AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 11, 1997

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CHESAPEAKE ENERGY CORPORATION*
(Exact name of registrant as specified in its charter)

OKLAHOMA	1311	73-1395733
(State or other jurisdiction of incorporation or organization	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

6100 NORTH WESTERN OKLAHOMA CITY, OKLAHOMA 73118 (405) 848-8000	AUBREY K. MCCLENDON 6100 NORTH WESTERN AVENUE OKLAHOMA CITY, OKLAHOMA 73118 (405) 848-8000
(Address, including Zip Code, and telephone number, including area code, of registrant's principal executive offices)	(Name, address, including Zip Code, and telephone number, including area code, of agent for service)

COPIES TO:
THEODORE M. ELAM, ESQ.
MCAFEE & TAFT A PROFESSIONAL CORPORATION
TENTH FLOOR, TWO LEADERSHIP SQUARE
211 NORTH ROBINSON
OKLAHOMA CITY, OKLAHOMA 73102
(405) 235-9621

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

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
7 7/8% Series B Senior Notes due 2004	$150,000,000	100%	$150,000,000	$45,455(1)
8 1/2% Series B Senior Notes due 2012	$150,000,000	100%	$150,000,000	$45,455(1)
Guarantees of 7 7/8% Series B Senior Notes due 2004	--	--	--	(2)
Guarantees of 8 1/2% Series B Senior Notes due 2012	--	--	--	(2)

(1) Calculated in accordance with Rule 457(f)(2). For purposes of this calculation, the Offering Price per Senior Note was assumed to be the stated principal amount of each Senior Note which may be received by the Registrant in the exchange transaction in which the Senior Notes will be offered.

(2) Pursuant to Rule 457(n), no registration fee is required for the Guarantees of the Senior Exchange Notes registered hereby.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

* The Restricted Subsidiaries of Chesapeake Energy Corporation will guarantee the securities being registered hereby and therefore are also registrants. Information about such additional registrants appears on the following page.

ADDITIONAL REGISTRANTS

CHESAPEAKE OPERATING, INC.
(Exact name of registrant as specified in its charter)

OKLAHOMA	1389	73-1343196
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

CHESAPEAKE GAS DEVELOPMENT CORPORATION
(Exact name of registrant as specified in its charter)

OKLAHOMA	1311	73-1461228
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
(Exact name of registrant as specified in its charter)

OKLAHOMA	1311	73-1384282
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

(SUBJECT TO COMPLETION) ISSUED APRIL 11, 1997

PROSPECTUS

OFFER TO EXCHANGE

ALL OUTSTANDING 7 7/8% SERIES A SENIOR NOTES DUE 2004
($150,000,000 PRINCIPAL AMOUNT OUTSTANDING)
FOR
7 7/8% SERIES B SENIOR NOTES DUE 2004
AND
ALL OUTSTANDING 8 1/2% SERIES A SENIOR NOTES DUE 2012
($150,000,000 PRINCIPAL AMOUNT OUTSTANDING)
FOR

8 1/2% SERIES B SENIOR NOTES DUE 2012

CHESAPEAKE ENERGY CORPORATION

The Exchange Offer will expire at 5:00 p.m., New York City time, on , 1997, unless extended.

SEE "RISK FACTORS" BEGINNING ON PAGE 15 FOR A DISCUSSION OF CERTAIN FACTORS WHICH INVESTORS SHOULD CONSIDER IN CONNECTION WITH THE EXCHANGE OFFER AND AN INVESTMENT IN THE NEW NOTES OFFERED HEREBY.

Chesapeake Energy Corporation, an Oklahoma corporation (the "Company" or "Chesapeake"), hereby offers (the "Exchange Offer"), upon the terms and subject to the conditions set forth in this Prospectus and

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Company will accept for exchange any and all validly tendered Old Notes on or prior to 5:00 p.m., New York City time, on , 1997 (if and as extended, the "Expiration Date"). Tenders of Old Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. See "The Exchange Offer." The New Notes due 2004 will mature on March 15, 2004 and will bear interest at the rate of 7 7/8% per annum. The New Notes due 2012 will mature on March 15, 2012 and will bear interest at the rate of 8 1/2% per annum. Interest on the Senior Notes will be payable semiannually on March 15 and September 15 of each year, commencing September 15, 1997. The Senior Notes will be redeemable at the option of the Company, in whole or in part, at any time. The redemption price for the New Notes due 2004 and, until March 15, 2004, for the New Notes due 2012, will be the Make-Whole Price (as defined in the respective Indentures under which they will be issued), plus accrued and unpaid interest to the date of redemption. After March 15, 2004, the redemption price for the New Notes due 2012 will be the redemption prices set forth herein, plus accrued and unpaid interest to the redemption date. See "Description of Senior Notes."

This Prospectus, together with the Letter of Transmittal, is being sent to all registered holders of Old Notes as of , 1997. As of such date, there were registered holders of the Old Notes. The Company will not receive any proceeds from this Exchange offer. No dealer-manager is being used in connection with this Exchange Offer. See "Use of Proceeds" and "Plan of Distribution."

The date of this Prospectus is , 1997.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

THE EXCHANGE OFFER IS NOT BEING MADE TO, NOR WILL THE COMPANY ACCEPT SURRENDERS FOR EXCHANGE FROM, HOLDERS OF OLD NOTES IN ANY JURISDICTION IN WHICH THIS EXCHANGE OFFER OR THE ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE SECURITIES OR BLUE SKY LAWS OF SUCH JURISDICTION.

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the accompanying Letter of Transmittal relating to the Exchange Offer (the "Letter of Transmittal"), to exchange $1,000 principal amount of its 7 7/8% Series B Senior Notes due 2004 ("New Notes due 2004") and $1,000 principal amount of its 8 1/2% Series B Senior Notes due 2012 ("New Notes due 2012" and, together with its New Notes due 2004, the "New Notes") for each $1,000 principal amount of its 7 7/8% Series A Senior Notes due 2004 ("Old Notes due 2004") and $1,000 principal amount of its 8 1/2% Series A Senior Notes due 2012 ("Old Notes due 2012" and, together with its Old Notes due 2004, the "Old Notes"), respectively. The New Notes will be registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement of which this Prospectus is a part. An aggregate of $150,000,000 principal amount of Old Notes due 2004, and an aggregate of $150,000,000 principal amount of Old Notes due 2012 were outstanding as of , 1997. The New Notes will be obligations of the Company entitled to the benefits of the respective Indentures under which they will be issued. The form and terms of the New Notes are identical in all material respects to the form and terms of the Old Notes except that the New Notes have been registered under the Securities Act. Any Old Notes not tendered and accepted in the Exchange Offer will remain outstanding and will be entitled to all the rights and preferences and will be subject to the limitations applicable thereto under the Indentures. Following consummation of the Exchange Offer, the holders of the Old Notes will continue to be subject to the existing restrictions upon transfer thereof and the Company will have no further obligation to such holders to provide for the registration under the Securities Act of the Old Notes held by them. Following the completion of the Exchange Offer, none of the New Notes will be entitled to the contingent increase in interest rate provided pursuant to the Old Notes. The New Notes and the Old Notes are collectively referred to herein as the "Senior Notes."

The Exchange Offer is being made pursuant to the terms of the registration rights agreement (the "Registration Rights Agreement") entered into between the Company and its subsidiaries guaranteeing the Senior Notes (the "Subsidiary Guarantors") and Donaldson, Lufkin & Jenrette Securities Corporation, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and J.P. Morgan Securities Inc. (the "Initial Purchasers") pursuant to the terms of the Purchase Agreement dated March 12, 1997 between the Company and the Subsidiary Guarantors and the Initial Purchasers. See "The Exchange Offer -- Purpose and Effect of the Exchange Offer."

Based on interpretations by the staff of the Securities and Exchange Commission (the "Commission") set forth in no-action letters issued to third parties, the Company believes the New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by any holder thereof (other than broker-dealers, as set forth below, and any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holder's business and that such holder has no arrangement or understanding with any person to participate in the distribution of such New Notes. Any holder who tenders in the Exchange Offer with the intention to participate, or for the purpose of participating, in a distribution of the Senior Notes or who is an affiliate of the Company may not rely upon such interpretations by the staff of the Commission and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Holders of Old Notes wishing to accept the Exchange offer must represent to the Company in the Letter of Transmittal that such conditions have been met.

Each broker-dealer (other than an affiliate of the Company) that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Senior Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of one year, if required, after the date of this Prospectus, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution." Any broker-dealer who is an affiliate of the Company may not rely on such no-action letters and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

THIS PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE WHICH ARE NOT PRESENTED HEREIN OR DELIVERED HEREWITH. THESE DOCUMENTS ARE AVAILABLE UPON REQUEST FROM MARCUS C. ROWLAND, VICE PRESIDENT -- FINANCE AND CHIEF FINANCIAL OFFICER, CHESAPEAKE ENERGY CORPORATION, 6100 NORTH WESTERN AVENUE, OKLAHOMA CITY, OKLAHOMA 73118, BY MAIL, AND IF BY TELEPHONE (405) 848-8000. IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY , 1997 [FIVE DAYS PRIOR TO EXPIRATION DATE].

AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-4 (the "Registration Statement," which term shall include all amendments, exhibits, annexes and schedules thereto) pursuant to the Securities Act, and the rules and regulations promulgated thereunder, covering the New Notes being offered hereby. This Prospectus does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission and to which reference is hereby made. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information filed by the Company may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549 and at the following regional offices of the Commission: 7 World Trade Center, New York, New York 10048 and 500 West Madison Street, Chicago, Illinois 60661. Copies of such material can also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, at prescribed rates. The Company's common stock ("Common Stock") is listed on the New York Stock Exchange. The Company's reports, proxy statements and other information concerning the Company can be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. Such material may also be accessed electronically by means of the Commission's home page on the Internet at http://www.sec.gov. Notwithstanding that the Company may not be required to remain subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Indentures require the Company to file with the Commission and provide holders of the Senior Notes with such annual reports and such information, documents and other reports specified in Sections 13 and 15(d) of the Exchange Act. The Company and each Subsidiary Guarantor will also comply with the provisions of Section 314(a) of the Trust Indenture Act of 1939.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1996, the Company's Quarterly Reports on Form 10-Q for the quarters ended September 30, 1996 and December 31, 1996, and the Company's Current Reports on Form 8-K dated July 1, July 26, August 29 and September 4, 1996, and March 6 and April 2, 1997, in each case, if applicable, as amended, are incorporated by reference in this Prospectus. All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering described herein shall be deemed to be incorporated in this Prospectus and to be a part hereof from the date of the filing of such document. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for all purposes to the extent that a statement contained in this Prospectus or in any other subsequently filed document which is also incorporated or deemed to be incorporated by reference modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. The Company will provide without charge to each person to whom this Prospectus is delivered, upon written or oral request of such person, a copy (without exhibits unless such exhibits are specifically incorporated by reference into such document) of any or all documents incorporated by reference in this Prospectus. Requests for such copies should be directed to Marcus C. Rowland, Vice President -- Finance and Chief Financial Officer, Chesapeake Energy Corporation, 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, by mail, and if by telephone (405) 848-8000.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by and should be read in conjunction with the more detailed information and the Consolidated Financial Statements and notes thereto included elsewhere or incorporated by reference in this Prospectus. Unless the context otherwise requires, all references in this Prospectus to "Chesapeake" or the "Company" are to Chesapeake Energy Corporation and its subsidiaries. All references in this Prospectus to fiscal years are to the Company's fiscal year ended June 30. Certain terms used herein are defined in the Glossary included elsewhere in this Prospectus. All share information included herein has been adjusted to reflect the two-for-one stock split effected in December 1994, the three-for-two stock splits effected in December 1995 and in June 1996, and the two-for-one stock split effected in December 1996.

