission, or alleged untrue statement or omission, giving rise to such loss, liability, claim, damage or expense (provided the Company has delivered the Prospectus (as then amended or supplemented) to the several Initial Purchasers or applicable holders in requisite quantity on a timely basis to permit such delivery or sending).

(b) In the case of a Notes Shelf Registration Statement or a Warrants Registration Statement, each Note Holder and holders of Warrants or Warrant Shares, as the case may be, agrees, severally and not jointly, to indemnify and hold harmless the Company, each Initial Purchaser, each underwriter who participates in an offering of Registrable Notes, Registrable Warrants or Registrable Warrant Shares and the other Note Holders and holders of Warrants or Warrant Shares, as the case may be, and each of their respective directors and officers (including each officer of the Company who signed the Registration Statement in question) and each Person, if any, who controls the Company, any Initial Purchaser, any underwriter or any other Holder or holders of Warrants or Warrant Shares, within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, against any and all losses, liabilities, claims, damages and expenses described in the indemnity contained in Section 9(a) hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or

omissions, made in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by or on behalf of such holder expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto); provided, however, that no such holder shall be liable for any claims hereunder in excess of the amount of net proceeds received by such holder from the sale of securities pursuant to such Registration Statement.

(c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have other than on account of this indemnity agreement or the contribution agreement set forth in Section 7(d) below. In the case of parties indemnified pursuant to Section 7(a) above, counsel to the indemnified parties shall be selected by Oppenheimer & Co., Inc. (or, in the event that Oppenheimer & Co., Inc. is not an indemnified party, by a majority in interest of the indemnified parties), and, in the case of parties indemnified pursuant to Section 7(b) above, counsel to the indemnified parties shall be selected by the Company. Notwithstanding the foregoing, in case any action or proceeding shall be instituted and the indemnified party shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein, and, after written notice from the indemnifying party to such indemnified party, to assume the defense thereof with counsel of its choice reasonably acceptable to the indemnified parties in such action. Notwithstanding the election of the indemnifying party to assume defense of such action or proceeding, the indemnified party shall have the right, at its own expense, to employ one additional firm as separate counsel and to participate in the defense of the action or proceeding; provided that the indemnifying party shall pay the reasonable fees and expenses of such separate counsel reasonably satisfactory to the indemnifying party if (i) the indemnifying party shall have failed to employ counsel to represent the indemnified party in a reasonably timely manner or (ii) the defendants in any such action or proceeding include both the indemnified party and the indemnifying party and counsel to the indemnified party shall have concluded and notified the indemnifying party that in its reasonable judgment representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. In no event shall the indemnifying parties be liable for the fees and expenses of more than one counsel (in addition to any local counsel) (which counsels shall be selected by Oppenheimer & Co., Inc. or, in the event that Oppenheimer & Co., Inc. is not an indemnified party, by a majority in interest of the indemnified parties) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could

be sought under this Section 7 (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim 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 any indemnified party.

(d) In order to provide for just and equitable contribution in circumstances in which any of the indemnity provisions set forth in this Section 6 are for any reason held to be unenforceable by the indemnified parties although applicable in accordance with its terms, the Company, the Initial Purchasers, the Note Holders and the holders of the Warrants and Warrant Shares shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement incurred by the Company, the Initial Purchasers, the Note Holders, and the holders of the Warrants and Warrant Shares as incurred; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any Person that was not guilty of such fraudulent misrepresentation. As between the Company, the Initial Purchasers, the Note Holders, and the holders of the Warrants and Warrant Shares, such parties shall contribute to such aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement in such proportion as shall be appropriate to reflect the relative fault of the Company on the one hand, the Initial Purchasers on another hand, and the Note Holders and the holders of the Warrants and Warrant Shares on another hand, with respect to the statements or omissions which resulted in such loss, liability, claim, damage or expense, or action in respect thereof, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand, the Initial Purchasers on another hand, and the Note Holders and the holders of the Warrants and Warrant Shares on another 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 or by the Initial Purchasers or by the Note Holders and the holders of the Warrants and Warrant Shares and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue or alleged untrue statement or omission. The Company, the Initial Purchasers and the Note Holders and the holders of the Warrants and Warrant Shares agree that it would not be just and equitable if contribution pursuant to this Section 7(d) were to be determined by pro rata allocation or by any other method of allocation that does not take into account the relevant equitable considerations. For purposes of this Section 7(d), each Person, if any, who controls an Initial Purchaser, a Note Holder or a holder of a Warrant or Warrant Shares within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Initial Purchaser or such Holder, and each director of the Company, each officer of the Company who signed the Registration Statement in question, and each Person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company.

(e) If at any time an indemnified party shall have requested an indemnifying

party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 7(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

SECTION 8. Miscellaneous.

(a) Rule 144 and Rule 144A. Until the earliest of (i) the completion of the Exchange Offer, (ii) two years following the Closing Date (or such shorter period as may be specified in Rule 144(k) as then amended) and (iii) the date when all Registrable Notes have been sold pursuant to the Subject Registration Statement or are no longer Registrable Notes, the Company covenants that it will file the reports required to be filed by it under Section 13(a) or 15(d) of the 1934 Act and the rules and regulations adopted by the SEC thereunder for so long as the Company is subject to the reporting requirements of Section 13 or 15 of the 1934 Act, and if the Company ceases to be so required to file such reports, it will upon the request of any holder of Registrable Notes, Registrable Warrants or Registrable Warrant Shares (i) make publicly available such information as is necessary to permit sales pursuant to Rule 144 under the 1933 Act, (ii) deliver such information to a prospective purchaser as is necessary to permit sales pursuant to Rule 144A under the 1933 Act and (iii) take such further action that is reasonable in the circumstances, in each case, to the extent required from time to time to enable such holder to sell its Registrable Notes, Registrable Warrants or Registrable Warrant Shares without registration under the 1933 Act within the limitation of the exemptions provided by (A) Rule 144 under the 1933 Act, as such Rule may be amended from time to time, (B) Rule 144A under the 1933 Act, as such Rule may be amended from time to time or (C) any similar rules or regulations hereafter adopted by the SEC (provided that the obligations of the Company under any such similar rules or regulations shall not be more burdensome in any substantial respect than those referred to in clauses (A) or (B)). Upon the request of any holder of Registrable Notes, Registrable Warrants or Registrable Warrant Shares, the Company will deliver to such holder a written statement as to whether it has complied with such requirements.

(b) No Inconsistent Agreements. The Company has not entered into nor will the Company on or after the date of this Agreement enter into any agreement which is inconsistent with the rights granted to the holders of Registrable Notes, Registrable Warrants or Registrable Warrant Shares in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Note Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's other issued and outstanding securities under any such agreements.

(c) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company has

obtained the written consent of Note Holders of at least a majority in aggregate principal amount of the outstanding Registrable Notes affected by such amendment, modification, supplement, waiver or departure; provided, however, that to the extent any provision of this Agreement relates to the Purchaser Shelf Registration Statement or otherwise to the Initial Purchasers, such provision may be amended, modified or supplemented, and waivers or consents to departures from such provisions thereof may be given, by Oppenheimer & Co., Inc.; and provided, further, that no amendment, modification, supplement or waiver or consent to any departure from the provisions of Section 7 hereof shall be effective as against any holder of Registrable Notes, Registrable Warrants or Registrable Warrant Shares unless consented to in writing by such holder. Notwithstanding anything in this Agreement to the contrary, this Agreement may be amended, modified or supplemented, and waivers and consents to departures from the provisions hereof may be given, by written agreement signed by the Company and Oppenheimer & Co., Inc. to the extent that any such amendment, modification, supplement, waiver or consent is, in their reasonable judgment, necessary or appropriate to comply with applicable law (including any interpretation of the staff of the SEC) or any change therein.

(d) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, registered or certified first-class mail, telex, telecopier or any courier providing overnight delivery (i) if to a Note Holder, at its address appearing in the register of the Notes and/or Exchange Notes kept by the Registrar (as defined in the Indenture) or at such other address as shall have been given by such Holder to the Company by means of a notice given in accordance with the provisions of this Section 8(d), which address initially is, with respect to the Initial Purchasers, the address care of Oppenheimer & Co., Inc. set forth in the Purchase Agreement, if to a holder of a Warrant or Warrant Share, at its address appearing in the register kept by the Warrant Agent and (iii) if to the Company initially at or in care of the Company's address set forth in the Purchase Agreement, or in each case to such other address notice of which is given in accordance with the provisions of this Section 6(d).

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; and on the next business day if timely delivered to an air courier providing overnight delivery.

(e) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Note Holders; provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Notes in violation of the terms hereof or of the Purchase Agreement, the Indenture or the Offering Memorandum dated September 2, 1997; and provided, further, that Note Holders may not assign their rights under this Agreement except in connection with the permitted transfer of Registrable Notes and then only insofar as relates to such Registrable Notes. If any transferee of any Holder shall acquire Registrable Notes, in any manner, whether by operation of law or otherwise, such Registrable Notes shall be held subject to all of the terms of

this Agreement, and by taking and holding such Registrable Notes, 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, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(f) Third-Party Beneficiary. The holders of the Notes, Warrants and Warrant Shares from time to time shall each be a third-party beneficiary to the agreements made hereunder between the Company, on the one hand, and the Initial Purchasers, on the other hand, and Oppenheimer & Co., Inc. shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights or the rights of such holders hereunder.

(g) 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.

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(j) 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.

(k) Guarantees. Each of the Guarantors agrees to take all such actions necessary to include its guarantee of the Notes or the Exchange Notes in any Exchange Offer Registration Statement, Shelf Registration Statement or Purchaser Shelf Registration Statement to the extent required under the 1933 Act or as may be required in order for the Company to comply with its obligations hereunder.

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

GOTHIC ENERGY CORPORATION

By:

Michael K. Paulk
President

GOTHIC ENERGY OF TEXAS, INC.

By:

Michael K. Paulk
President

GOTHIC GAS CORPORATION

By:

Michael K. Paulk
President

OPPENHEIMER & CO., INC.

By:

Name:
Title:

BANC ONE CAPITAL CORPORATION

By:

Name:
Title:

PARIBAS CORPORATION

By:

Name:
Title:

EXHIBIT 4.11

WARRANT AGREEMENT

BETWEEN

GOTHIC ENERGY CORPORATION

AND

AMERICAN STOCK TRANSFER & TRUST COMPANY
AS WARRANT AGENT

DATED AS OF JANUARY 23, 1998

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Warrant Agreement (the "Agreement"), dated as of January 23, 1998, between Gothic Energy Corporation, an Oklahoma corporation (together with any successors and assigns (the "Company") and American Stock Transfer & Trust Company, a New York corporation, as Warrant Agent (the "Warrant Agent").

WHEREAS, the Company proposes to issue and sell pursuant to a Securities Purchase Agreement (the "Purchase Agreement'), dated as of January 23, 1998, among the Company and the Purchasers named therein (the "Purchasers"), up to $45,000,000 in aggregate liquidation value of its Senior Redeemable Preferred Stock, Series A, par value $.05 per share (the "Preferred Stock"), along with warrants (each a "Warrant," and collectively, the "Warrants") for the purchase of up to 1,430,000 shares of its Common Stock, par value $.01 per share (the "Common Stock," and the shares of Common Stock issuable upon exercise of the Warrants being referred to herein as the "Warrant Shares") and Additional Warrants (as hereinafter defined), constituting up to 50% of the Company's fully diluted Common Stock;

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company and the Warrant Agent is willing to act in connection with the issuance, transfer, exchange and exercise of Warrants as provided herein; and

WHEREAS, the holders of Warrants and Warrant Shares shall, from time to time, have certain rights and obligations with respect thereto as set forth in the Common Stock Registration Rights Agreement, dated as of January 23, 1998, among the Company and the Purchasers.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein, the Company and the Warrant Agent hereby agree as follows:

Section 1. Appointment of Warrant Agent. The Company hereby appoints the Warrant Agent to act as agent for the Company in accordance with the instructions hereinafter set forth in this Agreement, and the Warrant Agent hereby accepts such appointment.

Section 2. Warrant Certificates. The Warrants will initially be issued either in global form (the "Global Warrants"), substantially in the form of Exhibit A hereto (including the footnote thereto), or in registered form as definitive warrant certificates (the "Definitive Warrants"). Any certificates (the "Warrant Certificates") evidencing the Global Warrants or the Definitive Warrants to be delivered pursuant to this Agreement shall be substantially in the form set forth in Exhibit A hereto. Such Global Warrants shall represent such of the outstanding Warrants as shall be specified therein and each shall provide that it shall represent the aggregate amount of outstanding Warrants from time to time endorsed thereon and that the aggregate amount of outstanding Warrants represented thereby may from time to time be reduced or increased, as appropriate, provided that the issuance of Additional Warrants (as defined in the Purchase Agreement) on each date set forth in Section 5.5 of the Purchase Agreement shall require the issuance of a new Global Warrant or Definitive Warrant with respect to the

Additional Warrants issued on such date. Any endorsement of a Global Warrant to reflect the amount of any increase or decrease in the amount of outstanding Warrants represented thereby shall be made by the Warrant Agent and Depositary (as defined below) in accordance with instructions given by the holder thereof. The Depository Trust Company shall act as the Depositary with respect to the Global Warrants until a successor shall be appointed by the Company. Upon written request, a Warrant holder may receive from the Depositary and Warrant Agent Definitive Warrants as set forth in Section 6 below.

Section 3. Execution of Warrant Certificates. Warrant Certificates shall be signed on behalf of the Company by its Chairman of the Board or its President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer or a Vice President and by its Secretary or an Assistant Secretary under its corporate seal. Each such signature upon the Warrant Certificates may be in the form of a facsimile signature of the present or any future Chairman of the Board, President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, a Vice President, Secretary or Assistant Secretary and may be imprinted or otherwise reproduced on the Warrant Certificates and for that purpose the Company may adopt and use the facsimile signature of any person who shall have been Chairman of the Board, President, Vice President, Secretary or Assistant Secretary, notwithstanding the fact that at the time the Warrant Certificates shall be countersigned and delivered or disposed of such person shall have ceased to hold such office. The seal of the Company may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Warrant Certificates.

In case any officer of the Company who shall have signed any of the Warrant Certificates shall cease to be such officer before the Warrant Certificates so signed shall have been countersigned by the Warrant Agent, or disposed of by the Company, such Warrant Certificates nevertheless may be countersigned and delivered or disposed of as though such person had not ceased to be such officer of the Company; and any Warrant Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Warrant Certificate, shall be a proper officer of the Company to sign such Warrant Certificate, although at the date of the execution of this Warrant Agreement any such person was not such officer.

Warrant Certificates shall be dated the date of countersignature by the Warrant Agent.

Section 4. Registration and Countersignature. The Warrants shall be numbered and shall be registered on the books of the Company maintained at the principal office of the Warrant Agent in the Borough of Manhattan, City of New York (the "Warrant Register") as they are issued.

Warrant Certificates shall be manually countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. The Warrant Agent shall, upon written instructions of the Chairman of the Board, the President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, a Vice President, the Secretary or an Assistant Secretary of the Company, initially countersign and deliver Warrants entitling the holders thereof to purchase not more than the number of Warrant Shares referred to above in the first recital hereof and shall thereafter countersign and deliver Warrants as otherwise provided in this Agreement.

The Company and the Warrant Agent may deem and treat the registered holders (the "Holders") of the Warrant Certificates as the absolute owners thereof (notwithstanding any notation of ownership or other writing thereon made by anyone) for all purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

Section 5. Transfer and Exchange of Warrants. The Warrant Agent shall from time to time, subject to the limitations of Section 6, register the transfer of any outstanding Warrants upon the records to be maintained by it for that purpose, upon surrender thereof duly endorsed or accompanied (if so required by it) by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent, duly executed by the registered Holder or Holders thereof or by the duly appointed legal representative thereof or by a duly authorized attorney. Subject to the terms of this Agreement, each Warrant Certificate may be exchanged for another certificate or certificates entitling the Holder thereof to purchase a like aggregate number of Warrant Shares as the certificate or certificates surrendered then entitle each Holder to purchase. Any Holder desiring to exchange a Warrant Certificate or Warrant Certificates shall make such request in writing delivered to the Warrant Agent, and shall surrender, duly endorsed or accompanied (if so required by the Warrant Agent) by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent, the Warrant Certificate or Warrant Certificates to be so exchanged.

Upon registration of transfer, the Warrant Agent shall countersign and deliver by certified or first class mail a new Warrant Certificate or Warrant Certificates to the persons entitled thereto. The Warrant Certificates may be exchanged at the option of the Holder thereof, when surrendered at the office or agency of the Company maintained for such purpose, which initially will be the corporate trust office of the Warrant Agent in New York, New York for another Warrant Certificate, or other Warrant Certificates of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of Warrant Shares.

No service charge shall be made for any exchange or registration of transfer of Warrant Certificates, but the Company may require payment of a sum sufficient to cover any

stamp or other tax or other governmental charge that is imposed in connection with any such exchange or registration of transfer.

Section 6. Registration of Transfer and Exchanges.

(a) Transfer and Exchange of Definitive Warrants. When Definitive Warrants are presented to the Warrant Agent with a request:

(i) to register the transfer of the Definitive Warrants; or

(ii) to exchange such Definitive Warrants for an equal number of Definitive Warrants of other authorized denominations, the Warrant Agent shall register the transfer or make the exchange as requested if its requirements under this Agreement are met; provided, however, that the Definitive Warrants presented or surrendered for registration of transfer or exchange:

(x) shall be duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Warrant Agent, duly executed by the Holder thereof or by such Holder's attorney, duly authorized in writing; and

(y) in the case of Warrants (the "Restricted Warrants") which constitute Restricted Securities (as such term is defined in Rule 144(a)(3) of the Securities Act of 1933, as amended (the "Securities Act")), such Warrants shall be accompanied, in the reasonable discretion of the Company, by the following additional information and documents, as applicable, however, it being understood that the Warrant Agent need not determine which clause (A) through (C) below is applicable:

(A) if such Restricted Warrant is being delivered to the Warrant Agent by a Holder for registration in the name of such Holder, without transfer, a certification from such holder to that effect (in substantially the form of Exhibit B hereto); or

(B) if such Restricted Warrant is being transferred to a qualified institutional buyer (as defined in Rule 144A under the Act, a "QIB") in accordance with Rule 144A under the Act or pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act or Regulation S under the Securities Act or pursuant to an effective registration statement under the Securities Act, a certification to that effect (in substantially the form of Exhibit B hereto) and, with respect to transfers pursuant to Rule 144 or Regulation S, an opinion of counsel reasonably acceptable to the Company and the Warrant Agent to the effect that such transfer does not require registration under the Securities Act; or

(C) if such Restricted Warrant is being transferred in reliance on another exemption from the registration requirements of the Securities Act, a certification to that effect (in substantially the form of Exhibit B hereto) and an opinion of counsel reasonably acceptable to the Company and to the Warrant Agent to the effect that such transfer does not require registration under the Securities Act.

(b) Restrictions on Transfer of a Definitive Warrant for a Beneficial Interest in a Global Warrant. A Definitive Warrant may not be exchanged for a beneficial interest in a Global Warrant except upon satisfaction of the requirements set forth below. Upon receipt by the Warrant Agent of a Definitive Warrant, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Warrant Agent, together with:

(A) if such Definitive Warrant constitutes a Restricted Warrant, certification, substantially in the form of Exhibit B hereto, that such Definitive Warrant is being transferred to a QIB in accordance with Rule 144A under the Securities Act; and

(B) written instructions directing the Warrant Agent to make, or to direct the Depositary to make, an endorsement on the Global Warrant to reflect an increase in the aggregate amount of the Warrants represented by the Global Warrant, then the Warrant Agent shall cancel such Definitive Warrant and cause, or direct the Depositary to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Warrant Agent, the number of Warrant Shares represented by the Global Warrant to be increased accordingly. If no Global Warrant is then outstanding, the Company shall issue and the Warrant Agent shall countersign a new Global Warrant in the appropriate amount.

(c) Transfer and Exchange of Global Warrants. The transfer and exchange of Global Warrants or beneficial interests therein shall be effected through the Depositary, in accordance with this Warrant Agreement (including the restrictions on transfer set forth herein) and the procedures of the Depositary therefor.

(d) Transfer of a Beneficial interest in a Global Warrant for a Definitive Warrant.

(i) Any person having a beneficial interest in a Global Warrant may upon request exchange such beneficial interest for a Definitive Warrant. Upon receipt by the Warrant Agent of written instructions or such other form of instructions as is customary for the Depositary from the Depositary or its nominee on behalf of any person having a beneficial interest in a Global Warrant and upon receipt by the Warrant Agent of

a written order or such other form of instructions as is customary for the Depositary or the person designated by the Depositary as having such a beneficial interest containing registration instructions and, in the case of a beneficial interest in Restricted Warrants, the following additional information and documents, however, it being understood that the Warrant Agent need not determine which clause (A) through (C) below is applicable;

(A) if such beneficial interest is being transferred to the person designated by the Depositary as being the beneficial owner, a certification from such person to that effect (in substantially the form of Exhibit B hereto); or

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A under the Securities Act or pursuant to an exemption from registration in accordance with Rule 144 or Regulation S under the Securities Act or pursuant to an effective registration statement under the Securities Act, a certification to that effect from the transferee or transferor (in substantially the form of Exhibit B hereto) and, with respect to transfers pursuant to Rule 144 or Regulation S, an opinion of counsel reasonably acceptable to the Company and the Warrant Agent to the effect that such transfer does not require registration under the Securities Act, or

(C) if such beneficial interest is being transferred in reliance on another exemption from the registration requirements of the Securities Act, a certification to that effect from the transferee or transferor (in substantially the form of Exhibit B hereto) and an opinion of counsel from the transferee or transferor reasonably acceptable to the Company and to the Warrant Agent to the effect that such transfer does not require registration under the Securities Act,

then the Warrant Agent will cause, in accordance with the standing instructions and procedures existing between the Depositary and the Warrant Agent, the aggregate amount of the Global Warrant to be reduced and, following such reduction, the Company will execute and, upon receipt of an authentication order in the form of an officers' certificate signed by the Chief Executive Officer, the President or any Vice President and the Chief Financial Officer, the Treasurer, the Secretary or any Assistant Secretary of the Company (an "Officers' Certificate"), the Warrant Agent will countersign and deliver to the transferee a Definitive Warrant.

(ii) Definitive Warrants issued in exchange for a beneficial interest in a Global Warrant pursuant to this Section 6(d) shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Warrant Agent in writing, provided such designation is in accordance with this Section 6(d). The Warrant Agent shall deliver such Definitive Warrants to the persons in whose names such Definitive Warrants are registered.

(e) Restrictions on Transfer and Exchange of Global Warrants. Notwithstanding any other provisions of this Warrant Agreement (other than the provisions set forth in subsection (f) of this Section 6), a Global Warrant may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(f) Authentication of Definitive Warrants in Absence of Depositary. If at any time:

(i) the Depositary for the Global Warrants notifies the Company that the Depositary is unwilling or unable to continue as Depositary for the Global Warrant and a successor Depositary for the Global Warrant is not appointed by the Company within 90 days after delivery of such notice; or

(ii) the Company, at its sole discretion, notifies the Warrant Agent in writing that it elects to cause the issuance of Definitive Warrants under this Warrant Agreement,

then the Company will execute, and the Warrant Agent, upon receipt of an Officers' Certificate requesting the countersignature and delivery of Definitive Warrants, will countersign and deliver Definitive Warrants, in an aggregate number equal to the aggregate number of Warrants represented by the Global Warrant, in exchange for such Global Warrant.

(g) Legends.

(i) Except as permitted by the following paragraph (ii), each Warrant Certificate evidencing the Global Warrants and the Definitive Warrants (and all warrants issued in exchange therefor or substitution thereof) shall bear a legend substantially as set forth in Exhibit C.

(ii) Upon any sale or transfer of a Warrant pursuant to Rule 144 under the Securities Act or an effective registration statement under the Securities Act:

(A) in the case of any Warrant that is a Definitive Warrant, the Warrant Agent shall permit the Holder thereof to exchange such Restricted Warrant for a Definitive Warrant that does not bear the legend set forth in Exhibit C and rescind any related restriction on the transfer of such Warrant; and

(B) any such warrant represented by a Global Warrant shall not be subject to the provisions set forth in (i) above (such sales or transfers

being subject only to the provisions of Section 6(c) hereof); provided, however, that with respect to any request for an exchange of a Warrant that is represented by a Global Warrant for a Definitive Warrant that does not bear the legend set forth in Exhibit C, which request is made in reliance upon Rule 144, the Holder thereof shall certify in writing to the Warrant Agent that such request is being made pursuant to Rule 144 (such certification to be substantially in the form of Exhibit B hereto) and shall obtain an opinion of counsel, reasonably acceptable to the Company and the Warrant Agent, to the effect that such transfer does not require registration under the Securities Act.

(h) Cancellation and/or Adjustment of a Global Warrant. At such time as all beneficial interests in a Global Warrant have either been exchanged for Definitive Warrants, redeemed, repurchased or canceled, such Global Warrant shall be returned to or retained and canceled by the Warrant Agent. At any time prior to such cancellation, if any beneficial interest in a Global Warrant is exchanged for Definitive Warrants, redeemed, repurchased or canceled, the number of Warrants represented by such Global Warrant shall be reduced and an endorsement shall be made on such Global Warrant by the Warrant Agent to reflect such reduction.

(i) Obligations with Respect to Transfers and Exchanges of Definitive Warrants.

(i) To permit registrations of transfers and exchanges in accordance with the terms of this Agreement, the Company shall execute, and the Warrant Agent shall countersign, Definitive Warrants and Global Warrants.

(ii) All Definitive Warrants and Global Warrants issued upon any registration, transfer or exchange of Definitive Warrants or Global Warrants shall be the valid obligations of the Company, entitled to the same benefits under this Warrant Agreement as the Definitive Warrants or Global Warrants surrendered upon the registration of transfer or exchange.

(iii) Prior to due presentment for registration of transfer of any Warrant, the Warrant Agent and the Company may deem and treat the person in whose name any Warrant is registered as the absolute owner of such Warrant, and neither the Warrant Agent nor the Company shall be affected by notice to the contrary.

Section 7. Terms of Warrants; Exercise Warrants. Subject to the terms of this Agreement, each Warrant Holder shall have the right, which may be exercised commencing on or after the Exercisability Date (as defined below) and until 5:00 P.M., New York City time, on the fifth anniversary of the date of original issuance of a Warrant or Additional Warrant (with respect to any Warrant or Additional Warrant, respectively, the "Expiration Date"), to receive

from the Company the number of fully paid and non-assessable Warrant Shares which the Holder may at the time be entitled to receive on exercise of such Warrants and payment of the Exercise Price (as defined below) then in effect for such Warrant Shares. Each Warrant not exercised prior to the Expiration Date shall become void and all rights thereunder and all rights in respect thereof under this Agreement shall cease as of such time. No adjustments as to dividends will be made upon exercise of the Warrants.

"Exercisability Date" shall mean January 23, 1998.

The initial price per share at which Warrant Shares shall be purchasable upon exercise of Warrants (the `Exercise Price") shall be the lesser of (a) $2.75 per share or (b) the average of the daily closing bid prices (as defined in Section 12(d)) for each Business Day during the period commencing 5 Business Days before the date of exercise and ending on the date one day prior to such date, to be reset to $.01 on March 31, 1998, as provided in Section 2.1 of the Purchase Agreement, in the event the Preferred Stock remains outstanding on that date, in each case subject to adjustment as provided herein. A Warrant may be exercised upon surrender at the office or agency of the Company maintained for such purpose, which initially will be the corporate trust office of the Warrant Agent in New York, New York, of the certificate or certificates evidencing the Warrants to be exercised with the form of election to purchase on the reverse thereof duly filled in and signed, which signature shall be guaranteed by a participant in a recognized Signature Guarantee Medallion Program, and upon payment to the Company of the Exercise Price, as adjusted as herein provided, for the number of Warrant Shares in respect of which such Warrants are then exercised. Payment of the aggregate Exercise Price shall be made in cash or by certified or official bank check to the order of the Company in New York Clearing House Funds.

Subject to the provisions of Section 6 hereof, upon such surrender of Warrants and payment of the Exercise Price, the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the Holder and in such name or names as the Warrant Holder may designate a certificate or certificates for the number of Warrant Shares issuable upon the exercise of such Warrants together with cash as provided in Section 13; provided, however, that if any consolidation, merger or lease or sale of assets is proposed to be effected by the Company as described in subsection (j) of Section 12 hereof, or a tender offer or an exchange offer for shares of Common Stock of the Company shall be made, upon such surrender of Warrants and payment of the Exercise Price as aforesaid, the Company shall, as soon as possible, but in any event not later than three days, other than a Saturday or Sunday or a day on which banking institutions in the State of New York are not open for business ("Business Day") thereafter, issue and cause to be delivered the full number of Warrant Shares issuable upon the exercise of such Warrants in the manner described in this sentence together with cash as provided in Section 13. Such certificate or certificates shall be deemed to have been issued and any person so named therein shall be deemed to have become a holder of record of such Warrant Shares as of the date of the surrender of such Warrants and payment of the Exercise Price.

The Warrants shall be exercisable, at the election of the Holders thereof, either in full or from time to time in part and, in the event that a certificate evidencing Warrants is exercised in respect of fewer than all of the Warrant Shares issuable on such exercise at any time prior to the date of expiration of the Warrants, a new certificate evidencing the remaining Warrant or Warrants will be issued, and the Warrant Agent is hereby irrevocably authorized to countersign and to deliver the required new Warrant Certificate or Warrant Certificates pursuant to the provisions of this Section 7 and of Section 3 hereof, and the Company, whenever required by the Warrant Agent, will promptly supply the Warrant Agent with Warrant Certificates duly executed on behalf of the Company for such purpose.

All Warrant Certificates surrendered upon exercise of Warrants shall be canceled by the Warrant Agent. Such canceled Warrant Certificates shall then be disposed of by the Warrant Agent in a manner consistent with the Warrant Agent's customary procedure for such disposal and in a manner reasonably satisfactory to the Company.

The Warrant Agent shall keep copies of this Agreement available for inspection by the Holders during normal business hours at its office. The Company shall supply the Warrant Agent from time to time with such numbers of copies of this Agreement as the Warrant Agent may request.

Section 8. Payment of Taxes. The Company will pay all documentary stamp taxes attributable to the initial issuance of Warrant Shares upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issue of any Warrant Certificates or any certificates for Warrant Shares in a name other than that of the registered Holder of a Warrant Certificate surrendered upon the exercise of a Warrant, and the Company shall not be required to issue or deliver such Warrant Certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 9. Mutilated or Missing Warrant Certificates. In case any of the Warrant Certificates shall be mutilated, lost, stolen or destroyed, the Company may in its discretion issue and the Warrant Agent may countersign, in exchange and substitution for and upon cancellation of the mutilated Warrant Certificate, or in lieu of and substitution for the Warrant Certificate lost, stolen or destroyed, a new Warrant Certificate of like tenor and representing an equivalent number of Warrants, but only upon receipt of evidence satisfactory to the Company and the Warrant Agent of such loss, theft or destruction of such Warrant Certificate and indemnity, if requested, also satisfactory to them. Applicants for such substitute Warrant Certificates shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company or the Warrant Agent may prescribe.

Section 10. Reservation of Warrant Shares. The Company will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Stock or its authorized and issued Common Stock held in its treasury, for the purpose of enabling it to satisfy any obligation to issue Warrant Shares upon exercise of Warrants, the maximum number of shares of Common Stock which may then be deliverable upon the exercise of all outstanding Warrants.

The Company or, if appointed, the transfer agent for the Common Stock (the "Transfer Agent") and every subsequent transfer agent for any shares of the Company's capital stock issuable upon the exercise of any of the rights of purchase aforesaid will be irrevocably authorized and directed at all times to reserve such number of authorized shares as shall be required for such purpose. The Company will keep a copy of this Agreement on file with the Transfer Agent and with every subsequent transfer agent for any shares of the Company's capital stock issuable upon the exercise of the rights of purchase represented by the Warrants. The Warrant Agent is hereby irrevocably authorized to requisition from time to time from such Transfer Agent the stock certificates required to honor outstanding Warrants upon exercise thereof in accordance with the terms of this Agreement. The Company will supply such Transfer Agent with duly executed certificates for such purposes and will provide or otherwise make available any cash which may be payable as provided in Section 13. The Company will furnish such Transfer Agent a copy of all notices of adjustments and certificates related thereto transmitted to each Holder pursuant to Section 14 hereof.

The Company covenants that all Warrant Shares which may be issued upon exercise of Warrants will, upon payment of the Exercise Price therefor and issue, be validly authorized and issued, fully paid, non-assessable, free of preemptive rights and free from all taxes, liens, charges and security interests with respect to the issuance thereof. The Company will take no action to increase the par value of the Common Stock to an amount in excess of the Exercise Price, and the Company will not enter into any agreements inconsistent in any material respect with the rights of Holders hereunder. The Company will use its reasonable best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Agreement.

Section 11. Public Equity Offering of Common Stock; Obtaining Stock Exchange Listings. The Company covenants and agrees with the Warrant Agent, for the benefit of each Warrant Holder, that at any time while the Warrants are outstanding, the Company will not make

a Public Equity offering (as defined below) of any class of its common stock other than the Common Stock. In the event that, at any time during the period in which the Warrants are exercisable, the Common Stock is not listed on any principal securities exchanges or markets within the United States of America, the Company will use its best efforts to permit the Warrant Shares to be designated PORTAL securities in accordance with the rules and regulations adopted by the National Association of Securities Dealers, Inc. relating to trading in the Private Offerings, Resales and Trading through Automated Linkages market.

"Public Equity Offering' means a public offering by the Company of shares of its common stock pursuant to an effective registration statement filed with the Securities and Exchange Commission (other than a public offering on a registration statement on Form S-4 or S-8 or similar form).

Section 12. Adjustment of Number of Warrant Shares Issuable. The number of shares of Common Stock issuable upon the exercise of each Warrant (the "Exercise Rate") is subject to adjustment from time to time upon the occurrence of the events enumerated in this Section 12.

(a) Adjustment for Change in Capital Stock. If the Company:

(1) pays a dividend or makes a distribution on its Common Stock in shares of its Common Stock or other capital stock of the Company; or

(2) subdivides, combines or reclassifies its outstanding shares of Common Stock;

then the Exercise Rate in effect immediately prior to such action shall be proportionately adjusted so that the Holder of any Warrant thereafter exercised may receive the aggregate number and kind of shares of capital stock of the Company which such Holder would have owned immediately following such action if such Warrant had been exercised immediately prior to such action.

The adjustment shall become effective immediately after the record date in the case of a dividend or distribution (the "Time of Determination") and immediately after the effective date in the case of a subdivision, combination or reclassification.

If after an adjustment a Holder of a Warrant upon exercise of it may receive shares of two or more classes of capital stock of the Company, the board of directors of the Company shall determine the allocation of the adjusted Exercise Price between the classes of capital stock. After such allocation, the exercise privilege and the Exercise Price of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this Section 12.

Such adjustment shall be made successively whenever any event listed above shall occur.

(b) Adjustment for Certain Issuances of Common Stock. If the Company issues or sells shares of its Common Stock or distributes any rights, options or warrants to any Person entitling them to purchase shares of Common Stock, or securities convertible into or exchangeable for Common Stock, at a price per share less than the Current Market Value at the Time of Determination, the Exercise Rate shall be adjusted in accordance with the formula:

$$E' = E \times \frac{O + N}{O + \frac{N \times P}{M}}$$

where:

E' = the adjusted Exercise Rate.

E = the Exercise Rate immediately prior to the Time of Determination for any such issuance, sale or distribution.

O = the number of Fully Diluted Shares (as defined below) outstanding immediately prior to the Time of Determination for any such issuance, sale or distribution.

N = the number of additional shares of Common Stock issued, sold or issuable upon exercise of such rights, options or warrants.

P = the price received in the case of any issuance or sale of Common Stock or rights, options or warrants inclusive of the exercise price per share of Common Stock upon exercise of such rights, options or warrants.

M = the Current Market Value per share of Common Stock on the Time of Determination for any such issuance, sale or distribution.

The adjustment shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the record date for the determination of stockholders entitled to receive the rights, options or warrants. Notwithstanding the foregoing, the Exercise Rate shall not be subject to adjustment in connection with (i) the issuance of any shares of Common Stock upon exercise of any such rights, options, warrants or convertible securities which have previously been the subject of an adjustment under this Agreement for which the required adjustment has been made and (ii) the exercise of the Warrants or any rights, options or warrants outstanding on the date hereof and described in the Memorandum (as defined in the Purchase Agreement). If at the end of the period during which any such rights, options, warrants or convertible securities are exercisable, not all rights, options, warrants or convertible securities shall have been exercised, the Warrant shall be immediately readjusted to what it would have been if "N" in the above formula had been the number of shares actually issued.

(c) Adjustment for Other Distribution. If the Company distributes to all holders of its Common Stock (i) any evidences of indebtedness of the Company or any of its subsidiaries, (ii) any assets of the Company or any of its subsidiaries (other than cash dividends or other cash distributions or distributions from current or retained earnings other than any Extraordinary Cash Dividend), or (iii) any rights, options or warrants to acquire any of the foregoing or to acquire any other securities of the Company, the Exercise Rate shall be adjusted in accordance with the formula:

$$E' = E \times \frac{M}{M - F}$$

where:

E' the adjusted Exercise Rate.

E the current Exercise Rate on the record date mentioned below.

M the Current Market Value per share of Common Stock on the record date mentioned below.

F the fair market value on the record date mentioned below of the indebtedness, assets, rights, options or warrants distributable in respect of one share of Common Stock.