THE COMPANY

Chesapeake Energy Corporation is an independent energy company which utilizes advanced drilling and completion technologies to explore for and produce oil and natural gas. The Company is currently the third most active driller of new wells in the United States.

From its inception in 1989 through December 31, 1996, Chesapeake drilled a total of 640 gross (233 net) wells, of which 603 gross (220 net) wells were commercially productive. As a result of its successful drilling efforts, the Company has experienced significant growth in its proved reserves, production, revenue, and assets. From its first full fiscal year of operation ended June 30, 1990 to the twelve months ended December 31, 1996, the Company's estimated proved reserves increased to 494 Bcfe from 11 Bcfe, annual production increased to 70 Bcfe from 0.2 Bcfe, total revenue increased to $216.6 million from $0.6 million, and total assets increased to $861 million from $8 million.

At December 31, 1996, the Company's estimated proved reserves consisted of 20 MMBbl of oil and 374 Bcf of gas, a total of 494 Bcfe. During the eighteen months ended December 31, 1996, the Company's proved reserves increased from 242 Bcfe to 494 Bcfe, an increase of 252 Bcfe, or a greater than three-fold replacement of its 97 Bcfe of production during that period. At December 31, 1996 the present value of estimated future net revenue attributable to Chesapeake's estimated proved reserves before income taxes (utilizing a 10% discount rate) was $963 million, based on average prices at December 31, 1996 of $24.55 per Bbl and $3.55 per Mcf. At December 31, 1996 the Company had an inventory of approximately 1,075 undrilled locations (including 175 proved undeveloped locations), providing the Company with an estimated five-year inventory of drilling opportunities.

The Company operates approximately 80% of the wells in which it owns an interest. Of the 640 wells drilled by the Company through December 31, 1996, 330 were horizontal wells, reflecting the Company's emphasis on utilizing horizontal drilling technology.

BUSINESS STRATEGY

Since its inception, Chesapeake's business strategy has been growth through the drillbit. Using this strategy, the Company has expanded its reserves and production through the acquisition and subsequent development of large blocks of acreage. The Company has focused its activities in areas where reservoirs such as fractured carbonates offer low geological risk, large reserve potential, and the opportunity to earn attractive economic returns through the application of advanced drilling and completion technologies.

The Company's three primary operating areas are: (i) the Giddings Field of southern Texas, (ii) the Louisiana Austin Chalk Trend (the "Louisiana Trend") in eastern Texas and central Louisiana and (iii) the Knox, Sholem Alechem, and Golden Trend fields of southern Oklahoma. In addition, the Company continues to search for other areas in the United States and Canada where its geological and engineering expertise provides the Company with competitive advantages. The additional project areas identified to date include the Williston Basin in eastern Montana and western North Dakota, the Arkoma Basin in southeastern Oklahoma, the Lovington area in eastern New Mexico, the Deep Wilcox Trend in Wharton County, Texas, and the Edwards Trend along the Upper Texas Gulf Coast. Additionally, the Company has recently initiated a

leasehold acquisition program in western Canada and plans to open a district office in Calgary, Alberta in the near future.

The Company's operating areas are typically characterized by fractured carbonate reservoirs that are known to contain oil and gas and generally cover a large geographic area. In the past, development of these reservoirs has been limited by both economic and technological factors. Recent advances in drilling and completion technologies, and the resulting higher reserve recoveries and lowered exploration costs, provide the Company with the opportunity to develop large new reserves of oil and natural gas and to generate attractive economic returns.

On March 17, 1997, the Company consummated an offering of the Old Notes (the "Offering"), resulting in approximately $292.4 million of net proceeds to the Company. The proceeds of the Offering will allow the Company to expand further its existing exploration and development activities and to pursue new exploration projects. Management believes that the Company's growth through the drillbit business strategy, distinct competitive advantages and its successful exploration track record provide the basis for continued growth in reserves and production. Consistent with its previous statements, management seeks to achieve an investment grade senior debt rating during the next few years.

COMPETITIVE ADVANTAGES

Management believes five competitive advantages are responsible for Chesapeake's rapid growth and distinguish the Company from other independent energy companies.

Growth Through the Drillbit. Employing its strategy of growth through the drillbit, the Company has substantially increased its reserves and production. By focusing drilling efforts on reservoirs that respond favorably to the application of advanced drilling and completion technologies, management believes the Company can continue to increase its reserves and production and generate attractive returns by integrating the Company's technical expertise with its large inventory of undeveloped leasehold.

Dominant Leasehold Positions. Through aggressive acreage acquisition in its existing and new project areas, the Company seeks to establish a dominant leasehold position in each of its project areas. Such a dominant position allows the Company to maximize its economic returns while limiting drilling opportunities available to its competitors. Consistent with this strategy, the Company has assembled a significant leasehold acreage inventory which included approximately 1,075 proved and unproved drilling locations at December 31, 1996.

Technological Leadership. The Company has developed significant expertise in the rapidly evolving technologies of horizontal drilling, 3-D seismic evaluation, and deep fracture stimulation. The Company believes its expertise in employing these technologies is the most important factor in its growth during the past several years. In particular, the Company has developed considerable horizontal drilling and completion expertise, especially in wells which target deep fractured carbonates. Over the last several years, deeper, more complex horizontal wells have become technically and economically feasible and the cost of drilling these wells has decreased. As a result, the Company believes there has been a substantial increase in the number of areas which are economically attractive for horizontal drilling.

Superior Operating Margin. Management believes the Company's operating cost structure is among the lowest of all publicly traded independent energy producers. For the twelve months ended December 31, 1996, the Company's per unit operating costs (consisting of general and administrative expense, lease operating expense, production taxes, and depreciation, depletion and amortization of oil and gas properties) were $1.17 per Mcfe produced, resulting in an operating margin of $1.04 per Mcfe. Management believes the key to creating value in the independent energy industry is the ability to generate high levels of cash flow per Mcfe that can be successfully reinvested in a technologically-driven exploration program.

Management's Substantial Equity Ownership. At February 28, 1997, the Company's management and directors beneficially owned (including outstanding vested options) an aggregate of approximately 42% of the Company's outstanding shares of Common Stock. Management believes this substantial equity ownership

provides a strong alignment of management's and investors' interests and creates an entrepreneurial culture within the Company.

PRIMARY OPERATING AREAS

The Company's activities are concentrated in three primary operating areas: (i) the Navasota River and Independence areas of the downdip Giddings Field in southern Texas, (ii) the South Brookeland, Leesville, Masters Creek, St. Landry, Baton Rouge and Livingston areas of the Louisiana Trend, and (iii) the Knox, Sholem Alechem, and Golden Trend fields of southern Oklahoma.

GIDDINGS FIELD

Chesapeake's second largest concentration of proved reserves and its highest concentration of present value are located in the Giddings Field, which is one of the most active oil and natural gas fields in the U.S. The primary producing formation in Giddings is the Austin Chalk formation, a fractured carbonate reservoir found at depths ranging from 7,000 feet to 17,000 feet along a 15,000 square mile trend in southeastern Texas and central Louisiana. Chesapeake has concentrated its drilling efforts in the gas-prone downdip portion of the Giddings Field, where the Austin Chalk is located at depths below 11,000 feet. The Company believes the downdip Giddings area is one of the largest discoveries of onshore gas in the U.S. in recent years.

The Company believes that its success in the downdip Giddings Field is attributable to four principal factors: (i) limited reservoir drainage from previously drilled vertical wells; (ii) the Company's aggressive leasehold acquisition program, which has permitted the creation of larger spacing units, thus reducing competition for reserves from offsetting wells; (iii) continued technological advances in horizontal drilling, which have significantly lowered development costs, expanded the field's boundaries into deeper areas, and increased per well productivity through the ability to drill within a more precisely defined target zone; and (iv) the geological setting of the downdip Austin Chalk, which is characterized by greater reservoir pressure and more intensive fracturing than in the updip area of the Giddings Field. As a result of these factors, the Company's downdip wells have, on average, produced greater reserves per well while also exhibiting lower decline rates than average wells drilled in areas of updip Austin Chalk production.

Navasota River. In February 1994, Chesapeake drilled its first well in the Navasota River leasehold block, located in Brazos and Grimes Counties, Texas. To date, the Company has successfully completed 90 of 91 Navasota River wells and is drilling nine additional wells.

Independence. Chesapeake's Independence block is located in Grimes and Washington Counties to the south and southwest (and further downdip) from the Navasota River area. To date, the Company has successfully completed 29 of 32 Independence wells and is drilling two additional wells.

LOUISIANA AUSTIN CHALK TREND

The Louisiana Trend is the newest of the Company's primary operating areas and will be central to the Company's exploration and development activities over the next several years. As part of the Company's ongoing development of new exploration areas, the Company began intensive investigation of the geological characteristics of the Louisiana Austin Chalk in 1995. After evaluating the large number of vertical wells that were drilled during the 1970's and 1980's through the Austin Chalk to explore for deeper horizons, the Company concluded that the Austin Chalk in the Louisiana Trend offered geological characteristics similar to the Austin Chalk in the downdip Giddings Field. To capitalize on this opportunity, the Company has acquired approximately 1,200,000 acres of leasehold in the Louisiana Trend and continues to expand its leasehold.

The Company commenced its first Louisiana Trend well in November 1995 and, to date, has commenced drilling operations on 27 Company-operated wells. Of these 27 wells, ten are producing, four are waiting on completion, three have been abandoned and ten have commenced drilling operations. Additionally, based on the most recent information available to the Company, management believes its competitors in the Louisiana Trend (Union Pacific Resources Corporation, Sonat Exploration Company, Occidental Petroleum Corporation, and Belco Oil & Gas Corp.) have drilled 12 successful wells out of 14 attempts in the Louisiana Trend

and are currently drilling nine additional wells. Total activity to date in the Louisiana Trend has resulted in 26 successful wells out of 31 tests, or an 84% drilling success rate.

SOUTHERN OKLAHOMA

Chesapeake's largest concentration of proved reserves is located in southern Oklahoma and is comprised of the Knox, Golden Trend and Sholem Alechem fields. To date, Chesapeake has successfully completed 177 of 180 wells drilled in the Knox and Golden Trend fields and is drilling six additional wells. In the Sholem Alechem portion of southern Oklahoma's Sho-Vel-Tum Field, the Company has successfully completed 27 of 27 horizontal wells in the Sycamore formation and has successfully completed its first McLish well, the industry's first horizontal test of this deeper fractured carbonate reservoir. Chesapeake is currently drilling three additional wells in this area.

OTHER OPERATING AREAS

Williston Basin. During fiscal 1996, Chesapeake began acquiring leasehold in the Williston Basin, located in eastern Montana and western North Dakota, and as of December 31, 1996 owned approximately 650,000 gross (500,000 net) acres. The primary focus of Chesapeake's exploration efforts in the southern portion of this basin is a horizontal drilling target, the Red River "B" formation in Bowman and Slope Counties, North Dakota and in Fallon County, Montana. Although other Red River "B" horizontal wells have been successfully drilled to date by other companies in this area, Chesapeake's first Red River "B" well was unsuccessful. Further drilling in this area is planned by the Company later in 1997.

In the northern portion of the Williston Basin, the Company is focusing its exploratory efforts on drilling vertical wells to the Red River "C" and "D" formations using 3-D seismic. The Company's first three such wells were successful and accelerated drilling and 3-D seismic activity are planned for 1997.

Lovington. In late 1994, Chesapeake initiated activity in the Lovington portion of the Permian Basin of Lea County, New Mexico. In this project, the Company is utilizing 3-D seismic technology to evaluate the Strawn formation in which management believes significant prospects have been overlooked because of inconclusive results provided by traditional 2-D seismic technology. The Company has been successful with its first five exploratory wells and is currently drilling two additional exploratory wells. The Company has identified approximately 50 prospects in the Lovington area and is planning to increase its drilling and seismic activity in this area in 1997.

Upper Texas Gulf Coast. In this new project area, Chesapeake is pursuing two distinct geological prospects. The first, in Wharton County, targets the deep (19,000 feet) Wilcox sands that have been penetrated by the Zeidman Trustee #1, an apparent significant Wilcox discovery recently drilled by Coastal Oil & Gas Corporation and Seagull Energy Corporation. This well is the deepest well ever drilled in Wharton County and may serve as a catalyst for other deep Wilcox exploration tests in the area. Chesapeake has recently acquired 25,000 net acres of leasehold in the area near the Zeidman Trustee well and believes it is now one of the largest leasehold owners in the Zeidman Trustee well area.

In addition, Chesapeake has recently drilled two successful producers in the Edwards formation, a fractured carbonate formation that is deeper than the Austin Chalk. The Company has initiated a three-county leasehold acquisition and seismic program.

Canada. In the Western Sedimentary Basin of Alberta and British Columbia, Chesapeake has recently initiated several leasehold acquisition projects focused on reservoirs that the Company believes may respond favorably to the application of horizontal drilling technology. The Company plans to initiate drilling activities in Canada in late 1997 or early 1998.

THE EXCHANGE OFFER

The Exchange Offer.....	Pursuant to the Exchange Offer, the Company is offering to exchange (the "Exchange Offer") $1,000 principal amount of New Notes due 2004 in exchange for each $1,000 principal amount of Old Notes due 2004 that are validly tendered and not withdrawn, and $1,000 principal amount of New Notes due 2012 in exchange for each $1,000 principal amount of Old Notes due 2012 that are validly tendered and not withdrawn. As of , 1997, there was one holder of Old Notes due 2004, $150,000,000 aggregate principal amount outstanding, and there was one holder of Old Notes due 2012, $150,000,000 aggregate principal amount outstanding. See "The Exchange Offer." Holders of Old Notes whose Old Notes are not tendered and accepted in the Exchange Offer will continue to hold such Old Notes and will be entitled to all the rights and preferences and will be subject to the limitations applicable thereto under the Indentures governing the Senior Notes. Following consummation of the Exchange Offer, the holders of Old Notes will continue to be subject to the existing restrictions upon transfer thereof and the Company will have no further obligation to such holders to provide for the registration under the Securities Act of the Old Notes held by them. Following the completion of the Exchange Offer, none of the Senior Notes will be entitled to the contingent increase in interest rate provided pursuant to the Old Notes.
Resale.....	Based on interpretations by the staff of the Securities and Exchange Commission (the "Commission") set forth in no-action letters issued to third parties, the Company believes the New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by any holder thereof (other than broker-dealers, as set forth below, and any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holder's business and that such holder has no arrangement or understanding with any person to participate in the distribution of such New Notes. Any holder who tenders in the Exchange Offer with the intention to participate, or for the purpose of participating, in a distribution of the New Notes or who is an affiliate of the Company may not rely upon such interpretations by the staff of the Commission and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Failure to comply with such requirements in such instance may result in such holder incurring liabilities under the Securities Act for which the holder is not indemnified by the Company. Each broker-dealer (other than an affiliate of the Company) that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. The Company has agreed that, for a period of one year, if required, after the date of this Prospectus, it will make this Prospectus available to any

	broker-dealer for use in connection with any such resale. See "Plan of Distribution."
	The Exchange Offer is not being made to, nor will the Company accept surrenders for exchange from, holders of Old Notes in any jurisdiction in which this Exchange Offer or the acceptance thereof would not be in compliance with the securities or blue sky laws of such jurisdiction.
Expiration Date.....	The Exchange Offer will expire at 5:00 p.m., New York City time, on , 1997, unless extended, in which case the term "Expiration Date" shall mean the latest date and time to which the Exchange Offer is extended. Any extension, if made, will be publicly announced through a release to the Dow Jones News Service and as otherwise required by applicable law or regulations.
Conditions to the Exchange Offer.....	The Exchange Offer is subject to certain conditions, which may be waived by the Company. See "The Exchange Offer -- Conditions of the Exchange Offer." The Exchange Offer is not conditioned upon any minimum principal amount of Old Notes being tendered.
Procedures for Tendering Old Notes.....	Each holder of Old Notes wishing to accept the Exchange Offer must complete, sign and date the Letter of Transmittal, or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or otherwise deliver such Letter of Transmittal, or a facsimile thereof, together with such Old Notes and any other required documentation to United States Trust Company of New York, the Exchange Agent, at the address set forth herein and therein. By executing the Letter of Transmittal, each holder will represent to the Company that, among other things, the New Notes acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the person receiving such New Notes, whether or not such person is the holder, that neither the holder nor any such other person has an arrangement or understanding with any person to participate in the distribution of such New Notes and that neither the holder nor any such other person is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act. See "The Exchange Offer -- Terms of the Exchange Offer -- Procedures for Tendering Old Notes" and "The Exchange Offer -- Terms of the Exchange Offer -- Guaranteed Delivery Procedures."
Special Procedures for Beneficial Owners.....	Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender such Old Notes in the Exchange Offer should contact such registered holder promptly and instruct such registered holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on its own behalf, such owner must, prior to completing and executing the Letter of Transmittal and delivering its Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be

	completed prior to the Expiration Date. See "The Exchange Offer -- Terms of the Exchange Offer -- Procedures for Tendering Old Notes."
Guaranteed Delivery Procedures.....	Holders of Old Notes who wish to tender their Old Notes and whose Old Notes are not immediately available or who cannot deliver their Old Notes, the Letter of Transmittal or any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date, must tender their Old Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer -- Terms of the Exchange Offer -- Guaranteed Delivery Procedures."
Acceptance of Old Notes and Delivery of New Notes....	Subject to certain conditions (as described more fully in "The Exchange Offer -- Conditions of the Exchange offer"), the Company will accept for exchange any and all Old Notes which are properly tendered in the Exchange Offer and not withdrawn, prior to 5:00 p.m., New York City time, on the Expiration Date. The New Notes issued pursuant to the Exchange Offer will be delivered as promptly as practicable following the Expiration Date.
Withdrawal Rights.....	Except as otherwise provided herein, tenders of Old Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. See "The Exchange Offer -- Terms of the Exchange Offer -- Withdrawal of Tenders of Old Notes."
Tax Considerations.....	An exchange of Old Notes for New Notes pursuant to the Exchange Offer will be treated, for federal income tax purposes, as a refinancing and will not produce recognizable gain or loss to either the Company or a holder of an exchanged Old Note. A holder's initial adjusted tax basis and holding period in a New Note will be the same as in the exchanged Old Note.
Exchange Agent.....	United States Trust Company of New York is the Exchange Agent. The address, telephone number and facsimile number of the Exchange Agent are set forth in "The Exchange Offer -- Exchange Agent."

SUMMARY OF TERMS OF THE NEW NOTES

The Exchange Offer applies to $150,000,000 aggregate principal amount of Old Notes due 2004, and $150,000,000 principal amount of Old Notes due 2012. The form and terms of the New Notes will be identical in all material respects to the form and terms of the respective Old Notes except that (i) the New Notes will be registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof, and (ii) holders of the New Notes will not be entitled to certain rights of holders of Old Notes under the Registration Rights Agreement, which will terminate upon consummation of the Exchange Offer. The New Notes will evidence the same debt as the Old Notes, will be entitled to the benefits of the respective Indentures and will be treated as a single class thereunder with any Old Notes that remain outstanding. Following the Exchange Offer, none of the Senior Notes will be entitled to the contingent increase in interest rate provided for (in the event of a failure to consummate the Exchange Offer in accordance with the terms of the Registration Rights Agreement) pursuant to the Old Notes. See "Description of Senior Notes."

Securities Offered.....	$300,000,000 principal amount of New Notes, consisting of $150,000,000 principal amount of New Notes due 2004 and $150,000,000 principal amount of New Notes due 2012.
Maturity Date.....	The New Notes due 2004 mature March 15, 2004 and the New Notes due 2012 mature March 15, 2012.

Interest Payment Dates.....	March 15 and September 15 of each year, commencing September 15, 1997.
Optional Redemption.....	The Senior Notes will be redeemable at the option of the Company, in whole or in part, at any time. The redemption price for the New Notes due 2004 and, until March 15, 2004 for the New Notes due 2012, will be the Make-Whole Price (as defined in the respective Indentures) plus accrued and unpaid interest to the date of redemption. After March 15, 2004, the redemption price for the New Notes due 2012 will be the redemption prices set forth herein, plus accrued and unpaid interest to the date of redemption. See "Description of Senior Notes -- Optional Redemption."
Mandatory Redemption.....	None.
Ranking.....	The Senior Notes are senior unsecured obligations of the Company ranking pari passu with all existing and future senior indebtedness of the Company and senior in right of payment to all subordinated indebtedness of the Company. As of December 31, 1996, after giving pro forma effect to the application of the net proceeds from the sale of the Old Notes, the Company and its Restricted Subsidiaries would have had approximately $215.7 million of senior indebtedness in addition to the Senior Notes, $5.6 million of which was secured by certain of the assets of the Company. See "Capitalization" and Note 3 of Notes to Consolidated Financial Statements incorporated by reference in this Prospectus.
Guarantees.....	Chesapeake is a holding company which conducts its operations through its subsidiaries. The Senior Notes are unconditionally guaranteed (the "Guarantees"), jointly and severally, by each of the Subsidiary Guarantors: Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership (also referred to as "Restricted Subsidiaries"). The Guarantees are general unsecured senior obligations of the Restricted Subsidiaries, and rank pari passu with all other senior indebtedness of the Restricted Subsidiaries, including the guarantees by the Restricted Subsidiaries of the Company's outstanding 10 1/2% Senior Notes due 2002 and 9 1/8% Senior Notes due 2006 ("Existing Notes"). See "Description of Other Indebtedness." The Guarantees may terminate under certain circumstances. See "Description of Senior Notes -- Guarantees."
Certain Covenants.....	Separate indentures govern each of the New Notes due 2004 and the New Notes due 2012 (each an "Indenture," and collectively, the "Indentures") and contain certain covenants, including, but not limited to, covenants limiting the Company and its Restricted Subsidiaries with respect to the following: (i) liens, (ii) sale and leaseback transactions, and (iii) mergers and consolidations. These limitations will be subject to a number of important qualifications. See "Description of Senior Notes -- Certain Covenants."
Book Entry; Delivery and Form.....	Transfers of Senior Notes between participants in The Depository Trust Company ("DTC") will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. See "Description of Senior Notes -- Book Entry System."