The adjustment shall be made successively whenever any such distribution is made and shall become effective immediately after the record date for the determination of stockholders entitled to receive the distribution. If an adjustment is made pursuant to clause (iii) above of this subsection (c) as a result of the issuance of rights, options or warrants and at the end of the period during which any such rights, options or warrants are exercisable, not all such rights, options or warrants shall have been exercised, the Warrant shall be immediately readjusted as if "F" in the above formula was the fair market value on the record date of the indebtedness or assets actually distributed upon exercise of such rights, options or warrants divided by the number of shares of Common Stock outstanding on the record date.

This subsection does not apply to rights, options or warrants referred to in subsection (b) of this Section 12.

(d) Current Market Value; Extraordinary Cash Dividend. "Current Market Value" per share of Common Stock or of any other security (herein collectively referred to as a "Security") at any date shall be:

(1) if the security is not registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (i) the value of the Security determined in good faith by the board of directors of the Company and certified in a board resolution, based on the most recently completed arm's length transaction between the Company and a person other than an Affiliate of the Company and the closing of which occurs on such date or shall have occurred within the six months preceding such date or (ii) if no such transaction shall have occurred on such date or within such six-month period, the value of the Security most recently determined as of a date within the six months preceding such date by the board of directors of the Company if the transaction is for less than $500,000 and is not with an Affiliate and by an independent Financial Expert in all other instances, or

(2) if the Security is registered under the Exchange Act, the average of the daily closing bid prices (as defined below) for each Business Day during the period commencing 15 Business Days before such date and ending on the date one day prior to such date or, if the Security has been registered under the Exchange Act for less than 15 consecutive Business Days before such date, then the average of the daily closing bid prices for all of the Business Days before such date for which daily closing bid prices are available. If the closing bid price is not determinable for at least 10 Business Days in such period, the Current Market Value of the Security shall be determined as if the Security was not registered under the Exchange Act.

The "closing bid price" for any Security on each Business Day means: (A) if such Security is listed or admitted to trading on any securities exchange or market the closing price, regular way, on such day on the principal exchange or market on which such Security is traded, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, (a) if such Security is not then listed or admitted to trading on any securities exchange or market, the last reported sale price on such day, or if there is no such last reported sale price on such day, the average of the closing bid and the asked prices on such day, as reported by a reputable quotation source designated by the Company or (C) if neither clause (A) nor (B) is applicable, the average of the reported high bid and low asked prices on such day, as reported by a reputable quotation service, or a newspaper of general circulation in the Borough of Manhattan, City of New York, customarily published on each Business Day, designated by the Company. If there are no such prices on a Business Day, then the market price shall not be determinable for such Business Day.

"Independent Financial Expert" shall mean (a) CIBC Oppenheimer Corp. (or any successor) or (b) another nationally recognized investment banking firm reasonably acceptable to the Warrant Agent (i) that does not (and whose directors, officers, employees and Affiliates do not) have a direct or indirect material financial interest in the Company, (ii) that has not been, and, at the time it is called upon to serve as an Independent Financial Expert under this Agreement is not (and none of whose directors, officers, employees or Affiliates is) a promoter, director or officer of the Company, (iii) that has not been retained by the Company for any purpose, other than to perform an equity valuation, within the preceding twelve months and (iv) that, in the reasonable judgment of the board of directors of the Company (certified by a board resolution), is otherwise qualified to serve as an independent financial advisor. Any such person may receive customary compensation and indemnification by the Company for opinions or services it provides as an Independent Financial Expert.

"Affiliate" of any specified person means any other person which directly or indirectly through one or more intermediaries controls or is controlled by, or is under common control with, such specified person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling," "controlled by" and "under common control with") as used with respect to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by agreement or otherwise; provided, however, that beneficial ownership of at least 10% of the voting securities of a person shall be deemed to be control.

"Extraordinary Cash Dividend" means any cash dividends with respect to the Common Stock the aggregate amount of which prior to the Exercisability Date in any fiscal year exceeds the greater of (i) 20% of the net income of the Company and its subsidiaries for the fiscal year immediately preceding the payment of such dividend or (ii) $250,000.

(e) When De Minimis Adjustment May Be Deferred. No adjustment in the Exercise Rate need be made unless the adjustment would require an increase or decrease of at least 1% in the Exercise Rate. Notwithstanding the foregoing, any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment, provided that no such adjustment shall be deferred beyond the date on which a Warrant is exercised.

All calculations under this Section 12 shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

(f) When No Adjustment Required. If an adjustment is made upon the establishment of a record date for a distribution subject to subsections (a), (b) or (c) hereof and such distribution is subsequently canceled, the Exercise Rate then in effect shall be readjusted, effective as of the date when the board of directors determines to cancel such distribution, to that which would have been in effect if such record date had not been fixed. If an adjustment would be required under two or more of subsections (a), (b) and (c), such adjustments will be determined without duplication.

To the extent the Warrants become convertible into cash, no adjustment need be made thereafter as to the amount of cash into which such Warrants are exercisable. Interest wall not accrue on the cash.

(g) Notice of Adjustment. Whenever the Exercise Rate is adjusted, the Company shall provide the notices required by Section 14 hereof.

(h) Voluntary Reduction. The Company from time to time may increase the Exercise Rate by any amount for any period of time (including, without limitation, permanently) if the period is at least 20 Business Days.

An increase of the Exercise Rate under this subsection (h) (other than a permanent increase) does not change or adjust the Exercise Rate otherwise in effect for purposes of subsections (a), (b) or (c) of this Section 12.

(i) When Issuance or Payment May Be Deferred. In any case in which this Section 12 shall require that an adjustment in the Exercise Rate be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event

(i) issuing to the Holder of any Warrant exercised after such record date the Warrant Shares and other capital Stock of the Company, if any, issuable upon such exercise over and above the Warrant Shares and other capital stock of the Company, if any, issuable upon such exercise on the basis of the Exercise Rate prior to such adjustment, and (ii) paying to such Holder any amount in cash in lieu of a fractional share pursuant to Section 13; provided, however, that the Company shall deliver to the Warrant Agent and shall cause the Warrant Agent, on behalf of and at the expense of the Company, to deliver to such Holder a due bill or other appropriate instrument evidencing such Holder's right to receive such additional Warrant Shares, other capital stock and cash upon the occurrence of the event requiring such adjustment.

(j) Reorganizations. In case of any capital reorganization, other than in the cases referred to in Sections 12(a), (b) or (c) hereof, or the consolidation or merger of the Company with or into another corporation (other than a merger or consolidation in which the Company is the continuing corporation and which does not result in any reclassification of the outstanding shares of Common Stock into shares of other stock or other securities or property), or the sale of the property of the Company as an entirety or substantially as an entirety (collectively such actions being hereinafter referred to as "Reorganizations"), there shall thereafter be deliverable upon exercise of any Warrant (in lieu of the number of shares of Common Stock theretofore deliverable) the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock that would otherwise have been deliverable upon the exercise of such Warrant would have been entitled upon such Reorganization if such Warrant had been exercised in full immediately prior to such Reorganization. In case of any Reorganization, appropriate adjustment, as determined in good faith by the board of directors of the Company, whose determination shall be described in a duly adopted resolution certified by the Company's Secretary or Assistant Secretary, shall be made in the application of the provisions herein set forth with respect to the rights and interests of Holders so that the provisions set forth herein shall thereafter be applicable, as nearly as possible, in relation to any such shares or other securities or property thereafter deliverable upon exercise of Warrants.

The Company shall not effect any such Reorganization unless prior to or simultaneously with the consummation thereof the successor corporation (if other than the Company) resulting from such Reorganization or the corporation purchasing or leasing such assets or other appropriate corporation or entity shall (i) expressly assume, by a supplement to the Warrant Agreement or other acknowledgment executed and delivered to the Warrant Agent the obligation to deliver to the Warrant Agent and to cause the Warrant Agent to deliver to each such Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to purchase, and the due and punctual performance and observance of each and every covenant, condition, obligation and liability under this Agreement to be performed and observed by the Company in the manner prescribed herein and (ii) enter into an agreement providing to the Holders rights and benefits substantially similar to those enjoyed by the Holders under the Common Stock Registration Rights Agreement of even date herewith.

The foregoing provisions of this Section 12(j) shall apply to successive Reorganization transactions.

(k) Form of Warrants. Irrespective of any adjustments in the number or kind of shares purchasable upon the exercise of the Warrants, Warrants theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in the Warrants initially issuable pursuant to this Agreement.

(l) Warrant Agent's Disclaimer. The Warrant Agent has no duty to determine when an adjustment under this Section 12 should be made, how it should be made or what it should be. The Warrant Agent has no duty to determine whether any provisions of a supplemental Warrant Agreement under subsection (j) of this Section 12 are correct. The Warrant Agent makes no representation as to the validity or value of any securities or assets issued upon exercise of Warrants. The Warrant Agent shall not be responsible for the Company's failure to comply with this Section 12.

(m) Miscellaneous. For purpose of this Section 12, the term "shares of Common Stock" shall mean (i) shares of the class of stock designated as the Common Stock, par value $.01 per share, of the Company as of the date of this Agreement, and (ii) shares of any other class of stock resulting from successive changes or reclassification of such shares consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. For purposes of this Section 12 the term "Fully Diluted Shares" shall mean (i) the shares of Common Stock outstanding as of a specified date, and (ii) the shares of Common Stock into or for which rights, options, warrants or other securities outstanding as of such date are exercisable or convertible (other than the Warrants). For purposes of this Section 12, "Common Stock Equivalents" means (without duplication with any other Common Stock or Common Stock Equivalents) rights, warrants, options, convertible securities or convertible indebtedness, exchangeable securities or exchangeable indebtedness, or other rights, exercisable for or convertible or exchangeable into, directly or indirectly, Common Stock, whether at the time or upon the occurrence of some future event. In the event that at any time, as a result of an adjustment made pursuant to this Section 12, the Holders of Warrants shall become entitled to purchase any securities of the Company other than, or in addition to, shares of Common Stock, thereafter the number or amount of such other securities so purchasable upon exercise of each Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Warrant Shares contained in subsections (a) through (m) of this Section 12, inclusive, and the provisions of Sections 6, 7, 8, 10 and 13 with respect to the Warrant Shares or the Common Stock shall apply on like terms to any such other securities.

Section 13. Fractional Interests. The Company shall not be required to issue fractional Warrant Shares on the exercise of Warrants. If more than one Warrant shall be presented for exercise in full at the same time by the same Holder, the number of full Warrant Shares which shall be issuable upon the exercise thereof shall be computed on the basis of the aggregate number of Warrant Shares purchasable on exercise of the Warrants so presented. If any fraction of a Warrant Share would, except for the provisions of this Section 13, be issuable on the exercise of any Warrants (or specified portion thereof), the Company shall pay an amount in cash equal to the excess of the value (as determined by the Board of Directors in good faith) of a Warrant Share over the Exercise Price on the day immediately preceding the date the Warrant is presented for exercise, multiplied by such fraction.

Section 14. Notices to Warrant Holders. Upon any adjustment pursuant to Section 12 hereof, the Company shall give prompt written notice of such adjustment to the Warrant Agent and shall cause the Warrant Agent, on behalf of and at the expense of the Company, within 10 days after notification is received by the Warrant Agent of such adjustment, to mail by first class mail, postage prepaid, to each Holder a notice of such adjustments) and shall deliver to the Warrant Agent a certificate of the Chief Financial Officer of the Company, accompanied by the report thereon by a firm of independent public accountants selected by the board of directors of the Company (who may be the regular accountants for the Company), setting forth in reasonable detail (i) the number of Warrant Shares purchasable upon the exercise of each Warrant and the Exercise Price of such Warrant after such adjustment(s), (ii) a brief statement of the facts requiring such adjustment(s) and (iii) the computation by which such adjustment(s) was made. Where appropriate, such notice may be given in advance and included as a part of the notice required under the other provisions of this Section 14.

In case:

(a) the Company shall authorize the issuance to all holders of shares of Common Stock of rights, options or warrants to subscribe for or purchase shares of Common Stock or of any other subscription rights or warrants; or

(b) the Company shall authorize the distribution to all holders of shares of Common Stock of evidences of its indebtedness or assets; or

(c) of any consolidation or merger to which the Company is a party and for which approval of any shareholders of the Company is required, or of the conveyance or transfer of the properties and assets of the Company substantially as an entirety, or of any reclassification

or change of Common Stock issuable upon exercise of the Warrants (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or a tender offer or exchange offer for shares of Common Stock; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company; or

(e) the Company proposes to take any action that would require an adjustment to the Exercise Rate pursuant to Section 12;

then the Company shall give prompt written notice to the Warrant Agent and shall cause the Warrant Agent, on behalf of and at the expense of the Company to give to each of the registered holders of the Warrant Certificates at his or its address appearing on the Warrant Register, at least 20 days (or 10 days in any case specified in clauses (a) or (b) above) prior to the applicable record date hereinafter specified, or the date of the event in the case of events for which there is no record date, by first-class mail, postage prepaid, a written notice stating (i) the date as of which the holders of record of shares of Common Stock to be entitled to receive any such rights, options, warrants or distribution are to be determined, or (ii) the initial expiration date set forth in any tender offer or exchange offer for shares of Common Stock, or (iii) the date on which any such consolidation, merger, conveyance, transfer, dissolution, liquidation or winding up is expected to become effective or consummated, and the date as of which it is expected that holders of record of shares of Common Stock shall be entitled to exchange such shares for securities or other property, if any, deliverable upon such reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding up. The failure by the Company or the Warrant Agent to give such notice or any defect therein shall not affect the legality or validity of any distribution, right, option, warrant, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding up, or the vote upon any action.

The Company shall give prompt written notice to the Warrant Agent and shall cause the Warrant Agent, on behalf of and at the expense of the Company to give to each Holder written notice of any determination to make a distribution or dividend to the holders of its Common Stock of any assets (including cash), debt securities, preferred stock, or any rights or warrants to purchase debt securities, preferred stock, assets or other securities (other than Common Stock, or rights, options, or warrants to purchase Common Stock) of the Company, which notice shall state the nature and amount of such planned dividend or distribution and the record date therefor, and shall be received by the Holders at least 30 days prior to such record date therefor.

Nothing contained in this Agreement or in any Warrant Certificate shall be construed as conferring upon the Holders the right to vote or to consent or to receive notice as shareholders in respect of the meetings of shareholders or the election of directors of the Company or any other matter, or any rights whatsoever as shareholders of the Company.

Section 15. Notices to the Company and Warrant Agent. Any notice or demand authorized by this Agreement to be given or made by the Warrant Agent or by any Holder to or on the Company shall be sufficiently given or made when received at the office of the Company expressly designated by the Company as its office for purposes of this Agreement (until the Warrant Agent is otherwise notified in accordance with this Section 15 by the Company), as follows:

If to the Company:
Gothic Energy Corporation
5727 South Lewis Avenue - Suite 700
Tulsa, Oklahoma 74105
Attention: Michael Paulk, President

With a copy to:
William S. Clarke, P.A.
457 North Harrison Street - Suite 103
Princeton, New Jersey 08540
Attention: William S. Clarke, Esquire

Any notice pursuant to this Agreement to be given by the Company or by any Holder(s) to the Warrant Agent shall be sufficiently given when received by the Warrant Agent at the address appearing below (until the Company is otherwise notified in accordance with this Section by the Warrant Agent).

American Stock Transfer & Trust Company
40 Wall Street
New York, New York 10005
Attention: Michael Karfunkel
Facsimile Number: (718) 236-4588

Section 16. Supplements and Amendments. The Company and the Warrant Agent may from time to time supplement or amend this Agreement without the approval of any holders of Warrants in order to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provision herein, or to make any

other provisions in regard to matters or questions arising hereunder which the Company and the Warrant Agent may deem necessary or desirable and which shall not in any way adversely affect the interests of any holder of Warrants. Any amendment or supplement to this Agreement that has a material adverse effect on the interests of holders shall require the written consent of registered holders of a majority of the then outstanding warrants. The consent of each holder of a Warrant affected shall be required for any amendment pursuant to which the Exercise Price would be increased or the number of Warrant Shares purchasable upon exercise of Warrants would be decreased (not including adjustments contemplated hereunder). The Warrant Agent shall be entitled to receive and shall be fully protected in relying upon an officers' certificate and opinion of counsel as conclusive evidence that any such amendment or supplement is authorized or permitted hereunder, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

Section 17. Concerning the Warrant Agent. The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the Holders, by their acceptance of Warrants, shall be bound:

(a) The statements contained herein and in the Warrant Certificate shall be taken as statements of the Company, and the Warrant Agent assumes no responsibility for the correctness of any of the same except such as describe the Warrant Agent or any action taken by it. The Warrant Agent assumes no responsibility with respect to the distribution of the Warrants except as herein otherwise provided.

(b) The Warrant Agent shall not be responsible for any failure of the Company to comply with the covenants contained in this Agreement or in the Warrants to be complied with by the Company.

(c) The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself (through its employees) or by or through its attorneys or agents (which shall not include its employees) and shall not be responsible for the misconduct of any agent appointed with due care.

(d) The Warrant Agent may consult at any time with legal counsel satisfactory to it (who may be counsel for the Company), and the Warrant Agent shall incur no liability or responsibility to the Company or to any Holder in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel.

(e) Whenever in the performance of its duties under this Agreement the Warrant Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless such evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, the President, Chief Financial Officer, one of the Vice Presidents, the Treasurer or the Secretary of the Company and delivered to the Warrant Agent; and such certificate shall be full authorization to the Warrant Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(f) The Company agrees to pay the Warrant Agent reasonable compensation for all services rendered by the Warrant Agent in the performance of its duties under this Agreement upon receipt of satisfactory evidence thereof, to reimburse the Warrant Agent for all reasonable expenses, taxes and governmental charges and other charges of any kind and nature incurred by the Warrant Agent (including reasonable fees and expenses of the Warrant Agent's counsel and agents) in the performance of its duties under this Agreement, and to indemnify the Warrant Agent and save it harmless against any and all liabilities, including judgments, costs and counsel fees, for anything done or omitted by the Warrant Agent in the performance of its duties under this Agreement, except as a result of the Warrant Agent's negligence or bad faith.

(g) The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expense unless the Company or one or more Holders shall furnish the Warrant Agent with reasonable security and indemnity satisfactory to the Warrant Agent for any costs and expenses which may be incurred, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without any such security or indemnity. All rights of action under this Agreement or under any of the Warrants may be enforced by the Warrant Agent without the possession of any of the Warrants or the production thereof at any trial or other proceeding relative thereto, and any such action, suit or proceeding instituted by the Warrant Agent shall be brought in its name as Warrant Agent, and any recovery of judgment shall be for the ratable benefit of the Holders, as their respective rights or interests may appear.

(h) The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transactions in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement or such director, officer or employee. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity including, without limitation, acting as Transfer Agent or as a lender to the Company or an affiliate thereof.

(i) The Warrant Agent shall act hereunder solely as agent, and its duties shall be determined solely by the provisions hereof. The Warrant Agent shall not be liable for anything which it may do or refrain from doing in connection with this Agreement except for its own negligence or bad faith.

(j) The Warrant Agent will not incur any liability or responsibility to the Company or to any Holder for any action taken in reliance on any notice, resolution, waiver, consent, order, certificate, or other paper, document or instrument reasonably believed by it to be genuine and to have been signed, sent or presented by the proper party or parties,

(k) The Warrant Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Warrant Agent) or in respect of the validity or execution of any Warrant (except its countersignature thereof), nor shall the Warrant Agent by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Warrant Shares (or other stock) to be issued pursuant to this Agreement or any Warrant, or as to whether any Warrant Shares (or other stock) will, when issued, be validly issued, fully paid and non-assessable, or as to the Exercise Price or the number or amount of Warrant Shares or other securities or other property issuable upon exercise of any Warrant.

(l) The Warrant Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the President, any Vice President or the Secretary of the Company, and to apply to such officers for advice or instructions in connection with its duties, and shall not be liable for any action taken or suffered to be taken by it in good faith and without negligence in accordance with instructions of any such officer or officers.

Section 18. Change of Warrant Agent. The Warrant Agent may resign at any time and be discharged from its duties under this Agreement by giving to the Company 30 days' notice in writing. The Warrant Agent may be removed by like notice to the Warrant Agent from the Company. If the Warrant Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Warrant Agent, If the Company shall fail to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Warrant Agent or by any Holder (who shall with such notice submit his Warrant for inspection by the Company), then any Holder may apply to any court of competent jurisdiction for the appointment of a successor to the Warrant Agent. Pending appointment of a successor Warrant Agent, either by the Company or by such court, the duties of the Warrant Agent shall be carried out by the Company. Any successor Warrant Agent, whether appointed by the Company or such a court, shall be a bank or trust company in good standing, incorporated under the laws of the

United States of America or any State thereof; or the District of Columbia and having at the time of its appointment as warrant agent a combined capital and surplus of at least $10,000,000. After appointment, the successor warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Warrant Agent without further act or deed; but the former Warrant Agent shall deliver and transfer to the successor warrant agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for such purpose. Failure to file any notice provided for in this Section 18, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Warrant Agent or the appointment of the successor warrant agent, as the case may be. In the event of such resignation or removal, the Company or the successor warrant agent shall mail by first class mail, postage prepaid, to each Holder, written notice of such removal or resignation and the name and address of such successor warrant agent.

Section 19. Identity of Transfer Agent. Forthwith upon the appointment of any new Transfer Agent for the Common Stock, or any other shares of the Company's capital stock issuable upon the exercise of the Warrants, the Company shall promptly file with the Warrant Agent a statement setting forth the name and address of such Transfer Agent.

Section 20. Registration Rights. The Holder shall be entitled to all of the benefits of that certain Common Stock Registration Rights Agreement among the Company and the Purchasers dated as January 23, 1998, in connection with the Common Stock to be issued in connection with the exercise of the Warrants.

Section 21. Successors. All the covenants an provisions of this Agreement by or for the benefit of the Company, the Warrant Agent or any holder of Warrants shall bind and inure to the benefit of their respective successors and assigns hereunder .

Section 22. Termination. This Agreement shall terminate at 5:00 p.m. New York City time on January 23, 2003. Notwithstanding the foregoing, this Agreement will terminate on any earlier date if all Warrants have been exercised pursuant to this Agreement.

Section 23. GOVERNING LAW. THIS AGREEMENT AND EACH WARRANT CERTIFICATE ISSUED HEREUNDER SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF SAID STATE, WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

Section 24. Benefits of This Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Warrant Agent and the registered Holders of the Warrant Certificates any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent and the registered Holders of the Warrant Certificates.

Section 25. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 26. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, as of the day and year first above written.

Gothic Energy Corporation

By: /s/ Michael Paulk

Michael Paulk, President

American Stock Transfer & Trust Company,
as Warrant Agent

By: /s/ Herbert Lemmer

Name: Herbert Lemmer
Title: Vice President

EXHIBIT "A"

FORM OF WARRANT CERTIFICATE
(FACE)

(THIS SECURITY IS A GLOBAL CERTIFICATE AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. THIS SECURITY IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE WARRANT AGREEMENT DATED AS OF JANUARY 23, 1998 BETWEEN THE COMPANY AND THE WARRANT AGENT (THE "WARRANT AGREEMENT"), AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE WARRANT AGREEMENT. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (A NEW YORK CORPORATION) ("DTC") TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.)

This paragraph is to be included only if the Warrant is in global form.

EXERCISABLE ON OR AFTER THE EXERCISABILITY DATE
AND ON OR BEFORE JANUARY 23, 2003

No. ---------- Warrants ----------

WARRANT CERTIFICATE
GOTHIC ENERGY CORPORATION

This Warrant Certificate certifies that _____ or registered assigns, is the registered holder of Warrants expiring January 23, 2003 (the "Warrants") to purchase _____ shares of Common Stock (the "Common Stock") of Gothic Energy Corporation, an Oklahoma corporation (the "Company"). Each Warrant entitles the holder upon exercise to receive from the Company on or after the Exercisability Date and on or before 5:00 p.m., New York City time, on January 23, 2003, one fully paid and non-assessable share of Common Stock (a "Warrant Share") at the initial exercise price (the "Exercise Price") of the lesser of (a) $2.75 per share or (b) the average of the daily closing bid prices (as defined in Section 12(d)) for each Business Day during the period commencing 5 Business Days before the date of exercise and ending on the date one day prior to such date, to be reset to $.01 on March 31, 1998, as provided in Section 2.1 of the Purchase Agreement, in the event the Preferred Stock remains outstanding on that date, payable in lawful money of the United States of America upon surrender of this Warrant Certificate and payment of the Exercise Price at the office or agency of the Warrant Agent, subject only to the conditions set forth herein and in the Warrant Agreement referred to on the reverse hereof. The Exercise Price and number of Warrant Shares issuable upon exercise of the Warrants are subject to adjustment. upon the occurrence of certain events as set forth in the Warrant Agreement.

No Warrant may be exercised before the Exercisability Date or after 5:00 p.m., New York City time, on January 23, 2003 and to the extent not exercised by such time such warrants shall become void.

This Warrant Certificate shall not be valid unless countersigned by the Warrant Agent, as such term is used in the Warrant Agreement.

This Warrant Certificate shall be governed and construed in accordance with the internal laws of the State of New York.

IN WITNESS WHEREOF, Gothic Energy Corporation has caused this Warrant Certificate to be signed by its President and by its Secretary, each by a facsimile of his signature, and has caused a facsimile of its corporate seal to be affixed hereunto or imprinted hereon.

Dated:

Gothic Energy Corporation

By:

Michael Paulk, President

By:

John Rainwater, Secretary

Countersigned:

American Stock Transfer & Trust Company,
as Warrant Agent

By:

Authorized Signature

FORM OF WARRANT CERTIFICATE
(REVERSE)

The Warrants evidenced by this Warrant Certificate are part of a duly authorized issue of Warrants expiring January 23, 2003, entitling the holder on exercise to receive shares of Common Stock of the Company (the "Common Stock"), $.01 par value, and are issued or to be issued pursuant to a Warrant Agreement dated as of January 23, 1998 (the "Warrant Agreement"), duly executed and delivered by the Company to American Stock Transfer & Trust Company, as warrant agent (the "Warrant Agent"), which Warrant Agreement is hereby incorporated by reference in and made a part of this instrument and is hereby referred to for a description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Warrant Agent, the Company and the holders (the words "holders" or "holder" meaning the registered holders or registered holder) of the Warrants. A copy of the Warrant Agreement may be obtained by the holder hereof upon written request to the Company.

Warrants may be exercised at any time on or after the "Exercisability Date" and on or before January 23, 2003, subject to extension as provided in the Warrant Agreement. The holder of Warrants evidenced by this Warrant Certificate may exercise them by surrendering this Warrant Certificate, with the form of election to purchase set forth hereon properly completed and executed, together with payment of the Exercise Price in cash at the office of the Warrant Agent. In the event that upon any exercise of Warrants evidenced hereby the number of Warrants exercised shall be less than the total number of Warrants evidenced hereby, there shall be issued to the holder hereof or his assignee a new Warrant Certificate evidencing the number of Warrants not exercised. No adjustment shall be made for any dividends on any Common Stock issuable upon exercise of this Warrant.

The Warrant Agreement provides that upon the occurrence of certain events the number of Warrants set forth on the face hereof may, subject to certain conditions, be adjusted. No fractions of a share of Common Stock will be issued upon the exercise of any Warrant, but the Company will pay the cash value thereof determined as provided in the warrant Agreement.

The holders of the Warrants are entitled to certain, registration rights with respect to the Common Stock purchasable upon exercise thereof. Such registration rights are set forth in the Common Stock Registration Rights Agreement, dated as of January 23, 1998, among the Company and the parties named therein.

Warrant Certificates, when surrendered at the office of the Warrant Agent by the registered holder thereof in person or by legal representative or attorney duly authorized in writing, may be exchanged, in the manner and subject to the limitations provided in the Warrant Agreement, but without payment of any service charge, for another Warrant Certificate or Warrant Certificates of like tenor evidencing in the aggregate a like number of Warrants.

Upon due presentation for registration of transfer of this Warrant Certificate at the office of the Warrant Agent a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants shall be issued to the transferee(s) in exchange for this Warrant Certificate, subject to the limitations provided in the Warrant Agreement, without charge except for any tax or other governmental charge imposed in connection therewith.

The Company and the Warrant Agent may deem and treat the registered holder(s) thereof as the absolute owner(s) of this Warrant Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof, of any distribution to the holder(s) hereof, and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary. Neither the Warrants nor this Warrant Certificate entitles any holder hereof to any rights of a stockholder of the Company.

FORM OF ELECTION TO PURCHASE
(TO BE EXECUTED UPON EXERCISE OF WARRANT)

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant Certificate, to receive _____ shares of Common Stock and herewith tenders payment for such shares to the order of Gothic Energy Corporation in the amount of $_____ in accordance with the terms hereof. The undersigned requests that a certificate for such shares be registered in the name of _____, whose address is _____, and that such shares be delivered to _____, whose address is _____. If said number of shares is less than all of the shares of Common Stock purchasable hereunder, the undersigned requests that a new Warrant Certificate representing the remaining balance of such shares be registered in the name of _____, whose address is _____, and that such Warrant Certificate be delivered to _____, whose address is _____.

Signature:

Date:

Signature Guaranteed:

SCHEDULE OF EXCHANGES OF CERTIFICATED WARRANTS

The following exchanges of a part of this Global Warrant for certificated Warrants have been made:

DATE OF EXCHANGE	Amount of DECREASE IN NUMBER OF WARRANTS OF THIS GLOBAL WARRANT	AMOUNT OF INCREASE IN NUMBER OF WARRANTS OF THIS GLOBAL WARRANT	Number of WARRANTS of this Global WARRANT FOLLOWING SUCH DECREASE (OR INCREASE)	SIGNATURE OF AUTHORIZED OFFICER OF WARRANT AGENT
-				

This is to be included only if the Warrant is in global form.

EXHIBIT "B"

CERTIFICATE TO BE DELIVERED UPON
EXCHANGE OR REGISTRATION OF RESTRICTED SECURITIES

Re: Warrants to Purchase Common Stock, par value $.01 per share (the "Warrants"), of Gothic Energy Corporation

This Certificate relates to _____ Warrants held in book-entry or definitive form by _____ (the "Transferor").

The Transferor (check applicable box):

[ ] has requested the Transfer Agent by written order to deliver in exchange for its beneficial interest in the Global Certificate held by the Depositary a Warrant or Warrants in definitive registered form equal to its beneficial interest in Warrants represented by such Global Certificate (or the portion thereof indicated above); or

[ ] has requested the Transfer Agent by written order to exchange or register the transfer of a Warrant or Warrants.

In connection with such request, the Transferor does hereby certify that Transferor is familiar with the Warrant Agreement (the "Agreement") relating to the Warrants and the restrictions on transfers thereof as provided in Section 6 of such Agreement, and that the transfer of this Warrant requested hereby does not require registration under the Securities Act (as defined below) because:

[ ] Such Warrants is being acquired for the Transferor's own account, without transfer (in satisfaction of Section 6(a)(y)(A) of the Agreement).

[ ] Such Warrant is being transferred to a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")), in reliance on Rule 144A or in accordance with Regulation S under the Securities Act. If such transfer is in accordance with Regulation S, an opinion of counsel to the effect that such transfer does not require registration under the Securities Act accompanies this Certificate.

[ ] Such Warrant is being transferred in accordance with Rule 144 under the Securities Act. An opinion of counsel to the effect that such transfer does not require registration under the Securities Act accompanies this Certificate.

[ ] Such Warrant is being transferred in reliance on and in compliance with an exemption from the registration requirements of the Securities Act, other than Rule 144A or Rule 144 or Regulation S under the Securities Act. An opinion of counsel to the effect that such transfer does not require registration under the Securities Act accompanies this Certificate.

[Insert Name of Transferor]

Date: By:

EXHIBIT "C"

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE ACT) OR (B) IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a) UNDER THE ACT) (AN "ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION, (2) AGREES THAT IT WILL NOT WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE ACT, (C) INSIDE THE UNITED STATES TO AN ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE OR TRANSFER AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE WARRANT AGENT FOR THIS SECURITY), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE ACT, (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE ACT (IF AVAILABLE) OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND, IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR OR SUCH TRANSFER IS MADE IN ACCORDANCE WITH CLAUSES (D) OR (E) ABOVE, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE WARRANT AGENT AND THE COMPANY SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE ACT.

EXHIBIT "D"

TRANSFEREE LETTER OF REPRESENTATION

Gothic Energy Corporation
5727 South Lewis Avenue - Suite 700
Tulsa, Oklahoma 74105

Ladies and Gentlemen:

In connection with our proposed purchase of Warrants to purchase Common Stock (the "Securities") of Gothic Energy Corporation (the "Company"), we confirm that:

1. We understand that any subsequent transfer of the Securities is subject to certain restrictions and conditions set forth in the Warrant Agreement dated as of January 23, 1998 relating to the Securities and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Securities except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "Securities Act").

2. We understand that the Securities have not been registered under the Securities Act, and that the Securities may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell any Securities within two years after the original issuance of the Securities, we will do so only (A) to the Company or any subsidiary thereof, (B) inside the United States to a "qualified institutional buyer" in compliance with Rule 144A under the Securities Act, (C) inside the United States to an "accredited investor" (as defined below) that, prior to such transfer, furnishes to you a signed letter substantially in the form of this Letter, (D) outside the United states to a foreign person in compliance with Rule 904 of Regulation S under the Securities Act, (E) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), or (F) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any person purchasing any of the securities from us a notice advising such purchaser that resales of the Securities are restricted as stated herein.

3. We understand that, on any proposed resale of any Securities, we will be required to furnish to the Company such certifications, legal opinions and other information as the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Securities purchased by us will bear a legend to the foregoing effect.

4. We are an "accredited investor" (as defined in Rule 501(a) under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Securities, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the Securities purchased by us for our own account or for one or more accounts (each of which is an "accredited investor") as to each of which we exercise sole investment discretion.

The Company is entitled to rely upon this letter and is irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

(Name of Purchaser)

Date: By:

Upon transfer the Securities would be registered in the name of the new beneficial owner as follows:

Name:

Address:

Taxpayer ID Number:

EXHIBIT 4.12

COMMON STOCK REGISTRATION RIGHTS AGREEMENT

DATED AS OF JANUARY 23, 1998

AMONG

GOTHIC ENERGY CORPORATION

AND

THE PURCHASERS NAMED HEREIN

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This Common Stock Registration Rights Agreement (this "Agreement") is made and entered into as of January 23, 1998, among Gothic Energy Corporation, an Oklahoma corporation (the "Company"), and the Purchasers named on the signature pages hereto (the "Purchasers").

This Agreement is made pursuant to the Securities Purchase Agreement, dated as of January 23, 1998, among the Company and the Purchasers (the "Purchase Agreement"), relating to the sale by the Company to the Purchasers of up to $45,000,000 in aggregate liquidation value of its Senior Redeemable Preferred Stock, Series A, par value $.05 per share (the "Preferred Stock"), along with warrants (the "Warrants") for the purchase of shares of its Common Stock, par value $0.01 per share ("Common Stock"), constituting up to 50.00% of the Company's fully diluted Common Stock. In order to induce the Purchasers to enter into the Purchase Agreement, the Company has agreed to provide to the Purchasers and their direct and indirect transferees (the "Holders") the registration rights for the Common Stock set forth in this Agreement. The execution of this Agreement is a condition to the obligations of the Purchasers to purchase the Preferred Stock and Warrants under the Purchase Agreement.

In consideration of the foregoing, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"Business Day" shall mean a day that is not a Legal Holiday.

"Closing Date" shall mean the date of Closing, as that term is defined in the Purchase Agreement.

"Common Stock" shall mean the Common Stock, par value $.01 per share, of the Company.

"Company" shall have the meaning set forth in the preamble and shall also include the Company's successors.

"Definitive Certificate" shall mean a certificate representing Warrant Shares in definitive registered form, other than a Global Certificate.

"Demand Registration" shall have the meaning set forth in Section 2.1.

"Depositary" shall mean, with respect to Shares represented by one or more Global Certificates, The Depository Trust Company or another person designated as Depositary by the Company, which must be a clearing agency registered under the Exchange Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Global Certificate" shall mean a certificate representing all or part of the Warrant Shares issued to the Depositary and bearing the legend set forth in Section 3.4(g)(iii).

"Holders" shall mean the Purchasers, for so long as the Purchasers own any Common Stock, and each of their successors, assigns and direct and indirect transferees who become registered owners of Common Stock.

"Included Shares" shall have the meaning set forth in Section 2.1(a).

"Indemnified Party" shall have the meaning set forth in Section 5(c).

"Indemnifying Party" shall have the meaning set forth in Section 5(c).

"Legal Holiday" shall mean a Saturday, a Sunday or a day on which banking institutions in New York, New York are required by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday, payment may be made on the next succeeding day that is not a Legal Holiday.

"Person" shall mean an individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, or other legal entity.

"Piggy-Back Registration" shall have the meaning set forth in Section 2.2.

"Preferred Stock" shall have the meaning set forth in the preamble.

"Prospectus" means a prospectus which meets the requirements of Section 10 of the Securities Act.

"Purchase Agreement" shall have the meaning set forth in the preamble.

"Purchasers" shall have the meaning set forth in the preamble.

"Qualified Institutional Buyer" or "QIB" shall have the meaning specified in Rule 144A under the Securities Act.

"Registrable Securities" shall mean the shares of Common Stock issuable upon exercise of the Warrants. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (i) a Registration Statement with respect to such securities shall have been declared effective under the Securities Act and such securities shall have been disposed of pursuant to such Registration Statement, (ii) such securities have been sold to the public pursuant to Rule 144(k) (or any similar provision then in force, but not Rule 144A) under the Securities Act, (iii) such securities shall have been otherwise transferred by such Holder and new certificates for such securities not bearing a legend restricting further transfer shall have been delivered by the Company or its transfer agent and subsequent disposition of such securities shall not require registration or qualification under the Securities Act or any similar state law then in force or (iv) such securities shall have ceased to be outstanding.