Use of Proceeds.....	The Company will not receive any net proceeds from the issuance of the New Notes pursuant to this Prospectus.

RISK FACTORS

An investment in the New Notes involves certain risks that a potential investor should carefully evaluate prior to making an investment in the New Notes. See "Risk Factors."

SUMMARY OIL AND GAS RESERVE DATA

The reserve information presented below is based upon reports prepared by the independent petroleum engineering firm of Williamson Petroleum Consultants, Inc. ("Williamson") and the Company's petroleum engineers as of June 30, 1996. The reserves evaluated by the Company's petroleum engineers constituted 0.6% of the Company's total proved reserves at such date. These estimates were based on average prices realized by the Company at June 30, 1996 which resulted in average prices over the life of the production of approximately $2.41 per Mcf and $20.90 per Bbl.

	PROVED DEVELOPED	PROVED UNDEVELOPED	TOTAL
	($ IN MILLIONS)		
Estimated proved reserves:			
Oil (MMBbl).....	3.7	8.6	12.3
Gas (Bcf).....	144.7	206.5	351.2
Gas equivalent (Bcfe).....	166.6	258.2	424.8
Estimated future net revenue before income taxes.....	$340.8	$454.8	$795.6
Present value of estimated future net revenue before income taxes (discounted at 10% per annum).....	$242.0	$305.0	$547.0

The following table sets forth estimates prepared by the Company of the proved oil and gas reserves and related estimated future net revenues of the Company and all of its subsidiaries as of December 31, 1996. These estimates were based on average prices realized by the Company at December 31, 1996, which resulted in average prices over the life of the production of approximately $3.55 per Mcf and $24.55 per Bbl. The Company's estimates of volumes of proved reserves at December 31, 1996 have not been reviewed by Williamson.

	PROVED DEVELOPED	PROVED UNDEVELOPED	TOTAL
	($ IN MILLIONS)		
Estimated proved reserves:			
Oil (MMBbl).....	6.5	13.5	20.0
Gas (Bcf).....	181.4	192.5	373.9
Gas equivalent (Bcfe).....	220.3	273.6	493.9
Estimated future net revenue before income taxes.....	$671.1	$715.9	$1,387.0
Present value of estimated future net revenue before income taxes (discounted at 10% per annum).....	$478.5	$484.1	$ 962.6(a)

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(a) If such estimate had been calculated based on average prices realized by the Company at June 30, 1996 the total present value of estimated future net revenue before income taxes would have been approximately $638 million.

There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the control of the producer. See "Risk Factors -- Uncertainty of Estimates of Oil and Gas Reserves" and "-- Commodity Price Fluctuations."

SUMMARY PRODUCTION AND SALES DATA

The following table sets forth summary data with respect to the production and sales of oil and gas by the Company for the periods indicated.

	YEAR ENDED JUNE 30,					TWELVE MONTHS ENDED DECEMBER 31,	SIX MONTHS ENDED DECEMBER 31,	
	1992	1993	1994	1995	1996	1996	1995	1996
Net Production:								
Oil (MBbl)	374	276	537	1,139	1,413	1,835	694	1,116
Gas (MMcf)	1,252	2,677	6,927	25,114	51,710	58,857	22,949	30,095
Gas equivalent (MMcfe)	3,496	4,333	10,152	31,947	60,190	69,867	27,114	36,791
Oil and gas sales ($ in thousands):								
Oil	$ 8,170	$ 5,576	$ 8,111	$19,784	$ 25,224	$ 37,866	$11,776	$24,418
Gas	2,350	6,026	14,293	37,199	85,625	116,800	34,574	65,749
Total oil and gas sales	$10,520	$11,602	$22,404	$56,983	$110,849	$154,666	$46,350	$90,167
Average sales price:								
Oil ($ per Bbl)	$ 21.85	$ 20.20	$ 15.09	$ 17.36	$ 17.85	$ 20.64	$ 16.96	$ 21.88
Gas ($ per Mcf)	1.88	2.25	2.06	1.48	1.66	1.98	1.51	2.18
Gas equivalent ($ per Mcfe)	3.01	2.68	2.21	1.78	1.84	2.21	1.71	2.45
Oil and gas costs ($ per Mcfe):								
Production expenses and taxes	.60	.67	.36	.13	.14	.15	.14	.16
General and administrative	.95	.84	.31	.11	.08	.09	.07	.10
Depreciation, depletion and amortization	.83	.97	.80	.80	.85	.93	.82	.99
Gross productive wells at end of period	110	148	229	363	474	541	438	541
Net productive wells at end of period	31	39	58	91	182	236	129	236

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth summary consolidated financial data of the Company for each of the five fiscal years ended June 30, 1996, for the twelve months ended December 31, 1996 and for the six months ended December 31, 1995 and 1996. The financial data for the six months ended December 31, 1995 and 1996 and for the twelve months ended December 31, 1996 are derived from the unaudited financial statements of the Company. In the opinion of management, the financial data for the six months ended December 31, 1995 and 1996 and for the twelve months ended December 31, 1996 reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such data. The data should be read in conjunction with the Consolidated Financial Statements and the related notes thereto appearing elsewhere in this Prospectus.

	YEAR ENDED JUNE 30,					TWELVE MONTHS ENDED DECEMBER 31,	SIX MONTHS ENDED DECEMBER 31,	
	1992	1993	1994	1995	1996	1996	1995	1996
	($ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)							
STATEMENT OF OPERATIONS DATA:								
Revenues:								
Oil and gas sales	$10,520	$11,602	$22,404	$56,983	$110,849	$154,666	$46,350	$ 90,167
Oil and gas marketing sales	--	--	--	--	28,428	54,660	3,787	30,019
Oil and gas service operations	7,656	5,526	6,439	8,836	6,314	2,696	3,618	--
Interest and other	542	880	981	1,524	3,831	4,556	1,791	2,516
Total revenues	18,718	18,008	29,824	67,343	149,422	216,578	55,546	122,702
Costs and expenses:								
Production expenses and taxes	2,103	2,890	3,647	4,256(a)	8,303	10,474	3,703	5,874
Oil and gas marketing expenses	--	--	--	--	27,452	53,234	3,766	29,548
Oil and gas service operations	4,113	3,653	5,199	7,747	4,895	1,876	3,019	--
Depreciation, depletion and amortization of oil and gas properties	2,910	4,184	8,141	25,410	50,899	64,908	22,234	36,243
Depreciation and amortization of other assets	974	557	1,871	1,765	3,157	3,609	1,384	1,836
General and administrative	3,314	4,906	3,135	3,578	4,828	6,655	1,912	3,739
Interest expense	2,577	2,282	2,676	6,627	13,679	13,351	6,544	6,216
Total costs and expenses	15,991	18,472	24,669	49,383	113,213	154,107	42,562	83,456
Income (loss) before income taxes and extraordinary item	2,727	(464)	5,155	17,960	36,209	62,471	12,984	39,246
Income tax expense (benefit)	1,337	(99)	1,250	6,299	12,854	22,570	4,609	14,325
Extraordinary item	--	--	--	--	--	(6,443)	--	(6,443)
Net income (loss)	$ 1,390	$ (365)	$ 3,905	$11,661	$ 23,355	$ 33,458	$ 8,375	$ 18,478
Dividends on preferred stock	$ --	$ 385	$ --	$ --	$ --		$ --	$ --
Net income (loss) per common share	.05	(.02)	.08	.21	.40		.15	.38
Weighted average common and common equivalent shares outstanding (in thousands)	27,910	33,552	48,240	55,872	58,342		57,148	66,300
OTHER FINANCIAL DATA:								
Operating cash flow(b)	$ 6,611	$ 4,277	$15,167	$45,135	$ 90,265	$130,988	$36,602	$ 77,325
Capital expenditures	32,487	19,085	37,574	128,914	356,503	457,775	95,151	196,423
EBITDA(c)	9,188	7,845	17,843	51,762	103,944	144,339	43,146	83,541
Ratio of EBITDA to interest expense and preferred stock dividends	3.6x	2.9x	6.7x	7.8x	7.6x	10.8x	6.6x	13.4x
Ratio of earnings to fixed charges(d)	2.1x	(d)	2.3x	2.9x	2.4x	2.9x	2.2x	3.2x
PRO FORMA FINANCIAL DATA (E):								
EBITDA					$102,842	$141,968		$ 82,272
Interest expense					37,531	37,331		18,270
Ratio of EBITDA to interest expense					2.7x	3.8x		4.5x
Ratio of earnings to fixed charges					1.1x	1.5x		1.7x

	JUNE 30,					DECEMBER 31, 1996	
	1992	1993	1994	1995	1996	ACTUAL	AS ADJUSTED(F)
	($ IN THOUSANDS)						
BALANCE SHEET DATA:							
Cash, cash equivalents and short-term investments	$ 690	$ 4,851	$ 16,225	$ 55,535	$ 51,638	$169,831	$ 451,016
Oil and gas assets, net	41,638	50,316	70,482	150,955	435,934	580,377	580,377
Total assets	61,095	78,707	125,690	276,693	572,335	860,597	1,141,726
Long-term debt, including current maturities	30,141	21,863	55,454	155,747	275,186	226,867	514,677
Stockholders' equity	132	31,432	31,260	44,975	177,767	484,062	483,868

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(a) Includes a credit of $594,000 attributable to severance tax on production from prior periods.

(b) Represents net income before extraordinary item plus deferred income tax expense and depreciation, depletion and amortization.

(c) EBITDA represents net income of the Company and its subsidiaries from continuing operations before interest, taxes, depreciation, depletion, amortization, extraordinary items, certain other non-cash charges and, with respect to fiscal 1993, the provision for legal and other settlements. EBITDA should not be considered in isolation or as a substitute for net income, cash flows from continuing operations or other consolidated income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of the Company's profitability or liquidity.

(d) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as income (loss) of the Company and its subsidiaries from continuing operations before income taxes, extraordinary items and fixed charges. Fixed charges consist of interest (whether expensed or capitalized), and amortization of debt expenses and discount or premium relating to any indebtedness. Earnings were insufficient to cover fixed charges in fiscal 1993 by $464,000.

(e) The pro forma data, which exclude amounts for Chesapeake Energy Marketing Inc. ("CEM"), which will not be a Subsidiary Guarantor, have been prepared on the basis of the following assumptions: (i) the Offering was consummated at the beginning of each period, (ii) $300 million principal amount of Senior Notes was outstanding during each period, (iii) interest as reported for each period was reduced by the amount of interest recorded for indebtedness which was repaid prior to the end of such period, and (iv) the outstanding balance under the Term Credit Facility was repaid at the beginning of each period.

(f) Gives effect to the application of net proceeds of approximately $292.4 million from the sale of the Old Notes on March 17, 1997.

RISK FACTORS

In addition to the other information set forth elsewhere or incorporated by reference in this Prospectus, the following factors relating to the Company and the Exchange Offer should be considered when evaluating an investment in the New Notes offered hereby.

CONCENTRATION IN LOUISIANA TREND

In addition to the development of its existing proved reserves, the Company expects that its inventory of unproved drilling locations will be the primary source of new reserves, production and cash flow over the next few years. The Louisiana Trend, in particular, is a key element of the existing inventory. The Company had invested approximately $114 million through December 31, 1996 to acquire approximately 1,200,000 acres of leasehold in the Louisiana Trend which is largely undeveloped and unproven. Moreover, approximately 40% of the Company's fiscal year 1997 drilling budget is associated with drilling and acreage acquisition activity in the Louisiana Trend. There can be no assurance that the Louisiana Trend will yield substantial economic returns. Failure of the Louisiana Trend to yield significant quantities of economically attractive reserves and production could have a material adverse impact on the Company's future financial condition and results of operations and could result in a write-off of a significant portion of its investment in the Louisiana Trend.

NEED TO REPLACE RESERVES; SUBSTANTIAL CAPITAL REQUIREMENTS

As is customary in the oil and gas exploration and production industry, the Company's future success depends upon its ability to find, develop or acquire additional oil and gas reserves that are economically recoverable. Unless the Company successfully replaces the reserves that it produces through successful development, exploration or acquisition, the Company's proved reserves will decline. Further, approximately 56% of the Company's estimated proved reserves at December 31, 1996 were located in the Austin Chalk formation, where wells are characterized by relatively rapid decline rates. Additionally, approximately 55% of the Company's total estimated proved reserves at December 31, 1996 were undeveloped. Recovery of such reserves will require significant capital expenditures and successful drilling operations. There can be no assurance that the Company will continue to be successful in its effort to develop or replace its proved reserves.

The Company has made and intends to make substantial capital expenditures in connection with the exploration and production of its oil and gas properties. Historically, the Company has funded its capital expenditures through a combination of internally generated funds, equity and long-term debt financing, and short-term financing arrangements. The Company anticipates that the net proceeds from the Offering, together with its cash flow from operations will be sufficient to meet estimated capital expenditures through fiscal 1999, including increases in capital expenditures being presently evaluated. 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 the Company's success in locating and producing new reserves. If revenue were to decrease as a result of lower oil and gas prices, decreased production or otherwise, and the Company had no available credit facility, the Company could have a reduced ability to replace its reserves or to maintain production at current levels, potentially resulting in a decrease in production and revenue over time. If the Company's cash flow from operations are not sufficient to satisfy its capital expenditure budget, there can be no assurance that additional debt or equity financing will be available to meet these requirements.

COMMODITY PRICE FLUCTUATIONS

The Company's revenue, profitability and future rate of growth are substantially dependent upon prevailing prices for oil, gas and natural gas liquids, which are dependent upon numerous factors such as weather, economic, political and regulatory developments and competition from other sources of energy. The volatile nature of the energy markets makes it particularly difficult to estimate future prices of oil, gas and natural gas liquids. Prices of oil, gas and natural gas liquids are subject to wide fluctuations in response to relatively minor changes in circumstances, and there can be no assurance that future prolonged decreases in such prices will not occur. All of these factors are beyond the control of the Company. Any significant decline

in oil and gas prices could have a material adverse effect on the Company's operations, financial condition and level of expenditures for the development of its oil and gas reserves, and may result in violations of certain covenants contained in the Company's credit agreements.

UNCERTAINTY OF ESTIMATES OF OIL AND GAS RESERVES

There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves, including many factors beyond the control of the Company. The Company obtained an estimate of its proved oil and gas reserves and the estimated future net revenue therefrom based upon a report prepared as of June 30, 1996 by Williamson and the Company's petroleum engineers and as of December 31, 1996 prepared by the Company's petroleum engineers. The portion of the reserves evaluated solely by the Company's petroleum engineers as of June 30, 1996 constituted 0.6% of the Company's total proved reserves at that date. These estimates rely upon various assumptions, including assumptions required by the Commission as to constant 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, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result such estimates are subject to great uncertainty, and this is particularly true as to proved undeveloped reserves, which are inherently less certain than proved developed reserves and which comprise a significant portion of the Company's proved reserves. Actual future production, revenue, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves may vary substantially from those estimated by the Company. Any significant variance in these assumptions could materially affect the estimated quantity and value of reserves set forth in this Prospectus. In addition, the Company's reserves may be subject to downward or upward revision, based upon production history, results of future exploration and development, prevailing oil and gas prices and other factors, many of which are beyond the Company's control.

DRILLING AND OPERATING RISKS

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Company's operations may be curtailed, delayed or canceled as a result of title problems, weather conditions, compliance with governmental requirements, mechanical difficulties and shortages or delays in the delivery of equipment. In addition, the Company's properties may be susceptible to hydrocarbon drainage from production by other operators on adjacent properties. Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as oil spills, gas leaks, ruptures or discharges of toxic gases, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations.

The Company has been among the most active drillers of horizontal wells and expects to drill a significant number of deep horizontal wells in the future. The Company's horizontal drilling activities involve greater risk of mechanical problems than conventional vertical drilling operations. In some cases, the locations will require wells to be drilled to greater depths, which may involve more complex drilling than wells drilled to date. These wells may be significantly more expensive to drill than those drilled to date.

In accordance with customary industry practice, the Company maintains insurance against some, but not all, of the risks described above. There can be no assurance that any insurance will be adequate to cover losses or liabilities. The Company cannot predict the continued availability of insurance, or its availability at premium levels that justify its purchase.

RESTRICTIONS IMPOSED BY LENDERS; RESTRICTIONS IMPOSED BY LENDERS UNDER CERTAIN CIRCUMSTANCES

The instruments governing the indebtedness of the Company and its Restricted Subsidiaries impose significant operating and financial restrictions on the Company. The terms of the Indentures governing the Senior Notes and the Indentures governing the Existing Notes (the "Existing Notes Indentures") affect, and in many respects significantly limit or prohibit, among other things, the ability of the Company to incur

additional indebtedness, pay dividends, repay indebtedness prior to its stated maturity, sell assets or engage in mergers or acquisitions. See "Description of Other Indebtedness" and "Description of Senior Notes -- Certain Covenants." These restrictions could also limit the ability of the Company to effect future financings, make needed capital expenditures, withstand a future downturn in the Company's business or the economy in general, or otherwise conduct necessary corporate activities. A failure by the Company to comply with these restrictions could lead to a default under the terms of such indebtedness and the Senior Notes. In the event of default, the holders of such indebtedness could elect to declare all of the funds borrowed pursuant thereto due and payable together with accrued and unpaid interest. In such event, there can be no assurance that the Company would be able to make such payments or borrow sufficient funds from alternative sources to make any such payment. Even if additional financing could be obtained, there can be no assurance that it would be on terms that are favorable or acceptable to the Company.

The Company must offer to purchase the Existing Notes upon the occurrence of certain events. In the event of a Change of Control, the Company must offer to purchase all Existing Notes then outstanding at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. In the event of certain asset dispositions, the Company will be required under certain circumstances to use the Excess Proceeds (as defined) to offer to purchase the Existing Notes at 100% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase (a "Net Proceeds Offer"). There are no similar covenants in the Indentures. In the event the Company is required to make a Net Proceeds Offer or an offer to purchase the Existing Notes upon a Change of Control, there is no requirement that the Company make a similar offer with respect to the Senior Notes. Under such circumstances, the Senior Notes may be considered to be effectively subordinated in right of payment to the Existing Notes. See "Description of Senior Notes -- Certain Covenants" and "Description of Other Indebtedness."

PATENT LITIGATION

In October 1996, Union Pacific Resources Company ("UPRC") filed suit against the Company in the United States District Court for the Northern District of Texas alleging (a) infringement of UPRC's claimed patent (the "UPRC Patent") for an invention involving a method of maintaining a bore hole in a stratigraphic zone during drilling, and (b) tortious interference with contracts between UPRC and a third party vendor regarding the confidentiality of proprietary information of UPRC. UPRC is seeking injunctive relief, damages of an unspecified amount, including actual, enhanced, consequential and punitive damages, interest, costs and attorney's fees. The Company believes that it has meritorious defenses to UPRC's allegations, including, without limitation, the Company's belief that the UPRC Patent is invalid. Although the Company will vigorously defend the lawsuit, no assurance can be given as to the outcome of the matter or the ultimate impact on the Company of any damages (which could be substantial) that may be awarded to UPRC because litigation is inherently uncertain.

GOVERNMENTAL REGULATION

Oil and gas operations are subject to various federal, state and local governmental regulations which may be changed from time to time in response to economic or political conditions. From time to time, regulatory agencies have imposed price controls and limitations on production in order to conserve supplies of oil and gas. In addition, the production, handling, storage, transportation and disposal of oil and gas, by-products thereof and other substances and materials produced or used in connection with oil and gas operations are subject to regulation under federal, state and local laws and regulations primarily relating to protection of human health and the environment. To date, expenditures related to complying with these laws and for remediation of existing environmental contamination have not been significant in relation to the results of operations of the Company. There can be no assurance that the trend of more expansive and stricter environmental legislation and regulations will not continue.

COMPETITION

The Company operates in a highly competitive environment. The Company competes with major and independent oil and gas companies for the acquisition of desirable oil and gas properties, as well as for the

equipment and labor required to develop and operate such properties. Many of these competitors have financial and other resources substantially greater than those of the Company.

RELIANCE ON KEY PERSONNEL; CONFLICTS OF INTEREST

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

Messrs. McClendon and Ward, together with another executive officer of the Company, have rights to, and do, participate in wells drilled by the Company. Such participation may create interests which conflict with those of the Company.

CONTROL BY CERTAIN STOCKHOLDERS

At February 28, 1997, Aubrey K. McClendon, Tom L. Ward, the Aubrey K. McClendon Children's Trust and the Tom L. Ward Children's Trust beneficially owned an aggregate of 24,456,768 shares (including outstanding vested options) representing approximately 34% of the Company's outstanding Common Stock, and members of the Company's Board of Directors and senior management, including Messrs. McClendon and Ward and their respective children's trusts, beneficially owned an aggregate of 28,233,074 shares (including outstanding vested options), which represented approximately 42% of the Company's outstanding Common Stock. As a result, Messrs. McClendon and Ward, together with other officers and directors of the Company, are in a position to effectively control the Company through their ability to significantly influence matters requiring the vote or consent of the Company's stockholders.

ABSENCE OF A PUBLIC MARKET FOR THE SENIOR NOTES

The Senior Notes are a new issue of securities with no established trading market, and there can be no assurance as to the liquidity of any markets that may develop for the Senior Notes, the ability of the holders of Senior Notes to sell their Senior Notes or the price at which holders would be able to sell their Senior Notes. Future trading prices of the Senior Notes will depend on many factors, including, among others, prevailing interest rates, the Company's operating results and the market for similar securities. The Company does not intend to apply for listing of the Senior Notes on any national securities exchange or the Nasdaq National Market. The investment banking firms which were the Initial Purchasers have informed the Company that they currently intend to make a market for the Senior Notes. However, they are not so obligated, and any such market making may be discontinued at any time without notice. See "Plan of Distribution." Accordingly, no assurance can be given that an active public or other market will develop for the Senior Notes or as to the liquidity of or the trading market for the Senior Notes.