"Registration Expenses" shall mean all expenses incident to the Company's performance of or compliance with this Agreement, including, without limitation, all SEC and stock exchange or National Association of Securities Dealers, Inc. registration and filing fees and expenses, fees and expenses of compliance with securities or blue sky laws (including, without limitation, reasonable fees and disbursements of counsel for the underwriters in connection with blue sky qualifications of the Registrable Securities), rating agency fees, printing expenses, messenger, telephone and delivery expenses, fees and disbursements of counsel for the Company and all independent certified public accountants (but not including any underwriting discounts or commissions or transfer taxes, if any, attributable to the sale of Registrable Securities by Holders of such Registrable Securities).

"Registration Statement" shall mean any registration statement of the Company which covers any of the Warrant Shares pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such Registration Statement.

"Regulation S" shall mean Regulation S under the Securities Act.

"Requisite Shares" shall mean a number of Registrable Securities equal to not less than 25% of the Registrable Securities held in the aggregate by all Holders.

"Restricted Security" shall have the meaning set forth in Rule 144(a)(3) under the Securities Act.

"Rule 144" shall mean Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144A) or regulation hereafter adopted by the SEC providing for offers and sales of securities made in compliance therewith

resulting in offers and sales by subsequent holders that are not affiliates of an issuer of such securities being free of the registration and prospectus delivery requirements of the Securities Act.

"Rule 144A" shall mean Rule 144A under the Securities Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144) or regulation hereafter adopted by the SEC providing for offers and sales of securities made in compliance therewith resulting in offers and sales by subsequent holders that are not affiliates of an issuer of such securities being free of the registration and prospectus delivery requirements of the Securities Act.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Selling Holder" shall mean a Holder who is selling Warrant Shares in accordance with the provisions of Section 2.1 or 2.2 hereof.

"Transfer" shall have the meaning set forth in Section 3.2.

"Transfer Agent" means any transfer agent or registrar appointed by the Company for the Common Stock.

"Warrant Shares" means the shares of Common Stock issued and issuable upon exercise of the Warrants.

"Warrants" shall have the meaning set forth in the preamble.

"Withdrawal Election" shall have the meaning set forth in Section 2.3.

2. Registration Rights.

2.1 Demand Registration.

(a) Request for Registration. At any time on or after the

Closing Date, Holders owning, individually or in the aggregate, at least the Requisite Shares may make a written request for registration under the Securities Act of their Registrable Securities (a "Demand Registration"). Any such request will specify the number of Registrable Securities proposed to be sold and will also specify the intended method of disposition thereof. Upon a demand, the Company prepare, file and use its best efforts to cause to be effective within 90 days

of such demand a Registration Statement. The Company shall give written notice of such registration request within 10 days after the receipt thereof to all other Holders. Within 20 days after receipt of such notice by any Holder, such Holder may request in writing that Registrable Securities be included in such registration and the Company shall include in the Demand Registration the Registrable Securities of any such Selling Holder requested to be so included (the "Included Shares"). Each such request by such other Selling Holders shall specify the number of Included Shares proposed to be sold and the intended method of disposition thereof. Subject to Section 2.1(b), in no event shall the Company be required to register Registrable Securities pursuant to this Section 2.1 on more than one occasion

(b) Effective Registration. A registration will not be deemed to have been effected as a Demand Registration unless it has been declared effective by the SEC and the Company has complied in all material respects with its obligations under this Agreement with respect thereto; provided that if,
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after it has become effective, the offering of Registrable Securities pursuant to such registration is or becomes the subject of any stop order, injunction or other order or requirement of the SEC or any other governmental or administrative agency, or if any court prevents or otherwise limits the sale of Registrable Securities pursuant to the registration (for any reason other than the act or omissions of the Selling Holders), such registration will be deemed not to have been effected unless the Company uses its best efforts to lift or remove such limitation, such limitation is removed within 90 days and the 180-day period referred to in the following sentence is extended by the number of days the registration was suspended. If (i) a registration requested pursuant to this Section 2.1 is deemed not to have been effected or (ii) the registration requested pursuant to this Section 2.1 does not remain effective for a period of at least 180 days beyond the effective date thereof or until the consummation of the distribution by the Selling Holders of the Included Shares, then the Company shall continue to be obligated to effect an additional registration pursuant to this Section 2.1. The Selling Holders of Registrable Securities shall be permitted to withdraw all or any part of the Included Shares from a Demand Registration at any time prior to the effective date of such Demand Registration. If at any time a Registration Statement is filed pursuant to a Demand Registration, and subsequently a sufficient number of Included Shares are withdrawn from the Demand Registration so that such Registration Statement does not cover at least 25% of the Registrable Securities held by all Holders, the Selling Holders who have not withdrawn their Included Shares shall have the opportunity to include an additional number of Registrable Securities in the Demand Registration so that such Registration Statement covers at least 25% of the Registrable Securities held by all Holders. If an additional number of Registrable Securities is not so included so that such Registration Statement does not cover at least 25% of the Registrable Securities held by all Holders, the Company may withdraw the Registration Statement. In the event that a Registration Statement has been filed and the Company withdraws the Registration Statement solely due to the occurrence of the events specified in the prior two sentences, such withdrawn Registration Statement will count as a Demand Registration; otherwise such

withdrawn Registration Statement will not count as a Demand Registration and the Company shall continue to be obligated to effect a registration pursuant to this Section 2.1.

(c) Priority in Demand Registrations Pursuant to Section 2.1. If a Demand Registration pursuant to this Section 2.1 involves an underwritten offering and the managing underwriter advises the Company in writing that, in its opinion, the number of securities requested to be included in such registration (including securities of the Company which are not Registrable Securities) exceeds the number which can be sold in such offering, the Company will not include any securities of the Company which are not Registrable Securities and will include in such registration only the number of Registrable Securities requested by the managing underwriter(s) to be included in such registration. In the event that the number of Registrable Securities requested to be included in such registration exceeds the number which, in the opinion of such managing underwriter, can be sold, the number of such Registrable Securities to be included in such registration shall be allocated pro rata among all requesting Holders on the basis of the relative number of shares of Registrable Securities then held by each such Holder (provided that any shares thereby allocated to any such Holder that exceed such Holder's request shall be reallocated among the remaining requesting Holders in like manner). In the event that the number of Registrable Securities requested to be included in such registration is less than the number which, in the opinion of the managing underwriter, can be sold, the Company may include in such registration the securities the Company proposes to sell up to the number of securities that, in the opinion of the managing underwriter, can be sold.

(d) Selection of Underwriter. If the Selling Holders so elect, the offering of such Registrable Securities pursuant to such Demand Registration shall be in the form of an underwritten offering. The Selling Holders making such Demand Registration shall select one or more nationally recognized firms of investment bankers, who shall be reasonably acceptable to the Company, to act as the managing underwriter or underwriters in connection with such offering and shall select any additional investment banker(s) and manager(s) to be used in connection with the offering.

(e) Expenses. The Company will pay all Registration Expenses in connection with the registrations requested pursuant to Section 2.1(a). Each Holder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to a registration statement requested pursuant to this Section 2.1.

2.2 Piggy-Back Registration. If at any time the Company proposes to file a Registration Statement under the Securities Act with respect to an offering by the Company for its own account or for the account of any of its respective securityholders of any class of its common equity securities (other than (i) a Registration Statement on Form S-4 or S-8 (or any

substitute form that may be adopted by the SEC), (ii) a Registration Statement filed in connection with an offer or offering of securities solely to the Company's existing securityholders or (iii) any Registration Statement filed by the Company relating to an offering of shares of Common Stock, the proceeds of which will be used to refinance or redeem indebtedness or preferred stock incurred or issued by the Company to consummate the Amoco Acquisition (as defined in the Purchase Agreement), then the Company shall give written notice of such proposed filing to the Holders of Registrable Securities as soon as practicable (but in no event less than 20 Business Days before the anticipated filing date), and such notice shall offer such Holders the opportunity to register such number of shares of Registrable Securities as each such Holder may request (which request shall specify the Registrable Securities intended to be disposed of by such Selling Holder and the intended method of distribution thereof) (a "Piggy-Back Registration"). The Company shall use its best efforts to cause the managing underwriter or underwriters of such proposed underwritten offering to permit the Registrable Securities requested to be included in a Piggy-Back Registration to be included on the same terms and conditions as any similar securities of the Company or any other securityholder included therein and to permit the sale or other disposition of such Registrable Securities in accordance with the intended method of distribution thereof except as otherwise provided in Section 2.3. Any Selling Holder shall have the right to withdraw its request for inclusion of its Registrable Securities in any Registration Statement pursuant to this Section 2.2 by giving written notice to the Company of its request to withdraw no later than 5 Business Days before such Registration Statement becomes effective. The Company may withdraw a Piggy-Back Registration at any time prior to the time it becomes effective; provided that the Company shall give prompt notice thereof to participating Selling Holders. The Company will pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 2.2, and each Holder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to a registration statement effected pursuant to this Section 2.2.

No registration effected under this Section 2.2, and no failure to effect a registration under this Section 2.2, shall relieve the Company of its obligation to effect a registration upon the request of Holders pursuant to Section 2.1, and no failure to effect a registration under this Section 2.2 and to complete the sale of shares of Common Stock in connection therewith shall relieve the Company of any other obligation under this Agreement.

2.3 Reduction of Offering.

(a) Piggy-Back Registration. (i) If the managing underwriter(s) of any underwritten offering described in Section 2.2 have informed, in writing, the Selling Holders of the Registrable Securities requesting inclusion in such offering that it is their opinion that the total number of shares which the Company, the Selling Holders and any other Persons desiring to

participate in such registration intend to include in such offering is such as to adversely affect the success of such offering, including the price at which such securities can be sold, then the number of shares to be offered for the account of the Selling Holders and all such other Persons (other than the Company) participating in such registration shall be reduced or limited pro rata in proportion to the respective number of shares requested to be registered to the extent necessary to reduce the total number of shares requested to be included in such offering to the number of shares, if any, recommended by such managing underwriters; provided, however, that if such offering is effected for the account of any securityholder of the Company other than the Selling Holders, pursuant to the demand registration rights of any such securityholder, then the number of shares to be offered for the account of the Selling Holders and all other Persons (other than the Company) participating in such registration (but not such securityholders who have exercised their demand registration rights) shall be reduced or limited pro rata in proportion to the respective number of shares requested to be registered to the extent necessary to reduce the total number of shares requested to be included in such offering to the number of shares, if any, recommended by such managing underwriters.

(ii) If the managing underwriter or underwriters of any underwritten offering described in Section 2.2 notify the Selling Holders requesting inclusion of Registrable Securities in such offering, that the kind of securities that the Selling Holders, the Company and any other Persons desiring to participate in such registration intend to include in such offering is such as to adversely affect the success of such offering, (x) the Registrable Securities to be included in such offering shall be reduced as described in clause (i) above or (y) if a reduction in the Registrable Securities pursuant to clause (i) above would, in the judgment of the managing underwriter(s) or underwriters, be insufficient to substantially eliminate such adverse effect that inclusion of the Registrable Securities requested to be included would have on such offering, such Registrable Securities will be excluded from such offering.

(iii) Notwithstanding anything herein to the contrary, this Section 2.3(a) shall be subject to the provisions of the Warrant to purchase Common Stock expiring on November 24, 2002 held by Amoco Corporation.

(b) If, as a result of the proration provisions of this Section 2.3, any Selling Holder shall not be entitled to include all Registrable Securities in a Piggy-Back Registration that such Selling Holder has requested to be included, such Selling Holder may elect to withdraw his request to include Registrable Securities in such registration (a "Withdrawal Election"); provided, however, that a Withdrawal Election shall be irrevocable and, after making a Withdrawal Election, a Selling Holder shall no longer have any right to include Registrable Securities in the registration as to which such Withdrawal Election was made.

3. Transfers of Warrant Shares.

3.1 Generally. All Warrant Shares at any time and from time to time outstanding that are Registrable Securities shall be held subject to the conditions and restrictions set forth in this Section 3. Each Holder of Warrant Shares by executing this Agreement or by accepting a certificate representing Common Stock or other indicia of ownership therefor from the Company agrees with the Company to such conditions and restrictions.

3.2 Restrictions on Transfer. Each Holder of Registrable Securities agrees that it will not sell, assign, give, transfer, exchange, devise, bequeath, pledge or otherwise dispose of (collectively, "Transfer") any Warrant Shares or any interest therein except in compliance with Sections 3.3 and 3.4 hereof. Each certificate representing Warrant Shares shall contain conspicuous notation on such certificate indicating that the transfer of such Warrant Shares is subject to the terms and restrictions of this Agreement.

3.3 Registration of Transfers and Exchanges.

(a) Transfer and Exchange of Definitive Certificates. The Company and the Transfer Agent shall not be obligated to register the transfer or exchange of any Definitive Certificate that is a Restricted Security unless such Warrant Shares are delivered to the Transfer Agent duly endorsed or accompanied by written instruments of transfer and are accompanied by the following additional information and documents, as applicable:

(A) if such Restricted Security is being delivered to the Transfer Agent by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect (in substantially the form of Exhibit A hereto); or

(B) if such Restricted Security is being transferred to a Qualified Institutional Buyer in accordance with Rule 144A or pursuant to an exemption from registration in accordance with Rule 144 or Regulation S or pursuant to an effective registration statement under the Securities Act, a certification to that effect (in substantially the form of Exhibit A hereto) and, with respect to transfers pursuant to Rule 144 or Regulation S, an opinion of counsel reasonably acceptable to the Company and the Transfer Agent to the effect that such transfer does not require registration under the Securities Act; or

(C) if such Restricted Security is being transferred in reliance on another exemption from the registration requirements of the Securities Act, a certification to that effect (in substantially the form of Exhibit A hereto) and an opinion of counsel reasonably acceptable to the Company and to the Transfer Agent to the effect that such transfer does not require registration under the Securities Act.

(b) Restrictions on Transfer of a Definitive Certificate for a Beneficial Interest in a Global Certificate. A Definitive Certificate may not be exchanged for a beneficial interest in a Global Certificate except upon satisfaction of the requirements set forth below. Upon receipt by the Transfer Agent of a Definitive Certificate, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Transfer Agent, together with:

(A) if such Definitive Certificate represents Restricted Securities, certification, substantially in the form of Exhibit A hereto, that such Definitive Certificate is being transferred to a Qualified Institutional Buyer (as defined in Rule 144A) in accordance with Rule 144A; and

(B) whether or not such Definitive Certificate represents Restricted Securities, written instructions directing the Transfer Agent to make, or to direct the Depositary to make, an endorsement on the Global Certificate to reflect an increase in the aggregate number of shares of Common Stock represented by the Global Certificate,

then the Transfer Agent shall cancel such Definitive Certificate and cause, or direct the Depositary to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Transfer Agent, the number of shares of Common Stock represented by the Global Certificate to be increased accordingly. If no Global Certificate is then outstanding, the Company shall issue and the Transfer Agent shall authenticate a new Global Certificate in the appropriate amount.

(c) Transfer and Exchange of Global Certificate. The transfer and exchange of a Global Certificate or beneficial interests therein shall be effected through the Depositary, in accordance with this Agreement (including the restrictions on transfer set forth herein) and the procedures of the Depositary therefor.

(d) Transfer of a Beneficial Interest in a Global Certificate for a Definitive Certificate.

(i) Any person having a beneficial interest in a Global Certificate may upon request exchange such beneficial interest for a Definitive Certificate. Upon receipt by the Transfer Agent of written instructions or such other form of instructions as is customary for the Depositary from the Depositary or its nominee on behalf of any person having a beneficial interest in a Global Certificate and upon receipt by the Transfer Agent of a written order or such other form of instructions as is customary for the Depositary or the person designated by the Depositary as having such a beneficial interest containing registration instructions and, in the case of a beneficial interest in shares that are Restricted Securities only, the following additional information and documents:

(A) If such beneficial interest is being transferred to the person designated by the Depositary as being the beneficial owner, a certification from such person to that effect (in substantially the form of Exhibit A hereto); or

(B) if such beneficial interest is being transferred to a Qualified Institutional Buyer in accordance with Rule 144A or pursuant to an exemption from registration in accordance with Rule 144 or Regulation S or pursuant to an effective registration statement under the Securities Act, a certification to that effect from the transferee or transferor (in substantially the form of Exhibit A hereto) and, with respect to transfers pursuant to Rule 144 or Regulation S, an opinion of counsel reasonably acceptable to the Company and the Transfer Agent to the effect that such transfer does not require registration under the Securities Act; or

(C) if such beneficial interest is being transferred in reliance on another exemption from the registration requirements of the Securities Act, a certification to that effect from the transferee or transferor (in substantially the form of Exhibit A hereto) and an opinion of counsel from the transferee or transferor reasonably acceptable to the Company and to the Transfer Agent to the effect that such transfer does not require registration under the Securities Act, then the Transfer Agent will cause, in accordance with the standing instructions and procedures existing between the Depositary and the Transfer Agent, the aggregate amount of the Global Certificate to be reduced and, following such reduction, the Company will execute and, upon receipt of a written order in the form of an officers' certificate signed by the Chief Executive Officer, the President, any vice President and the Chief Financial Officer, the Treasurer, the Secretary or any Assistant Secretary of the Company (an "Officers' Certificate"), the Transfer Agent will countersign and deliver to the transferee a Definitive Certificate.

(ii) Definitive Certificates issued in exchange for a beneficial interest in a Global Certificate pursuant to this Section 3.3(d) shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Transfer Agent in writing. The Transfer Agent shall deliver such Definitive Certificates to the persons in whose names such Definitive Certificates are registered.

(e) Restrictions on Transfer and Exchange of Global Certificates. Notwithstanding any other provisions of this Agreement (other than the provisions set forth in subsection (f) of this Section 3.3), a Global Certificate may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(f) Issuance of Definitive Certificates in Absence of Depositary. If at any time:

(i) the Depositary for the Global Certificates notifies the Company that the Depositary is unwilling or unable to continue as Depositary for the Global Certificates and a successor Depositary for the Global Certificates is not appointed by the Company within 90 days after delivery of such notice; or

(ii) the Company, at its sole discretion, notifies the Transfer Agent in writing that it elects to cause the issuance of Definitive Certificates under this Agreement and such action would not cause the Common Stock to be ineligible for trading in the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") Market, then the Company will execute, and the Transfer Agent, upon receipt of an Officers' Certificate requesting the issuance and delivery of Definitive Certificates, will countersign and deliver Definitive Certificates, in an aggregate number equal to the aggregate number of shares represented by the Global Certificate, in exchange for such Global Certificate.

(g) Legends.

(i) Except as permitted by the following paragraph (ii), each Definitive Certificate (and all shares of Common Stock issued in exchange therefor or substitution thereof) shall bear a legend substantially to the following effect:

> THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE ACT) OR (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a) UNDER THE ACT (AN "ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION, (2) AGREES THAT IT WILL NOT WITHIN TWO YEARS AFTER ORIGINAL ISSUANCE OF THIS SECURITY RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER

THE ACT, (C) INSIDE THE UNITED STATES TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES (OR HAS FURNISHED ON ITS' BEHALF BY A U.S. BROKER-DEALER) TO THE TRANSFER AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRANSFER AGENT FOR THIS SECURITY), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE ACT, (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE ACT (IF AVAILABLE) OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY, IF THE PROPOSED TRANSFEREE IS AN INSTITUTIONAL ACCREDITED INVESTOR OR SUCH TRANSFER IS MADE IN ACCORDANCE WITH CLAUSES (D) OR (E) ABOVE, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRANSFER AGENT AND THE COMPANY SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE ACT.

(ii) Upon any sale or transfer of any share of Common Stock that is a Restricted Security (including any Restricted Security represented by a Global Certificate) pursuant to Rule 144 under the Securities Act or an effective registration statement under the Securities Act:

(A) in the case of any Restricted Security represented by a Definitive Certificate, the Transfer Agent shall permit the holder thereof to exchange such Restricted Security for a Definitive Certificate (subject to Section 3.3(a) and (b)) that does not bear the legend set forth above and rescind any related restriction on the transfer of such Restricted Security; and

(B) any Restricted Security represented by a Global Certificate shall not be subject to the provisions set forth in (i) above (such sales or transfers being subject only to the provisions of Section 3.3(c) through (f); provided, however, that with respect to any request for an exchange of a Restricted Security that is represented by a Global Certificate for a Definitive Certificate that does not bear the legend set forth above, which request is made in reliance upon Rule 144, the holder thereof shall certify in writing to the Transfer Agent that such request is being made pursuant to Rule 144 (such certification to be substantially in the form of Exhibit A hereto) and shall provide an opinion of counsel reasonably acceptable to the Company to the effect that such transfer does not require registration under the Securities Act.

(iii) Any Global Certificate shall bear a legend (which would be in addition to any other legends required in the case of a Restricted Security) in substantially the following form:

> THIS SECURITY IS A GLOBAL CERTIFICATE AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. THIS SECURITY IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE COMMON STOCK REGISTRATION RIGHTS AGREEMENT DATED AS OF JANUARY 23, 1998 AMONG THE COMPANY AND THE STOCKHOLDERS PARTY THERETO (THE "SHAREHOLDERS AGREEMENT") AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE SHAREHOLDERS AGREEMENT.
>
> UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE

OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

(h) Cancellation and/or Adjustment of a Global Certificate. At such time as all beneficial interests in a Global Certificate have either been exchanged for Definitive Certificates, redeemed, repurchased or canceled, such Global Certificate shall be returned to or retained and canceled by the Transfer Agent. At any time prior to such cancellation, if any beneficial interest in a Global Certificate is exchanged for Definitive Certificates, redeemed, repurchased or canceled, the number of shares of Common Stock represented by such Global Certificate shall be reduced and an endorsement shall be made on such Global Certificate, by the Transfer Agent to reflect such reduction.

(i) Obligations with Respect to Transfers and Exchanges of Definitive Certificates.

(i) To permit registrations of transfers and exchanges, the Company shall execute, at the Transfer Agent's request, and the Transfer Agent shall countersign and register Definitive Certificates and Global Certificates.

(ii) All Definitive Certificates and Global Certificates issued upon any registration, transfer or exchange of Definitive Certificates or Global Certificates shall be validly issued, fully paid and non-assessable.

(iii) Prior to due presentment for registration of transfer of any Warrant Shares, the Company and the Transfer Agent may deem and treat the person in whose name any Warrant Share is registered as the absolute owner of such Warrant Share, and neither the Transfer Agent nor the Company shall be affected by notice to the contrary.

4. Registration Procedures. In connection with the obligations of the Company with respect to any Registration Statement pursuant to Sections 2.1 and 2.2 hereof, the Company shall:

(a) prepare and file with the SEC a Registration Statement on the appropriate form under the Securities Act, which form (i) shall be selected by the Company and (ii) shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the SEC to be filed therewith, and the Company shall use its best efforts to cause such Registration Statement to become effective and remain effective in accordance with Section 2 hereof;

(b) prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period, cause each Prospectus to be supplemented by any required prospectus supplement and, as so supplemented, to be filed pursuant to Rule 424 under the Securities Act;

(c) furnish to each Selling Holder of Registrable Securities and to each underwriter of an underwritten offering of Registrable Securities, if any, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto and such other documents as such Selling Holder or underwriter may reasonably request, in order to facilitate the public sale or other disposition of the Registrable Securities;

(d) use its best efforts to register or qualify the Registrable Securities under all applicable state securities or "blue sky" laws of such jurisdictions as any Selling Holder thereof covered by a Registration Statement shall reasonably request in writing by the time the applicable Registration Statement is declared effective by the SEC, and do any and all other acts and things which may be reasonably necessary or advisable to enable such Selling Holder to consummate the disposition in each such jurisdiction of such Registrable Securities owned by such Selling-Holder; provided, however, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified, (ii) take any action that would subject it to general service of process in any jurisdiction in which it is not then so subject or (iii) subject itself to taxation in excess of a nominal dollar amount in any such jurisdiction;

(e) notify each Selling Holder of Registrable Securities promptly and, if requested by such Selling Holder, confirm such advice in writing (i) when a Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of any request by the SEC or any state securities authority for amendments and supplements to a Registration Statement and Prospectus or for additional information after the Registration Statement has become effective, (iii) of the issuance by the SEC or any state securities authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) if, between the effective date of a Registration Statement and the closing of any sale of Registrable Securities covered thereby, the representations and warranties of the Company contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to the offering cease to be true and correct in all material respects or if the Company receives any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose and (v) of the happening of any event during the period a Registration Statement is effective which makes any

statement made in such Registration Statement or the related Prospectus untrue in any material respect or which requires the making of any changes in such Registration Statement or Prospectus in order to make the statements therein not misleading;

(f) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement at the earliest possible moment;

(g) furnish to each Selling Holder of Registrable Securities and to the Purchasers, without charge, at least one conformed copy of each Registration Statement and any post-effective amendment thereto (with documents incorporated therein by reference or exhibits thereto);

(h) cooperate with the Selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends and registered in such names as the Selling Holders may reasonably request at least two business days prior to the closing of any sale of Registrable Securities;

(i) upon the occurrence of any event contemplated by Section 4(e)(v) hereof, use reasonable efforts to prepare a supplement or post-effective amendment to a Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities, such Prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Company shall not be required to amend or supplement a Registration Statement, any related Prospectus or any document incorporated therein by reference in the event that, and for so long as, an event occurs and is continuing as a result of which the Registration Statement, any related Prospectus or any document incorporated therein by reference as then amended or supplemented would, in the Company's good faith judgment, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Company agrees to notify each Selling Holder to suspend use of the Prospectus as promptly as practicable after the occurrence of such an event, and each Selling Holder hereby agrees to suspend use of the Prospectus until the Company has amended or supplemented the Prospectus to correct such misstatement or omission. At such time as such public disclosure is otherwise made or the Company determines in good faith that such disclosure is not necessary, the Company agrees promptly to notify each Selling Holder of such determination, to amend or supplement the Prospectus if necessary to correct any untrue statement or omission therein and to furnish each Selling Holder such numbers of copies of the Prospectus as so amended or supplemented as each Selling Holder may reasonably request;

(j) a reasonable time prior to the filing of any Registration Statement, any Prospectus, any amendment to a Registration Statement or amendment or supplement to a Prospectus or any document which is to be incorporated by reference into a Registration Statement or a Prospectus after initial filing and prior to the effective date of a Registration Statement, provide copies of such document to the Holders and make available for discussion of such document the representatives of the Company as shall be reasonably requested by the Holders of Registrable Securities;

(k) obtain a CUSIP number for the Common Stock;

(l) (i) make reasonably available for inspection by a representative of, and counsel for, any managing underwriter participating in any disposition pursuant to a Registration Statement, all relevant financial and other records, pertinent corporate documents and properties of the Company and (ii) cause the Company's officers, directors and employees to supply all relevant information reasonably requested by such representative, counsel or any such managing underwriter in connection with any such Registration Statement;

(m) take all action necessary so that the Warrant Shares will be listed on the principal securities exchanges and markets within the United States of America (including the NASDAQ National Market System), if any, on which other shares of Common Stock are then listed; and

(n) if requested by the Holders in connection with any Registration Statement, shall use its best efforts to cause (x) counsel for the Company to deliver an opinion relating to the Registration Statement and the Common Stock, in customary form, (y) its officers to execute and deliver all customary documents and certificates requested by a representative of the Holders or any managing underwriter, as applicable and (z) its independent public accountants to provide a comfort letter in customary form.

The Company may, as a condition to such Holder's participation in any Registration Statement, require each Holder of Registrable Securities to (i) furnish to the Company such information in writing regarding the Holder and the proposed distribution by such Holder of such Registrable Securities as the Company may from time to time reasonably request in writing and (ii) agree in writing to be bound by this Agreement.

5. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Holder and each person, if any, who controls such Holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against all losses, claims, damages

and liabilities (including, without limitation, any reasonable legal fees or other expenses actually incurred by any Holder or any such controlling or affiliated person in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) pursuant to which Registrable Securities were registered under the Securities Act, or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or caused by any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information relating to any Holder furnished to the Company in writing by such Holder expressly for use in any such Registration Statement or Prospectus; provided that the foregoing indemnity with respect to any preliminary prospectus shall not inure to the benefit of any Holder (or to the benefit of any person controlling such Holder) from whom the person asserting any such losses, claims, damages or liabilities purchased Registrable Securities if such untrue statement or omission or alleged untrue statement or omission made in such preliminary prospectus is completely eliminated or remedied in the related Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) and a copy of the related Prospectus (as so amended or supplemented) shall have been furnished to such Holder at or prior to the sale of such Registrable Securities, as the case may be, to such person, and (i) such Holder failed to send or deliver a copy of the Prospectus with or prior to the delivery of written confirmation of the sale of Registrable Securities and (ii) the Prospectus would have completely corrected such untrue statement or omission.

(b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Holder, but only with reference to information relating to such Holder furnished to the Company in writing by such Holder expressly for use in any Registration Statement (or any amendment thereto), any Prospectus (or any amendment or supplement thereto) or any preliminary prospectus. The liability of any Holder under this paragraph (b) shall in no event exceed the proceeds received by such Holder from sales of Registrable Securities giving rise to such obligations.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either paragraph (a) or (b) above, such person (the "indemnified party") shall promptly notify the person against which such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain one counsel (and appropriate local counsel) reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the reasonable fees and disbursements of such counsel relating to such proceeding. In any such proceeding any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed in writing to the contrary or (ii) the indemnifying party fails promptly to assume the defense of such proceeding or fails to employ counsel reasonably satisfactory to such indemnified party or parties or (iii) the named parties to any such proceeding (including any impleaded parties) include both such indemnified party or parties and the indemnifying parties or an affiliate of the indemnifying parties or such indemnified parties, and there may be one or more defenses available to such indemnified party or parties that are different from or additional to those available to the indemnifying parties, in which case, if such indemnified party or parties notifies the indemnifying parties in writing that it elects to employ separate counsel of its choice at the expense of the indemnifying parties, the indemnifying parties shall not have the right to assume the defense thereof and such counsel shall be at the expense of the indemnifying parties, it being understood, however, that unless there exists a conflict among indemnified parties, the indemnifying parties shall not, in connection with any one such proceeding or separate but substantially similar or related proceedings 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 (together with appropriate local counsel) at any time for such indemnified party or parties. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but, if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is a party, and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in paragraph (a) or (b) of this Section 5 is unavailable to an indemnified party in respect of any losses, claims, damages or liabilities, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified

party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the Holders on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and 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 or by the Holders and the parties, relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The Company and each Holder agrees that it would not be just or equitable if contribution pursuant to this Section 5 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred (and not otherwise reimbursed) by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5, in no event shall a Selling Holder be required to contribute any amount in excess of the amount by which proceeds received by such Selling Holder from sales of Registrable Securities exceeds the amount of damages that such Selling Holder has otherwise been required to pay by reason of such untrue or allegedly untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 5 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

6. Miscellaneous.

(a) No Inconsistent Agreements. The Company has not entered into nor will the Company on or after the date of this Agreement enter into any agreement which is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. 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 other issued and outstanding securities, if any, under any such agreements.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority in aggregate number of the

outstanding Registrable Securities affected by such amendment, modification, supplement, waiver or consent; provided, however, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders of Registrable Securities whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of other Holders of Registrable Securities may be given by the Holders of a majority of the Registrable Securities proposed to be sold.

(c) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, registered first-class mail, telex, telecopier, or any courier guaranteeing overnight delivery (i) if to a Holder, at the most current address given by such Holder to the Company by means of a notice given in accordance with the provisions of this Section 6(c), which address initially is, with respect to each Purchaser, the address set forth in the Purchase Agreement; and (ii) if to the Company, initially at the Company's address set forth in the Purchase Agreement and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 6(c).

All such notices and communications shall be deemed to have been duly given: (i) at the time delivered by hand, if personally delivered, five business days after being deposited in the mail, postage prepaid, if mailed; (ii) when answered back, if telexed; (iii) when receipt is acknowledged, if telecopied; and (iv) on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

(d) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Holders; provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of this Agreement or the Purchase Agreement. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable 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 and such person shall be entitled to receive the benefits hereof.

(e) Rules 144 and 144A. The Company covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder in a timely manner and, if at any time the Company is not required to file such reports, it will, upon the request of any Holder of Registrable Securities, make publicly available other information of a like nature so long as necessary to permit sales pursuant to Rule 144 or Rule 144A under the Securities Act. The Company further covenants

that so long as any Registrable Securities remain outstanding to make available to any Holder of Registrable Securities in connection with any sale thereof, the information required by Rule 144A(d)(4) under the Securities Act in order to permit resales of such Registrable Securities pursuant to (a) such Rule 144A, or (b) any similar rule or regulation hereafter adopted by the SEC.

(f) 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.

(g) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH OF THE PARTIES HERETO AGREES TO SUBMIT TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(i) 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.

(j) Entire Agreement. This Agreement, together with the Purchase Agreement, is intended by the parties as a final expression of their agreement, and is 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 and therein.

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

Gothic Energy Corporation

By: /s/ Michael Paulk

Michael Paulk, President

Purchaser

By:

Name:
Title:

EXHIBIT "A"

CERTIFICATE TO BE DELIVERED UPON
EXCHANGE OR REGISTRATION OF RESTRICTED SECURITIES

Re: Common Stock, par value $.01 per share ("Common Stock"), of Gothic Energy Corporation

This Certificate relates to shares of Common Stock held in book-entry or definitive form by _____ (the "Transferor").

The Transferor (check applicable box):

[_] has requested the Transfer Agent by written order to deliver in exchange for its beneficial interest in the Global Certificate held by the Depositary shares of Common Stock in definitive, registered form equal to its beneficial interest in the shares of Common Stock represented by such Global Certificate (or the portion thereof indicated above); or

[_] has requested the Transfer Agent by written order to exchange or register the transfer of shares of Common Stock.

In connection with such request, the Transferor does hereby certify that Transferor is familiar with the Common Stock Registration Rights Agreement (the "Agreement") relating to the shares of Common Stock and the restrictions on transfers thereof as provided in Sections 3.2 and 3.3 of such Agreement, and that the transfer of shares of Common Stock requested hereby does not require registration under the Securities Act (as defined below) because:

[_] Such shares of Common Stock are being acquired for the Transferor's own account, without transfer (in satisfaction of Section 3.3(a)(A) or Section 3.3(d)(i)(A) of the Agreement).

[_] Such shares of Common Stock are being transferred to a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")), in reliance on Rule 144A or in accordance with Regulation S under the Securities Act. If such transfer is in accordance with Regulation S, an opinion of counsel to the effect that such transfer does not require registration under the Securities Act accompanies this Certificate.

[_] Such shares of Common Stock are being transferred in accordance with Rule 144 under the Securities Act. An opinion of counsel to the effect that such transfer does not require registration under the Securities Act accompanies this Certificate.

[_] Such shares of Common Stock are being transferred pursuant to an effective registration statement under the Securities Act.

[_] Such shares of Common Stock are being transferred in reliance on and in compliance with an exemption from the registration requirements of the Securities Act, other than Rule 144A or Rule 144 or Regulation S under the Securities Act. An opinion of counsel to the effect that such transfer does not require registration under the Securities Act accompanies this Certificate.

[Insert Name of Transferor]

Date: By:

EXHIBIT 4.13

THE SECURITIES REPRESENTED BY THIS WARRANT AND THE COMMON STOCK ISSUABLE THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER APPLICABLE SECURITIES LAWS AND, ACCORDINGLY, THE SECURITIES REPRESENTED BY THIS WARRANT MAY NOT BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER, OR IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE SECURITIES ACT AND IN ACCORDANCE WITH ANY STATE OR OTHER APPLICABLE SECURITIES LAWS.

SUBSTITUTE WARRANT

to Purchase Common Stock of

CHESAPEAKE ENERGY CORPORATION

Expiring on November 24, 2002

Date of Issuance: January 16, 2001 Certificate No. W-AMO-1

This Warrant to purchase Common Stock (the "Warrant") is issued as a substitute and replacement for the original Warrant issued January 23, 1998 (the "Original Warrant"), to purchase Common Stock of Gothic Energy Corporation. The Company (as hereinafter defined) assumed the Original Warrant pursuant to that certain Agreement and Plan of Merger dated September 8, 2000, as amended by Amendment No. 1 to Agreement and Plan of Merger dated October 31, 2000 between the Company, Chesapeake Merger 2000 Corp. and Gothic Energy (the "Merger Agreement"). This new Warrant is being issued pursuant to Section 3.4 of the Original Warrant to reflect the consummation of the Merger. This Warrant certifies that for value received, Amoco Corporation, an Indiana corporation, or its registered assigns (the "Holder"), is entitled to subscribe for and purchase from the Company (as hereinafter defined), in whole or in part, 450,000 duly authorized, validly issued, fully paid and non-assessable shares of Common Stock (as hereinafter defined) at the Exercise Price (as hereinafter defined), subject, however, to the provisions and upon the terms and conditions hereinafter set forth. The number of shares of Common Stock purchasable hereunder and the Exercise Price therefor are subject to adjustment as hereinafter set forth. This Warrant and all rights hereunder shall expire at 5:00 P.M., Oklahoma City, Oklahoma time, on November 24, 2002.

As used herein, the following terms shall have the meanings set forth below:

"Company" shall mean Chesapeake Energy Corporation, an Oklahoma corporation, and shall also include any successor thereto with respect to the obligations hereunder, by merger, consolidation or otherwise.

"Common Stock" shall mean and include the Company's Common Stock, par value $0.01 per share, authorized on the date of the original issue of this Warrant and shall also include (i) in

case of any reorganization, reclassification, consolidation, merger, share exchange or sale, transfer or other disposition of assets of the character referred to in Section 3.4 hereof, the stock or securities provided for in such Section 3.4, and (ii) any other shares of common stock of the Company into which such shares of Common Stock may be converted.