CONSEQUENCES OF THE EXCHANGE OFFER ON NON-TENDERING HOLDERS OF THE OLD NOTES

In the event the Exchange Offer is consummated, the Company will not be required to register any Old Notes not tendered and accepted in the Exchange Offer. In such event, holders of Old Notes seeking liquidity in their investment would have to rely on exemptions to the registration requirements under the securities laws, including the Securities Act. Following the Exchange Offer, none of the Senior Notes will be entitled to the contingent increase in interest rate provided for (in the event of a failure to consummate the Exchange Offer in accordance with the terms of the Registration Rights Agreement) pursuant to the Old Notes.

FORWARD LOOKING STATEMENTS

All statements other than statements of historical fact contained in this Prospectus, including statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporated by reference herein, are forward-looking statements. When used herein, the words "budget," "budgeted," "anticipate," "expects," "believes," "seeks," "goals," "intends" or "projects" and similar expressions are intended to identify forward-looking statements. It is important to note that Chesapeake's actual results could

differ materially from those projected by such forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Factors that could cause the Company's results to differ materially from the results discussed in such forward-looking statements include the aforementioned risks described under "Risk Factors," including, but not limited to, the following: production variances from expectations, volatility of oil and gas prices, the need to develop and replace its reserves, the substantial capital expenditures required to fund its operations, environmental risks, drilling and operating risks, risks related to exploration and development drilling, uncertainties about estimates of reserves, competition, government regulation, and the ability of the Company to implement its business strategy. All forward-looking statements in this Prospectus are expressly qualified in their entirety by the cautionary statements in this paragraph.

THE COMPANY

Chesapeake Energy Corporation is an independent energy company which utilizes advanced drilling and completion technologies to explore for and produce oil and natural gas. The Company's executive offices are located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118 and its telephone number is (405) 848-8000.

THE EXCHANGE OFFER

PURPOSE AND EFFECT OF THE EXCHANGE OFFER

The Old Notes were sold by Chesapeake on March 17, 1997 to Donaldson, Lufkin & Jenrette Securities Corporation, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and J.P. Morgan Securities Inc. (together, the "Initial Purchasers") in reliance on Section 4(2) of the Securities Act. The Initial Purchasers offered and sold the Old Notes only (i) to "qualified institutional buyers" (as defined in Rule 144A) in compliance with Rule 144A, (ii) to a limited number of other institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that, prior to their purchase of Old Notes, delivered to the Initial Purchasers a letter containing certain representations and agreements, and (iii) outside the United States to persons other than U.S. Persons, which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust), in reliance upon Regulation S under the Securities Act.

In connection with the sale of the Old Notes, the Company and the Initial Purchasers entered into a Registration Rights Agreement dated as of March 12, 1997 (the "Registration Rights Agreement"), which requires the Company (i) to cause the Old Notes to be registered under the Securities Act, or (ii) to file with the Commission a registration statement under the Securities Act with respect to an issue of new notes of the Company identical in all material respects to the Old Notes and use its best efforts to cause such registration statement to become effective under the Securities Act and, upon the effectiveness of that registration statement, to offer to the holders of the Old Notes the opportunity to exchange their Old Notes for a like principal amount of New Notes, which will be issued without a restrictive legend and which may be reoffered and resold by the holder without restrictions or limitations under the Securities Act. A copy of the Registration Rights Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The Exchange Offer is being made pursuant to the Registration Rights Agreement to satisfy the Company's obligations thereunder with regard to the Senior Notes. The term "Holder" with respect to the Exchange Offer means any person in whose name Old Notes are registered on the trustee's books or any other person who has obtained a properly completed bond power from the registered holder, or any person whose Old Notes are held of record by The Depository Trust Company ("DTC") who desires to deliver such Old Notes by book-entry transfer at DTC.

The Company has not requested, and does not intend to request, an interpretation by the staff of the Commission with respect to whether the New Notes issued pursuant to the Exchange Offer in exchange for the Old Notes may be offered for sale, resold or otherwise transferred by any holder without compliance with the registration and prospectus delivery provisions of the Securities Act. Based on interpretations by the staff

of the Commission set forth in no-action letters issued to third parties, the Company believes the New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by any holder thereof (other than broker-dealers, as set forth below, and any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Senior Notes are acquired in the ordinary course of such holder's business and that such holder has no arrangement or understanding with any person to participate in the distribution of such New Notes. Any holder who tenders in the Exchange Offer with the intention to participate, or for the purpose of participating, in a distribution of the New Notes or who is an affiliate of the Company may not rely upon such interpretations by the staff of the Commission and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Failure to comply with such requirements in such instance may result in such holder incurring liabilities under the Securities Act for which the holder is not indemnified by the Company. Each broker-dealer (other than an affiliate of the Company) that receives Senior Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. The Company has agreed that, for a period of one year, if required, after the date hereof, it will make the Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

The Exchange Offer is not being made to, nor will the Company accept surrenders for exchange from, holders of Old Notes in any jurisdiction in which this Exchange Offer or the acceptance thereof would not be in compliance with the securities or blue sky laws of such jurisdiction.

By tendering in the Exchange Offer, each holder of Old Notes will represent to the Company that, among other things, (i) the New Notes acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the person receiving such New Notes, whether or not such person is the holder, (ii) neither the holder of Old Notes nor any such other person has an arrangement or understanding with any person to participate in the distribution of such New Notes, (iii) if the holder is not a broker-dealer, or is a broker-dealer but will not receive New Notes for its own account in exchange for Old Notes, neither the holder nor any such other person is engaged in or intends to participate in the distribution of such New Notes, and (iv) neither the holder nor any such other person is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act or, if such holder is an "affiliate," that such holder will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

Following the completion of the Exchange Offer, none of the Senior Notes will be entitled to the contingent increase in interest rate provided pursuant to the Old Notes. Following the consummation of the Exchange Offer, holders of Senior Notes will not have any further registration rights, and the Old Notes will continue to be subject to certain restrictions on transfer. See "-- Consequences of Failure to Exchange." Accordingly, the liquidity of the market for the Old Notes could be adversely affected. See "Risk Factors -- Consequences of the Exchange Offer on Non-Tendering Holders of the Old Notes."

Participation in the Exchange Offer is voluntary and holders should carefully consider whether to accept. Holders of the Old Notes are urged to consult their financial and tax advisors in making their own decisions on whether to participate in the Exchange Offer.

TERMS OF THE EXCHANGE OFFER

General. Upon the terms and subject to the conditions set forth in this Prospectus and in the Letter of Transmittal, the Company will accept any and all Old Notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the Expiration Date. Subject to the minimum denomination requirements of the New Notes, the Company will issue (a) $1,000 principal amount of New Notes due 2004 in exchange for each $1,000 principal amount of outstanding Old Notes due 2004 accepted in the Exchange Offer, and (b) $1,000 principal amount of New Notes due 2012 in exchange for each $1,000 principal amount of

outstanding Old Notes due 2012 accepted in the Exchange Offer. Holders may tender some or all of their Old Notes pursuant to the Exchange Offer. However, Old Notes may be tendered only in amounts that are integral multiples of $1,000 principal amount.

The form and terms of the New Notes will be identical in all material respects to the form and terms of the Old Notes except that (i) the New Notes will be registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof, and (ii) holders of the New Notes will not be entitled to certain rights of holders of Old Notes under the Registration Rights Agreement, which will terminate upon consummation of the Exchange Offer. The New Notes will evidence the same debt as the Old Notes, will be entitled to the benefits of the respective Indentures and each series will be treated as a single class thereunder with any respective Old Notes that remain outstanding. The Exchange Offer is not conditioned upon any minimum aggregate principal amount of Old Notes being tendered for exchange.

As of , 1997, $150,000,000 aggregate principal amount of the Old Notes due 2004 was outstanding and $150,000,000 aggregate principal amount of Old Notes due 2012 was outstanding. This Prospectus, together with the Letter of Transmittal, is being sent to the registered Holders of the Old Notes.

Holders of Old Notes do not have any appraisal or dissenters' rights under the Oklahoma General Corporation Act or the Indenture in connection with the Exchange Offer. The Company intends to conduct the Exchange Offer in accordance with the provisions of the Registration Rights Agreement and the applicable requirements of the Exchange Act, and the rules and regulations of the Commission thereunder. Old Notes which are not tendered for exchange in the Exchange Offer will remain outstanding and interest thereon will continue to accrue, but such Old Notes will not be entitled to any rights or benefits under the Registration Rights Agreement.

The Company will be deemed to have accepted validly tendered Old Notes when, as and if the Company has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering holders for the purposes of receiving the New Notes from the Company. If any tendered Old Notes are not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth herein or otherwise, certificates for any such unaccepted Old Notes will be returned, without expense, to the tendering holder thereof as promptly as practicable after the Expiration Date.

Holders who tender Old Notes in the Exchange Offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the Letter of Transmittal, transfer taxes with respect to the exchange of Old Notes pursuant to the Exchange Offer. The Company will pay all charges and expenses, other than certain applicable taxes described below, in connection with the Exchange Offer. See "-- Fees and Expenses."

Expiration Date; Extensions; Amendments. The term "Expiration Date" shall mean 5:00 p.m., New York City time, on , 1997, unless the Company, in its sole discretion, extends the Exchange Offer, in which case the term "Expiration Date" shall mean the latest date and time to which the Exchange Offer is extended. Although the Company has no current intention to extend the Exchange Offer, the Company reserves the right to extend the Exchange Offer at any time and from time to time by giving oral or written notice to the Exchange Agent and by timely public announcement communicated, unless otherwise required by applicable law or regulation, by making a release to the Dow Jones News Service. During any extension of the Exchange Offer, all Old Notes previously tendered pursuant to the Exchange Offer and not withdrawn will remain subject to the Exchange Offer. The date of the exchange of the New Notes for Old Notes will be the first New York Stock Exchange trading day following the Expiration Date.

The Company reserves the right, in its sole discretion, (i) to delay accepting any Old Notes, to extend the Exchange Offer or to terminate the Exchange Offer if any of the conditions set forth below under "-- Conditions of the Exchange Offer" shall not have been satisfied, by giving oral or written notice of such delay, extension or termination to the Exchange Agent, or (ii) to amend the terms of the Exchange Offer in any manner. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the registered holders. If the Exchange Offer is amended in any manner determined by the Company to constitute a material change, the Company will promptly disclose such amendment by means of a prospectus supplement that will be distributed to the registered holders, and

the Company will extend the Exchange Offer for a period of time, depending upon the significance of the amendment and the manner of disclosure to the registered holders, if the Exchange Offer would otherwise expire during such period.