"Common Stock Deemed Outstanding" means at any given time, the number of shares of Common Stock actually outstanding at such time, plus the number of shares of Common Stock deemed to be outstanding pursuant to paragraphs 3.2.1 and 3.2.2 hereof regardless of whether the Options or Convertible Securities are actually exercisable at such time.

"Convertible Securities" means any stock or securities (directly or indirectly) convertible into or exchangeable for Common Stock.

"Exercise Price" shall mean the initial purchase price of $10.00 per share of Common Stock payable upon exercise of the Warrant. The Exercise Price shall be adjusted from time to time pursuant to the provisions hereof.

"Market Price" means as to any security the average of the closing prices of such security's sales on all domestic securities exchanges on which such security may at the time be listed, or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 P.M., New York time, on such day, or, if on any day such security is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization, in each such case averaged over a period of 10 days consisting of the day as of which "Market Price" is being determined and the 9 consecutive business days prior to such day; provided that if such security is listed on any domestic securities exchange the term "business days" as used in this sentence means business days on which such exchange is open for trading. If at any time such security is not listed on any domestic securities exchange or quoted in the NASDAQ System or the domestic over-the-counter market, the "Market Price" shall be the fair value thereof determined jointly by the Company and the Registered Holders of Warrants representing a majority of the Warrant Shares purchasable upon exercise of all the Warrants then outstanding; provided, that if such parties are unable to reach agreement within a reasonable period of time, such fair value shall be determined by an appraiser jointly selected by the Company and the Registered Holders of Warrants representing a majority of the Warrant Shares purchasable upon exercise of all the Warrants then outstanding. The determination of such appraiser shall be final and binding on the Company and the Registered Holders of the Warrants, and the fees and expenses of such appraiser shall be paid jointly by the Company and the Registered Holders.

"Options" means any rights or options to subscribe for or purchase Common Stock or Convertible Securities.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Securities Act" means the Securities Act of 1933, as amended.

"Warrant" shall mean this Warrant Certificate, and any one or more Warrant Certificates into which this Warrant may be exchanged or converted ("Warrants"), representing the right to purchase up to 450,000 Warrant Shares, or such greater or lesser amounts as may result pursuant to the adjustments provided for herein.

"Warrant Shares" shall mean the shares of Common Stock or other securities purchased or purchasable by the holder hereof upon the exercise of the Warrants, taking into account all adjustments provided for herein.

ARTICLE I

EXERCISE OF WARRANTS

1.1 Exercise Period.

The Warrant represented hereby may be exercised by the Holder hereof, in whole or in part, at any time and from time to time on or after the date hereof until 5:00 PM, Oklahoma City, Oklahoma time, on November 24, 2002.

1.2 Method of Exercise.

To exercise the Warrants, the Holder hereof shall deliver to the Company, at the Warrant Office designated in Section 2.1 hereof, (i) a written notice in the form of the Subscription Notice attached as Exhibit I hereto, stating therein the election of such holder to exercise the Warrant in the manner provided in the Subscription Notice; (ii) payment in full of the Exercise Price in cash or by bank check or wire transfer for all Warrant Shares purchased hereunder, or a written notice (a "Cashless Exercise" notice) to the Company that such Holder is exercising the Warrant (or a portion thereof) by authorizing the Company to withhold from issuance a number of Warrant Shares issuable upon such exercise of the Warrant which, when multiplied by the Market Price for such shares, is equal to the Exercise Price for the total number of Warrant Shares to which such exercise relates (and such withheld shares shall no longer be exercisable under this Warrant); (iii) if this Warrant is not registered in the name of the Holder, an Assignment or Assignments in the form set forth in Exhibit II hereto evidencing the assignment of this Warrant to the current Holder; and (iv) this Warrant. The Warrants shall be deemed to be exercised on the date of receipt by the Company of the Subscription Notice, accompanied by payment for the Warrant Shares (or the Cashless Exercise notice) and surrender of this Warrant, as aforesaid, and such date is referred to herein as the "Exercise Date". Upon such exercise, the Company shall, as promptly as practicable and in any event within five (5) business days, issue and deliver to such holder a certificate or certificates for the full number of the Warrant Shares purchased by such holder hereunder, and shall, unless the Warrant has expired, deliver to the holder hereof (within such five (5) day period) a new Warrant representing the right to purchase the number of Warrant Shares, if any, with respect to which the Warrant shall not have been previously exercised, but in all other respects identical to this Warrant. As permitted by applicable law, the Person in whose name the certificates for Common Stock are to be issued shall be deemed to have become a holder of record of such Common Stock on the

Exercise Date and shall be entitled to all of the benefits of such holder on the Exercise Date, including without limitation, the right to receive dividends and other distributions for which the record date falls on or after the Exercise Date and the right to exercise voting rights.

1.3 Expenses and Taxes. The Company shall pay all expenses and taxes (including, without limitation, all documentary, stamp, transfer or other transactional taxes), other than income taxes payable by the Holder, attributable to the preparation, issuance or delivery of the Warrant and of the issuance of the Warrant Shares.

1.4 Reservation of Shares. The Company shall reserve at all times so long as the Warrant remains outstanding, free from preemptive rights, out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the exercise of the Warrant, a sufficient number of shares of Common Stock to provide for the exercise of the Warrant. The Company shall take all such actions as may be necessary to assure that all such Warrant Shares may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange or automated quotation system upon which shares of Common Stock may be listed or quoted (except for official notice of issuance, which shall be immediately delivered by the Company upon each such issuance). The Company shall take all such actions as may be necessary to assure that all such Warrant Shares shall be authorized, approved for and listed on any national securities exchange or quotation system on which the Company's Common Stock is listed or quoted. The Company shall not take any action which would cause the number of authorized but unissued shares of Common Stock to be less than the number of such shares-required to be reserved hereunder for issuance upon exercise of the Warrant.

1.5 Valid Issuance. All Warrant Shares that may be issued upon any exercise of the Warrant will, upon issuance by the Company, be duly and validly issued, fully paid and non-assessable and free from all taxes, liens and charges with respect to the issuance thereof and, without limiting the generality of the foregoing, the Company shall take no action or fail to take any action which will cause a contrary result (including, without limitation, any action that would cause the Exercise Price then in effect to be less than the par value, if any, of the Common Stock).

1.6 Purchase Agreement and Merger Agreement. The Original Warrant substituted hereby was originally issued pursuant to that certain Agreement of Purchase and Sale dated November 24, 1997 (the "Purchase Agreement,") between Gothic Energy Corporation, a wholly-owned subsidiary of the Company ("Gothic Energy") and Amoco Production Company, a wholly-owned indirect subsidiary of Amoco ("Amoco Production"). The Warrant was originally issued by Gothic Energy in partial consideration for Amoco Production's sale of certain properties to Gothic Energy. The Company assumed the Original Warrant and issued this Warrant pursuant to the Original Warrant and the Merger Agreement.

1.7 Acknowledgment of Rights. At the time of the exercise of the Warrants in accordance with the terms hereof and upon the written request of the Holder hereof, the Company will acknowledge in writing its continuing obligation to afford to such Holder any rights (including, without limitation, any right to registration of the Warrant Shares) to which such Holder shall continue to be entitled after such exercise in accordance with the provisions of

this Warrant; provided however. that if the holder hereof shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such Holder any such rights.

1.8 No Fractional Shares. The Company shall not be required to issue fractional shares of Common Stock (or other securities) on the exercise of this Warrant. If more than one Warrant shall be presented for exercise at the same time by the same Holder, the number of full Warrant Shares which shall be issuable upon such exercise shall be computed on the basis of the aggregate number of whole Warrant Shares purchasable on exercise of the Warrants so presented. If any fraction of a Warrant Share would, except for the provisions of this Section 1.8, be issuable on the exercise of this Warrant, the Company shall pay an amount in cash calculated by it to be equal to the Market Price of one such share at the time of such exercise multiplied by such fraction computed to the nearest whole cent.

1.9 Assistance and Cooperation. The Company shall not close its books against the transfer of this Warrant or of any Warrant Share in any manner which interferes with the timely exercise of this Warrant. The Company shall assist and cooperate with any Holder required to make any governmental filings or obtain any governmental approvals prior to or in connection with any exercise of this Warrant (including, without limitation, making any filings required to be made by the Company).

1.10 Delayed Exercise. Notwithstanding any other provision hereof, if an exercise of any portion of this Warrant is to be made in connection with a registered public offering or the sale of the Company, the exercise of any portion of this Warrant may, at the election of the Holder hereof, be conditioned upon the consummation of the public offering or sale of the Company in which case such exercise shall not be deemed to be effective until the consummation of such transaction.

ARTICLE II

TRANSFER

2.1 Warrant Office. The Company shall maintain an office for certain purposes specified herein (the "Warrant Office"), which office shall initially be the Company's offices at 6100 North Western Avenue, Oklahoma City, Oklahoma 74105, and may subsequently be such other office of the Company or of any transfer agent of the Common Stock in the continental United States as to which written notice has previously been given to the holder hereof. The Company shall maintain, at the Warrant Office, a register for the Warrants in which the Company shall record the name and address of the Person in whose name this Warrant has been issued, as well as the name and address of each permitted assignee of the rights of the registered owner hereof.

2.2 Ownership of Warrants. The Company may deem and treat the Person in whose name the Warrant is registered -as the Holder and owner hereof (notwithstanding any notations of ownership or writing hereon made by anyone other than the Company) for all purposes and shall not be affected by any notice to the contrary until presentation of this Warrant for

registration of transfer as provided in this Article II. Notwithstanding the foregoing, the Warrants represented hereby, if otherwise properly assigned in compliance with this Article II (i.e., but for registration of the transfer at the Warrant Office), may be exercised by an assignee for the purchase of Warrant Shares without having a new Warrant issued.

2.3 Restrictions on Transferability of Warrant. Subject to the transfer conditions referred to herein, this Warrant and all rights hereunder (including, but not limited to, Registration Rights under Article VII) are transferable, in whole or in part, without charge to the Holder, upon surrender of this Warrant with a properly executed Assignment (in the form of Exhibit II hereto) at the Warrant Office of the Company. The Company agrees to maintain at the Warrant Office books for the registration and transfer of the Warrants. The Company shall, from time to time, register the transfer of the Warrants in such books upon surrender of any such Warrant at the Warrant Office accompanied by a properly executed Assignment and written instructions for transfer satisfactory to the Company. Upon any such transfer and upon payment by the holder or its transferee of any applicable transfer taxes, a new Warrant shall be issued to the transferee and the surrendered Warrant shall be cancelled by the Company. The Company shall pay all taxes (other than securities transfer taxes or income taxes) and all other expenses and charges payable in connection with the transfer of the Warrants pursuant to this Section 2.3. Prior to any transfer as provided herein, the transferor shall provide written notice to the Company.

2.4 Warrant Exchangeable for Different Denominations. This Warrant is exchangeable, upon the surrender hereof, by the Holder at the Warrant Office of the Company, for new Warrants of like tenor representing in the aggregate the purchase rights hereunder, and each of such new Warrants shall represent such portion of such rights as is designated by the Holder at the time of such surrender. The date the Company initially issues this Warrant shall be deemed to be the "Date of Issuance" hereof regardless of the number of times new certificates representing the unexpired and unexercised rights formerly represented by this Warrant shall be issued. All Warrants representing portions of the rights hereunder are referred to herein as the "Warrants."

2.5 Compliance with Securities Laws. Subject to Article VII hereof, and notwithstanding any other provisions contained in this Warrant, the Holder hereof understands and agrees that the following restrictions and limitations shall be applicable to all Warrant Shares and to all resales or other transfers thereof pursuant to the Securities Act:

2.5.1 The holder hereof agrees that the Warrant and Warrant Shares shall not be sold or otherwise transferred unless the Warrant or Warrant Shares are registered under the Securities Act and applicable state securities or blue sky laws or are sold in a transaction that is exempt therefrom.

2.5.2 A legend in substantially the following form will be placed on the certificates) evidencing the Warrant Shares:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR

ANY STATE OR OTHER APPLICABLE SECURITIES LAWS AND, ACCORDINGLY, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER, OR IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE SECURITIES ACT AND IN ACCORDANCE WITH ANY STATE OR OTHER APPLICABLE SECURITIES LAWS."

2.5.3 Stop transfer instructions will be imposed with respect to the Warrant Shares so as to restrict resale or other transfer thereof not in accordance with this Section 2.5.

ARTICLE III

ANTI-DILUTION

3. Adjustment of Exercise Price and Number of Shares. In order to prevent dilution of the rights granted under this Warrant, the Exercise Price shall be subject to adjustment from time to time as provided in this Section 3, and the number of shares of Common Stock (i.e., Warrant Shares) obtainable upon exercise of this Warrant shall be subject to adjustment from time to time as provided in this Article III.

3.1 Adjustment of Exercise Price and Number of Shares upon Issuance of Common Stock.

3.1.1 If and whenever on or after the Date of Issuance of this Warrant the Company issues or sells, or in accordance with paragraph 3.2 is deemed to have issued or sold, any shares of Common Stock for a consideration per share less than the Exercise Price in effect immediately prior to such time, then immediately upon such issue or sale the Exercise Price shall be reduced to the new Exercise Price determined by dividing:

(A) the sum of (x) the product derived by multiplying the Exercise Price in effect immediately prior to such issue or sale times the number of shares of Common Stock Deemed Outstanding immediately prior to such issue or sale, plus (y) the consideration, if any, received by the Company upon such issue or sale, by

(B) the number of shares of Common Stock Deemed Outstanding immediately after such issue or sale.

3.1.2 Upon each such adjustment of the Exercise Price hereunder, the number of shares of Common Stock acquirable upon exercise of this Warrant shall be adjusted to the number of shares determined by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares of Common Stock acquirable upon exercise of this Warrant immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.

3.2 Effect on Exercise Price of Certain Events. For purposes of determining the adjusted Exercise Price upon paragraph 3.1, the following shall be applicable:

3.2.1 Issuance of Rights or Options. If the Company in any manner grants or sells any Options and the price per share for which Common Stock is issuable upon the exercise of such Options, or upon conversion or exchange of any Convertible Securities issuable upon exercise of such Options, is less than the Exercise Price in effect immediately prior to the time of the granting or sale of such Options, then the total maximum number of shares of Common Stock issuable upon the exercise of such Options, or upon conversion or exchange of the total maximum amount of such Convertible Securities issuable upon the exercise of such Options, shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting or sale of such Options for such price per share. For purposes of this paragraph, the "price per share for which Common Stock is issuable upon exercise of such Options or upon conversion or exchange of such Convertible Securities" is determined by dividing (A) the total amount, if any, received or receivable by the Company as consideration for the granting or sale of such Options, plus the minimum aggregate amount of additional consideration payable to the Company upon the exercise of all such Options, plus in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable to the Company upon the issuance or sale of such Convertible Securities and the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon exercise of such Options or upon the conversion. or exchange of all such Convertible Securities issuable upon the exercise of such Options. No further adjustment of the Exercise Price shall be made upon the actual issuance of such Common Stock or of such Convertible Securities upon the exercise of such Options or upon the actual issuance of such Common Stock upon conversion or exchange of such Convertible Securities.

3.2.2 Issuance of Convertible Securities. If the Company in any manner issues or sells any Convertible Securities and the price per share for which Common Stock is issuable upon conversion or exchange thereof is less than the Exercise Price in effect immediately prior to the time of such issue or sale, then the maximum number of shares of Common Stock issuable upon conversion or exchange of such Convertible Securities shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issue or sale of such Convertible Securities for such price per share. For the purposes of this paragraph, the "price per share for which Common Stock is issuable upon conversion or exchange thereof" is determined by dividing (A) the total amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment of the Exercise Price shall be made upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustments of the Exercise Price had been or are to be made pursuant to other provisions of this paragraph 3.2, no further adjustment of the Exercise Price shall be made by reason of such issue or sale.

3.2.3 Change in Option Price or Conversion Rate. If the purchase price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion or

exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exchangeable for Common Stock changes at any time, the Exercise Price in effect at the time of such change shall be adjusted immediately to the Exercise Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold and the number of shares of Common Stock issuable hereunder shall be correspondingly adjusted. For purposes of this paragraph 3.2, if the terms of any Option or Convertible Security which was outstanding as of the date of issuance of this Warrant are changed in the manner described in the immediately preceding sentence, then such Option or Convertible Security and the Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such change; provided that no such change shall at any time cause the Exercise Price hereunder to be increased.

3.2.4 Treatment of Expired Options and Unexercised Convertible Securities. Upon the expiration of any Option or the termination of any right to convert or exchange any Convertible Securities without the exercise of such Option or right, the Exercise Price then in effect and the number of shares of Common Stock acquirable hereunder shall be adjusted immediately to the Exercise Price and the number of shares which would have been in effect at the time of such expiration or termination had such Option or Convertible Securities, to the extent outstanding immediately prior to such expiration or termination, never been issued. For purposes of this paragraph 3.2, the expiration or termination of any Option or Convertible Security which was outstanding as of the date of issuance of this Warrant shall not cause the Exercise Price hereunder to be adjusted unless, and only to the extent that, a change in the terms of such Option or Convertible Security caused it to be deemed to have been issued after the date of issuance of this Warrant.

3.2.5 Calculation of Consideration Received. If any Common Stock, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Company therefor. In case any Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be the fair value of such consideration, except where such consideration consists of securities, in which case the amount of consideration received by the Company shall be the Market Price thereof as of the date of receipt. In case any Common Stock, Options or Convertible Securities are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity the amount of consideration therefor shall be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Common Stock, Options or Convertible Securities, as the case may be. The fair value of any consideration other than cash or securities shall be determined at the reasonable discretion of the board of directors of the Company consistent with the value assigned for Generally Accepted Accounting Principles purposes.

3.2.6 Integrated Transactions. In case any Option is issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction in which no specific consideration is allocated to such Options by the parties thereto, the Options shall be deemed to have been issued for consideration determined at the reasonable

discretion of the board of directors of the Company consistent with the value assigned for Generally Accepted Accounting Principles purposes.

3.2.7 Treasury Shares. The number of shares of Common Stock outstanding at any given time does not include shares owned or held by or for the account of the Company or any Subsidiary, and the disposition of any shares so owned or held shall be considered an issue or sale of Common Stock.

3.2.8 Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

3.3 Stock Splits and Reverse Splits. In the event that the Company shall at any time subdivide its outstanding shares of Common Stock into a greater number of shares (by stock split, stock dividend, recapitalization or otherwise), the Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced and the number of Warrant Shares purchasable pursuant to this Warrant immediately prior to such subdivision shall be proportionately increased. Conversely, in the event that the outstanding shares of Common Stock shall at any time be combined into a smaller number of shares (by reverse stock split or otherwise), the Exercise Price in effect immediately prior to such combination shall be proportionately increased and the number of Warrant Shares purchasable upon the exercise of this Warrant immediately prior to such combination shall be proportionately reduced.

3.4 Reorganizations and Asset Sales. If any capital recapitalization, reorganization or reclassification of the capital stock of the Company, or any consolidation, merger or share exchange of the Company with another Person, or the sale, transfer or other disposition of all or substantially all of its assets to another Person shall be effected in such a way that a holder of Common Stock of the Company shall be entitled to receive capital stock, securities or assets with respect to or in exchange for their shares, then the following provisions shall apply:

3.4.1 As a condition of such recapitalization, reorganization, reclassification, consolidation, merger, share exchange, sale, transfer or other disposition (except as otherwise provided below in this Section 3.2), lawful and adequate provisions (in form and substance satisfactory to the Holders of Warrants representing a majority of the Warrant Shares obtainable upon exercise of all of the Warrants then outstanding) shall be made whereby the holder of Warrants shall thereafter have the right to purchase and receive upon the terms and conditions specified in this Warrant and in lieu of or addition to (as the case may be) the Warrant Shares immediately theretofore receivable upon the exercise of the rights represented hereby, such shares of capital stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of Warrant Shares immediately theretofore so receivable had such recapitalization, reorganization, reclassification, consolidation, merger, share exchange or sale not taken place, and in any such case appropriate provision (in form and substance satisfactory to the Holders of Warrants

representing a majority of the Warrant Shares obtainable upon exercise of all of the Warrants then outstanding) shall be made with respect to the rights and interests of such Holder(s) to the end that the provisions hereof (including, without limitation, in the case of any such consolidation, merger or sale in which the successor entity or purchasing entity is other than the Company, an immediate adjustment of the Exercise Price to the value for the Common Stock reflected by the terms of such consolidation, merger or sale, and a corresponding immediate adjustment in-the number of shares of Common Stock acquirable and receivable upon exercise of the Warrants, if the value so reflected is less than the Exercise Price in effect immediately prior to such consolidation, merger or sale) shall thereafter be applicable, as nearly as possible, in relation to any shares of capital stock, securities or assets thereafter deliverable upon the exercise of Warrants.

3.4.2 The Company shall not effect any such consolidation, merger, share exchange, sale, transfer or other disposition unless prior to or simultaneously with the consummation thereof the successor Person (if other than the Company) resulting from such consolidation, share exchange or merger or the Person purchasing or otherwise acquiring such assets shall have assumed by written instrument executed and mailed or delivered to each of the Holders hereof at the last address of such holder appearing on the books of the Company, (i) the obligation to deliver to such holder such shares of capital stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to receive, and (ii) all other liabilities and obligations of the Company hereunder. As a condition to any consolidation, share exchange or merger, such successor Person must assume the Company's obligations hereunder by written instrument and issue a new warrant revised to reflect the modifications in this Warrant effected pursuant to this Section 3.4.

3.5 Certain Events. If any event occurs of the type contemplated by the provisions of this Article III but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's board of directors shall make an appropriate adjustment in the Exercise Price and the number of shares of Common Stock obtainable upon exercise of this Warrant so as to protect the rights of the holders of the Warrants; provided that no such adjustment shall increase the Exercise Price or decrease the number of shares of Common Stock obtainable as otherwise determined pursuant to this Article III.

3.6 Notice of Adjustment. Whenever the Exercise Price or the number of Warrant Shares issuable upon the exercise of the Warrants shall be adjusted as herein provided, or the rights of the holder hereof shall change by reason of other events specified herein, the Company shall compute the adjusted Exercise Price and the adjusted number of Warrant Shares in accordance with the provisions hereof and shall prepare an Officer's Certificate setting forth the adjusted Exercise Price and the adjusted number of Warrant Shares issuable upon the exercise of the Warrants or specifying the other shares of stock, securities or assets receivable as a result of such change in rights, and showing in reasonable detail the facts' and calculations upon which such adjustments or other changes are based. The Company shall promptly cause to be mailed to the holder hereof copies of such Officer's Certificate together with a notice stating that the Exercise Price and the number of Warrant Shares purchasable upon exercise of the Warrants have been adjusted and setting forth the adjusted Exercise Price and the adjusted number of Warrant Shares purchasable upon the exercise of the Warrants.

3.7 Notices to Holders. In case at any time the Company proposes:

(i) to declare any dividend upon its Common Stock payable in capital stock or make any dividend or other distribution (including cash dividends) to the holders of its Common Stock;

(ii) to offer for subscription pro rata to all of the holders of its Common Stock any additional shares of capital stock of any class or other rights;

(iii) to effect any capital reorganization, or reclassification of the capital stock of the Company, or consolidation, merger or share exchange of the Company with another Person, or sale, transfer or other disposition of al(or substantially all of its assets; or

(iv) to effect a voluntary or involuntary dissolution, liquidation or winding up of the Company,

then, in any one or more of such cases, the Company shall give the holder hereof (a) at least 20 days' (but not more than 90 days') prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution or subscription rights or for determining rights to vote in respect of such issuance, recapitalization, reorganization, reclassification, consolidation, merger, share exchange, sale, transfer, disposition, dissolution, liquidation or winding up, and (b) in the case of any such issuance, recapitalization, reorganization, reclassification, consolidation, merger, share exchange, sale, transfer, disposition, dissolution, liquidation or winding up, at least 20 days' (but not more than 90 days') prior written notice of the date when the same shall take place. Such notice in accordance with the foregoing clause (x) shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of Common Stock shall be entitled thereto, and such notice in accordance with the foregoing clause (y) shall also specify the date on which the holders of Common Stock shall be entitled to exchange their Common Stock, as the case may be, for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, share exchange, sale, transfer, disposition, dissolution, liquidation or winding up, as the case may be.

3.8 Exceptions to Anti-Dilution Adjustment. Notwithstanding anything to the contrary contained in this Warrant, there shall be no adjustment' in the Exercise Price or the number of shares of Common Stock (i.e., Warrant Shares) obtainable upon exercise of this Warrant as a consequence of the issuance by the Company of any shares of Common Stock upon exercise or conversion of (i) any option, warrant, convertible security or other right to acquire shares of Common Stock of the Company outstanding or in effect as of the date of issuance of this Warrant, and (ii) any options, stock purchase or other rights to acquire Common Stock of the Company on exercise of options granted or that may be granted under the Company's compensatory stock option plans including, without implied limitation, the 1992 Incentive Stock Option Plan, 1992 Nonstatutory Stock Option Plan, 1994 Stock Option Plan, 1996 Stock Option Plan, 1999 Stock Option Plan, 2000 Employee Stock Option Plan and 2000 Executive Officer Stock Option Plan.

ARTICLE IV

Liquidating Dividends

If the Company declares or pays a dividend upon the Common Stock payable otherwise than in cash out of earnings or earned surplus (determined in accordance with generally accepted accounting principles, consistently applied) except for a stock dividend payable in shares of Common Stock (a "Liquidating Dividend"), then the Company shall pay to the Holder of this Warrant at the time of payment thereof the Liquidating Dividend which would have been paid to such Holder on the Common Stock had this Warrant been fully exercise immediately prior to the date on which a record is taken for such Liquidating Dividend, or, if no record is taken, the date as of which the record holders of Common Stock entitled to such dividends are to be determined.

ARTICLE V

Purchase Rights

If at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the "Purchase Rights"), then the Holder of this Warrant shall be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such holder could have acquired if such holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

ARTICLE VI

Information Rights

6.1 Financial Statements and Other Information. The Company shall deliver to each Holder (so long as such Person holds any Warrants), within ten days after transmission thereof, copies of all notices and reports which the Company is required to file (or would be required to file as a publicly listed company) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the NYSE Rules and Listing Agreement (or other applicable exchange rules) and all reports, press releases and correspondence sent to stockholders of the Company and shall notify each Holder of each other filing by the Company with the Securities and Exchange Commission.

6.2 Rule 144 and 144A Reporting Information. With a view to making available the benefits of certain rules and regulations of the SEC which may at times permit the sale of the Warrant or Warrant Shares to the public or other persons without registration, the Company shall use its reasonable best efforts to:

6.2.1 make and keep public information available, as contemplated by Rule 144 under the Securities Act;

6.2.2 file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

6.2.3 furnish to each holder of Warrant Shares promptly upon request (A) a written statement by the Company as to its compliance with the reporting requirements of such Rule 144 of the Securities Act and the Exchange Act, (B) copies of all SEC filings made by the Company within the previous one (1) year period and any press releases issued by the Company since the date of the last such filing, and (C) copies of all Rule 144A information with respect to the Company.

ARTICLE VII

Registration Rights

7.1 Demand Registrations.

7.1.1 Registration of Immediate Offering. At any time after January 16, 2000, the holders of at least 50% of the Registrable Securities (hereinafter the "Majority Holders") may request registration by the Company under the Securities Act of the resale by such holders of all or any portion of their Registrable Securities (an "Immediate Offering Registration." A request for an Immediate Offering Registration shall specify the approximate number of Registrable Securities requested to be registered by the requesting holders and the anticipated per share price range for such offering. Within 10 days after receipt of such request, the Company shall give written notice of such requested registration to all other holders of Registrable Securities and shall include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 15 days after delivery of the Company's notice.

7.1.2 Registration of Delayed or Continuous Offering. At any time after January 16, 2000, the Majority Holders may request registration by the Company under the Securities Act of all or any portion of their Registrable Securities for resale in a delayed or continuous offering to the extent permitted by Rule 415 (or any successor rule thereto) under the Securities Act (a "Shelf Registration"). A registration statement for a Shelf Registration shall provide for resale by the holders in the manner or manners designated in writing to the Company by them (including, without limitation, one or more underwritten offerings). Within 10 days after the receipt of such request, the Company shall give similar written notice of such requested registration to all other holders of Registrable Securities and shall include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 15 days after delivery of the Company's notice.

7.1.3 Number of Demand Registrations. The Majority Holders shall be entitled to request two (2) Immediate Offering Registrations under the Original Warrant and this Warrant; provided, a registration shall not count as one of the permitted Immediate Offering Registrations (A) until it has become effective, and (B) unless the Holders of Registrable

Securities requesting such registration are able to register and sell at least 80% of the Registrable Securities requested to be included in such registration. In addition, the Majority Holders shall be entitled to one (1) Shelf Registration under the Original Warrant and this Warrant; provided, a registration shall not count as the permitted Shelf Registration until it has become effective. For purposes of this Warrant, an Immediate Offering Registration and a Shelf Registration shall each constitute and be referred to as "Demand Registration."

7.1.4 Priority on Demand Registrations. The Company shall not include in any Demand Registration any securities which are not Registrable Securities without the prior written consent of the Holders of at least 75% of the Registrable Securities initially requesting such registration. If a Demand Registration is an underwritten offering and the managing underwriters advise the Company in writing that in their opinion the number of Registrable Securities and, if permitted hereunder, other securities requested to be included in such offering exceeds the number of shares, if any, which can be sold in an orderly manner in such offering within a price range acceptable to the Majority Holders initially requesting registration, the Company shall include in such registration prior to the inclusion of any securities which are not Registrable Securities the number of Registrable Securities requested to be included which in the opinion of such underwriters can be sold in an orderly manner within the price range of such offering, pro rata (i) first, among the respective Majority Holders requesting registration, and (ii) second, among the remaining respective holders of Registrable Securities, in each case on the basis of the amount of shares requested for inclusion by each such holder. Then, after the inclusion of all such Shares, the Company shall include any other securities requested for inclusion.

7.1.5 Selection of Underwriters. The Majority Holders initially requesting registration in any Demand Registration hereunder shall have the right to select the investment bankers) and managers) to administer the offering, subject to the Company's approval which shall not be unreasonably withheld.

7.1.6 Other Registration Rights. Except as provided in this Agreement, after the date hereof the Company shall not grant to any Persons the right to request the Company to register any equity securities of the Company, or any securities convertible or exchangeable into or exercisable for such securities, on a basis pari passu or senior to the Holders' rights granted in Section 7.1 or 7.2 hereof, without the prior written consent of all the holders of the Warrant Shares underlying all Warrants then outstanding (or the Holders of such Warrants representing the right to purchase such Warrant Shares).

7.2 Piggyback Registrations.

7.2.1 Right to Piggyback. At any time after January 16, 2000, whenever the Company proposes to register any of its securities under the Securities Act (other than pursuant to a registration on Form S-8) and the registration form to be used may be used for the registration of Registrable Securities (a "Piggyback Registration"), the Company shall give prompt written notice (in any event within five (5) business days after its receipt of notice of any exercise of demand registration rights other than under this Agreement) to all holders of Warrants or Registrable Securities of its intention to effect such a registration and shall include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 20 days after the receipt of the Company's notice.

7.2.2 Priority on Primary Registrations. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the Company, the Company shall include in such registration, subject, however, to the terms of any other agreement entered into prior to the date hereof to which the Company shall be a party, (i) first, the securities the Company proposes to sell, (ii) second, the Registrable Securities requested to be included in such registration, subject to pro rata cut back among the holders thereof, and (iii) third, other securities requested to be included in such registration.

7.2.3 Priority on Secondary Registrations. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Company's securities, and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the holders initially requesting such registration, the Company shall include in such registration, subject, however, to the terms of any other agreement entered into prior to the date hereof to which the Company shall be a party, (i) first, the securities requested to be included therein by the holders requesting such registration, (ii) second, the Registrable Securities requested to be included in such registration, pro rata among the holders of such securities on the basis of the number of securities so requested to be included therein, and (iii), third, other securities requested to be included in such registration.

7.2.4 Right of Holder to Withdraw. A Holder who has given notice to the Company under paragraph 7.2.1 requesting inclusion of any Registrable Securities in a Piggyback Registration shall, on five (5) business days notice to the Company or secondary sellers, have the right to withdraw its Registrable Securities from the Piggyback Registration.

7.2.5 Right of Company to Withdraw. The Company shall, on five business days notice to all holders who have given notice to the Company under paragraph 7.2.1 requesting inclusion of their Registrable Securities in a Piggyback Registration have the right to withdraw any registration statement filed pursuant to this Section 7.2 for a Piggyback Registration at any time prior to the effective date thereof.

7.3 Maintaining: Effectiveness of Registration Statement.

7.3.1 The Company shall use its reasonable best efforts to keep any registration statement prepared and filed pursuant to this Article VII continuously effective under the Securities Act from the initial effectiveness thereof until the earliest to occur of (i) the date when all Registrable Securities registered thereunder have been sold in the manner set forth and as contemplated in the registration statement, or (ii) the date when counsel to the Company or other counsel of such Holders' choosing shall render an opinion addressed to the Holders whose Registrable Securities are registered thereunder, to the effect that all remaining Registrable Securities are freely transferable in the open market without limitations as to volume and manner of sale, and without being required to file any forms or reports with the Securities and Exchange

Commission (the "SEC") under the Securities Act or the rules and regulations thereunder of the Company (such period being referred to as the "Effectiveness Period").

7.3.2 If the registration statement filed pursuant to this Article VII ceases to be effective for any reason at any time during the Effectiveness Period, the Company shall use its reasonable best efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof, and in any event shall within 45 days of such cessation of effectiveness amend such registration statement in a manner reasonable expected to obtain the withdrawal of the order suspending the effectiveness thereof, or file an additional registration statement covering all of the Registrable Securities originally registered. If an additional registration statement is filed, the Company shall use its reasonable best efforts to cause such registration statement to be declared effective as soon as practicable after such filing and to keep such registration statement continuously effective for the remainder of the Effectiveness Period.

7.4 Expenses of Registration. All Registration Expenses shall be borne by the Company. Unless otherwise stated herein, all Selling Expenses relating to securities registered on behalf of the Holder shall be borne by the Holder. The Company shall pay all Registration Expenses in connection with any registration initiated under this Article whether or not it has become effective and whether or not such registration has counted as one of the permitted registrations.

7.5 Registration Procedures. In the case of each registration, qualification or compliance effected by the Company pursuant hereto, the Company will keep the Holder advised in writing as to the initiation of each registration, qualification and compliance and as to the completion thereof. At its expense, the Company will:

7.5.1 Prepare and file with the Commission a registration statement with respect to such securities and use its commercially reasonable efforts to cause such registration statement to become and remain effective until the distribution described in such registration statement has been completed;

7.5.2 Notify each Holder of Registrable Securities of the effectiveness of each registration statement filed hereunder and prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period of time set forth in paragraph 7.3, as applicable, and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement.

7.5.3 Furnish to each Holder such number of copies of the registration statement, each supplement and amendment thereto, and the prospectus included therein, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as such Holder may reasonably request in order to facilitate the public sale of the shares by such Holder, and promptly furnish to each Holder notice of any stop-order or similar notice issued by the Commission or any state agency charged with the regulation of securities, and notice of any New York Stock Exchange ("NYSE") or securities exchange listing.

7.5.4 Use its reasonable best efforts to register or qualify such Registrable Securities under the securities or blue sky laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller. '

7.5.5 Use its best efforts to cause the Warrant Shares to be listed on the NYSE and each Securities Exchange on which the Common Stock is approved for listing.

7.5.6 Notify each seller of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the existence of facts or the happening of any event (without necessarily identifying such facts or event to such sellers) as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, at the request of any such seller, the Company shall prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading.

7.5.7 Enter into such customary agreements (including underwriting agreements in customary form) and take all such other actions as the holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities in any underwritten offering of Registrable Securities.

7.5.8 Make available for reasonable inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by any such seller or underwriter, such financial and other records, corporate documents and properties of the Company as are customarily made available to such persons on a confidential basis by the issuer in connection with a registered public offering of securities similar to the Registrable Securities, and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement.

7.5.9 Otherwise use its best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months beginning with the first day of the Company's first full calendar quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

7.6 Indemnification.

7.6.1 To the extent permitted by law, the Company will indemnify the Holder, each of its officers and directors and partners, and each person controlling the Holder within the meaning of the Securities Act, with respect to which registration, qualification or compliance has

been effected pursuant to this Agreement, and each underwriter, if any, and each person who controls any underwriter within the meaning of the Securities Act, against all expenses, claims, losses, damages or liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, commenced or threatened, to the extent such expenses, claims, losses, damages or liabilities arise out of or are based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other similar document, or any amendment or supplement thereto, incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or any violation by the Company of the Securities Act or any rule or regulation promulgated under the Securities Act applicable to the Company in connection with any such registration, qualification or compliance, and the Company will reimburse Holder, each of its officers and directors and partners, and each person controlling Holder, each such underwriter and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating, preparing or defending any such claim, loss, damage, liability or action; provided, however, that the indemnity contained herein shall not apply to amounts paid in settlement of any claim, loss, damage, liability or expense if settlement is effected without the consent of the Company (which consent shall not unreasonably be withheld); provided, further, that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission or alleged untrue statement or omission, made in reliance upon and in conformity with written information furnished to the Company by the Holders or such controlling person specifically for use therein. Notwithstanding the foregoing, insofar as the foregoing indemnity relates to any such untrue statement (or alleged untrue statement) or omission (or alleged omission) made in the preliminary prospectus but eliminated or remedied in the amended prospectus on file with the Commission at the time the registration statement becomes effective or in the final prospectus filed with the Commission pursuant to the applicable rules of the Commission or in any supplement or addendum thereto, the indemnity agreement herein shall not inure to the benefit of any underwriter if a copy of the final prospectus filed pursuant to such rules, together with all supplements and addenda thereto, was not furnished to the person or entity asserting the loss, liability, claim or damage at or prior to the time such furnishing is required by the Securities Act.