In all cases, issuance of the New Notes for Old Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of a properly completed and duly executed Letter of Transmittal and all other required documents; provided, however, that the Company reserves the absolute right to waive any conditions of the Exchange Offer or defects or irregularities in the tender of Old Notes. If any tendered Old Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or non-exchanged Old Notes or substitute Old Notes evidencing the unaccepted portion, as appropriate, will be returned without expense to the tendering holder, unless otherwise provided in the Letter of Transmittal, as promptly as practicable after the expiration or termination of the Exchange Offer.

Interest on the New Notes. Holders of Old Notes that are accepted for exchange will not receive accrued interest thereon at the time of exchange. However, each New Note will bear interest from the most recent date to which interest has been paid on the Old Notes or New Notes, or if no interest has been paid on the Old Notes or New Notes, from March 17, 1997.

Procedures for Tendering Old Notes. The tender to the Company of Old Notes by a holder thereof pursuant to one of the procedures set forth below will constitute an agreement between such holder and the Company in accordance with the terms and subject to the conditions set forth herein and in the Letter of Transmittal. A holder of the Old Notes may tender such Old Notes by (i) properly completing and signing a Letter of Transmittal or a facsimile thereof (all references in this Prospectus to a Letter of Transmittal shall be deemed to include a facsimile thereof) and delivering the same, together with any corresponding certificate or certificates representing the Old Notes being tendered (if in certificated form) and any required signature guarantees, to the Exchange Agent at its address set forth in the Letter of Transmittal on or prior to the Expiration Date (or complying with the procedure for book-entry transfer described below), or (ii) complying with the guaranteed delivery procedures described below.

If tendered Old Notes are registered in the name of the signer of the Letter of Transmittal and the New Notes to be issued in exchange therefor are to be issued (and any untendered Old Notes are to be reissued) in the name of the registered holder (which term, for the purposes described herein, shall include any participant in DTC (also referred to as a book-entry facility) whose name appears on a security listing as the owner of Old Notes), the signature of such signer need not be guaranteed. In any other case, the tendered Old Notes must be endorsed or accompanied by written instruments of transfer in form satisfactory to the Company and duly executed by the registered holder and the signature on the endorsement or instrument of transfer must be guaranteed by an eligible guarantor institution which is a member of one of the following recognized signature guarantee programs (an "Eligible Institution"): (i) The Securities Transfer Agents Medallion Program (STAMP), (ii) The New York Stock Exchange Medallion Signature Program (MSF), or (iii) The Stock Exchange Medallion Program (SEMP). If the New Notes or Old Notes not exchanged are to be delivered to an address other than that of the registered holder appearing on the note register for the Old Notes, the signature in the Letter of Transmittal must be guaranteed by an Eligible Institution.

THE METHOD OF DELIVERY OF OLD NOTES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDER. IF SUCH DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE DELIVERY TO THE EXCHANGE AGENT BEFORE THE EXPIRATION DATE. NO LETTER OF TRANSMITTAL OR OLD NOTES SHOULD BE SENT TO THE COMPANY. HOLDERS MAY REQUEST THEIR RESPECTIVE BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES OR NOMINEES TO EFFECT THE ABOVE TRANSACTIONS FOR SUCH HOLDERS.

The Company understands that the Exchange Agent will make a request promptly after the date of this Prospectus to establish an account with respect to the Old Notes at DTC for the purpose of facilitating the Exchange Offer, and subject to the establishment thereof, any financial institution that is a participant in DTC's system may make book-entry delivery of Old Notes by causing DTC to transfer such Old Notes into the Exchange Agent's account with respect to the Old Notes in accordance with DTC's procedure for such transfer. Although delivery of the Old Notes may be effected through book-entry transfer into the Exchange Agent's account at DTC, an appropriate Letter of Transmittal with any required signature guarantee and all other required documents must in each case be transmitted to and received or confirmed by the Exchange Agent at the address set forth in the Letter of Transmittal on or prior to the Expiration Date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under such procedures.

A tender will be deemed to have been received as of the date when (i) the tendering holder's properly completed and duly signed Letter of Transmittal accompanied by the Old Notes (or a confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at DTC), is received by the Exchange Agent, or (ii) a Notice of Guaranteed Delivery or letter, telegram or facsimile transmission to similar effect (as provided below) from an Eligible Institution is received by the Exchange Agent. Issuances of New Notes in exchange for Old Notes tendered pursuant to a Notice of Guaranteed Delivery or letter, telegram or facsimile transmission to similar effect (as provided below) by an Eligible Institution will be made only against submission of a duly signed Letter of Transmittal (and any other required documents) and deposit of the tendered Old Notes.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of Old Notes will be determined by the Company, whose determination will be final and binding. The Company reserves the absolute right to reject any or all tenders not in proper form or the acceptance for exchange of which may, in the opinion of the Company's counsel, be unlawful. The Company also reserves the absolute right to waive any of the conditions of the Exchange Offer or any defect or irregularity in the tender of any Old Notes. None of the Company, the Exchange Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Any Old Notes received by the Exchange Agent that are not validly tendered and as to which the defects or irregularities have not been cured or waived, or if Old Notes are submitted in principal amount greater than the principal amount of Old Notes being tendered by such tendering holder, such unaccepted or non-exchanged Old Notes will be returned by the Exchange Agent to the tendering holder, unless otherwise provided in the Letter of Transmittal, as soon as practicable following the Expiration Date.

In addition, the Company reserves the right in its sole discretion (a) to purchase or make offers for any Old Notes that remain outstanding subsequent to the Expiration Date, and (b) to the extent permitted by applicable law, to purchase Old Notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers will differ from the terms of the Exchange Offer.

Guaranteed Delivery Procedures. If the holder desires to accept the Exchange Offer and time will not permit a Letter of Transmittal or Old Notes to reach the Exchange Agent before the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if the Exchange Agent has received at its office, on or prior to the Expiration Date, a letter, telegram or facsimile transmission from an Eligible Institution setting forth the name and address of the tendering holder, the name(s) in which the Old Notes are registered and the certificate number(s) of the Old Notes to be tendered, and stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange trading days after the date of execution of such letter, telegram or facsimile transmission by the Eligible Institution, such Old Notes, in proper form for transfer (or a confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at DTC), will be delivered by such Eligible Institution together with a properly completed and duly executed Letter of Transmittal (and any other required documents). Unless Old Notes being tendered by the above-described method are deposited with the Exchange Agent within the time period set forth above (accompanied or preceded by a properly competed Letter of Transmittal and any other required documents), the Company may, at its option, reject the tender.

Copies of a Notice of Guaranteed Delivery which may be used by Eligible Institutions for the purposes described in this paragraph are available from the Exchange Agent.

Terms and Conditions of the Letter of Transmittal. The Letter of Transmittal contains, among other things, the following terms and conditions, which are part of the Exchange Offer.

The party tendering Old Notes for exchange (the "Transferor") exchanges, assigns and transfers the Old Notes to the Company and irrevocably constitutes and appoints the Exchange Agent as the Transferor's agent and attorney-in-fact to cause the Old Notes to be assigned, transferred and exchanged. The Transferor represents and warrants that it has full power and authority to tender, exchange, assign and transfer the Old Notes and to acquire New Notes issuable upon the exchange of such tendered Old Notes, and that, when the same are accepted for exchange, the Company will acquire good and unencumbered title to the tendered Old Notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The Transferor also warrants that it will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the exchange, assignment and transfer of tendered Old Notes or to transfer ownership of such Old Notes on the account books maintained by DTC. All authority conferred by the Transferor will survive the death, bankruptcy or incapacity of the Transferor and every obligation of the Transferor shall be binding upon the heirs, personal representatives, executors, administrators, successors, assigns, trustees in bankruptcy and other legal representatives of such Transferor.

By executing a Letter of Transmittal, each holder will make to the Company the representations set forth above under the heading "-- Purpose and Effect of the Exchange Offer."

Withdrawal of Tenders of Old Notes. Except as otherwise provided herein, tenders of Old Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

To withdraw a tender of Old Notes in the Exchange Offer, a written or facsimile transmission notice of withdrawal must be received by the Exchange Agent at its address set forth herein prior to 5:00 p.m., New York City time, on the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having deposited the Old Notes to be withdrawn (the "Depositor"), (ii) identify the Old Notes to be withdrawn (including the certificate number or numbers and principal amount of such Old Notes), (iii) contain a statement that such holder is withdrawing its election to have such Old Notes exchanged, (iv) be signed by the holder in the same manner as the original signature on the Letter of Transmittal by which such Old Notes were tendered (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the Trustee with respect to the Old Notes register the transfer of such Old Notes in the name of the person withdrawing the tender, and (v) specify the name in which any such Old Notes are to be registered, if different from that of the Depositor. If Old Notes have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at the book-entry transfer facility. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Company, whose determination shall be final and binding on all parties. Any Old Notes so withdrawn will be deemed not to have been validly tendered for purposes of the Exchange Offer and no New Notes will be issued with respect thereto unless the Old Notes so withdrawn are validly retendered. Any Old Notes which have been tendered but which are not accepted for exchange will be returned to the holder thereof without cost to such holder as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described above under "-- Procedures for Tendering Old Notes" at any time prior to the Expiration Date.

CONDITIONS OF THE EXCHANGE OFFER

Notwithstanding any other term of the Exchange Offer, or any extension of the Exchange Offer, the Company shall not be required to accept for exchange, or exchange New Notes for, any Old Notes, and may terminate the Exchange Offer as provided herein before the acceptance of such Old Notes, if:

(a) any statute, rule or regulation shall have been enacted, or any action shall have been taken by any court or governmental authority which, in the reasonable judgment of the Company, would prohibit, restrict or otherwise render illegal consummation of the Exchange Offer; or

(b) any change, or any development involving a prospective change, in the business or financial affairs of the Company or any of its subsidiaries has occurred which, in the sole judgment of the Company, might materially impair the ability of the Company to proceed with the Exchange Offer or materially impair the contemplated benefits of the Exchange Offer to the Company; or

(c) there shall occur a change in the current interpretations by the staff of the Commission which, in the Company's reasonable judgment, might materially impair the Company's ability to proceed with the Exchange Offer.

If the Company determines in its sole discretion that any of the above conditions are not satisfied, the Company may (i) refuse to accept any Old Notes and return all tendered Old Notes to the tendering holders, (ii) extend the Exchange Offer and retain all Old Notes tendered prior to the Expiration Date, subject, however, to the right of holders to withdraw such Old Notes (see "-- Terms of the Exchange Offer -- Withdrawal of Tenders of Old Notes"), or (iii) waive such unsatisfied conditions with respect to the Exchange Offer and accept all validly tendered Old Notes which have not been withdrawn. If such waiver constitutes a material change to the Exchange Offer, the Company will promptly disclose such waiver by means of a prospectus supplement that will be distributed to the registered holders, and the Company will extend the Exchange Offer for a period of time, depending upon the significance of the waiver and the manner of disclosure to the registered holders, if the Exchange Offer would otherwise expire during such period.