7.6.2 To the extent permitted by law, each Holder will, if securities held by the Holder are included in the securities as to which such registration, qualification or compliance is being effected pursuant to terms hereof, severally but not jointly, indemnify the Company, each of its directors and officers, each person who controls the Company or such underwriter within the meaning of the Securities Act, and each other person selling the ' Company's securities covered by such registration statement, each of such person's officers and directors and each person controlling such persons within the meaning of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or 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, or any violation by Holder of any rule or regulation promulgated under the Securities Act applicable to Holder and relating to action or inaction required of Holder in connection with any such registration, qualification or compliance, and will

reimburse the Company, such other persons, such directors; officers, persons, or control persons for any legal or other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by such Holder specifically for use therein; provided, however, that the indemnity contained herein shall not apply to amounts paid in settlement of any claim, loss, damage, liability or expense if settlement is effected without the consent of such Holder (which consent shall not be unreasonably withheld). Notwithstanding the foregoing, the liability of such Holder under this subsection (b) shall be limited in an amount equal to the net proceeds from the sale of the shares sold by such Holder, unless such liability arises out of or is based on willful conduct by such Holder. In addition, insofar as the foregoing indemnity relates to any such untrue statement (or alleged untrue statement) or omission (or alleged omission) made in the preliminary prospectus but eliminated or remedied in the amended prospectus on file with the Commission at the time the registration statement becomes effective or in the final prospectus filed pursuant to applicable rules of the Commission or in any supplement or addendum thereto; the indemnity agreement herein shall not inure to the benefit of the Company if a copy of the final prospectus filed pursuant to such rules, together with all supplements and addenda thereto, was not furnished to the person or entity asserting the loss, liability, claim or damage at or prior to the time such furnishing is required by the Securities Act.

7.6.3 Notwithstanding the foregoing paragraphs 7.6.1 and 7.6.2 of this Section, each party entitled to indemnification under this Section (the "Indemnified Party") shall give notice to the panty required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld), and the Indemnified Party may participate in such defense at such party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement unless the failure to give such notice is materially prejudicial to an Indemnifying Party's ability to defend such action and provided further, that the Indemnifying Party shall not assume the defense for matters as to which there is a conflict of interest or as to which the Indemnifying Party is asserting separate or different defenses, which defenses are inconsistent with the defenses of the Indemnified Party (in which case the Indemnifying Party shall pay for one separate counsel for those Indemnified Parties with whom such conflict exists). No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. No Indemnified Party shall consent to entry of any judgment or enter into any settlement without the consent of each Indemnifying Party. The failure of an Indemnifying Party to give notice to the Indemnified Party of its election to assume and control the defense of any action for which notice has been given to the Indemnifying Party in accordance with this paragraph within 30 days after receipt of such notice shall constitute an election by the Indemnifying Party not to assume and

control the defense of such action. An Indemnifying Party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such Indemnifying Party with respect to such claim, unless in the reasonable judgment of any Indemnified Party a conflict of interest may exist between such Indemnified Party and any other of such Indemnified Parties or the Indemnifying Party with respect to such claim, in which event the Indemnifying Party shall be obligated to pay the fees and expenses of one separate counsel for such Indemnified Parties.

7.6.4 If the indemnification provided for in this Section is unavailable to an Indemnified Party in respect of any losses, claims, damages or liabilities 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 or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and each respective shareholder offering securities in the offering (the "Selling Security Holder"), on the other, from the offering of the Company's securities, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and each Selling Security Holder, on the other, in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and each Selling Security Holder, on the other, shall be the net proceeds from the offering (before deducting expenses) received by the Company, on the one hand, and each Selling Security Holder, on the other. The relative fault of the Company, on the one hand, and each Selling Security Holder, on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by such Selling Security Holder and the parties' relevant intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and each Selling Security Holder agree that it would not be just and equitable if contribution pursuant to this Section were based solely upon the number of entities from whom contribution was requested or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section. Notwithstanding the provisions of this Section, no Selling Security Holder shall be required to contribute any amount or make any other payments under this Agreement which in the aggregate exceed the proceeds received by such Selling Security Holder. No person guilty of fraudulent misrepresentation (within the meaning of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

7.6.5 The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of -the Indemnified Party or any officer, director or controlling person of such Indemnified Party and shall survive the transfer of securities.

7.7 Certain Information.

7.7.1 The Holder agrees, with respect to any Registrable Securities included in any registration, to furnish to the Company such information regarding Holder, the Registrable

Securities and the distribution proposed by the Holder as the Company may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to herein.

7.7.2 The failure of the Holder to furnish the information requested pursuant to this Section shall not affect the obligation of the Company to any other selling security holders who furnish such information unless, in the reasonable opinion of counsel to the Company, such failure impairs or may impair the legality of the Registration Statement or the underlying offering.

7.8 Covenant to Remain Public. The Company covenants that, so long as the Warrant or any Registrable Securities (so long as such securities remain Registrable Securities) remains issued and outstanding, the Company shall take all action necessary to keep its shares registered under Section 12(b) or 12(g) of the Exchange Act, and listed and traded on the NYSE or other national exchange or quotation system. In the event that such registration is suspended or the Common Stock is delisted, the Company shall use its best efforts to promptly reinstate such shares.

7.9 Definitions Contained in Article VII. As used in this Article, the following terms shall have the meanings set forth below:

7.9.1 "Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

7.9.2 "Holder" shall mean the Holder of any Warrants or holder of any Warrant Shares issued upon exercise of any Warrants and any transferees.

7.9.3 "Registrable Securities" shall mean (i) the Warrant Shares; and (ii) any Common Stock issued or issuable at any time or from time to time in respect of the Warrant Shares upon a stock split, stock dividend, recapitalization or other similar event involving the Company until such Common Stock is sold pursuant to a Registration Statement or under Rule 144(k) (or successor Rule) under the Securities Act.

7.9.4 The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering by the Commission of the effectiveness of such registration statement.

7.9.5 "Registration Expenses" shall mean all expenses, other than Selling Expenses (as defined below), incurred by the Company in complying with this Article, including, without limitation, all registration, qualification and filing fees, exchange listing fees, printing expenses, escrow fees, fees and disbursements of counsel for the Company and all auditors, blue sky fees and expenses, the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

7.9.6 "Selling Expenses" shall mean all underwriting discounts, selling commissions and stock transfer taxes applicable to the sale of Warrant Shares registered by the Holder and, except as set forth above, all fees and disbursements of counsel for the Holder.

ARTICLE VIII

MISCELLANEOUS

8.1 Entire Agreement. This Warrant, the Merger Agreement and the Purchase Agreement contain the entire agreement between the holder hereof and the Company with respect to the Warrant Shares purchasable upon exercise hereof and supersedes all prior arrangements or understandings with respect thereto including, without implied limitation, the Original Warrant.

8.2 Governing Law. This Warrant shall be governed by and construed in accordance with the laws (other than the laws of conflicts) of the State of Oklahoma.

8.3 Amendment and Waiver. Except as otherwise provided herein, the provisions of the Warrants may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holders of Warrants representing a majority of the Warrant Shares obtainable upon exercise of the Warrants; provided that no such action may change the Exercise Price of the Warrants, the number of shares or class of stock obtainable upon exercise of each Warrant or the Registration Rights set forth in Article VII herein. Notwithstanding the foregoing, the Company may, at its option, reduce the Exercise Price of the Warrants, increase the number of shares of stock obtainable upon exercise of each Warrant, or extend the Term of the Warrant for such period as it may determine.

8.4 Illegality. In the event that any one or more of the provisions contained in this Warrant shall be determined to be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in any other respect and the remaining provisions of this Warrant shall not, at the election of the party for whom the benefit of the provision exists, be in any way impaired.

8.5 Copy of Warrant. A copy of this Warrant shall be filed among the records of the Company.

8.6 Notice. Any notice or other document required or permitted to be given or delivered to the Holder hereof shall be in writing and delivered at, or sent by certified or registered mail to such holder at, the last address shown on the books of the Company maintained at the Warrant Office for the registration of this Warrant or at any more recent address of which the holder hereof shall have notified the Company in writing. Any notice or other document required or permitted to be given or delivered to the Company, other than such notice or documents required to be delivered to the Warrant Office, shall be delivered at, or sent by certified or registered mail to, the offices of the Company at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, or such other address within the continental United States of America as shall have been furnished by the Company to the Holder of this Warrant.

8.7 Limitation of Liability; Not Stockholders. No provision of this Warrant shall be construed as conferring upon the Holder hereof the right to vote, consent, receive dividends or receive notices (other than as herein expressly provided, including, but not limited to, the notice of an upcoming dividend record date), in respect of meetings of stockholders for the election of directors of the Company or any other matter whatsoever as a stockholder of the Company. No provision hereof, in the absence of affirmative action by the holder hereof to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the holder hereof, shall give rise to any liability of such Holder for the purchase price of any shares of Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

8.8 Exchange, Loss, Destruction, etc. of Warrant. Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of this Warrant, and in the case of any such loss, theft or destruction upon delivery of a bond of indemnity or such other security in such form and amount as ,shall be reasonably satisfactory to the Company, or in the event of such mutilation upon surrender and cancellation of this Warrant, the Company will make and deliver a new warrant of like tenor, in lieu of such lost, stolen, destroyed or mutilated Warrant. Any warrant issued under the provisions of this Section 8.8 in lieu of any Warrant alleged to be lost, destroyed or stolen, or in lieu of any mutilated Warrant, shall constitute an original contractual obligation on the part of the Company. This Warrant shall be promptly canceled by the Company upon the surrender hereof in connection with any exchange or replacement. The Company shall pay all taxes (other than securities transfer taxes or income taxes) and all other expenses and charges payable in connection with the preparation, execution and delivery of warrants pursuant to this Section 8.8.

8.9 Headings. The Article and Section and other headings herein are for convenience only and are not a part of this Warrant and shall not affect the interpretation thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed in its name.

Chesapeake Energy Corporation

Dated: January 16, 2000

By: /s/ Marcus C. Rowland

Name: Marcus C. Rowland
Title: Executive Vice President

EXHIBIT 4.14

WARRANT AGREEMENT

between

GOTHIC ENERGY CORPORATION

and

AMERICAN STOCK TRANSFER
& TRUST COMPANY,
AS WARRANT AGENT

Dated as of April 21, 1998

Warrants to Purchase 825,000 Common Shares

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EXHIBITS

WARRANT AGREEMENT

THIS WARRANT AGREEMENT, dated as of April 21, 1998 (the "Issue Date"), is entered into between GOTHIC ENERGY CORPORATION, an Oklahoma corporation (the "Company"), and AMERICAN STOCK TRANSFER & TRUST, a New York corporation, as warrant agent (the "Warrant Agent").

RECITALS

A. This Agreement is entered into in connection with the offering by the Company of 104,000 Units (the "Units") consisting of an aggregate of $104,000,000 principal amount of 14-1/8% Senior Secured Discount Notes due May 1, 2006 (the "Notes") and 825,000 Common Stock Purchase Warrants (the "Warrants"). Each of the Units consists of $1,000 principal amount of the Notes and 7.933 Warrants, each Warrant to purchase one share of Common Stock, par value $.01 per share (the "Common Stock"), of the Company. The Warrants and the Notes are not detachable or separately transferable until the Unit Termination Date (as defined below).

B. The Company proposes to issue 825,000 Warrants, as hereinafter described, each to purchase at the Warrant Exercise Price (as defined below) one share of Common Stock on or after the Separation Date (as defined below) and prior to the Expiration Date (as defined below).

C. The Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to act on behalf of the Company, in connection with the issuance of the Warrant Certificates (as defined below) and the other matters provided herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

1. DEFINITIONS

"Accredited Investor" shall mean a Person that is an "accredited investor" as that term is defined in Rule 501(a) under the Securities Act.

"Additional Common Shares" shall mean all Common Shares issued or issuable by the Company after the date of this Agreement, other than the Warrant Shares.

"Affiliate" of any specified Person means any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. For purposes of this definition, "control" (including, with correlative

meanings, the terms controlling, "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"Agreement" shall mean this Warrant Agreement, as the same may be amended, modified or supplemented from time to time.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in the City of New York are authorized or obligated by law to close.

"Capital Stock" of any Person shall mean any and all shares, interests, participations, or other equivalents (however designated) of such Person's capital stock, and any warrants, options or similar rights to acquire such capital stock.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Common Equity Securities" shall mean any class or series of Common Shares of the Company.

"Common Shares" shall mean (i) the common stock, par value $.01 per share, of the Company, as constituted on the original issuance of the Warrants, (ii) any Capital Stock into which such Common Shares may thereafter be changed and (iii) any share of the Company of any other class issued to holders of such Common Shares upon any reclassification thereof.

"Company" shall mean the company identified in the preamble hereof and its successors and assigns.

"Company Order" shall mean a written request or order signed in the name of the Company by its Chairman or any Co-Chairman of the Board, its Chief Executive Officer, its President, any Vice President, and by its Treasurer, any Assistant Treasurer, its Secretary or any Assistant Secretary, and delivered to the Warrant Agent.

"Corporate Agency Office" shall have the meaning given such term in Section 9.

"Countersigning Agent" shall mean any Person authorized by the Warrant Agent to act on behalf of the Warrant Agent to countersign Warrant Certificates.

"Current Common Equityholder" shall mean any Person who is a holder of Common Equity Securities on the date of this Agreement.

"Current Market Price" shall mean, with respect to any security on any date:

(1) if the Company does not have a class of equity securities registered under the Exchange Act, the value of such security (a) determined in good faith in the most recently completed arm's-length transaction between the Company and an unaffiliated third party in which such determination is necessary and the closing of which occurs on such date or shall have occurred within the six months preceding such date, (b) if no such transaction shall have occurred on such date or within such six-month period, most recently determined as of a date within the six months preceding such date by an Independent Financial Expert using one or more valuation methods that such Independent Financial Expert, in its best professional judgment, determines to be most appropriate but without giving effect to the discount for any lack of liquidity of the security or to the fact that the Company may not have any class of equity securities registered under the Exchange Act and assuming that the Warrants are currently exercisable (in the event of more than one such determination, the determination for the later date shall be used) or (c) if no such determination shall have been made within such six-month period, determined as of such date by an Independent Financial Expert as described in (b) above, or

(2) if the Company does have a class of equity securities registered under the Exchange Act, the average of the daily Market Prices of such security for each Business Day during the period commencing ten (10) Business Days before such date and ending on the date one day prior to such date or, if the Company has had a class of equity securities registered under the Exchange Act for less than thirty (30) consecutive Business Days before such date, then the average of the daily Market Price for all of the Business Days before such date for which daily Market Prices are available; provided, however, that in the event that the Current Market Price per share of a security is determined during a period following the announcement by the Company of (A) a dividend or distribution on such a security payable in shares of such a security or securities convertible into shares of such a security, or (B) any subdivision, combination or reclassification of such security, and prior to the expiration of such thirty (30) Business Day period before such date (or, if applicable, such lesser number of Business Days before such date for which daily Market Prices are available) after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then in each such case, Current Market Price shall be properly adjusted to take into account ex-dividend trading.

"Effective Date" shall mean the date of declaration by the SEC of effectiveness of the Warrants Shelf Registration Statement.

"Effective Registration" shall mean that the Company shall have filed and caused to become effective a Warrants Shelf Registration Statement under the Securities Act for the sale of Warrants by the Holders.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Expiration Date" shall mean May 1, 2005 or such earlier date as determined in accordance with Section 5.

"Holder" or "Warrantholder" shall mean any Person in whose name at the time any Warrant Certificate is registered upon the Warrant Register.

"Indenture" shall mean the Indenture dated as of April 21, 1998, by and among the Company and The Bank of New York, as trustee, relating to the Notes.

"Independent" shall mean a nationally recognized investment banking firm or Person (as the case may be) (i) that does not then have, and for the ten years immediately preceding such time has not had (and, in the case of a nationally recognized investment banking firm, whose directors, officers, employees and Affiliates do not then have, and for the ten years immediately preceding such time have not had) a direct or indirect interest in the Company or any of its Subsidiaries or Affiliates or any successor to any of them and (ii) that is not then, and for the ten years immediately preceding such time was not (and, in the case of a nationally recognized investment banking firm, whose directors, officers, employees or Affiliates are not then, and for the ten years immediately preceding such time were not) an employee, consultant, advisor, director, officer or Affiliate (it being understood that the term "Independent" when applied to a director of the Company, means a non-employee director of the Company whose only relationship with the Company during the relevant period has been as a director of the Company) of the Company, any of its Subsidiaries or Affiliates or any successor to any of them.

"Independent Financial Expert" shall mean an Independent nationally recognized investment banking firm with assets in excess of $1.0 billion selected by a majority of the members of the Board of Directors (and by a majority of the Independent members of the board, if any) of the Company.

"Market Price" shall mean (A) in the case of a security listed or admitted to trading on any securities exchange, the closing price, regular way, on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, (B) in the case of a security not then listed or admitted to trading on any securities exchange, the last reported sale price on such day, or if no sale takes place on such day, the average of the closing bid and asked

prices on such day, as reported by a reputable quotation source designated by the Company, (C) in the case of a security not then listed or admitted to trading on any securities exchange and as to which no such reported sale price or bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reputable quotation service, or The Wall Street Journal, Eastern Edition, or if such newspaper is no longer published then in a newspaper of general circulation in the Borough of Manhattan, City and State of New York, customarily published on each Business Day, designated by the Company or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than thirty (30) days prior to the date in question) for which prices have been so reported, and (D) if there are no bid and asked prices reported during the thirty (30) days prior to the date in question, the Current Market Value of the security shall be determined as if the Company did not have a class of equity securities registered under the Exchange Act.

"Non-Stock Dividend" shall mean any payment by the Company to all holders of its Common Shares of any dividend, or any other distribution by the Company to such holders, of any shares of Capital Stock of the Company, evidences of indebtedness of the Company, cash or other assets (including rights, warrants or other securities (of the Company or any other Person)), other than any dividend or distribution (i) upon a merger or consolidation or sale to which Section 6.1(h) applies, (ii) of any Common Shares referred to in Section 6.1(a) or (iii) of cash not in liquidation of the Company.

"Non-Surviving Combination" shall mean any merger, consolidation or other business combination by the Company with one or more other entities in a transaction in which the Company is not the surviving entity or becomes a wholly-owned subsidiary of another entity.

"outstanding" shall mean, as of the time of determination, when used with respect of any Warrants, all Warrants originally issued under this Agreement except (i) Warrants that have been exercised pursuant to Section 3.2(a), (ii) Warrants that have expired pursuant to Sections 3.2(b), 5 or 7 and (iii) Warrants that have otherwise been acquired by the Company; provided, however, that in determining whether the Holders of the requisite amount of the outstanding Warrants have given any request, demand, authorization, direction, notice, consent or waiver under the provisions of this Agreement, Warrants owned by the Company or any Subsidiary or Affiliate of the Company or any Person that is at such time a party to a merger or acquisition agreement with the Company shall be disregarded and deemed not to be outstanding.

"Person" shall mean any individual, corporation (including a business trust), partnership, joint venture, association, joint-stock company, trust, estate, limited liability company, unincorporated association, unincorporated organization, government or agency or political subdivision thereof or any other entity.

"Purchase Agreement" shall mean that Purchase Agreement, dated April 21, 1998, by and among the Company and the Purchasers, as such agreement may be amended, modified or supplemented from time to time.

"Purchasers" shall mean the purchasers named in the Purchase Agreement.

"Qualified Institutional Buyer" shall have the meaning given such term in Rule 144A under the Securities Act.

"Recipient" shall have the meaning given such term in Section 3.2(e).

"Registrar" shall have the meaning set forth in the Indenture.

"Restricted Warrants" shall have the meaning given such term in Section 2.2(b).

"Restricted Warrant Legend" shall mean the legend so designated on the Warrant Certificate attached hereto as Exhibit A.

"Rule 144" shall mean Rule 144 promulgated under the Securities Act.

"Separation Date" shall mean the date that is the earlier of (i) the date on which the Exchange Offer Registration Statement is declared effective under the Securities Act and (ii) October 23, 1998. The Company shall notify the Warrant Agent promptly if the Separation Date occurs prior to October 23, 1998 in accordance with Section 13.3. The Company shall notify the Warrant Agent in accordance with Section 13.3 if the Unit Termination Date occurs prior to October 23, 1998.

"SEC" shall mean the Securities and Exchange Commission or any successor agency thereto.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Subsidiary" shall mean, with respect to any Person, any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof.

"Voting Stock" shall mean, with respect to any Person, one or more classes of the Capital Stock of such Person entitled to vote under ordinary circumstances in the election of directors, managers or trustees of such Person.

"Units" shall have the meaning set forth in the Preamble.

"Unit Certificate" shall have the meaning set forth in the Indenture.

"Unit Termination Date" shall mean (i) October 23, 1998, or (ii) such earlier date as determined under the Indenture.

"Warrant Agent" shall mean the warrant agent named in the preamble hereof or the successor or successors of such Warrant Agent appointed in accordance with the terms hereof.

"Warrant Certificates" shall mean those certain warrant certificates evidencing the Warrants, substantially in the form of Exhibit A attached hereto.

"Warrant Price" shall mean the exercise price per Warrant Share, initially set at $2.40, subject to adjustment as provided in Section 6.1(g).

"Warrant Register" shall have the meaning given such term in Section 9.

"Warrant Registration Rights Agreement" shall mean that certain Warrant Registration Rights Agreement, dated as of April 21, 1998, by and among the Company and the Purchasers, as such agreement may be amended, modified or supplemented from time to time.

"Warrant Shares" shall mean the Common Shares issuable upon exercise of the Warrants, the number of which is subject to adjustment from time to time in accordance with Section 6.

"Warrants" shall mean those warrants issued hereunder to purchase initially up to an aggregate of 825,000 Warrant Shares at the Warrant Price, subject to adjustment pursuant to Section 6.

"Warrants Shelf Registration Statement" shall have the meaning given such term in the Warrant Registration Rights Agreement.

2. WARRANT CERTIFICATES

2.1 Issuance of Warrants

(a) An aggregate of 825,000 Warrants are deemed issued on the date of this Agreement to the registered holders of Unit Certificates issued pursuant to the Indenture on such date. Notwithstanding any provision of this Agreement to the contrary, on or prior to the Unit Termination Date, the Warrants shall be evidenced by the Unit Certificates issued pursuant to the terms of the Indenture and the ownership of which shall be registered by the Registrar in accordance with the Indenture.

(b) After the Unit Termination Date, the Warrant Agent shall issue Warrant Certificates to each registered owner of Unit Certificates as of the close of the Unit Termination Date, in the name and number (7.933 Warrants per Unit) and in such form (global or definitive) as set forth on a list of registered holders of Unit Certificates as of the close of the Unit Termination Date furnished to the Warrant Agent by the Registrar pursuant to Section 2.15 of the Indenture; provided that no Warrant Certificate shall be issued to holders in respect of Unit Certificates that have been noted by the Warrant Agent as having had the Warrants evidenced thereby exercised pursuant to Section 3.2(g) hereof. Each Warrant Certificate issued pursuant to this paragraph (b) shall evidence 7.933 Warrants multiplied by the number of Units specified as held by the holder as set forth in the above list, and each Warrant evidenced thereby shall represent the right, subject to the provisions contained herein and therein, to purchase one Warrant Share, subject to adjustment as provided in Section 6.

2.2 Form, Denomination and Date of Warrants

(a) The Unit Certificates shall be issued in the form provided in the Indenture. Warrant Certificates shall be substantially in the form of Exhibit A hereto. The Warrants shall be numbered, lettered or otherwise distinguished in such manner or in accordance with such plans as the officers of the Company executing the same may determine with the approval of the Warrant Agent. Each Warrant shall be dated the date of its authentication. Any of the Warrants may be issued with appropriate insertions, omissions, substitutions and variations, and may have imprinted or otherwise reproduced thereon such legend or legends, not inconsistent with the provisions of this Agreement, as may be required to comply with any law or with any rules or regulations pursuant thereto, or with the rules of any securities market in which the Warrants are admitted to trading, or to conform to general usage. All Warrants shall be otherwise substantially identical except as to denomination and as provided herein.

(b) Purchasers of Warrants will receive certificated Warrants bearing the Restricted Warrant Legend ("Restricted Warrants"). Restricted Warrants will bear the Restricted Warrant Legend unless removed in accordance with Section 2.4.

Upon the occurrence of an Effective Registration, all requirements with respect to legends on Warrants will cease to apply, and certificated Warrants without legends will be available to the Holders.

2.3 Execution and Delivery of Warrant Certificates

(a) Warrant Certificates evidencing the Warrants which may be countersigned and delivered under this Agreement are limited to Warrant Certificates evidencing 825,000 Warrants, except for Warrant Certificates countersigned and delivered upon registration of transfer of, or in exchange for, or in lieu of, one or more previously countersigned Warrant Certificates pursuant to Sections 2.6, 3.2(d), 7 and 9.

(b) At any time and from time to time on or after the date of this Agreement, Warrant Certificates evidencing the Warrants may be executed by the Company and delivered to the Warrant Agent for countersignature, and the Warrant Agent shall, upon receipt of a Company Order and at the direction of the Company set forth therein, countersign and deliver such Warrant Certificates to the Company for issuance. The Warrant Agent is further hereby authorized to countersign and deliver Warrant Certificates as required by this Section 2.3 or by Sections 2.2, 2.6, 3.2(d), 7 or 9.

(c) The Warrant Certificates shall be executed in the corporate name and on behalf of the Company by the Chairman (or any Co-Chairman) of the Board, the Chief Executive Officer, the President or any one of the Vice Presidents of the Company under corporate seal reproduced thereon and attested to by the Secretary or one of the Assistant Secretaries of the Company, either manually or by facsimile signature printed thereon. The Warrant Certificates shall be countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company whose signature shall have been placed upon any of the Warrant Certificates shall cease to be such officer of the Company before countersignature by the Warrant Agent and issue and delivery thereof, such Warrant Certificates may, nevertheless, be countersigned by the Warrant Agent and issued and delivered with the same force and effect as though such person had not ceased to be such officer of the Company, and any Warrant Certificate may be signed on behalf of the Company by such person as, at the actual date of the execution of such Warrant Certificate, shall be a proper officer of the Company, although at the date of the execution of this Agreement any such person was not such an officer.

(d) The Warrants are being offered and sold by the Company pursuant to the Purchase Agreements. Warrants offered and sold to Qualified Institutional Buyers shall be evidenced initially by a single, permanent Global Unit Certificate in definitive, fully registered form with appropriate restrictive legends set forth thereon (the "Global Unit Certificate") deposited with The Bank of New York, as custodian for and registered in the name of the Depositary or a nominee of the Depositary. The number of Warrants represented by such Global Unit Certificate may from time to time be increased or decreased by adjustments made on the records of the Registrar and the Depositary or its nominee as provided in the Indenture. After the Unit Termination Date, a Warrant Certificate issued in the name Depositary in respect of the Global Unit Certificate shall be a single, permanent Global Warrant Certificate in definitive, fully registered form with the Global Warrant Legend and Restricted Warrant Legend set forth on the form of Warrant (the "Global Warrant") and deposited with the Warrant Agent, as custodian for and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Company and authenticated by the Warrant Agent as hereinafter provided. The number of Warrants represented by such Global Warrant may from time to time be increased or decreased by adjustments made on the records of the Warrant Agent and the Depositary or its nominee as hereinafter provided.

(e) This Section 2.3(e) shall apply only to the Global Warrant deposited with or on behalf of the Depositary.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Agreement with respect to any Global Warrant held on their behalf by the Depositary or under the Global Warrant, and the Depositary may be treated by the Company, the Warrant Agent, and any agent of the Company or the Warrant Agent as the absolute owner of the Global Warrant for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Warrant Agent, or any agent of the Company or the Warrant Agent, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members the operation of customary practices governing the exercise of the rights of a holder of any Warrant.

(f) Except as otherwise provided herein, owners of beneficial interests in the Global Warrant will not be entitled to receive physical delivery of certificated Warrants. After the Unit Termination Date, purchasers of Warrants who are not Qualified Institutional Buyers, or holders of Unit Certificates as of the Unit Termination Date and issued in definitive form, will receive certificated Warrants bearing the Restricted Warrant Legend ("Restricted Warrants"); provided, however, that upon transfer of such certificated Warrants to a Qualified Institutional Buyer, such certificated Warrants will, until the Global Warrant has previously been exchanged, be exchanged for an interest in the Global Warrant pursuant to the provisions of Section 2.4

hereof. Restricted Warrants will bear the Restricted Warrant Legend unless removed in accordance with Section 2.4(b).

Upon the occurrence of an Effective Registration, all requirements with respect to the Global Warrant and legends on Warrants will cease to apply, and certificated Warrants without legends will be available to the Holders.

2.4 Transfer and Exchange

(a) If a holder of a Restricted Warrant wishes at any time to transfer such Restricted Warrant to a Person who wishes to take delivery thereof in the form of a Restricted Warrant, such holder may, subject to the restrictions on transfer set forth herein and in such Restricted Warrant, cause the exchange of such Restricted Warrants for one or more Restricted Warrants of any authorized denomination or denominations and exercisable for the same aggregate number of Warrant Shares. Upon receipt by the Warrant Agent at its Corporate Agency Office of (1) such Restricted Warrant, duly endorsed as provided herein, (2) instructions from such holder directing the Warrant Agent to authenticate and deliver one or more Restricted Warrants exercisable for the same aggregate number of Warrant Shares as the Restricted Warrant to be exchanged, such instructions to contain the name or names of the designated transferee or transferees, the authorized denomination or denominations of the Restricted Warrants to be so issued and appropriate delivery instructions, (3) a certificate in the form of Exhibit B attached hereto given by the Person acquiring the Restricted Warrants, to the effect set forth therein, and (4) an opinion of counsel to the transferor of such Restricted Warrant in the form of Exhibit C hereto, to the effect set forth therein, then the Warrant Agent shall cancel or cause to be canceled such Restricted Warrant and, concurrently therewith, the Company shall execute, and the Warrant Agent shall authenticate and deliver, one or more Restricted Warrants to the effect set forth therein, in accordance with the instructions referred to above.

(b) If Warrants are issued upon the transfer, exchange or replacement of Warrants bearing the Restricted Warrant Legend, or if a request is made to remove such Restricted Warrant Legend, the Warrants so issued shall bear the Restricted Warrant Legend, or the Restricted Warrant Legend shall not be removed, as the case may be, unless (i) there is delivered to the Company satisfactory evidence, which may include an opinion of counsel as may be reasonably required by the Company to the effect that neither the Restricted Warrant Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of the Securities Act or, with respect to Restricted Warrants, that such Warrants are not "restricted" within the meaning of Rule 144 under the Securities Act or (ii) there is an Effective Registration with respect to the Warrants then in effect or the Warrants as to which the Restricted Warrant Legend is sought to be removed have been disposed of in accordance with the Warrants Shelf Registration. Upon (i) provision of such satisfactory

evidence, or (ii) notification by the Company to the Warrant Agent of an Effective Registration with respect to the Warrants, the Warrant Agent, at the direction of the Company, shall authenticate and deliver Warrant Certificates that do not bear the Restricted Warrant Legend.

(c) No service charge shall be made to a Warrantholder for any registration of transfer or exchange; provided, however, that the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates.

(d) The Warrant Agent shall use CUSIP numbers in notices of repurchase or exchange as a convenience to Warrantholders; provided that any such notice shall state that no representation is made as to the correctness or accuracy of such numbers either as printed on the Warrants or as contained in any notice of repurchase or exchange and that reliance may be placed only on the other identification numbers printed on the Warrants. The Company will promptly notify the Warrant Agent of any change in the CUSIP numbers.

2.5 Temporary Securities

Pending the preparation of definitive Warrants, the Company may execute and the Warrant Agent shall authenticate and deliver temporary Warrants (printed, lithographed, typewritten or otherwise reproduced, in each case in form satisfactory to the Warrant Agent). Temporary Warrants shall be issuable as registered Warrants, of any authorized denomination, and substantially in the form of the definitive Warrants but with such omissions, insertions and variations as may be appropriate for temporary Warrants, all as may be determined by the Company with the concurrence of the Warrant Agent. Temporary Warrants may contain such reference to any provisions of this Agreement as may be appropriate. Every temporary Warrant shall be executed by the Company and be authenticated by the Warrant Agent upon the same conditions and in substantially the same manner, and with like effect, as the definitive Warrants. Without unreasonable delay the Company shall execute and shall furnish definitive Warrants and thereupon temporary Warrants may be surrendered in exchange therefor without charge at each office or agency to be maintained by the Company for the purpose pursuant to Section 12.3, and the Warrant Agent shall authenticate and deliver in exchange for such temporary Warrants definitive Warrants of authorized denominations exercisable for a like number of Warrant Shares. Until so exchanged the temporary Warrants shall be entitled to the same benefits under this Agreement as definitive Warrants.

2.6 Effective Registration

In the event the Company has an Effective Registration, the Company shall notify the Warrant Agent within two Business Days after the Effective Date. Promptly after delivering

to the Warrant Agent notice of the Effective Registration, the Company shall cause to be delivered to the Warrant Agent certificates for Warrants without legends and the Warrant Agent shall authenticate and deliver certificated Warrants without legends to Holders presenting their certificated Warrants for exchange to transferees of Warrants covered by the Warrants Shelf Registration in the names and denominations specified by them.

3. EXERCISE AND EXPIRATION OF WARRANTS

3.1 Right to Acquire Warrant Shares Upon Exercise

Each Warrant Certificate (or prior to the Unit Termination Date, each Unit Certificate) shall, when countersigned by the Warrant Agent, entitle the Holder thereof, subject to the provisions thereof and of this Agreement, to acquire from the Company, for each Warrant evidenced thereby, one Warrant Share at the Warrant Price, subject to adjustment as provided in this Agreement. The Warrant Price shall be adjusted from time to time as required by Section 6.1. The Warrants are exercisable at any time after the Separation Date and on or prior to the Expiration Date.

3.2 Exercise and Expiration of Warrants

(a) Exercise of Warrants. Subject to the terms and conditions set forth herein, including, without limitation, the exercise procedure described in Section 3.2(c), a Holder of a Warrant Certificate may exercise all or any whole number of the Warrants evidenced thereby, on any Business Day from and after the Separation Date until 5:00 p.m., New York City time, on the Expiration Date (subject to earlier expiration pursuant to Section 5) for the Warrant Shares purchasable thereunder. The Company shall notify the Warrant Agent promptly if the Separation Date occurs prior to October 23, 1998 in accordance with Section 13.3.

(b) Expiration of Warrants. The Warrants shall terminate and become void as of 5:00 P.M., New York time on the Expiration Date, subject to earlier expiration in accordance with Section 5. In the event that the Warrants are to expire by reason of Section 5, the term "Expiration Date" shall mean such earlier date for all purposes of this Agreement.

(c) Method of Exercise. The Holder may exercise all or any of the Warrants by either of the following methods:

(i) The Holder may deliver to the Warrant Agent at the Corporate Agency Office (A) a written notice of such Holder's election to exercise Warrants, duly executed by such Holder in the form set forth on the reverse of, or attached to, such Warrant Certificate, which notice shall specify the number of Warrant Shares to be purchased, (B) the Warrant

Certificate evidencing such Warrants and (C) a sum equal to the aggregate Warrant Price for the Warrant Shares into which such Warrants are being exercised, which sum shall be paid in any combination elected by such Holder of (x) official bank checks in New York Clearing House funds payable to the order of the Company and delivered to the Warrant Agent at the corporate Agency Office, or (y) wire transfers in immediately available funds to the account of the Company at such banking institution as the Company shall have given notice to the Warrant Agent and the Holders in accordance with Section 13.1(b); or

(ii) The Holder may also exercise all or any of the Warrants in a "cashless" or "net-issue" exercise by delivering to the Warrant Agent at the Corporate Agency Office (A) a written notice of such Holder's election to exercise Warrants, duly executed by such Holder in the form set forth on the reverse of, or attached to, such Warrant Certificate, which notice shall specify the number of Warrant Shares to be delivered to such Holder and the number of Warrant Shares with respect to which such Warrants are being surrendered in payment of the aggregate Warrant Price for the Warrant Shares to be delivered to the Holder, and (B) the Warrant Certificate evidencing such Warrants. For purposes of this subparagraph (ii), each Warrant Share as to which such Warrants are surrendered in payment of the aggregate Warrant Price will be attributed a value equal to (x) the Current Market Price per share of Common Shares minus (y) the then-current Warrant Price.

(d) Partial Exercise. If fewer than all the Warrants represented by a Warrant Certificate are exercised, such Warrant Certificate shall be surrendered and a new Warrant Certificate of the same tenor and for the number of Warrants which were not exercised shall be executed by the Company. The Warrant Agent shall countersign the new Warrant Certificate, registered in such name or names, subject to the provisions of Section 9, as may be directed in writing by the Holder, and shall deliver the new Warrant Certificate to the Person or Persons in whose name such new Warrant Certificate is so registered. The Company, whenever required by the Warrant Agent, will supply the Warrant Agent with Warrant Certificates duly executed on behalf of the Company for such purpose.

(e) Issuance of Warrant Shares. Upon surrender of a Warrant Certificate evidencing Warrants in conformity with the foregoing provisions and payment of the Warrant Price in respect of the exercise of one or more Warrants evidenced thereby, the Warrant Agent shall, when such payment is received, deliver to the Company the notice of exercise received pursuant to Section 3.2(c), and, in accordance with Section 3.3, deliver or deposit all funds received as instructed in writing by the Company and advise the Company by telephone at the end of such day of the amount of funds so deposited to its account. The Company shall thereupon, as promptly as practicable, and in any event within five Business Days after receipt by the Company of such notice of exercise, execute or cause to be executed and deliver or cause to be delivered to the Recipient (as defined below) a certificate or certificates representing the

aggregate number of Warrant Shares issuable upon such exercise (based upon the aggregate number of Warrants so exercised), determined in accordance with Section 3.6, together with an amount in cash in lieu of any fractional share(s) determined in accordance with Section 6.4. The certificate or certificates so delivered shall be, to the extent possible, in such denomination or denominations as such Holder shall request in such notice of exercise and shall be registered or otherwise placed in the name of, and delivered to, the Holder or, subject to Section 2.2 and Section 3.4, such other Person as shall be designated by the Holder in such notice (the Holder or such other Person being referred to herein as the "Recipient").

(f) Time of Exercise. A Warrant shall be deemed to have been exercised immediately prior to the close of business on the date on which all requirements set forth in Section 3.2(c) applicable to such exercise have been satisfied. Subject to Section 6.1(f)(iv), certificate(s) evidencing the Warrant Shares issued upon the exercise of such Warrant shall be deemed to have been issued and, for all purposes of this Agreement, the Recipient shall, as between such Person and the Company, be deemed to be and entitled to all rights of the holder of record of such Warrant Shares as of such time.

(g) Exercise of Certain Warrants Evidenced by Unit Certificates. In the event Warrants continue to be evidenced by Unit Certificates after the Separation Date, a holder of a Unit Certificate may, from and after the Separation Date but prior to 5:00 p.m., New York time on the Unit Termination Date, exercise all (but not less than all) the Warrants evidenced thereby by complying with Section 3.2 (c) hereof and delivering the Unit Certificate evidencing the Warrants to the Warrant Agent in lieu of a Warrant Certificate. A notation shall be placed on the Unit Certificate by the Warrant Agent indicating that the Warrants evidenced by such Unit Certificate have been fully exercised and accordingly such Warrants are no longer outstanding. The noted Unit Certificate shall be delivered by the Warrant Agent to the offices of the Registrar for cancellation and reissuance to the registered holder in the appropriate form of Note. Registered holders of Unit Certificates as of the Unit Termination Date shall also be entitled to exercise the Warrants to which they are entitled prior to issuance of their Warrant Certificates pursuant to Section 2.1(b) by complying with Section 3.2(c) except that delivery of a Warrant Certificate shall not be required, whereupon such registered holder shall be entitled to receive a Warrant Certificate only with respect to any unexercised Warrants. The Warrant Agent shall keep a record of Unit Certificates (by number and registered holder) that have been properly tendered to the Warrant Agent for Warrant exercise pursuant to this Section 3.2(g).

3.3 Application of Funds Upon Exercise of Warrants

Any funds delivered to the Warrant Agent upon exercise of any Warrant(s) shall be held by the Warrant Agent in trust for the Company. The Warrant Agent shall promptly deliver and pay to or upon the written order of the Company all funds received by it upon the

exercise of any Warrants by bank wire transfer to an account designated by the Company or as the Warrant Agent otherwise may be directed in writing by the Company.

3.4 Payment of Taxes

The Company shall pay any and all taxes (other than income taxes) and other charges that may be payable in respect of the issue or delivery of Warrant Shares on exercise of Warrants pursuant hereto. The Company shall not be required, however, to pay any tax or other charge imposed in respect of any transfer involved in the issue and delivery of any certificates for Warrant Shares or payment of cash to any Recipient other than the Holder of the Warrant Certificate surrendered upon the exercise of a Warrant, and in case of such transfer or payment, the Warrant Agent and the Company shall not be required to issue or deliver any certificate or pay any cash until (a) such tax or charge has been paid or an amount sufficient for the payment thereof has been delivered to the Warrant Agent or the Company or (b) it has been established to the Company's satisfaction that any such tax or other charge that is or may become due has been paid.

3.5 Surrender of Certificates

Any Warrant Certificate surrendered for exercise shall, if surrendered to the Company, be delivered to the Warrant Agent, and all Warrant Certificates surrendered or so delivered to the Warrant Agent shall be promptly canceled by such Warrant Agent and shall not be reissued by the Company. The Warrant Agent shall destroy such canceled Warrant Certificates and deliver its certificate of destruction to the Company, unless the Company shall otherwise direct.

3.6 Shares Issuable

The number of Warrant Shares "issuable upon exercise" of Warrants at any time shall be the number of Warrant Shares into which such Warrants are then exercisable. The number of Warrant Shares "into which each Warrant is exercisable" initially shall be one share, subject to adjustment as provided in Section 6.1.

4. REGISTRATION RIGHTS

The Warrantholders and holders of Warrant Shares shall have the registration rights provided for in the Warrant Registration Rights Agreement. The Warrant Agent shall keep copies of the Warrant Registration Rights Agreement available for inspection by the Holders during normal business hours at its office. The Company shall supply the Warrant Agent from

time to time with such numbers of copies of the Warrant Registration Rights Agreement as the Warrant Agent may request.

5. DISSOLUTION, LIQUIDATION OR WINDING UP

If, on or prior to the Expiration Date, the Company (or any other Person controlling the Company) shall propose a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, the Company shall give written notice thereof to the Warrant Agent and all Holders of Warrant Certificates in the manner provided in Section 13 prior to the date on which such transaction is expected to become effective or, if earlier, the record date for such transaction. Such notice shall also specify the date as of which the holders of record of the Common Shares shall be entitled to exchange their shares for moneys, securities or other property deliverable upon such dissolution, liquidation or winding up, as the case may be, on which date each Holder of Warrant Certificates shall be entitled to receive the moneys, securities or other property which such Holder would have been entitled to receive had such Holder been the holder of record of the Warrant Shares into which the Warrants were exercisable immediately prior to such dissolution, liquidation or winding up (net of the then applicable Warrant Price) and the rights to exercise the Warrants shall terminate.

In case of any such voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall deposit with the Warrant Agent any moneys, securities or other property which the Holders are entitled to receive under this Agreement, together with a Company Order as to the distribution thereof. After receipt of such deposit from the Company and after any Holder has surrendered a Warrant Certificate to the Warrant Agent, the Warrant Agent shall make payment in the appropriate amount to such Person or Persons as it may be directed in writing by the Holder surrendering such Warrant Certificate. The Warrant Agent shall not be required to pay interest on any money deposited pursuant to the provisions of this Section 5 except such as it shall agree with the Company to pay thereon. Any moneys, securities or other property which at any time shall be deposited by the Company or on its behalf with the Warrant Agent pursuant to this Section 5 shall be, and are hereby, assigned, transferred and set over to the Warrant Agent in trust for the purpose for which such moneys, securities or other property shall have been deposited; provided that moneys, securities or other property need not be segregated from other moneys, securities or other property held by the Warrant Agent except to the extent required by law.

6. ADJUSTMENTS

6.1 Adjustments

The number of Warrant Shares into which each Warrant is exercisable and the Warrant Price shall be subject to adjustment from time to time after the Effective Date in accordance (and only in accordance) with the provisions of this Section 6:

(a) Stock Dividends, Subdivisions and Combinations. In case at any time or from time to time after the Effective Date the Company shall:

(i) pay to the holders of its Common Shares a dividend payable in, or make any other distribution on any class of its capital stock in, Common Shares (other than a dividend or distribution upon a merger or consolidation or sale to which Section 6.1(h) applies);

(ii) subdivide its outstanding Common Shares into a larger number of Common Shares (other than a subdivision upon a merger or consolidation or sale to which Section 6.1(h) applies); or

(iii) combine its outstanding Common Shares into a smaller number of Common Shares (other than a combination upon a merger or consolidation or sale to which Section 6.1(h) applies);

then, (x) in the case of any such dividend or distribution, effective immediately after the opening of business on the day after the date for the determination of the holders of Common Shares entitled to receive such dividend or distribution or (y) in the case of any subdivision or combination, effective immediately after the opening of business on the day after the day upon which such subdivision or combination becomes effective, the number of Warrant Shares into which each Warrant is exercisable shall be adjusted to that number of Warrant Shares determined by (A) in the case of any such dividend or distribution, multiplying the number of Warrant Shares into which each Warrant is exercisable at the opening of business on the day after the day for determination by a fraction (not to be less than one), (1) the numerator of which shall be equal to the sum of the number of Common Shares outstanding at the close of business on such date for determination and the total number of shares constituting such dividend or distribution and (2) the denominator of which shall be equal to the number of Common Shares outstanding at the close of business on such date for determination, or (B) in the case of any such combination, by proportionately reducing, or, in the case of any such subdivision, by proportionately increasing, the number of Warrant Shares into which each Warrant is exercisable at the opening of business on the day after the day upon which such subdivision or combination becomes effective.

(b) Certain Other Dividends and Distributions. In case at any time or from time to time after the Effective Date the Company shall effect a Non- Stock Dividend (other than any dividend or distribution of any warrants, options or rights referred to in Section 6.1(d)), then, and in each such case, effective immediately after the opening of business on the day after the date for the determination of the holders of Common Shares entitled to receive such distribution, the number of Warrant Shares into which each Warrant is exercisable shall be adjusted to that number determined by multiplying the number of Warrant Shares into which each Warrant is exercisable immediately prior to the close of business on the date of determination by a fraction, (i) the numerator of which shall be the Current Market Price per Common Share on such date of determination and (ii) the denominator of which shall be such Current Market Price per Common Share minus the portion applicable to one Common Share of the fair market value (as determined in good faith by the Board of Directors of the Company) of such securities or other assets so distributed.

(c) Reclassifications. A reclassification of the Common Shares (other than any such reclassification in connection with a merger or consolidation or sale to which Section 6.1(h) applies) into Common Shares and shares of any other class of stock shall be deemed a distribution by the Company to the holders of its Common Shares of such shares of such other class of stock for the purposes and within the meaning of Section 6.1(b) (and the effective date of such reclassification shall be deemed to be "the date for the determination of the holders of Common Shares entitled to receive such distribution" for the purposes and within the meaning of Section 6.1(b)) and, if the outstanding number of Common Shares shall be changed into a larger or smaller number of Common Shares as a part of such reclassification, such change shall be deemed a subdivision or combination, as the case may be, of the outstanding Common Shares for the purposes and within the meaning of Section 6.1(a) (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision or combination becomes effective" for the purposes and within the meaning of Section 6.1(a)).

(d) Distribution of Warrants or Other Rights to Holders of Common Shares. In case at any time or from time to time after the Effective Date the Company shall make a distribution to all holders of outstanding Common Shares of any warrants, options or other rights to subscribe for or purchase any Additional Common Shares or securities convertible into or exchangeable for Additional Common Shares (other than a distribution of such warrants, options or rights upon a merger or consolidation or sale to which Section 6.1(h) applies), whether or not the rights to subscribe or purchase thereunder are immediately exercisable, and the consideration per share for which Additional Common Shares may at any time thereafter be issuable pursuant to such warrants or other rights shall be less than the Current Market Price per Common Share on the date fixed for determination of the holders of Common Shares entitled to receive such distribution, then, and for each such case, effective immediately after the opening of business on the day after the date for determination, the number of Warrant Shares into which each Warrant

is exercisable shall be adjusted to that number determined by multiplying the number of Warrant Shares into which each Warrant is exercisable at the opening of business on the day after such date for determination by a fraction (not less than one), (i) the numerator of which shall be the number of Common Shares outstanding at the close of business on such date for determination plus the maximum number of Additional Common Shares issuable pursuant to all such warrants or other rights and (ii) the denominator of which shall be the number of Common Shares outstanding at the close of business on such date for determination plus the number of Common Shares that the minimum consideration received and receivable by the Company for the issuance of such maximum number of Additional Common Shares pursuant to the terms of such warrants or other rights would purchase at such Current Market Price.

(e) Superseding Adjustment of Number of Warrant Shares into Which Each Warrant is Exercisable. In case at any time after any adjustment of the number of Warrant Shares into which each Warrant is exercisable shall have been made pursuant to Section 6.1(d) on the basis of the distribution of warrants or other rights or after any new adjustment of the number of Warrant Shares into which each Warrant is exercisable shall have been made pursuant to this Section 6.1(e), such warrants or rights shall expire, and all or a portion of such warrants or rights shall not have been exercised, then, and in each such case, upon the election of the Company by written notice to the Warrant Agent, such previous adjustment in respect of such warrants or rights which have expired without exercise shall be rescinded and annulled as to any then outstanding Warrants, and the Additional Common Shares that were deemed for purposes of the computations set forth in Section 6.1(d) to have been issued or sold by virtue of such adjustment in respect of such warrants or rights shall no longer be deemed to have been distributed.

(f) Other Provisions Applicable to Adjustments under this Section. The following provisions shall be applicable to the making of adjustments of the number of Warrant Shares into which each Warrant is exercisable and to the Warrant Price under this Section 6.1:

(i) Treasury Stock. The sale or other disposition (other than any shares specified in the definition of "Additional Common Shares") of any issued Common Shares owned or held by or for the account of the Company shall be deemed an issuance or sale of Additional Common Shares for purposes of this Section 6. The Company shall not pay any dividend on or make any distribution on Common Shares held in the treasury of the Company. For the purposes of this Section 6.1, the number of Common Shares at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of Common Shares.

(ii) When Adjustments Are to be Made. The adjustments required by Sections 6.1(a), 6.1(b) 6.1(c) and 6.1(d) shall be made whenever and as often as any specified

event requiring an adjustment shall occur, except that no adjustment of the Warrant Shares into which each Warrant is exercisable that would otherwise be required shall be made unless and until such adjustment either by itself or with other adjustments not previously made increases or decreases the Warrant Shares into which each Warrant is exercisable immediately prior to the making of such adjustment by at least 1%. Any adjustment representing a change of less than such minimum amount (except as aforesaid) shall be carried forward and made as soon as such adjustment, together with other adjustments required by Sections 6.1(a), 6.1(b), 6.1(c) and 6.1(d) and not previously made, would result in such minimum adjustment.

(iii) Fractional Interests. In computing adjustments under this Section 6, fractional interests in Common Shares shall be taken into account to the nearest one-thousandth of a share.

(iv) Deferral of Issuance upon Exercise. In any case in which this Section 6 shall require that an adjustment to the Warrant Shares into which each Warrant is exercisable be made effective pursuant to Section 6.1(a)(i), 6.1(b) or 6.1(d) prior to the occurrence of a specified event and any Warrant is exercised after the time at which the adjustment became effective but prior to the occurrence of such specified event the Company may elect to defer until the occurrence of such specified event the issuing to the Holder of the Warrant Certificate evidencing such Warrant (or other Person entitled thereto) of, and may delay registering such Holder or other Person as the recordholder of, the Warrant Shares over and above the Warrant Shares issuable upon such exercise determined in accordance with Section 3.6 on the basis of the Warrant Shares into which each Warrant is exercisable prior to such adjustment determined in accordance with Section 3.6; provided, however, that the Company shall deliver to such Holder or other person a due bill or other appropriate instrument evidencing the right of such Holder or other Person to receive, and to become the record holder of, such Additional Common Shares, upon the occurrence of the event requiring such adjustment.

(g) Warrant Price Adjustment. Whenever the number of Warrant Shares into which a Warrant is exercisable is adjusted as provided in this Section 6.1, the Warrant Price payable upon exercise of the Warrant shall simultaneously be adjusted by multiplying such Warrant Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of Warrant Shares into which such Warrant was exercisable immediately prior to such adjustment, and the denominator of which shall be the number of Warrant Shares into which such Warrant was exercisable immediately thereafter.

(h) Merger, Consolidation or Combination. In the event the Company merges, consolidates or otherwise combines with or into any Person, then, as a condition of such merger, consolidation or combination, lawful and adequate provisions shall be made whereby Warrantholders shall, in addition to their other rights hereunder, thereafter have the right to

purchase and receive upon the basis and upon the terms and conditions specified in this Agreement upon exercise of the Warrants and in lieu of the Warrant Shares immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding Common Shares equal to the number of Warrant Shares immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby, and in any such case appropriate provision shall be made with respect to the rights and interests of the Warrantholders to the end that the provisions hereof (including, without limitation, provisions for adjustments of the number of Warrant Shares) shall thereafter be applicable, as nearly as may be practicable, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof.

(i) Compliance with Governmental Requirements. Before taking any action that would cause an adjustment reducing the Warrant Price below the then par value of any of the Warrant Shares into which the Warrants are exercisable, the Company will take any corporate action that may be necessary in order that the Company may validly and legally issue fully paid and non-assessable Warrant Shares at such adjusted Warrant Price.

(j) Optional Tax Adjustment. The Company may at its option, at any time during the term of the Warrants, increase the number of Warrant Shares into which each Warrant is exercisable, or decrease the Warrant Price, in addition to those changes required by Section 6.1(a), 6.1(b), 6.1(c), 6.1(d) or 6.1(g), as deemed advisable by the Board of Directors of the Company, in order that any event treated for Federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the Recipients.

(k) Warrants Deemed Exercisable. For purposes solely of this Section 6, the number of Warrant Shares which the holder of any Warrant would have been entitled to receive had such Warrant been exercised in full at any time or into which any Warrant was exercisable at any time shall be determined assuming such Warrant was exercisable in full at such time, although such Warrant may not be exercisable in full at such time pursuant to Section 3.2(a).

(l) Limitations on Certain Non-Stock Dividends. The Company agrees that it will not declare or pay any Non-Stock Dividend subject to Section 6.1(b) hereof to the extent that the fair market value of the property or other assets to be distributed in respect of one Common Share equals or exceeds the Current Market Price per Common Share at the date of determination.

6.2 Notice of Adjustment

Whenever the number of Warrant Shares into which a Warrant is exercisable is to be adjusted, or the Warrant Price is to be adjusted, in either case as herein provided, the Company shall compute the adjustment in accordance with Section 6.1, and shall, promptly after such adjustment becomes effective, cause a notice of such adjustment or adjustments to be given to all Holders in accordance with Section 13.1(b) and shall deliver to the Warrant Agent a certificate of the Chief Financial Officer of the Company setting forth the number of Warrant Shares into which each Warrant is exercisable after such adjustment, or the adjusted Warrant Price, as the case may be, and setting forth in brief a statement of the facts requiring such adjustment and the computation by which such adjustment was made. As provided in Section 11.1, the Warrant Agent shall be entitled to rely on such certificate and shall be under no duty or responsibility with respect to any such certificate, except to exhibit the same from time to time to any Holder desiring an inspection thereof during reasonable business hours.

6.3 Statement on Warrant Certificates

Irrespective of any adjustment in the number or kind of shares into which the Warrants are exercisable, Warrant Certificates theretofore or thereafter issued may continue to express the same price and number and kind of shares initially issuable pursuant to this Agreement.

6.4 Fractional Interest

The Company shall not issue fractional Warrant Shares on the exercise of Warrants. If Warrant Certificates evidencing more than one Warrant shall be presented for exercise at the same time by the same Holder, the number of full Warrant Shares which shall be issuable upon such exercise thereof shall be computed on the basis of the aggregate number of Warrants so to be exercised. If any fraction of a Warrant Share would, except for the provisions of this Section 6.4, be issuable on the exercise of any Warrant (or specified portion thereof), the Company shall, in lieu of issuing any fractional Warrant Shares, pay an amount in cash calculated by it to be equal to the then Current Market Price per Common Share on the date of such exercise multiplied by such fraction computed to the nearest whole cent. The Holders, by their acceptance of the Warrant Certificates, expressly waive their right to receive any fraction of a Warrant Share or a stock certificate representing a fraction of a Warrant Share.

7. LOSS OR MUTILATION

Upon (i) receipt by the Company and the Warrant Agent of evidence satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any Warrant Certificate and such security or indemnity as may be required by them to save each of them harmless and (ii) surrender, in the case of mutilation, of the mutilated Warrant Certificate to the Warrant Agent and cancellation thereof, then, in the absence of notice to the Company or the Warrant Agent that the Warrants evidenced thereby have been acquired by a bona fide purchaser, the Company shall execute and upon its written request the Warrant Agent shall countersign and deliver to the registered Holder of the lost, stolen, destroyed or mutilated Warrant Certificate, in exchange therefor or in lieu thereof, a new Warrant Certificate of the same tenor and for a like aggregate number of Warrants. At the written request of such registered Holder, the new Warrant Certificate so issued shall be retained by the Warrant Agent as having been surrendered for exercise, in lieu of delivery thereof to such Holder, and shall be deemed for purposes of Section 3.2 to have been surrendered for exercise on the date the conditions specified in clauses (i) and (ii) of the preceding sentence were first satisfied.

Upon the issuance of any new Warrant Certificate under this Section 7, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and other expenses (including the fees and expenses of the Warrant Agent and of counsel to the Company) in connection therewith.

Every new Warrant Certificate executed and delivered pursuant to this Section 7 in lieu of any lost, stolen or destroyed Warrant Certificate shall constitute an additional contractual obligation of the Company, whether or not the allegedly lost, stolen or destroyed Warrant Certificate shall be at any time enforceable by anyone, and shall be entitled to the benefits of this Agreement equally and proportionately with any and all other Warrant Certificates duly executed and delivered hereunder.

The provisions of this Section 7 are exclusive and shall preclude (to the extent lawful) all other rights or remedies with respect to the replacement of mutilated, lost, stolen, or destroyed Warrant Certificates.

8. RESERVATION AND AUTHORIZATION OF WARRANT SHARES

The Company shall at all times reserve and keep available, free from preemptive rights, solely for issue upon the exercise of Warrants as herein provided, such number of its authorized but unissued Warrant Shares deliverable upon the exercise of Warrants as will be sufficient to permit the exercise in full of all outstanding Warrants. The Company covenants that all Warrant Shares will, at all times that Warrants are exercisable, be duly approved for listing subject to

official notice of issuance on each securities exchange, if any, on which the Common Shares are then listed. The Company covenants that (i) all Warrant Shares that may be issued upon exercise of Warrants shall upon issuance be duly and validly authorized, issued and fully paid and non-assessable and free of preemptive or similar rights and (ii) the stock certificates issued to evidence any such Warrant Shares will comply with the Oklahoma General Corporation Act and any other applicable law.

The Company hereby authorizes and directs its current and future transfer agents for the Common Shares at all times to reserve stock certificates for such number of authorized shares as shall be required for such purpose. The Warrant Agent is hereby authorized to requisition from time to time from any such transfer agents stock certificates required to honor outstanding Warrants upon exercise thereof in accordance with the terms of this Agreement, and the Company hereby authorizes and directs such transfer agents to comply with all such requests of the Warrant Agent. The Company will supply such transfer agents with duly executed stock certificates for such purposes. Promptly after the date of expiration of all of the Warrants in accordance with Section 3.2(b), the Warrant Agent shall certify to the Company the aggregate number of Warrants then outstanding, and thereafter no Warrant Shares shall be reserved in respect of such Warrants.

9. WARRANT TRANSFER BOOKS

The Warrant Agent will maintain an office (the "Corporate Agency Office") in the United States of America, where Warrant Certificates may be surrendered for registration of transfer or exchange and where Warrant Certificates may be surrendered for exercise of Warrants evidenced thereby, which office is 40 Wall Street, New York, New York 10005, Attention: Michael Karfunkel, on the date hereof. The Warrant Agent will give prompt written notice to all Holders of Warrant Certificates of any change in the location of such office.

The Warrant Certificates evidencing the Warrants shall be issued in registered form only. The Company shall cause to be kept at the office of the Warrant Agent designated for such purpose a warrant register (the "Warrant Register") in which, subject to such reasonable regulations as the Warrant Agent may prescribe and such regulations as may be prescribed by law, the Company shall provide for the registration of Warrant Certificates and of transfers or exchanges of Warrant Certificates as herein provided.

Subject to Section 2.4, upon surrender for registration of transfer of any Warrant Certificate at the Corporate Agency Office, the Company shall execute, and the Warrant Agent shall countersign and deliver, in the name of the designated transferee or transferees, one or more new Warrant Certificates evidencing a like aggregate number of Warrants.

Subject to Section 2.4, (i) at the option of the Holder, Warrant Certificates may be exchanged at the office of the Warrant Agent upon payment of the charges hereinafter provided for other Warrant Certificates evidencing a like aggregate number of Warrants and (ii) whenever any Warrant Certificates are so surrendered for exchange, the Company shall execute, and the Warrant Agent shall countersign and deliver, the Warrant Certificates of the same tenor and evidencing the same number of Warrants as evidenced by the Warrant Certificates surrendered by the Holder making the exchange.

All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under this Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange.

Subject to Section 2.4, every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

The Warrant Agent shall, upon request of the Company from time to time, deliver to the Company such reports of registered ownership of the Warrants and such records of transactions with respect to the Warrants and the Warrant Shares as the Company may request. The Warrant Agent shall also make available to the Company for inspection by the Company's agents or employees, from time to time as the Company may request, such original books of accounts and records maintained by the Warrant Agent in connection with the issuance and exercise of Warrants hereunder, such inspections to occur at the Corporate Agency Office during normal business hours.

The Warrant Agent shall keep copies of this Agreement and any notices given to Holders hereunder available for inspection by the Holders (or any holders of Unit Certificates) during normal business hours at the Corporate Agency Office. The Company shall supply the Warrant Agent from time to time with such numbers of copies of this Agreement as the Warrant Agent may request.

10. WARRANT HOLDERS

10.1 Voting or Dividend Rights

Prior to the exercise of the Warrants, except as may be specifically provided for herein, (i) no Holder of a Warrant Certificate, as such, shall be entitled to any of the rights of a holder of Common Shares, including, without limitation, the right to vote at or to receive any

notice of any meetings of stockholders; (ii) the consent of any Holder shall not be required with respect to any action or proceeding of the Company; (iii) except as provided in Section 5, no Holder, by reason of the ownership or possession of a Warrant or the Warrant Certificate representing the same, shall have any right to receive any stock dividends, allotments or rights or other distributions paid, allotted or distributed or distributable to the stockholders of the Company prior to, or for which the relevant record date preceded, the date of the exercise of such Warrant; and (iv) no Holder shall have any right not expressly conferred by this Agreement or Warrant Certificate held by such Holder.

10.2 Rights of Action

All rights of action against the Company in respect of this Agreement, except rights of action vested in the Warrant Agent, are vested in the Holders of the Warrant Certificates, and any Holder of any Warrant Certificate, without the consent of the Warrant Agent or the Holder of any other Warrant Certificate, may, in such Holder's own behalf and for such Holder's own benefit, enforce and may institute and maintain any suit, action or proceeding against the Company suitable to enforce, or otherwise in respect of, such Holder's right to exercise, exchange or tender for purchase such Holder's Warrants in the manner provided in this Agreement.

10.3 Treatment of Holders of Warrant Certificates

Every Holder of a Warrant Certificate, by accepting the same, consents and agrees with the Company, with the Warrant Agent and with every subsequent holder of such Warrant Certificate that, prior to due presentment of such Warrant Certificate for registration of transfer, the Company and the Warrant Agent may treat the Person in whose name the Warrant Certificate is registered as the owner thereof for all purposes and as the Person entitled to exercise the rights granted under the Warrants, and neither the Company, the Warrant Agent nor any agent thereof shall be affected by any notice to the contrary.

10.4 Communications to Holders

(a) If any Holder of a Warrant Certificate applies in writing to the Warrant Agent and such application states that the applicant desires to communicate with other Holders with respect to its rights under this Agreement or under the Warrants, then the Warrant Agent shall, within five (5) Business Days after the receipt of such application, and upon payment to the Warrant Agent by such applicant of the reasonable expenses of preparing such list, provide to such applicant a list of the names and addresses of all Holders of Warrant Certificates as of the most recent practicable date.

(b) Every Holder of Warrant Certificates, by receiving and holding the same, agrees with the Company and the Warrant Agent that neither the Company nor the Warrant Agent nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 10.4(a).

11. CONCERNING THE WARRANT AGENT

11.1 Nature of Duties and Responsibilities Assumed

The Company hereby appoints the Warrant Agent to act as agent of the Company as set forth in this Agreement. The Warrant Agent hereby accepts the appointment as agent of the Company and agrees to perform that agency upon the terms and conditions set forth in this Agreement and in the Warrant Certificates or as the Company and the Warrant Agent may hereafter agree, by all of which the Company and the Holders of Warrant Certificates, by their acceptance thereof, shall be bound; provided, however, that the terms and conditions contained in the Warrant Certificates are subject to and governed by this Agreement or any other terms and conditions hereafter agreed to by the Company and the Warrant Agent.

The Warrant Agent shall not, by countersigning Warrant Certificates or by any other act hereunder, be deemed to make any representations as to validity or authorization of (i) the Warrants or the Warrant Certificates (except as to its countersignature thereon), (ii) any securities or other property delivered upon exercise of any Warrant, (iii) the accuracy of the computation of the number or kind or amount of stock or other securities or other property deliverable upon exercise of any Warrant, (iv) the independence of any Independent Financial Expert or (v) the correctness of any of the representations of the Company made in such certificates that the Warrant Agent receives. The Warrant Agent shall not at any time have any duty to calculate or determine whether any facts exist that may require any adjustments pursuant to Section 6 hereof with respect to the kind and amount of shares or other securities or any property issuable to Holders upon the exercise of Warrants required from time to time. The Warrant Agent shall have no duty or responsibility to determine the accuracy or correctness of such calculation or with respect to the methods employed in making the same. The Warrant Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any Warrant Shares or of any securities or property which may at any time be issued or delivered upon the exercise of any Warrant or upon any adjustment pursuant to Section 6 hereof, and it makes no representation with respect thereto. The Warrant Agent shall not be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any Warrant Shares or stock certificates or other securities or property upon the surrender of any Warrant Certificate for the purpose of exercise or upon any adjustment pursuant to Section 6 hereof or to comply with any of the covenants of the Company contained in Section 12 hereof.

The Warrant Agent shall not (i) be liable for any recital or statement of fact contained herein or in the Warrant Certificates or for any action taken, offered or omitted by it in good faith on the belief that any Warrant Certificate or any other documents or any signatures are genuine or properly authorized, (ii) be responsible for any failure on the part of the Company to comply with any of its covenants and obligations contained in this Agreement or in the Warrant Certificates or (iii) be liable for any act or omission in connection with this Agreement except for its own gross negligence, bad faith or willful misconduct.

The Warrant Agent is hereby authorized to accept and is protected in accepting instructions with respect to the performance of its duties hereunder by Company Order and to apply to any such officer named in such Company Order for instructions (which instructions will be promptly given in writing when requested), and the Warrant Agent shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with the instructions in any Company Order.

The Warrant Agent is hereby authorized to accept and is protected in accepting, and may rely upon without otherwise verifying, the list of registered holders of Unit Certificates as of the close of the Unit Termination Date as set forth in Section 2.1(b) and related information furnished by the Registrar for the purpose of determining those holders who are entitled to receive Warrant Certificates, and the Warrant Agent shall not be liable for any action taken or suffered to be taken by it in good faith in reliance upon such lists and information furnished by the Registrar.

The Warrant Agent may execute and exercise any of the rights and powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys, agents or employees, provided that reasonable care has been exercised in the selection and in the continued employment of any such attorney, agent or employee. The Warrant Agent shall not be under any obligation or duty to institute, appear in or defend any action, suit or legal proceeding in respect hereof, unless first indemnified to its satisfaction, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without such indemnity. The Warrant Agent shall promptly notify the Company in writing of any claim made or action, suit or proceeding instituted against it arising out of or in connection with this Agreement.

The Company shall perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further acts, instruments and assurances as may reasonably be required by the Warrant Agent in order to enable it to carry out or perform its duties under this Agreement.

The Warrant Agent shall act solely as agent of the Company hereunder and does not assume any obligation or relationship of agency or trust for or with any of the Holders or any beneficial owners of Warrants. The Warrant Agent shall not be liable except for the failure to perform such duties as are specifically set forth herein or specifically set forth in the Warrant Certificates, and no implied covenants or obligations shall be read into this Agreement against the Warrant Agent whose duties and obligations shall be determined solely by the express provisions hereof or the express provisions of the Warrant Certificates.

11.2 Right to Consult Counsel

The Warrant Agent may at any time consult with legal counsel satisfactory to it (who may be legal counsel for the Company), and the Warrant Agent shall incur no liability or responsibility to the Company or to any Holder for any action taken, suffered or omitted by it in good faith in accordance with the opinion or advice of such counsel.

11.3 Compensation, Reimbursement and Indemnification

The Company agrees to pay the Warrant Agent from time to time compensation for all fees and expenses relating to its services hereunder as the Company and the Warrant Agent may agree from time to time and to reimburse the Warrant Agent for reasonable expenses and disbursements, including reasonable counsel fees and expenses incurred in connection with the execution and administration of this Agreement. The Company further agrees to indemnify the Warrant Agent for and save it harmless against any losses, liabilities or reasonable expenses arising out of or in connection with the acceptance and administration of this Agreement, including the reasonable costs, legal fees and expenses of investigating or defending any claim of such liability, except that the Company shall have no liability hereunder to the extent that any such loss, liability or expense results from the Warrant Agent's own gross negligence, bad faith or willful misconduct.

11.4 Warrant Agent May Hold Company Securities

The Warrant Agent, any Countersigning Agent and any stockholder, director, officer or employee of the Warrant Agent or any Countersigning Agent may buy, sell or deal in any of the Warrants or other securities of the Company or its Affiliates, become pecuniarily interested in transactions in which the Company or its Affiliates may be interested, contract with or lend money to the Company or its Affiliates or otherwise act as fully and freely as though it were not the Warrant Agent or the Countersigning Agent, respectively, under this Agreement. Nothing herein shall preclude the Warrant Agent or any Countersigning Agent from acting in any other capacity for the Company or for any other legal entity.

11.5 Resignation and Removal; Appointment of Successor

(a) The Warrant Agent may resign its duties and be discharged from all further duties and liability hereunder (except liability arising as a result of the Warrant Agent's own gross negligence or willful misconduct) after giving thirty (30) days' prior written notice to the Company. The Company may remove the Warrant Agent upon thirty (30) days' written notice, and the Warrant Agent shall thereupon in like manner be discharged from all further duties and liabilities hereunder, except as aforesaid. The Warrant Agent shall, at the expense of the Company, cause notice to be given in accordance with Section 13.1(b) to each Holder of a Warrant Certificate of said notice of resignation or notice of removal, as the case may be. Upon such resignation or removal, the Company shall appoint in writing a new Warrant Agent. If the Company shall fail to make such appointment within a period of thirty (30) calendar days after it has been notified in writing of such resignation by the resigning Warrant Agent or after such removal, then the Holder of any Warrant Certificate may apply to any court of competent jurisdiction for the appointment of a new Warrant Agent. Any new Warrant Agent, whether appointed by the Company or by such a court, shall be a corporation doing business under the laws of the United States or any state thereof in good standing, authorized under such laws to act as Warrant Agent, and is ordinarily in the business as a transfer agent for publicly held securities. After acceptance in writing of such appointment by the new Warrant Agent, it shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as the Warrant Agent, without any further assurance, conveyance, act or deed; but if for any reason it shall be reasonably necessary or expedient to execute and deliver any further assurance, conveyance, act or deed, the same shall be done at the reasonable expense of the Company and shall be legally and validly executed and delivered by the resigning or removed Warrant Agent. Not later than the effective date of any such appointment, the Company shall file notice thereof with the resigning or removed Warrant Agent. Failure to give any notice provided for in this Section 11.5(a), however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Warrant Agent or the appointment of a new Warrant Agent, as the case may be.

(b) Any corporation into which the Warrant Agent or any new Warrant Agent may be merged, or any corporation resulting from any consolidation to which the Warrant Agent or any new Warrant Agent shall be a party, shall be a successor Warrant Agent under this Agreement without any further act, provided that such corporation would be eligible for appointment as successor to the Warrant Agent under the provisions of Section 11.5(a). Any such successor Warrant Agent shall promptly cause notice of its succession as Warrant Agent to be given in accordance with Section 13.1(b) to each Holder of a Warrant Certificate at such Holder's last address as shown on the Warrant Register.

11.6 Appointment of Countersigning Agent

(a) The Warrant Agent may appoint a Countersigning Agent or Agents which shall be authorized to act on behalf of the Warrant Agent to countersign Warrant Certificates issued upon original issue and upon exchange, registration of transfer or pursuant to Section 7, and Warrant Certificates so countersigned shall be entitled to the benefits of this Agreement equally and proportionately with any and all other Warrant Certificates duly executed and delivered hereunder. Wherever reference is made in this Agreement to the countersignature and delivery of Warrant Certificates by the Warrant Agent or to Warrant Certificates countersigned by the Warrant Agent, such reference shall be deemed to include countersignature and delivery on behalf of the Warrant Agent by a Countersigning Agent and Warrant Certificates countersigned by a Countersigning Agent. Each Countersigning Agent shall be acceptable to the Company and shall at the time of appointment be a corporation doing business under the laws of the United States of America or any State thereof in good standing, authorized under such laws to act as Countersigning Agent, and having a combined capital and surplus of not less than $100,000,000. The combined capital and surplus of any such new Countersigning Agent shall be deemed to be the combined capital and surplus as set forth in the most recent annual report of its condition published by such Countersigning Agent prior to its appointment, provided that such reports are published at least annually pursuant to law or to the requirements of a Federal or state supervising or examining authority.

(b) Any corporation into which a Countersigning Agent may be merged, or any corporation resulting from any consolidation to which such Countersigning Agent shall be a party, shall be a successor Countersigning Agent without any further act, provided that such corporation would be eligible for appointment as a new Countersigning Agent under the provisions of Section 11.6(a), without the execution or filing of any paper or any further act on the part of the Warrant Agent or the Countersigning Agent. Any such successor Countersigning Agent shall promptly cause notice of its succession as Countersigning Agent to be given in accordance with Section 13.1(b) to each Holder of a Warrant Certificate at such Holder's last address as shown on the Warrant Register.

(c) A Countersigning Agent may resign at any time by giving thirty (30) days' prior written notice thereof to the Warrant Agent and to the Company. The Warrant Agent may at any time terminate the agency of a Countersigning Agent by giving thirty (30) days' prior written notice thereof to such Countersigning Agent and to the Company.

(d) The Warrant Agent agrees to pay to each Countersigning Agent from time to time reasonable compensation for its services under this Section, and the Warrant Agent shall be entitled to be reimbursed for such payments, subject to the provisions of Section 11.3.

(e) Any Countersigning Agent shall have the same rights and immunities as those of the Warrant Agent set forth in Section 11.1.

12. ADDITIONAL COVENANTS OF THE COMPANY

12.1 Reports to Holders

(a) Whether or not required by Sections 13 or 15(d) of the Exchange Act, the Company shall file with the SEC (i) within ninety (90) days after the end of the last fiscal year such annual reports as would be required by Sections 13 or 15(d) of the Exchange Act, (ii) within forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year such quarterly reports as would be required by Section 13 or 15(d) of the Exchange Act and (iii) all other reports and information as would be required by Sections 13 or 15(d) of the Exchange Act. Within fifteen (15) days after the same shall be filed with the SEC, the Company shall file with the Warrant Agent, and make available to each Holder of Warrants, without cost to such Holder, copies of such reports or other information. The provisions of this Section 12.1 shall cease to apply to the Company upon the occurrence of a Non-Surviving Combination provided the successor to the Company assumes the obligations of the Company (including under this Section 12.1) in accordance with Section 19.

(b) The Company shall provide the Warrant Agent with a sufficient number of copies of all reports and other documents and information that the Warrant Agent may be required to deliver to the Holders of the Warrants under this Section 12.1.

12.2 Compliance with Agreements

The Company shall comply in all material respects with the terms and conditions of the Indenture and the Warrant Registration Rights Agreement.

12.3 Maintenance of Office

So long as any of the Warrants remain outstanding, the Company will maintain in the City of New York the following: (a) an office or agency where the Warrants may be presented for exercise, (b) an office or agency where the Warrants may be presented for registration of transfer and for exchange as in this Agreement provided and (c) an office or agency where notices and demands to or upon the Company in respect of the Warrants or of this Agreement may be served. The Company will give to the Warrant Agent written notice of the location of any such office or agency and of any change of location thereof. The Company hereby initially designates the office of the Warrant Agent at American Stock Transfer & Trust Company, 40 Wall Street, New York, New York 10005, or such other location as the Company

may designate upon notice from the Warrant Agent as the office or agency for each such purpose. In case the Company shall fail to maintain any such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Corporate Agency Office.

13. NOTICES

13.1 Notices Generally

(a) Any request, notice, direction, authorization, consent, waiver, demand or other communication permitted or authorized by this Agreement to be made upon, given or furnished to or filed with the Company or the Warrant Agent by the other party hereto or by any Holder shall be sufficient for every purpose hereunder if in writing (including telecopy communication) and telecopied or delivered by hand (including by courier service) as follows:

If to the Company, to it at:

Gothic Energy Corporation
5727 South Lewis Avenue - Suite 700
Tulsa, Oklahoma 74105
Attention: Michael Paulk, President
Telecopy No.: (918) 749-5882

or

If to the Warrant Agent, to it at:

American Stock Transfer & Trust Company
40 Wall Street
New York, New York 10005
Attention: Michael Karfunkel
Telecopy No.: (718) 236-4588

or, in either case, such other address as shall have been set forth in a notice delivered in accordance with this Section 13.1(a).

All such communications shall, when so telecopied or delivered by hand, be effective when telecopied with confirmation of receipt or received by the addressee.

Any Person that telecopies any communication hereunder to any Person shall, on the same date as such telecopy is transmitted, also send, by first class mail, postage prepaid and addressed to such Person as specified above, an original copy of the communication so transmitted.

(b) Where this Agreement provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Warrant Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made by a method approved by the Warrant Agent as one which would be most reliable under the circumstances for successfully delivering the notice to the addressees shall constitute a sufficient notification for every purpose hereunder.

13.2 Required Notices to Holders

In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of its Common Shares or to make any other distribution to the holders of its Common Shares for which an adjustment is required to be made pursuant to Section 6, (ii) to distribute to the holders of its Common Shares rights to subscribe for or to purchase any Additional Common Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Common Shares, (iv) to effect any transaction described in Section 6.1(h) or (v) to effect the liquidation, dissolution or winding up of the Company, then, and in each such case, the Company shall cause to be filed with the Warrant Agent and shall give to each Holder of a Warrant Certificate, in accordance with Section 13.1(b), a notice of such proposed action or event. Such notice shall specify (x) the date on which a record is to be taken for the purposes of such dividend or distribution; and (y) the date on which such reclassification, transaction, event, liquidation, dissolution or winding up is expected to become effective and the date as of which it is expected that holders of Common Shares of record shall be entitled to exchange their Common Shares for securities, cash or other property deliverable upon such reclassification, transaction, event, liquidation, dissolution or winding up. Such notice shall be given, in the case of any action covered by clause (i) or (ii) above, at least

ten (10) days prior to the record date for determining holders of the Common Shares for purposes of such action or, in the case of any action covered by clauses (iii) through (v), at least twenty (20) days prior to the applicable effective or expiration date specified above or, in any such case, prior to such earlier time as notice thereof shall be required to be given pursuant to Rule 10b-17 under the Exchange Act, if applicable.

If at any time the Company shall cancel any of the proposed transactions for which notice has been given under this Section 13.2 prior to the consummation thereof, the Company shall give each Holder prompt notice of such cancellation in accordance with Section 13.1(b) hereof.

13.3 Company Notices to Warrant Agent

The Company shall notify the Warrant Agent on or prior to the occurrence of the Separation Date if the Separation Date occurs before October 23, 1998. The Company shall notify the Warrant Agent at least five Business Days prior to the occurrence of the Unit Termination Date if the Unit Termination Date will occur before October 23, 1998.

14. APPLICABLE LAW

THIS AGREEMENT, EACH WARRANT CERTIFICATE ISSUED HEREUNDER, EACH WARRANT EVIDENCED THEREBY AND ALL RIGHTS ARISING HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

15. PERSONS BENEFITING

This Agreement shall be binding upon and inure to the benefit of the Company and the Warrant Agent, and their respective successors and assigns and the Holders from time to time of the Warrant Certificates. Nothing in this Agreement is intended or shall be construed to confer upon any Person, other than the Company, the Warrant Agent and the Holders of the Warrant Certificates, any right, remedy or claim under or by reason of this Agreement or any part hereof. Each Holder, by acceptance of a Warrant Certificate, agrees to all of the terms and provisions of this Agreement applicable thereto.

16. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

17. AMENDMENTS

The Company and the Warrant Agent may, without the consent or concurrence of the Holders of the Warrant Certificates, by supplemental agreement or otherwise, amend this Agreement for the purpose of making any changes or corrections in this Agreement that (i) are required to cure any ambiguity or to correct or supplement any defective or inconsistent provision or clerical omission or mistake or manifest error herein contained or (ii) add to the covenants and agreements of the Company in this Agreement further covenants and agreements of the Company thereafter to be observed, or surrender any rights or powers reserved to or conferred upon the Company in this Agreement; provided, however, that in either case, such amendment shall not adversely affect the rights or interests of the Holders of the Warrant Certificates hereunder in any material respect. This Agreement may otherwise be amended by the Company and the Warrant Agent only with the consent of the Holders of a majority of the then outstanding Warrants. Notwithstanding the foregoing, the consent of each Holder of a Warrant affected shall be required for any amendment pursuant to which the Warrant Price would be increased or the number of Warrant Shares purchasable upon exercise of Warrants would be decreased (other than pursuant to adjustments provided herein).

The Warrant Agent shall join with the Company in the execution and delivery of any such amendment unless such amendment affects the Warrant Agent's own rights, duties or immunities hereunder, in which case the Warrant Agent may, but shall not be required to, join in such execution and delivery. Upon execution and delivery of any amendment pursuant to this Section 17, such amendment shall be considered a part of this Agreement for all purposes and every Holder of a Warrant Certificate theretofore or thereafter countersigned and delivered hereunder shall be bound thereby.

Promptly after the execution by the Company and the Warrant Agent of any such amendment, the Company shall give notice to the Holders of Warrant Certificates, setting forth in general terms the substance of such amendment, in accordance with the provisions of Section 13.1(b). Any failure of the Company to mail such notice or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

18. INSPECTION

The Warrant Agent shall cause a copy of this Agreement to be available at all reasonable times at the Corporate Agency Office of the Warrant Agent for inspection by the Holder of any Warrant Certificate. The Warrant Agent may require such Holder to submit his Warrant Certificate for inspection by it.

19. SUCCESSOR TO THE COMPANY

So long as Warrants remain outstanding, the Company will not enter into any Non-Surviving Combination unless the acquirer (or its parent company under any triangular acquisition) shall expressly assume by a supplemental agreement, executed and delivered to the Warrant Agent, in form reasonably satisfactory to the Warrant Agent, the due and punctual performance of every covenant of this Agreement on the part of the Company to be performed and observed and shall have provided for exercise rights in accordance with Section 6.1(h). Upon the consummation of such Non-Surviving Combination, the acquirer (or its parent company under any triangular acquisition) shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Agreement with the same effect as if such acquirer (or its parent company under any triangular acquisition) had been named as the Company herein.

20. ENTIRE AGREEMENT

This Agreement sets forth the entire agreement of the parties hereto as to the subject matter hereof and supersedes all previous agreements among all or some of the parties hereto with respect thereto, whether written, oral or otherwise.

21. HEADINGS

The descriptive headings of the several Sections of this Agreement are inserted for convenience and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

Gothic Energy Corporation

By:

Michael Paulk, President

American Stock Transfer & Trust Company

By:

Name:
Title:

EXHIBIT A

FORM OF FACE OF WARRANT CERTIFICATE

[Restricted Warrant Legend]

[Unless and until it is exchanged in whole or in part for Securities in definitive form, this Security may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. The Depository Trust Company shall act as the Depositary until a successor shall be appointed by the Company and the Registrar. Unless this certificate is presented by an authorized representative of The Depository Trust Company, 55 Water Street, New York, New York ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as may be requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]/1/

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED TO OR FOR THE ACCOUNT OR BENEFIT OF ANY PERSON EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A) UNDER THE SECURITIES ACT) (AN "ACCREDITED INVESTOR") OR (C) IS NOT A U.S. PERSON AND IS PURCHASING IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT AND HAS NOT ENGAGED IN, AND PRIOR TO THE EXPIRATION OF THE 40-DAY RESTRICTED PERIOD PROVIDED FOR IN RULE 903 OF REGULATION S, WILL NOT OFFER OR SELL THESE SECURITIES OR TO A U.S. PERSON OR FOR THE ACCOUNT OF A U.S. PERSON WITHIN THE MEANING OF RULE 902(O) OF REGULATION S IN

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/1/ Include this legend for Global Warrants.

THE UNITED STATES, (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD AS COMPLIES WITH RULE 144 UNDER THE SECURITIES ACT) AFTER THE LATER OF THE DATE OF ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (THE "RESALE RESTRICTION TERMINATION DATE") RESELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY, EXCEPT (A) TO THE ISSUER, (B) TO A PERSON THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH THE RESALE PROVISIONS OF RULE 144A UNDER THE SECURITIES ACT, (C) TO AN ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE WARRANT AGENT A WRITTEN CERTIFICATION CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (COPIES OF SUCH FORM CAN BE OBTAINED FROM THE WARRANT AGENT), PROVIDED THAT CERTAIN HOLDERS SPECIFIED IN THE WARRANT AGREEMENT MAY NOT TRANSFER THIS SECURITY PURSUANT TO THIS CLAUSE (C) PRIOR TO THE EXPIRATION OF THE "40-DAY RESTRICTED PERIOD" (WITHIN THE MEANING OF RULE 903(C)(3) OF REGULATION S UNDER THE SECURITIES ACT, (D) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IF SUCH TRANSFER IS BEING EFFECTED BY CERTAIN TRANSFERORS SPECIFIED IN THE WARRANT AGREEMENT PRIOR TO THE EXPIRATION OF THE "40-DAY RESTRICTED PERIOD" DESCRIBED ABOVE, A CERTIFICATE (WHICH MAY BE OBTAINED FROM THE WARRANT AGENT) IS DELIVERED BY THE TRANSFEREE TO THE COMPANY AND THE WARRANT AGENT, (E) PURSUANT TO THE RESALE LIMITATIONS PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (G) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH ACCOUNT BE AT ALL TIMES WITHIN ITS CONTROL AND TO COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH

PERSON TO WHICH THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IF THE PROPOSED TRANSFEREE IS NOT A QUALIFIED INSTITUTIONAL BUYER, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE WARRANT AGENT AND THE ISSUER SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE FOREGOING RESTRICTIONS ON RESALE WILL NOT APPLY SUBSEQUENT TO THE RESALE RESTRICTION TERMINATION DATE.

GOTHIC ENERGY CORPORATION

WARRANT CERTIFICATE
EVIDENCING
WARRANTS TO PURCHASE COMMON SHARES

(VALID ONLY IF COUNTERSIGNED BY THE WARRANT AGENT
AS PROVIDED HEREIN)

No. _____ _____ Warrants

THIS CERTIFIES THAT, for value received, _____ _____, or registered assigns, is the registered owner of _____ Warrants to Purchase Common Shares of Gothic Energy Corporation, an Oklahoma corporation (the "Company," which term includes any successor thereto under the Warrant Agreement), and is entitled, subject to and upon compliance with the provisions hereof and of the Warrant Agreement, at such Holder's option, at any time when the Warrants evidenced hereby are exercisable, to purchase from the Company one Warrant Share for each Warrant evidenced hereby, at the purchase price of $2.40 per share (as adjusted from time to time, the "Warrant Price"), payable in full at the time of purchase, the number of Warrant Shares into which and the Warrant Price at which each Warrant shall be exercisable, each being subject to adjustment as provided in Section 6 of the Warrant Agreement.

The Holder of this Warrant Certificate may exercise all or any whole number of the Warrants evidenced hereby, on any Business Day from and after the Separation Date (as defined in the Warrant Agreement) until 5:00 P.M., New York City time, on May 1, 2005 (subject to

earlier expiration pursuant to Section 5 of the Warrant Agreement, the "Expiration Date") for the Warrant Shares purchasable hereunder.

Reference is hereby made to the further provisions of this Warrant Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless this Warrant Certificate has been countersigned by the Warrant Agent by manual signature of an authorized officer on behalf of the Warrant Agent, this Warrant Certificate shall not be valid for any purpose and no Warrant evidenced hereby shall be exercisable.

IN WITNESS WHEREOF, the Company has caused this certificate to be duly executed under its corporate seal.

GOTHIC ENERGY CORPORATION

[SEAL] By:

Michael K. Paulk, President

ATTEST:

Dated:

Countersigned:

AMERICAN STOCK TRANSFER &
TRUST COMPANY, Warrant Agent

By:

Authorized Signature

[REVERSE OF WARRANT CERTIFICATE]

GOTHIC ENERGY CORPORATION

WARRANT CERTIFICATE
EVIDENCING
WARRANTS TO PURCHASE COMMON SHARES

1. General

The Warrants evidenced hereby are one of a duly authorized issue of Warrants of the Company designated as its Warrants to Purchase Common Shares ("Warrants"), limited in aggregate number to 825,000 Warrants issued under and in accordance with the Warrant Agreement, dated as of April 21, 1998 (the "Warrant Agreement"), between the Company and American Stock Transfer & Trust Company, as warrant agent (the "Warrant Agent", which term includes any successor thereto permitted under the Warrant Agreement), to which Warrant Agreement and all amendments thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Warrant Agent, the Holders of Warrant Certificates and the owners of the Warrants evidenced thereby and of the terms upon which the Warrant Certificates are, and are to be, countersigned and delivered. A copy of the Warrant Agreement shall be available at all reasonable times at the office of the Warrant Agent for inspection by the Holder hereof.

In the event of the exercise of less than all of the Warrants evidenced hereby, a new Warrant Certificate of the same tenor and for the number of Warrants which are not exercised shall be issued by the Company in the name or upon the written order of the Holder of this Warrant Certificate upon the cancellation hereof.

All Warrant Shares issuable by the Company upon the exercise of Warrants shall, upon such issuance, be duly authorized, validly issued, fully paid and nonassessable and free of preemptive or similar rights. The Company shall pay any and all taxes (other than income taxes) that may be payable in respect of the issue or delivery of Warrant Shares on exercise of Warrants. The Company shall not be required, however, to pay any tax or other charge imposed in respect of any transfer involved in the issue and delivery of any certificates for Warrant Shares or payment of cash to any Person other than the Holder of the Warrant Certificate surrendered upon the exercise of a Warrant, and in case of such transfer or payment, the Warrant Agent and the Company shall not be required to issue or deliver any certificate or pay any cash until (a) such tax or charge has been paid or an amount sufficient for the payment thereof has been delivered to the Warrant Agent or to the Company or (b) it has been established to the Company's satisfaction that any such tax or other charge that is or may become due has been paid.

The Warrant Certificates are issuable only in registered form in denominations of whole numbers of Warrants. Upon surrender at the office of the Warrant Agent and payment of the charges specified herein and in the Warrant Agreement, this Warrant Certificate may be exchanged for Warrant Certificates in other authorized denominations or the transfer hereof may be registered in whole or in part in authorized denominations to one or more designated transferees, subject to the restrictions on transfer set forth herein and in the Warrant Agreement; provided, however, that such other Warrant Certificates issued upon exchange or registration of transfer shall evidence the same aggregate number of Warrants as this Warrant Certificate. The Company shall cause to be kept at the office of the Warrant Agent the Warrant Register in which, subject to such reasonable regulations as the Warrant Agent may prescribe and such regulations as may be prescribed by law, the Company shall provide for the registration of Warrant Certificates and of transfers or exchanges of Warrant Certificates.

2. Expiration

Except as provided in the Warrant Agreement, all outstanding Warrants shall expire and all rights of the Holders of Warrant Certificates evidencing such Warrants shall terminate and cease to exist, as of 5:00 p.m., New York time, on the Expiration Date. "Expiration Date" shall mean May 1, 2005, or such earlier date as determined in accordance with the Warrant Agreement.

3. Registration Rights

The Warrantholders and the holders of Warrant Shares shall have the registration rights provided for in the Warrant Registration Rights Agreement, dated as of April 21, 1998 (the "Registration Rights Agreement"), by and among the Company and the Purchasers named on the execution pages thereof. A copy of the Registration Rights Agreement is on file at the office of the Warrant Agent.

4. Liquidation of the Company

If, on or prior to the Expiration Date, the Company (or any other Person controlling the Company) shall propose a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, each Warrantholder shall receive the securities, money or other property which such Warrantholder would have been entitled to receive had such Warrantholder been the holder of record of the Warrant Shares into which the Warrants were exercisable immediately prior to such dissolution, liquidation or winding up (net of the then applicable Warrant Price), and the rights to exercise such Warrants shall terminate.

5. Anti-Dilution Adjustments

The number of Warrant Shares issuable upon exercise of a Warrant shall be adjusted on occurrence of certain events, including, without limitation, the payment of a certain dividends on, or the making of a certain distributions in respect of, the Common Shares, including the distribution of rights to purchase Common Shares (or securities convertible into or exchangeable for Common Shares) at a price below the Current Market Price. An adjustment shall also be made in the event of a combination, subdivision or reclassification of the Common Shares. Adjustments will be made whenever and as often as any specified event requires an adjustment to occur.

6. Procedure for Exercising Warrant

Subject to the provisions hereof and of the Warrant Agreement, the Holder of this Warrant Certificate may exercise all or any whole number of the Warrants evidenced hereby by either of the following methods:

(A) The Holder may deliver to the Warrant Agent at the Corporate Agency Office (i) a written notice of such Holder's election to exercise all or a portion of the Warrants evidenced hereby, duly executed by such Holder in the form set forth below, which notice shall specify the number of Warrant Shares to be purchased, (ii) this Warrant Certificate and (iii) a sum equal to the aggregate Warrant Price for the Warrant Shares into which the Warrants represented by this Warrant Certificate are being exercised, which sum shall be paid in any combination elected by such Holder of (x) certified or official bank checks in New York Clearing House funds payable to the order of the Company and delivered to the Warrant Agent at the Corporate Agency Office, or (y) wire transfers in immediately available funds to the account of the Company at such banking institution as the Company shall have given notice to the Warrant Agent and the Holders in accordance with the Warrant Agreement; or

(B) The Holder may also exercise all or any of the Warrants in a "cashless" or "net-issue" exercise by delivering to the Warrant Agent at the Corporate Agency Office (i) a written notice of such Holder's election to exercise all or a portion of the Warrants evidenced hereby, duly executed by such Holder in the form set forth below, which notice shall specify the number of Warrant Shares to be delivered to such Holder and the number of Warrant Shares with respect to which Warrants represented by this Warrant Certificate are being surrendered in payment of the aggregate Warrant Price for the Warrant Shares to be delivered to the Holder, and (ii) this Warrant Certificate. For purposes of this subparagraph (B), each Warrant Share as to which such Warrants are surrendered in payment of the aggregate Warrant Price will be attributed a value equal to (x) the Current Market Price per share of Common Shares minus (y) the then-current Warrant Price.

7. Registered Holder

Prior to due presentment of this Warrant Certificate for registration of transfer, the Company, the Warrant Agent and any agent of the Company or the Warrant Agent may treat the Person in whose name this Warrant Certificate is registered as the owner hereof for all purposes, and neither the Company, the Warrant Agent nor any such agent shall be affected by notice to the contrary.

8. Amendment

The Warrant Agreement permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of Warrant Certificates under the Warrant Agreement at any time by the Company and the Warrant Agent with the consent of the Holders of Warrant Certificates evidencing a majority of the then outstanding Warrants.

9. Status as Warrantholder

Prior to the exercise of the Warrants, except as may be specifically provided for in the Warrant Agreement, (i) no Holder of a Warrant Certificate, as such, shall be entitled to any of the rights of a holder of Common Shares of the Company, including, without limitation, the right to vote at, or to receive any notice of, any meetings of stockholders of the Company; (ii) the consent of any Holder shall not be required with respect to any action or proceeding of the Company; (iii) except as provided with respect to the dissolution, liquidation or winding up of the Company, no Holder, by reason of the ownership or possession of a Warrant or the Warrant Certificate representing the same, shall have any right to receive any stock dividends, allotments or rights or other distributions (except as specifically provided in the Warrant Agreement), paid, allotted or distributed or distributable to the stockholders of the Company prior to or for which the relevant record date preceded the date of the exercise of such Warrant; and (iv) no Holder shall have any right not expressly conferred by the Warrant Agreement or Warrant Certificate held by such Holder. Notwithstanding anything herein to the contrary, if the Company declares and pays any cash dividend or makes any distribution in cash in respect of its Common Shares, it shall pay each Holder of Warrants an amount in cash equal to the amount that such Holder would have received had it been a holder of record of the Warrant Shares issuable upon exercise of its Warrants immediately prior to the record date for such dividend or distribution.

10. Governing Law

THIS WARRANT CERTIFICATE, EACH WARRANT EVIDENCED THEREBY AND THE WARRANT AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

11. Definitions

All terms used in this Warrant Certificate which are defined in the Warrant Agreement shall have the meanings assigned to them in the Warrant Agreement.

FORM OF EXERCISE

In accordance with and subject to the terms and conditions hereof and of the Warrant Agreement, the undersigned registered Holder of this Warrant Certificate hereby irrevocably elects to exercise _____ Warrants evidenced by this Warrant Certificate or represents that such Holder has tendered the Warrant Price for each of the Warrants evidenced hereby being exercised in the aggregate amount of $_____ in the indicated combination of:

(i) cash ($_____);

(ii) certified bank check payable to the order of the Company ($_____);

(iii) official bank check in New York Clearing House funds payable to the order of the Company ($_____); or

(iv) wire transfer in immediately available funds to the account designated by the Company for such purpose ($_____).

The undersigned requests that the Warrant Shares issuable upon exercise be in fully registered form in such denominations and registered in such names and delivered, together with any other property receivable upon exercise, in such manner as is specified in the instructions set forth below.

If the number of Warrants exercised is less than all of the Warrants evidenced hereby, the undersigned requests that a new Warrant Certificate representing the remaining Warrants evidenced hereby be issued and delivered to the undersigned unless otherwise specified in the instructions below.

Dated:

(Insert Social Security or Other Identifying Number of Holder)Purchaser

Name:

(Please Print)

Address:

Signature

(Signature must conform in all respects to name of Holder as specified on the face of this Warrant Certificate and must bear a signature guarantee

by a bank, trust company or member firm of a national securities exchange.)

Signature Guaranteed:

Instructions (i) as to denominations and names of Warrant Shares issuable upon exercise and as to delivery of such securities and any other property issuable upon exercise and (ii) if applicable, as to Warrant Certificates evidencing unexercised Warrants:

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Assignment

(Form of Assignment To Be Executed If Holder Desires To Transfer Warrant Certificate)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto

Please insert social security
or other identifying number

(Please print name and address including zip code)

the Warrants represented by the within Warrant Certificate and does hereby irrevocably constitute and appoint _____ Attorney, to transfer said Warrant Certificate on the books of the within-named Company with full power of substitution in the premises.

Dated:

Signature

(Signature must conform in all respects to name of Holder as specified on the face of this Warrant Certificate and must bear a signature guarantee by a bank, trust company or member firm of a national securities exchange.)

Signature Guaranteed:

EXHIBIT B

FORM OF ACCREDITED INVESTOR TRANSFEREE CERTIFICATE

(Transfers Pursuant to (S)2.4(a) of the Warrant Agreement)

_____, 199__

American Stock Transfer and Trust
40 Wall Street
New York, New York 10005
Attention: Herbert Lemmer, Esquire

Re: Gothic Energy Corporation Warrants to Purchase Common Shares (the "Warrants")

Reference is hereby made to the Warrant Agreement dated as of April 21, 1998 (the "Warrant Agreement") between Gothic Energy Corporation and American Stock Transfer & Trust Company, as Warrant Agent. Capitalized terms used but not defined herein shall have the meanings given them in the Warrant Agreement.

This letter relates to Warrants exercisable for an aggregate of _____ Common Shares ("Warrant Shares"), which Warrants are held in the name of [name of transferor] (the "Transferor") to effect the transfer of the Warrants to the undersigned.

In connection with such request, and in respect of such Warrants, we confirm that:

1. We have received a copy of the Offering Memorandum, dated April 21, 1998, relating to the Units and such other information as we deem necessary in order to make our investment decision.

2. We understand that the Units, Warrants and Warrant Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and unless so registered, may not be sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing Units, Warrants or Warrant Shares to offer, sell or otherwise transfer such securities prior to the date which is two years after the later of the date of original issue and the last date on which the Company or any affiliate or the Company was the owner of such securities (or any predecessor thereto) (the "Resale Restriction Termination Date") only (a) to the Company (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as the Units,

Warrants or Warrant Shares are eligible for resale pursuant to Rule 144A under the Securities Act, to a person we reasonably believe is a Qualified Institutional Buyer (as defined in Rule 144A) that purchases for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) to an "Accredited Investor" (as defined in Rule 501(a) under the Securities Act) (an "Accredited Investor") that is purchasing for his own account or for the account of such an Accredited Investor for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, (e) pursuant to the resale limitations provided by Rule 144 under the Securities Act (if available), (f) outside the United States to a person who is not a U.S. person in an offshore transaction meeting the requirements of Rule 904 of the Securities Act, or (g) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and to compliance with any applicable state securities law. The foregoing restrictions on sale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Units, Warrants or Warrant Shares is proposed to be made pursuant to clause (d) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of this letter to the Company and the Warrant Agent which shall provide, among other things, that the transferee is an Accredited Investor and that it is acquiring such Units, Warrants or Warrant Shares for investment purposes and not for distribution in violation of the Securities Act. Each purchaser acknowledges that the Company and the Warrant Agent reserve the right prior to any offer, sale or other transfer prior to the Resale Restriction Termination Date of the Units, Warrants or Warrant Shares pursuant to clauses (d), (e), (f) or (g) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company and the Warrant Agent.

3. We are an Accredited Investor or, if the transfer is of a beneficial interest in the Global Warrant, a Qualified Institutional Buyer, in either case purchasing for our own account or for the account of such an Accredited Investor as to each of which we exercise sole investment discretion and we are acquiring the Units, Warrants or Warrant Shares for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act and we have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Securities, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investments for an indefinite period.

4. All of you are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

(Name of Purchaser)

By:

Name:

Title:

Date:

Upon transfer, the Securities should be registered in the name of the new beneficial owner as follows:

Name:

Address:

Taxpayer ID Number:

EXHIBIT C

FORM OF LEGAL
OPINION ON TRANSFER

_____, 199___

American Stock & Transfer Company
40 Wall Street
New York, New York 10005
Attention: Herbert Lemmer, Esquire

Re: Gothic Energy Corporation Warrants to Purchase Common Shares

Ladies and Gentlemen:

This opinion is being furnished to you in connection with the sale by _____ (the "Transferor") to _____ (the "Purchaser") of Warrants to Purchase Common Shares exercisable for an aggregate of _____ Common Shares, par value $.01 per share, of Gothic Energy Corporation (the "Warrants").

We have examined such documents and records as we have deemed appropriate. In our examination of the foregoing, we have assumed the authenticity of all documents, the genuineness of all signatures and the due authorization, execution and delivery of the aforementioned by each of the parties thereto. We have further assumed the accuracy of the representations contained in the Accredited Investor Transferee Certificate executed and delivered by the Purchaser in connection with its purchase of the Warrants made by the parties executing such document. We have also assumed that the sale of the Warrants to the Transferor was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933, as amended (the "Securities Act").

Based on the foregoing, we are of the opinion that the sale to the Purchaser of the Warrants does not require registration of such Warrants under the Securities Act.

Very truly yours,

SUPPLEMENT TO WARRANT AGREEMENT

THIS SUPPLEMENT TO WARRANT AGREEMENT is made and entered into as of the 16th day of January, 2001, by and among CHESAPEAKE ENERGY CORPORATION, an Oklahoma Corporation ("Chesapeake Energy") and AMERICAN STOCK TRANSFER & TRUST COMPANY, a New York corporation, as Warrant Agent (" Warrant Agent").

RECITALS

WHEREAS, Gothic Energy Corporation ("Gothic Energy") and Warrant Agent entered into that certain Warrant Agreement, dated as of April 21, 1998, under which Gothic Energy issued 825,000 Common Stock Purchase Warrants (the "Warrant" and collectively referred to as the "Warrants"), each Warrant to purchase one share of Gothic Energy common stock (the "Warrant Agreement"); and

WHEREAS, the Warrant Agent agreed to act on behalf of Gothic Energy in connection with the Warrants; and

WHEREAS, Chesapeake Energy, Chesapeake Merger 2000 Corp. ("Sub"), and Gothic Energy entered into that certain Agreement and Plan of Merger dated September 8, 2000, as amended by the First Amendment to Agreement and Plan of Merger dated October 31, 2000 (the "Merger Agreement") providing for the merger of Sub with and into Gothic Energy and pursuant to which Gothic Energy will become a wholly owned subsidiary of Chesapeake Energy (the "Merger"); and

WHEREAS, the Warrant Agreement provides that Gothic Energy cannot enter into any Non-Surviving Combination unless the parent company under any triangular acquisition expressly assumes by supplemental agreement, executed and delivered to the Warrant Agent, the due and punctual performance of every covenant of the Warrant Agreement on the part of Gothic Energy to be performed and observed; and

WHEREAS, the Warrant Agreement provides that in the event Gothic Energy merges with any company, then, as a condition to such merger, lawful and adequate provisions must be made that give the Warrant Holders the right to purchase and receive, upon exercise of the Warrants, such shares of stock that are issued in exchange for a number of outstanding shares of common stock equal to the number of shares of common stock that such Warrant Holder could immediately theretofore purchase and receive upon exercise of the Warrants; and

WHEREAS, the Merger was consummated on January 16, 2001 and as part of the Merger Agreement, each issued and outstanding share of Gothic Energy common stock will be converted into the right to receive a portion of a share of Chesapeake Energy common stock equal to the exchange ratio of .1908;

WHEREAS, under the Merger Agreement, Chesapeake Energy agreed to assume all of Gothic Energy's obligations under the Warrant Agreement and the parties desire to supplement the Warrant Agreement to reflect such assumption; and

WHEREAS, the parties further desire to supplement the Warrant Agreement to reflect the number of shares of Chesapeake Energy common stock acquirable upon exercise of the Warrant after the Merger and the exercise price per share of Chesapeake Energy common stock after the Merger;

NOW, THEREFORE, for and in consideration of the recitals and the mutual covenants and agreements set forth in the Warrant Agreement and this Supplement, the parties hereby supplement the Warrant Agreement as follows:

1. Definitions. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Warrant Agreement will have the same meanings whenever used in this Supplement.

2. Assumption. Chesapeake Energy hereby assumes the due and punctual performance of every covenant of the Warrant Agreement on the part of Gothic Energy and agrees to perform all of Gothic Energy's covenants and obligations under the Warrant Agreement, including the obligation to deliver to the Holders such shares of stock, securities or assets which the Holders are entitled to purchase in accordance with the terms of the Warrant Agreement. Chesapeake Energy shall succeed to, and be substituted for, and may exercise every right and power of Gothic Energy under the Warrant Agreement.

3. Application of Exchange Ratio. Under the Merger Agreement, pursuant to the Merger, each share of Gothic Energy common stock will be converted into the right to receive .1908 of a share of Chesapeake Energy common stock. Accordingly, upon exercise of a Warrant, a Holder will receive .1908 of a share of Chesapeake Energy common stock for every one share of Gothic Energy common stock that the Warrant Holder would have received upon exercise of the Warrants immediately prior to the Merger. The exercise price for each share of Chesapeake Energy common stock under the Warrant Agreement will be equal to the exercise price for one share of Gothic Energy common stock immediately prior to the Merger divided by the exchange ratio. Prior to the Merger the exercise price for one share of Gothic Energy common stock under the Warrant was $2.40 which, when divided by the exchange ratio, equals $12.58 per share of Chesapeake Energy common stock.

4. Miscellaneous. It is further agreed as follows:

5.1 Effectiveness. This Supplement will become effective as of the date first above written.

5.2 Ratification of Warrant Agreement. The Warrant Agreement as hereby supplemented and each other document, instrument or agreement executed in connection therewith are hereby ratified and confirmed in all respects. Any reference to the Warrant Agreement in any other document shall be deemed to be a reference to the Warrant Agreement as hereby supplemented. The execution, delivery and effectiveness of this Supplement shall not, except as expressly provided herein, operate as a waiver of any obligation, right, power or remedy of any party to the Warrant Agreement nor constitute a waiver of any provision of the Warrant Agreement or any other related documents.

5.3 Applicable Law. This Amendment will be governed in all respects, including validity, interpretation and effect, by the laws of the State of New York regardless of the laws that might otherwise govern under applicable principals of conflicts of law thereof.

5.5 Full Force and Effect. In all respects, except as specifically supplemented hereby, the Warrant Agreement remains in full force and effect and unabated.

IN WITNESS WHEREOF, Chesapeake Energy has executed and delivered this Supplement as of the date first above written.

CHESAPEAKE ENERGY CORPORATION, an
Oklahoma Corporation

By /s/ Marcus C. Rowland

Marcus C. Rowland, Executive Vice President and
Chief
Financial Officer

EXHIBIT 4.15

WARRANT REGISTRATION RIGHTS AGREEMENT

DATED AS OF APRIL 21, 1998

BY AND AMONG

GOTHIC ENERGY CORPORATION

AND

THE PURCHASERS NAMED HEREIN

This Registration Rights Agreement (this "AGREEMENT") is made and entered into as of April 21, 1998, by and among Gothic Energy Corporation, an Oklahoma corporation (the "COMPANY"), and the purchasers named on the signature pages hereto (each a "PURCHASER" and collectively, the "PURCHASERS"), each of whom has agreed to purchase the Company's Units (the "Units") pursuant to the Purchase Agreement (as defined below), each Unit consisting of warrants (the "WARRANTS") to purchase shares (the "WARRANT SHARES") of the common stock, par value $.01 per share (the "COMMON STOCK") and the 14-1/8% Senior Secured Discount Notes due 2006, of the Company.

This Agreement is made pursuant to the Purchase Agreement, dated April 21, 1998, (the "PURCHASE AGREEMENT"), by and among the Company and the Purchasers. In order to induce the Purchasers to purchase the Units, the Company has agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Purchasers set forth in Article IV of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Warrant Agreement, dated April 21, 1998 (the "WARRANT AGREEMENT"), among the Company and American Stock Transfer and Trust Company, as warrant agent, relating to the Warrants.

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.

CLOSING DATE: The date hereof.

COMMISSION: The Securities and Exchange Commission.

EXCHANGE ACT: The Securities Exchange Act of 1934, as amended.

HOLDERS: As defined in Section 2 hereof.

PROSPECTUS: The prospectus included in a Registration Statement at the time such Warrant Shelf Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

RECOMMENCEMENT DATE: As defined in Section 4(b) hereof.

REGISTRABLE WARRANT or REGISTRABLE WARRANT SHARE: subject to the last sentence of Section 3(c), each Warrant or Warrant Share, until the earlier to occur of (i) the date on which Warrant or Warrant Share has been effectively registered under the 1933 Act and disposed of pursuant to the Warrant Shelf Registration Statement (as defined below) and (ii) such Warrant or Warrant Shares shall have become eligible for resale pursuant to Rule 144(k) under the 1933 Act.

REGISTRATION DEFAULT: As defined in Section 3(c) hereof.

SUSPENSION NOTICE: As defined in Section 4(b) hereof.

WARRANT AGENT: the warrant agent with respect to the Warrants under the Warrant Agreement.

WARRANT LIQUIDATED DAMAGES: As defined in Section 3(c) hereof.

WARRANT SHELF REGISTRATION STATEMENT: As defined in Section 3(a) hereof.

SECTION 2. HOLDERS

A Person is deemed to be a holder of Registrable Warrants or Registrable Warrant Shares (each, a "HOLDER") whenever such Person owns Registrable Warrants or Registrable Warrant Shares.

SECTION 3. WARRANT SHELF REGISTRATION

(a) Warrant Shelf Registration Statement. Promptly (and in any event not more than 45 days) following the Closing Date, the Company shall file with the Commission and thereafter use its best efforts to have declared effective not later than 120 days after the Closing Date, a registration statement on an appropriate form under the Act relating to (i) the offer and sale of the Registrable Warrant Shares by the Company to the holders of the Registrable Warrants upon exercise thereof and (ii) the offer and sale of the Registrable Warrants and Registrable Warrant Shares by the holders thereof, in each case from time to time in accordance with the methods of distribution set forth in such registration statement and Rule 415 under the 1933 Act (the "Warrant Shelf Registration Statement"). For purposes of this Agreement, the term "REGISTRABLE WARRANT SHARES" shall be deemed to include any Warrant Shares issued and sold by the Company to any holder of Registrable Warrants upon the exercise thereof.

(b) Effectiveness. The Company agrees to use its best efforts to keep the Warrant Shelf Registration Statement continuously effective in order to permit the Prospectus included therein to be usable by the holders of the Registrable Warrants and the Registrable Warrant Shares for nine years from the Closing Date or such shorter period that will terminate when all Registrable Warrants and Registrable Warrant Shares covered by the Warrant Shelf Registration Statement have been sold pursuant to such registration statement; provided, that the Company shall be deemed not to have used its best efforts to keep the Warrant Shelf Registration Statement effective during the requisite period if it voluntarily takes any action that would result in holders of the Registrable Warrants and Registrable Warrant Shares covered thereby not being able to offer and sell such Registrable Warrants and Registrable Warrant Shares during that period, unless such action is required by applicable law, and provided, further, that the foregoing shall not apply to actions if the Company determines, in its reasonable judgment, upon advice of counsel, as authorized by a resolution of its Board of Directors, that the continued effectiveness and usability of such registration statement would (i) require the disclosure of material information, which the Company has a bona fide business reason for preserving as confidential, or (ii) interfere with any financing, acquisition, corporate reorganization or other material transaction involving the Company or any of its Affiliates (as defined in the rules and regulations adopted under the 1934 Act); provided, however, that the failure to keep the registration statement effective and usable for offers and sales of Registrable Warrants and Registrable Warrant Shares for such reasons shall last no longer than 60 days in any 12-month period (whereafter Warrant Liquidated Damages (as defined in Section 3(c)) shall accrue and be payable).

(c) Warrant Liquidated Damages. If the Company fails to file within 45 days, or cause to become effective within 120 days, the Warrant Shelf Registration Statement, or (subject to Section 3(b)) the Warrant Shelf Registration Statement is declared effective but thereafter ceases to be effective in connection with resales of the Registrable Warrants or Registrable Warrant Shares (each, a "REGISTRATION DEFAULT"), then the Company agrees to pay to each holder of Registrable Warrants or Registrable Warrant Shares, liquidated damages in an amount equal to (i) one-tenth of one cent ($.001) per day per Registrable Warrant or such Registrable Warrant Share held by such holder during the two week period immediately following a Registration Default, (ii) three-tenths of one cent ($.003) per day per Registrable Warrant or such Registrable Warrant Share held by such holder during the four week period immediately following the two week period referred to in clause (i) and (iii) thereafter, five-tenths of one cent ($.005) per day per Registrable Warrant or such Registrable Warrant Share held by such holder (the "WARRANT LIQUIDATED DAMAGES"), accruing in each case from the date of such Registration Default and ceasing to accrue on the date such Registration Default has been cured by, as applicable, the filing, declaration of effectiveness or withdrawal of suspension of effectiveness of the Warrant Shelf Registration Statement, as the case may be. The Company shall deliver the

Warrant Liquidated Damages to the Warrant Agent on the first day of each month next following a month as to which Warrant Liquidated Damages have accrued for the benefit of the holders of Registrable Warrants and to a paying agent (which may be the Company) for the benefit of the holders of Registrable Warrant Shares and cause the Warrant Agent and such paying agent to promptly deliver such funds to the holders of Registrable Warrants and Registrable Warrant Shares entitled thereto. For purposes of this Agreement, the term "Registration Default" shall not include the failure of the Company to register the offer and sale of the Registrable Warrant Shares of the Company to the holders of the Registrable Warrants as set forth under Section 3(a)(i) hereof if such registration is against the current policies of the staff of the Commission.

(d) Provision by Holders of Certain Information in Connection with the Warrant Shelf Registration Statement. No Holder of Registrable Warrants or Registrable Warrant Shares may include any of its Registrable Warrants or Registrable Warrant Shares in any Warrant Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 10 days after receipt of a request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with any Warrant Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Registrable Warrants or Registrable Warrant Shares shall be entitled to Warrant Liquidated Damages pursuant to Section 3(c) hereof unless and until such Holder shall have provided all such information. 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 4. REGISTRATION PROCEDURES

(a) General Provisions. (i) In connection with the Warrant Shelf Registration Statement, the Company shall use its best efforts to effect such registration to permit the sale of the Registrable Warrants or Registrable Warrant Shares in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 3(d) hereof), and pursuant thereto the Company will prepare and file with the Commission a registration statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Registrable Warrants or Registrable Warrant Shares in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof;

(ii) use its best efforts to keep the Warrant 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

Warrant Shelf Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of material fact or omit to state any material fact necessary to make the statements therein not misleading or (B) not to be effective and usable for resale of Registrable Warrants or Registrable Warrant Shares during the period required by this Agreement, the Company shall file promptly an appropriate amendment to the Warrant 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;

(iii) prepare and file with the Commission such amendments and post-effective amendments to the Warrant Shelf Registration Statement as may be necessary to keep such 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 securities covered by the Warrant Shelf Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in the Warrant Shelf Registration Statement or supplement to the Prospectus;

(iv) advise each Holder promptly and, if requested by such Holder, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to the Warrant Shelf Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of the issuance by the Commission of any stop order suspending the effectiveness of the Warrant Shelf Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Registrable Warrants or Registrable Warrant Shares for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (C) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Warrant Shelf Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Warrant shelf Registration Statement in order to make the statements therein not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Warrant Shelf Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Registrable Warrants or Registrable Warrant Shares under state securities or Blue Sky laws, the Company shall use its best efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(v) subject to Section 4(a)(ii), if any fact or event contemplated by Section 4(a)(iv)(C) above shall exist or have occurred, prepare a supplement or post-effective amendment to the 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 Registrable Warrants or Registrable Warrant Shares, 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) upon request of a Holder, furnish to such selling Holder named in any Registration Statement or Prospectus in connection with such exchange or sale, if any, before filing with the Commission, copies of the Warrant Shelf Registration Statement or any Prospectus included therein or any amendments or supplements to the Warrant Shelf Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of the Warrant Shelf Registration Statement), which documents will be subject to the review and comment of such Holders in connection with such sale, if any, for a period of at least five Business Days, and the Company will not file the Warrant Shelf Registration Statement or Prospectus or any amendment or supplement to the Warrant Shelf Registration Statement or Prospectus (including all such documents incorporated by reference) to which such Holders shall reasonably object within five Business Days after the receipt thereof. A Holder shall be deemed to have reasonably objected to such filing if the Warrant Shelf Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act;

(vii) promptly prior to the filing of any document that is to be incorporated by reference into the Warrant Shelf Registration Statement or Prospectus, if requested by any selling Holder, provide copies of such document to each Holder in connection with such exchange or sale, if any, make the Company's representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such Holders may reasonably request;

(viii) make available, at reasonable times, for inspection by each selling Holder and any attorney or accountant retained by such selling Holders, all financial and other records, pertinent corporate documents of the Company and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Holder, attorney or accountant in connection with the Warrant Shelf Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness; provided, however, that such Persons shall first agree in writing with the Company that any information

that is reasonably and in good faith designated by the Company in writing as confidential at the time of delivery of such information shall be kept confidential by such Persons, unless (i) disclosure of such information is required by court or administrative order or is necessary to respond to inquires of regulatory authorities, (ii) disclosure of such information is required by law (including any disclosure requirements pursuant to federal securities laws in connection with the filing of the Warrant Shelf Registration Statement or the use of any Prospectus), (iii) such information becomes generally available to the public other than as a result of a disclosure or failure to safeguard such information by such Person or (iv) such information becomes available to such Person from a source other than the Company and its subsidiaries and such source is not known, after due inquiry, by such Person to be bound by a confidentiality agreement; provided further, that the foregoing investigation shall be coordinated on behalf of such Persons by one representative designated by and on behalf of such Persons and any such confidential information shall be available from such representative to such Persons so long as any Person agrees to be bound by such confidentiality agreement;

(ix) if requested by any selling Holders in connection with such exchange or sale, promptly include in the Warrant Shelf Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Registrable Warrants or Registrable Warrant Shares; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(x) furnish to each selling Holder in connection with such exchange or sale, without charge, at least one copy of the Warrant Shelf Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(xi) deliver to each Holder without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons 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 selling Holder in connection with the offering and the sale of the Registrable Warrants or Registrable Warrant Shares covered by the Prospectus or any amendment or supplement thereto;

(xii) upon the request of any Holder, enter into such agreements (including underwriting agreements) and make such representations and warranties and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Registrable

Warrants or Registrable Warrant Shares pursuant to the Warrant Shelf Registration Statement as may be reasonably requested by any Holder in connection with any sale or resale pursuant to the Warrant Shelf Registration Statement. In such connection, the Company shall:

(A) upon request of any Holder, furnish (or in the case of paragraph (2), use its best efforts to cause to be furnished) to each Holder, upon the effectiveness of the Warrant Shelf Registration Statement, as the case may be:

(1) a certificate, dated such date, signed on behalf of the Company confirming, as of the date thereof, the matters set forth in Section 4.1(g) of the Purchase Agreement and such other similar matters as such Holders may reasonably request; and

(2) an opinion, dated the date of effectiveness of the Warrant Shelf Registration Statement of counsel for the Company covering matters similar to those set forth in Exhibit 6 of the Purchase Agreement and such other matters as such Holder may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company and have considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently verified the accuracy, completeness or fairness of such statements; and that such counsel advises that, on the basis of the foregoing and without independent check or verification), no facts came to such counsel's attention that caused such counsel to believe that the Warrant Shelf Registration Statement, at the time the Warrant Shelf Registration Statement or any post-effective amendment thereto became effective contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus contained in the Warrant Shelf Registration Statement as of its date contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Without limiting the foregoing, such counsel may state further that such counsel assumes no responsibility for, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules and other financial data included in the Warrant Shelf Registration Statement contemplated by this Agreement or the related Prospectus;

(B) deliver such other documents and certificates as may be reasonably requested by the selling Holders to evidence compliance with the matters covered in clause (A) above and with any customary conditions contained in any agreement entered into by Company pursuant to this clause (xii);

(xiii) prior to any public offering of the Registrable Warrants or Registrable Warrant Shares, cooperate with the selling Holders and their counsel in connection with the registration and qualification of the Registrable Warrants or Registrable Warrant Shares under the securities or Blue Sky laws of such jurisdictions as the selling Holders may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Warrants or Registrable Warrant Shares covered by the Warrant 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 Warrant Shelf Registration Statement, in any jurisdiction where it is not now so subject;

(xiv) in connection with any sale of the Registrable Warrants or Registrable Warrant Shares that will result in such securities no longer being Registrable Warrants or Registrable Warrant Shares, as the case may be, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing the Registrable Warrants or Registrable Warrant Shares to be sold and not bearing any restrictive legends; and to register the Registrable Warrants or Registrable Warrant Shares in such denominations and such names as the selling Holders may request at least two Business Days prior to such sale of the Registrable Warrants or Registrable Warrant Shares;

(xv) use its best efforts to cause the disposition of the Registrable Warrants or Registrable Warrant Shares covered by the Warrant Shelf Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Registrable Warrants or Registrable Warrant Shares, subject to the proviso contained in clause (xiii) above;

(xvi) provide a CUSIP number for all Registrable Warrants or Registrable Warrant Shares not later than the effective date of the Warrant Shelf Registration Statement covering the Registrable Warrants or Registrable Warrant Shares and provide the Warrant Agent under the Warrant Agreement with printed certificates for the Registrable Warrants or Registrable Warrant Shares which are in a form eligible for deposit with the Depository Trust Company;

(xvii) otherwise 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 Warrant 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 of the Registration Statement (as such term is defined in paragraph (c) of Rule 158 under the Act); and

(xviii) provide promptly to each Holder, upon request, each document filed with the Commission pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act.

(b) Restrictions on Holders. Each Holder agrees by acquisition of a Registrable Warrant or Registrable Warrant Share that, upon receipt of the notice referred to in Section 4(a)(iv)(C) or any notice from the Company of the existence of any fact of the kind described in Section 4(a)(iv)(D) hereof (in each case, a "SUSPENSION NOTICE"), such Holder will forthwith discontinue disposition of Registrable Warrants or Registrable Warrant Shares pursuant to the Warrant Shelf Registration Statement until (i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 4(a)(v) hereof, or (ii) 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"). Each Holder receiving a Suspension Notice hereby agrees that it will either (i) 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 (ii) 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 Registrable Warrants or Registrable Warrant Shares that was current at the time of receipt of the Suspension Notice. The time period regarding the effectiveness of the Warrant Shelf Registration Statement set forth in Section 3 hereof shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the date of delivery of the Recommencement Date.

SECTION 5. 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 the Warrant Shelf Registration Statement 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 (including printing certificates for the Warrant Shares and printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company and the Holders of Registrable Warrants or Registrable Warrant Shares; (v) all application and filing fees in connection with listing the Warrant Shares on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (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).

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.

(b) In connection with the Warrant Shelf Registration Statement required by this Agreement, the Company will reimburse the Purchasers and the Holders of Registrable Warrants or Registrable Warrant Shares who are selling or reselling Warrant Shares pursuant to the "Plan of Distribution" contained in the Warrant Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be chosen by the Holders of a majority of the Registrable Warrants or Warrant Shares (voting together as a single class) for whose benefit such Registration Statement is being prepared.

SECTION 6. INDEMNIFICATION

(a) The Company agrees and covenants to hold harmless and indemnify each Holder and each person, if any, who controls each Holder within the meaning of Section 20 of the Exchange Act from and against any losses, claims, damages, liabilities and expenses (including expenses of investigation) to which such Holder or such controlling person may become subject (i) arising out of or based upon any untrue statement or alleged untrue statement of any material fact contained in the Warrant Shelf Registration Statement, preliminary prospectus or Prospectus (or any amendment or supplement thereto) or arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) arising out of, based upon or in any way related or attributed to claims, actions or proceedings relating to this Agreement or the subject matter of this Agreement or (iii) arising in any manner out of or in connection with any Person being a Holder and relating to any action taken or omitted to be taken by the Company; provided, however, that the Company shall not be liable under this paragraph (a) for any amount paid in settlement of claims without its written consent, which consent shall not be unreasonably withheld, or to the extent that it is finally judicially determined that such losses, claims, damages or liabilities arose primarily out of the gross negligence, willful misconduct or bad faith of such Holder. The Company further agree to reimburse each Holder for any reasonable legal and other expenses as they are incurred by it in connection with investigating, preparing to defend or defending any lawsuits, claims or other proceedings or investigations arising in any manner out of or in connection with such Person being a Holder; provided that if the Company reimburse any Holder hereunder for any expenses incurred in connection with a lawsuit, claim or other

proceeding for which indemnification is sought, such Holder hereby agrees to refund such reimbursement of expenses to the extent it is finally judicially determined that the losses, claims, damages or liabilities arising out of or in connection with such lawsuit, claim or other proceedings arose primarily out of the gross negligence, willful misconduct or bad faith of such Holder or from a violation by such Holder of legal requirements applicable to such Holder. The Company further agrees that the indemnification, contribution and reimbursement commitments set forth in this Section 6 shall apply whether or not any Holder is a formal party to any such lawsuits, claims or other proceedings. Notwithstanding the foregoing, the Company shall not be liable to a party seeking indemnification under the foregoing provisions of this paragraph (a) to the extent that any such losses, claims, damages, liabilities or expenses arise out of or are based upon an untrue statement or omission made in any of the documents referred to in this paragraph (a) in reliance upon and in conformity with the information relating to the party seeking indemnification furnished in writing by such party for inclusion therein. The indemnity, contribution and expense reimbursement obligations of the Company under this Section 6 shall be in addition to any liability the Company may otherwise have.

(b) If any Person shall be entitled to indemnity hereunder (the "INDEMNIFIED PARTIES"), such Indemnified Party shall give prompt notice confirmed in writing to the party or parties from which such indemnity is sought (the "INDEMNIFYING PARTIES") of the commencement of any proceeding (a "PROCEEDING") with respect to which such Indemnified Party seeks indemnification or contribution pursuant hereto; provided, however, that the failure so to notify the Indemnifying Parties shall not relieve the Indemnifying Parties from, any obligation or liability except to the extent that the Indemnifying Parties have been prejudiced materially by such failure. The Indemnifying Parties shall have the right, exercisable by giving written notice to an Indemnified Party promptly after the receipt of written notice from such Indemnified Party of such Proceeding, to assume, at the Indemnifying Parties' expense, the defense of any such Proceeding, with counsel reasonably satisfactory to such Indemnified Party; provided, however, that an Indemnified Party or Parties (if more than one such Indemnified Party is named in any Proceeding) shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or parties unless (i) the Indemnifying Parties agree to pay such fees and expenses; or (ii) the Indemnifying Parties fail promptly to assume the defense of such Proceeding or fail to employ counsel reasonably satisfactory to such Indemnified Party or parties; or (iii) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party or parties and the Indemnifying Party or an Affiliate of the Indemnifying Party and such Indemnified Parties, and the Indemnifying Parties shall have been advised in writing by counsel that there may be one or more material defenses available to such Indemnified Party or parties that are different from or additional to those available to the Indemnifying Parties, in which case, if such Indemnified Party or parties notifies the

Indemnifying Parties in writing that it elects to employ separate counsel at the expense of the Indemnifying Parties, the Indemnifying Parties shall not have the right to assume the defense thereof and such counsel shall be at the expense of the Indemnifying Parties, it being understood, however, that, unless there exists a conflict among Indemnified Parties, the Indemnifying Parties shall not in connection with any one such Proceeding or separate but substantially similar or related Proceedings 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 (together with appropriate local counsel, if any) at any time for such Indemnified Party or parties, or for fees and expenses that are not reasonable. No Indemnified Party or parties will settle any Proceedings without the written consent of the Indemnifying Party or parties (but such consent will not be unreasonably withheld).

(c) If for any reason the indemnification provided for in this Section 6 is unavailable to an Indemnified Party, or insufficient to hold it harmless, in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each applicable 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 or liabilities in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnifying Party on the one hand and the Indemnified Party on the other, but also the relative fault of the Indemnifying and Indemnified Parties in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Indemnifying and Indemnified Parties 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 Indemnifying or Indemnified Parties and each such party's 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 and liabilities referred to above shall be deemed to include any reasonable legal or other fees or expenses incurred by such party in connection with investigating or defending any such claim.

The Company and each Holder agree that it would not be just and equitable if contribution pursuant to the immediately preceding paragraph were determined by any method of allocation which does not take into account the equitable considerations referred to in such paragraph. No person guilty of fraudulent misrepresentation shall be entitled to contribution from any Person.

SECTION 7. RULE 144A AND RULE 144

The Company agrees with each Holder, for so long as any Registrable Warrants or Registrable Warrant Shares 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, to such Holder or beneficial owner of Registrable Warrants or Registrable Warrant Shares in connection with any sale thereof and any prospective purchaser of such Registrable Warrants or Registrable Warrant Shares designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Registrable Warrants or Registrable Warrant Shares 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 Registrable Warrants or Registrable Warrant Shares pursuant to Rule 144.

SECTION 8. 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 Purchasers 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 Purchasers 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 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) 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(c) hereof and this Section 8(c)(i), the Company has obtained the written consent of Holders of all outstanding Registrable Warrants or Registrable Warrant Shares and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the Registrable Warrants or Registrable Warrant Shares (voting together as a single class).

(d) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company, on the one hand, and the Purchasers, 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 its rights or the rights of Holders hereunder.

(e) 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, at the address set forth on the Warrant Register, with a copy to the Warrant Agent; and

(ii) if to the Company:

Gothic Energy Corporation
5727 South Lewis Avenue - Suite 700
Tulsa, Oklahoma 74105
Telecopier No.: (918) 749-5882
Attention: Michael Paulk, President

With a copy to:
William S. Clarke, P.A.
457 North Harrison Street - Suite 103
Princeton, New Jersey 08540
Telecopier No.: (609) 921-3933
Attention: William S. Clarke, Esquire

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Warrant Agent at the address specified in the Warrant Agreement.

(f) 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; provided, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Warrants or Registrable Warrant Shares in violation of the terms hereof or of the Purchase Agreement or the Warrant Agreement. If any transferee of any Holder shall acquire Registrable Warrants or Registrable Warrant Shares in any manner, whether by operation of law or otherwise, such Registrable Warrants or Registrable Warrant Shares shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Warrants or Registrable Warrant Shares 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, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(g) 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.

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) 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.

(j) 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.

(k) Entire Agreement. This Agreement 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 Registrable Warrants or Registrable Warrant Shares. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

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

Gothic Energy Corporation

By:

Michael Paulk, President

Purchasers:

By:

Name:
Title

By:

Name:
Title:

EXHIBIT 10.4.1

AMENDED AND RESTATED CONSULTING AGREEMENT

THIS AGREEMENT is made and entered into this 11th day of January, 2001, effective as herein set forth, by and between CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation ("Chesapeake"), and MICHAEL PAULK ("Consultant").

WITNESSETH:

WHEREAS, Chesapeake has entered into an Agreement and Plan of Merger (the "Merger Document") with Gothic Energy Corporation ("Gothic") to acquire Gothic (the "Acquisition"); and

WHEREAS, Chesapeake desires to retain Consultant to provide certain services to Chesapeake after the closing of the acquisition regarding projects and/or properties and assets to be acquired as a result of the Acquisition; and

WHEREAS, Chesapeake and Consultant desire to amend and restate in its entirety that certain Consulting Agreement dated September 8, 2000 pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the amount of ten dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Chesapeake and Consultant do hereby agree as follows.

1. Chesapeake hereby retains Consultant as an independent contractor and Consultant hereby accepts the assignment to act as Consultant to Chesapeake pursuant to the terms of this Consulting Agreement.

2. This Consulting Agreement shall be for a term commencing on the first (1st) day of the first (1st) calendar month following the "Effective Time" (as defined in the Merger Document) (the "Effective Date") and ending on the second anniversary of the Effective Date.

3. Consultant shall be entitled to receive for services provided pursuant to this Agreement and expenses incurred in performing his duties under this Agreement the fixed monthly amount of $2,200.00. Such monthly reimbursements shall be payable only during the first six (6) months of this Agreement commencing on the Effective Date and continuing on the first (1st) day of the next succeeding five (5) calendar months.

4. In consideration of the sum to be paid to Consultant by Chesapeake pursuant to paragraph 3 hereof, Consultant agrees during the period provided in paragraph 3, upon Chesapeake's reasonable request, to provide analysis and recommendations concerning development, sale or other disposition of assets obtained in the Acquisition. Thereafter during the term of this Agreement, prior to providing such consulting services Chesapeake and Consultant, on a case by case basis, will agree upon the compensation to be paid to Consultant by Chesapeake in providing any such analysis and recommendations.

5. During the term of this Agreement neither Consultant or any "Affiliate" (as defined in the Merger Document) of Consultant will acquire any leasehold or mineral interest in any unit in the "MidContinent Area" (as defined in the Merger Document) if Chesapeake or any Affiliate of Chesapeake owns any interest in such unit. If Consultant or any Affiliate of Consultant acquires an interest in such a unit then such interest is to be offered to Chesapeake for acquisition at the cost incurred by Consultant or his Affiliate in making such acquisition. If an interest in such a unit is acquired by Consultant or his Affiliate as part of a multi-property acquisition only those interests acquired in units in which a Chesapeake interest already exist are to be offered to Chesapeake at the portion of the total acquisition cost attributable to such unit(s). Notices to be delivered pursuant to this paragraph shall be delivered by Consultant to Chesapeake no later than ten (10) days after such acquisition and Chesapeake shall respond within fifteen (15) days after receipt of such notice of its intent to acquire or refuse such unit. In consideration of the agreements by Consultant set forth in this paragraph, Consultant will be entitled to receive and Chesapeake agrees to pay the sum of $1,964,000.00. $900,000.00 shall be paid on the Effective Date and the remainder of such sum shall be paid in equal quarterly installments of $133,000.00 commencing on the last business day of the third full calendar month following the Effective Date and continuing on the last business day of each succeeding three month period until the aggregate amount is paid in full. Except for amounts withheld from such payments by Chesapeake as required by applicable law, Consultant agrees to pay any and all taxes which are levied or assessed directly or indirectly against the consulting payments paid to Consultant hereunder. The Consultant will indemnify and hold Chesapeake harmless from and against all claims, demands, expenses, liabilities and causes of action asserted against Chesapeake on account of or arising in connection with Consultant's failure, in whole or in part, to pay any taxes on the consulting fees paid to Consultant under this Agreement.

6. It is intended by the parties that the relationship created by this Agreement be that of Chesapeake-Independent Contractor. In no manner is Consultant to be considered an employee of Chesapeake. Consultant shall have no right or authority to enter into any agreement or obligation on behalf of Chesapeake and Consultant agrees to indemnify and hold Chesapeake harmless from any claims which may be made against Chesapeake relating to purported actions of Consultant as an agent of Chesapeake.

7. Chesapeake may assign its rights under this Agreement provided any such assignee assumes and agrees to perform the obligations of Chesapeake hereunder provided that in such event Chesapeake shall not be relieved of the payment obligations set forth herein. Consultant may not transfer his rights and obligations hereunder without the consent of Chesapeake except to any affiliate or any related party of Consultant.

8. This Agreement constitutes the entire Agreement between the parties related to the subject matter hereof and no modifications shall be effective unless in writing executed by Chesapeake and Consultant.

9. This Agreement shall be governed by the laws of the State of Oklahoma.

10. In the event of a default by either party to adhere to under the terms of this Agreement then the non-defaulting party shall be entitled to pursue any remedy available at law or in equity arising from such default.

SIGNATURE PAGE

(CONSULTING AGREEMENT)

IN WITNESS WHEREOF Chesapeake has executed this Consulting Agreement the day and year first above written.

CHESAPEAKE ENERGY CORPORATION,
an Oklahoma corporation

By: /s/ Marcus C. Rowland

Marcus C. Rowland, Executive Vice President

"CHESAPEAKE"

SIGNATURE PAGE

(CONSULTING AGREEMENT)

IN WITNESS WHEREOF Consultant has executed this Consulting Agreement the day and year first above written.

/s/ Michael Paulk

MICHAEL PAULK

"CONSULTANT"

EXHIBIT 10.4.2

AMENDED AND RESTATED CONSULTING AGREEMENT

THIS AGREEMENT is made and entered into this 11th day of January, 2001, effective as herein set forth, by and between CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation ("Chesapeake"), and STEVEN P. ENSZ ("Consultant").

WITNESSETH:

WHEREAS, Chesapeake has entered into an Agreement and Plan of Merger (the "Merger Document") with Gothic Energy Corporation ("Gothic") to acquire Gothic (the "Acquisition"); and

WHEREAS, Chesapeake desires to retain Consultant to provide certain services to Chesapeake after the closing of the acquisition regarding projects and/or properties and assets to be acquired as a result of the Acquisition; and

WHEREAS, Chesapeake and Consultant desire to amend and restate in its entirety that certain Consulting Agreement dated September 8, 2000 pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the amount of ten dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Chesapeake and Consultant do hereby agree as follows.

1. Chesapeake hereby retains Consultant as an independent contractor and Consultant hereby accepts the assignment to act as Consultant to Chesapeake pursuant to the terms of this Consulting Agreement.

2. This Consulting Agreement shall be for a term commencing on the first (1st) day of the first (1st) calendar month following the "Effective Time" (as defined in the Merger Document) (the "Effective Date") and ending on the second anniversary of the Effective Date.

3. Consultant shall be entitled to receive for services provided pursuant to this Agreement and expenses incurred in performing his duties under this Agreement the fixed monthly amount of $1,400.00. Such monthly reimbursements shall be payable only during the first six (6) months of this Agreement commencing on the Effective Date and continuing on the first (1st) day of the next succeeding five (5) calendar months.

4. In consideration of the sum to be paid to Consultant by Chesapeake pursuant to paragraph 3 hereof, Consultant agrees during the period provided in paragraph 3, upon Chesapeake's reasonable request, to provide analysis and recommendations concerning development, sale or other disposition of assets obtained in the Acquisition. Thereafter during the term of this Agreement, prior to providing such consulting services Chesapeake and Consultant, on a case by case basis, will agree upon the compensation to be paid to Consultant by Chesapeake in providing any such analysis and recommendations.

5. During the term of this Agreement neither Consultant or any "Affiliate" (as defined in the Merger Document) of Consultant will acquire any leasehold or mineral interest in any unit in the "MidContinent Area" (as defined in the Merger Document) if Chesapeake or any Affiliate of Chesapeake owns any interest in such unit. If Consultant or any Affiliate of Consultant acquires an interest in such a unit then such interest is to be offered to Chesapeake for acquisition at the cost incurred by Consultant or his Affiliate in making such acquisition. If an interest in such a unit is acquired by Consultant or his Affiliate as part of a multi-property acquisition only those interests acquired in units in which a Chesapeake interest already exist are to be offered to Chesapeake at the portion of the total acquisition cost attributable to such unit(s). Notices to be delivered pursuant to this paragraph shall be delivered by Consultant to Chesapeake no later than ten (10) days after such acquisition and Chesapeake shall respond within fifteen (15) days after receipt of such notice of its intent to acquire or refuse such unit. In consideration of the agreements by Consultant set forth in this paragraph, Consultant will be entitled to receive and Chesapeake agrees to pay the sum of $1,623,500.00. $742,500.00 shall be paid on the Effective Date and the remainder of such sum shall be paid in equal quarterly installments of $110,125.00 commencing on the last business day of the third full calendar month following the Effective Date and continuing on the last business day of each succeeding three month period until the aggregate amount is paid in full. Except for amounts withheld from such payments by Chesapeake as required by applicable law, Consultant agrees to pay any and all taxes which are levied or assessed directly or indirectly against the consulting payments paid to Consultant hereunder. The Consultant will indemnify and hold Chesapeake harmless from and against all claims, demands, expenses, liabilities and causes of action asserted against Chesapeake on account of or arising in connection with Consultant's failure, in whole or in part, to pay any taxes on the consulting fees paid to Consultant under this Agreement.

6. It is intended by the parties that the relationship created by this Agreement be that of Chesapeake-Independent Contractor. In no manner is Consultant to be considered an employee of Chesapeake. Consultant shall have no right or authority to enter into any agreement or obligation on behalf of Chesapeake and Consultant agrees to indemnify and hold Chesapeake harmless from any claims which may be made against Chesapeake relating to purported actions of Consultant as an agent of Chesapeake.

7. Chesapeake may assign its rights under this Agreement provided any such assignee assumes and agrees to perform the obligations of Chesapeake hereunder provided that in such event Chesapeake shall not be relieved of the payment obligations set forth herein. Consultant may not transfer his rights and obligations hereunder without the consent of Chesapeake except to any affiliate or any related party of Consultant.

8. This Agreement constitutes the entire Agreement between the parties related to the subject matter hereof and no modifications shall be effective unless in writing executed by Chesapeake and Consultant.

9. This Agreement shall be governed by the laws of the State of Oklahoma.

10. In the event of a default by either party to adhere to under the terms of this Agreement then the non-defaulting party shall be entitled to pursue any remedy available at law or in equity arising from such default.

SIGNATURE PAGE

(CONSULTING AGREEMENT)

IN WITNESS WHEREOF Chesapeake has executed this Consulting Agreement the day and year first above written.

CHESAPEAKE ENERGY CORPORATION,
an Oklahoma corporation

By: /s/ Marcus C. Rowland

Marcus C. Rowland, Executive Vice President

"CHESAPEAKE"

SIGNATURE PAGE

(CONSULTING AGREEMENT)

IN WITNESS WHEREOF Consultant has executed this Consulting Agreement the day and year first above written.

/s/ Steven P. Ensz

STEVEN P. ENSZ

"CONSULTANT"

EXHIBIT 21

SUBSIDIARIES OF CHESAPEAKE ENERGY CORPORATION
(AN OKLAHOMA CORPORATION)

Corporations	State of Organization
The Ames Company, Inc.	Oklahoma
Arkoma Pittsburg Holding Corporation	Oklahoma
Carmen Acquisition Corp.	Oklahoma
Chesapeake Acquisition Corporation	Oklahoma
Chesapeake Canada Corporation	Alberta, Canada
Chesapeake Energy Louisiana Corporation	Oklahoma
Chesapeake Energy Marketing, Inc.	Oklahoma
Chesapeake Operating, Inc.	Oklahoma
Chesapeake Royalty Company	Oklahoma
Gothic Energy Corporation	Oklahoma
Gothic Production Corporation	Oklahoma
Nomac Drilling Corporation	Oklahoma
Partnerships	
Chesapeake Exploration Limited Partnership	Oklahoma
Chesapeake Louisiana, L.P.	Oklahoma
Chesapeake Panhandle Limited Partnership	Oklahoma

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 33-84256, 33-84258, 33-89282, 33-88196, 333-27525, 333-30478, 333-07255, 333-30324, 333-52666, 333-52668, and 333-46129) of Chesapeake Energy Corporation of our report dated March 28, 2001 relating to the consolidated financial statements and financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Oklahoma City, Oklahoma
March 29, 2001

EXHIBIT 23.2

CONSENT OF WILLIAMSON PETROLEUM CONSULTANTS, INC.

As independent oil and gas consultants, Williamson Petroleum Consultants, Inc. hereby consents to the incorporation by reference in the Registation Statements on Form S-8 (File Nos. 33-84256, 33-84258, 33-89282, 33-88196, 333-27525, 333-30478, 333-07255, 333-30324, 333-52666, 333-52668, and 333-46129) of Chesapeake Energy Corporation of our reserves reports dated February 20, 2001 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, 2000, for Disclosure to the Securities and Exchange Commission, Utilizing Aries Software, Williamson Project 0.8823" and all references to our firm included in or made a part of the Chesapeake Energy Corporation Annual Report on Form 10-K to be filed with the Securities and Exchange Commission on or about March 28, 2001.

WILLIAMSON PETROLEUM CONSULTANTS, INC.

Midland, Texas
March 29, 2001

EXHIBIT 23.3

CONSENT OF RYDER SCOTT COMPANY, L.P.

As independent oil and gas consultants, Ryder Scott Company, L.P. hereby consents the incorporation by reference in the Registation Statements on Form S-8 (File Nos. 33-84256, 33-84258, 33-89282, 33-88196, 333-27525, 333-30478, 333-07255, 333-30324, 333-52666, 333-52668, and 333-46129) of Chesapeake Energy Corporation of our reserve report dated as of February 2, 2001 and all references to our firm included in or made a part of the Chesapeake Energy Corporation Form 10-K to be filed with the Securities and Exchange Commission on or about March 28, 2001.

RYDER SCOTT COMPANY, L.P.

Houston, Texas
March 29, 2001

EXHIBIT 23.4

CONSENT OF LEE KEELING AND ASSOCIATES, INC.

As independent oil and gas consultants, Lee Keeling and Associates, Inc. hereby consents the incorporation by reference in the Registation Statements on Form S-8 (File Nos. 33-84256, 33-84258, 33-89282, 33-88196, 333-27525, 333-30478, 333-07255, 333-30324, 333-52666, 333-52668, and 333-46129) of Chesapeake Energy Corporation of our reserve report dated as of December 31, 2000 and all references to our firm included in or made a part of the Chesapeake Energy Corporation Form 10-K to be filed with the Securities and Exchange Commission on or about March 28, 2001. We also consent to the references to us under the heading "Experts" in such Form 10-K.

LEE KEELING AND ASSOCIATES, INC.

By: /s/ Kenneth Renberg

Kenneth Renberg, Vice President

Tulsa, Oklahoma
March 29, 2001

EXHIBIT 23.5

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 33-84256, 33-84258, 33-89282, 33-88196, 333-27525, 333-30478, 333-07255, 333-30324, 333-52666, 333-52668, and 333-46129) of Chesapeake Energy Corporation of our report dated February 26, 2001 relating to the consolidated financial statements of Gothic Energy Corporation, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Tulsa, Oklahoma
March 29, 2001

EXHIBIT 23.6

CONSENT OF LEE KEELING AND ASSOCIATES, INC.

As independent oil and gas consultants, Lee Keeling and Associates, Inc. hereby consents the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 33-84256, 33-84258, 33-89282, 33-88196, 333-27525, 333-30478, 333-07255, 333-30324, 333-52666, 333-52668, and 333-46129) of Chesapeake Energy Corporation of our reserve report for Gothic Energy Corporation dated as of December 31, 2000 and all references to our firm included in or made a part of the Chesapeake Energy Corporation Form 10-K to be filed with the Securities and Exchange Commission on or about March 28, 2001. We also consent to the references to us under the heading "Experts" in such Form 10-K.

LEE KEELING AND ASSOCIATES, INC.

By: /s/ Kenneth Renberg

Kenneth Renberg, Vice President

Tulsa, Oklahoma
March 29, 2001