EXCHANGE AGENT

United States Trust Company of New York has been appointed as Exchange Agent for the Exchange Offer. Questions and requests for assistance, requests for additional copies of this Prospectus or of the Letter of Transmittal and requests for Notices of Guaranteed Delivery should be directed to the Exchange Agent addressed as follows:

By Mail:	By Overnight Courier:	By Hand:
United States Trust Company of New York P. O. Box 844 Cooper Station New York, NY 10276-0844 (registered or certified mail recommended)	United States Trust Company of New York Corporate Trust Operations Department 770 Broadway -- 13th Floor New York, NY 10003	United States Trust Company of New York 111 Broadway Lower Level New York, NY 10006 Attn: Corporate Trust Services

By Facsimile:
(212) 420-6152
(For Eligible Institutions Only)
Confirm by Telephone:
(800) 548-6565

FEES AND EXPENSES

The expenses of soliciting tenders will be borne by the Company. The principal solicitation is being made by mail; however, additional solicitation may be made by telecopy, telephone or in person by officers and

regular employees of the Company and its affiliates. No additional compensation will be paid to any such officers and employees who engage in soliciting tenders.

The Company has not retained any dealer-manager or other soliciting agent in connection with the Exchange Offer and will not make any payments to brokers, dealers or others soliciting acceptance of the Exchange Offer. The Company, however, will pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith. The Company may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this Prospectus, the Letter of Transmittal and related documents to the beneficial owners of the Old Notes and in handling or forwarding tenders for exchange.

The expenses to be incurred in connection with the Exchange Offer will be paid by the Company. Such expenses include fees and expenses of the Exchange Agent and transfer agent and registrar, accounting and legal fees and printing costs, among others.

The Company will pay all transfer taxes, if any, applicable to the exchange of the Old Notes pursuant to the Exchange Offer. If, however, New Notes, or Old Notes for principal amounts not tendered or accepted for exchange, are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the Old Notes tendered or if a transfer tax is imposed for any reason other than the exchange of the Old Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

CONSEQUENCES OF FAILURE TO EXCHANGE

The Old Notes that are not exchanged for New Notes pursuant to the Exchange Offer will remain restricted securities within the meaning of Rule 144 of the Securities Act. Accordingly, such Old Notes may be offered, resold, pledged or otherwise transferred only (i) to the Company, (ii) to a person who the transferor reasonably believes is a qualified institutional buyer in compliance with Rule 144A, (iii) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (iv) outside the United States to a foreign person in compliance with Rule 904 under the Securities Act, (v) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel if the Company so requests) or (vi) pursuant to an effective registration statement under the Securities Act. The liquidity of the Old Notes could be adversely affected by the Exchange Offer. Following the consummation of the Exchange Offer, holders of the Old Notes will have no further registration rights under the Registration Rights Agreement and will not be entitled to the contingent increase in the interest rate provided for in the Old Notes.

ACCOUNTING TREATMENT

The New Notes will be recorded at the same carrying value as the Old Notes, as reflected in the Company's accounting records on the date of the exchange. Accordingly, no gain or loss for accounting purposes will be recognized by the Company. The costs of the Exchange Offer and the unamortized expenses related to the issuance of the Old Notes will be amortized over the term of the New Notes.

USE OF PROCEEDS

The Company will not receive any proceeds from the issuance of the New Notes offered hereby. In consideration for issuing the New Notes as contemplated in this Prospectus, the Company will receive in exchange Old Notes in like principal amount, the term and form of which are identical in all material respects to the New Notes. The Old Notes surrendered in exchange for New Notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the New Notes will not result in any increase in the indebtedness of the Company.

CAPITALIZATION

The following table sets forth the total consolidated capitalization of the Company and its subsidiaries at December 31, 1996 and as adjusted to give effect to the net proceeds from the sale of the Old Notes. This table should be read in conjunction with the Consolidated Financial Statements of the Company and the related notes and other financial information incorporated by reference or included elsewhere in this Prospectus.

	DECEMBER 31, 1996	
	ACTUAL	AS ADJUSTED(A)
	($ IN THOUSANDS)	
Cash, cash equivalents and short-term investments	$169,831	$451,016
Current maturities of long-term debt	$ 6,718	$ 4,268
Long-term debt, less current maturities:		
Senior Notes	$ --	$300,000
10 1/2% Notes	90,000	90,000
9 1/8% Notes	120,000	120,000
Loan discount on Senior Notes(b)	--	(1,000)
Loan discount on Existing Notes(b)	(77)	(77)
Revolving Credit Facility(c)	--	--
Term Credit Facility(c)	8,740	--
Other	1,486	1,486
Total long-term debt	220,149	510,409
Stockholders' equity:		
Common Stock	693	693
Paid-in capital	426,914	426,914
Accumulated earnings(c)	56,455	56,261
Total stockholders' equity	484,062	483,868
Total capitalization	$704,211	$994,277

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(a) Gives effect to the issuance of the Old Notes as of December 31, 1996 and the application of the proceeds therefrom.

(b) Represents the unamortized portion of original issue discount related to the issuance of the Old Notes and the Existing Notes, as applicable.

(c) The Revolving Credit Facility and the Term Credit Facility were terminated and extinguished upon consummation of the Offering of the Old Notes, which resulted in a charge of approximately $194,000 net of income tax effect.

DESCRIPTION OF OTHER INDEBTEDNESS

THE EXISTING NOTES

The following summaries of the Existing Notes Indentures do not purport to be complete and are subject to, and qualified in their entirety by reference to, the applicable Existing Notes Indentures. Capitalized terms used herein but not defined have the meanings assigned to such terms in the applicable Existing Notes Indenture.

General. The Company presently has outstanding $90 million in aggregate principal amount of 10 1/2% Notes which mature on June 1, 2002, and $120 million in aggregate principal amount of 9 1/8% Notes which mature on April 15, 2006. The 10 1/2% Notes bear interest at an annual rate of 10 1/2%, payable semiannually on each June 1 and December 1 and the 9 1/8% Notes bear interest at an annual rate of 9 1/8%, payable semiannually on each April 15 and October 15. The Existing Notes are senior, unsecured obligations of the Company that rank pari passu in right of payment with all existing and future Senior Indebtedness of the Company and rank senior in right of payment to all existing and future subordinated indebtedness of the Company. The Existing Notes are fully and unconditionally guaranteed, jointly and severally, by the Restricted Subsidiaries.

Optional Redemption. At any time on or after June 1, 1999, the Company may, at its option, redeem all or any portion of the 10 1/2% Notes at the redemption prices (expressed as percentages of the principal amount of the 10 1/2% Notes) set forth below, plus, in each case, accrued interest thereon to the applicable redemption date, if redeemed during the twelve-month period beginning June 1 of the years indicated:

YEAR	PERCENTAGE
1999	105.250%
2000	102.625%
2001 and thereafter	100.000%

Notwithstanding the foregoing, in the event the Company consummates one or more Equity Offerings on or prior to June 1, 1998, the Company, at its option, may redeem up to $30 million of the aggregate principal amount of the 10 1/2% Notes with all or a portion of the aggregate net proceeds received by the Company from such Equity Offerings at a redemption price of 110% of the aggregate principal amount of the 10 1/2% Notes so redeemed, plus accrued and unpaid interest thereon to the redemption date; provided, however, that following such redemption, at least $60 million of the aggregate principal amount of the 10 1/2% Notes remains outstanding.

At any time on or after April 15, 2001, the Company may, at its option, redeem all or any portion of the 9 1/8% Notes at the redemption prices (expressed as percentages of the principal amount of the 9 1/8% Notes) set forth below, plus, in each case, accrued interest thereon to the applicable redemption date, if redeemed during the twelve-month period beginning April 15 of the year indicated:

YEAR	PERCENTAGE
2001	104.5625%
2002	102.2813%
2003 and thereafter	100.0000%

Notwithstanding the foregoing, at any time prior to April 15, 2001, the Company may, at its option, redeem all or any portion of the 9 1/8% Notes at the Make-Whole Price plus accrued or unpaid interest to the date of redemption. In addition, in the event the Company consummates one or more Equity Offerings on or prior to April 15, 1999, the Company, at its option, may redeem up to $42 million of the aggregate principal amount of the 9 1/8% Notes with all or a portion of the aggregate net proceeds received by the Company from such Equity Offerings at a redemption price of 109.125% of the aggregate principal amount of the 9 1/8% Notes so redeemed, plus accrued and unpaid interest thereon to the redemption date; provided, however, that following such redemption, at least $78 million of the aggregate principal amount of the 9 1/8% Notes remains outstanding.

Change of Control. The Existing Notes Indentures provide that, following the occurrence of any Change of Control, the Company must offer to purchase all outstanding Existing Notes at a purchase price equal to 101% of the aggregate principal amount of the Existing Notes, plus accrued and unpaid interest to the date of purchase.

Restrictive Covenants. The Existing Notes Indentures contain restrictive covenants that limit the Company and its Restricted Subsidiaries with respect to certain matters, including changes in business, liens, debt, mergers, dividends, investments, sale and leaseback transactions, transactions with affiliates, and sales of assets. In the event of certain asset dispositions, the Company will be required, under certain circumstances, to use Excess Proceeds to offer to purchase Existing Notes at 100% of the principal amount thereof, plus accrued and unpaid interest. The Existing Notes Indenture applicable to the 10 1/2% Notes (the "10 1/2% Notes Indenture") prohibits the Company and any Restricted Subsidiary from incurring Indebtedness, other than Permitted Indebtedness, unless (i) the Adjusted Consolidated EBITDDA Coverage Ratio is at least 2.5-to-1.0, and (ii) ACNTA is at least 125% of Indebtedness of the Company and its Restricted Subsidiaries. The 10 1/2% Notes Indenture permits the Company and its Restricted Subsidiaries to incur Permitted Indebtedness under a bank credit facility not in excess of the greater of $15 million and 15% of ACNTA. The Existing Notes Indenture applicable to the 9 1/8% Notes (the "9 1/8% Notes Indenture") prohibits the Company and any Restricted Subsidiary from incurring Indebtedness, other than Permitted Indebtedness, unless (i) the Adjusted Consolidated EBITDA Coverage Ratio is at least 2.5-to-1.0, or (ii) ACNTA is at least 200% of Indebtedness of the Company and its Restricted Subsidiaries. The 9 1/8% Notes Indenture permits the Company and its Restricted Subsidiaries to incur Permitted Indebtedness under a bank credit facility not in excess of the greater of (a) $75 million and (b) $30 million plus 15% of ACNTA.

DESCRIPTION OF SENIOR NOTES

The Company will issue up to $150 million aggregate principal amount of New Notes due 2004 and up to $150 million of New Notes due 2012 (less the aggregate principal amount of Old Notes that are not exchanged), pursuant to separate Indentures, each dated as of March 15, 1997 among the Company, the Restricted Subsidiaries and United States Trust Company of New York, as trustee (the "Trustee"). A copy of each Indenture is available upon request from the Company and is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The following summaries of certain provisions of the Senior Notes, including the New Notes, and the Indentures do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the Senior Notes and the Indentures, including the definitions therein of certain capitalized terms used but not defined herein.

GENERAL

The aggregate principal amount of the Senior Notes is limited to $300,000,000, consisting of $150,000,000 principal amount of New Notes due 2004 and Old Notes due 2004 (together, the "Senior Notes due 2004") and $150,000,000 principal amount of New Notes due 2012 and Old Notes due 2012 (together, the "Senior Notes due 2012"). Each Senior Note due 2004 will mature on March 15, 2004 and will bear interest at an annual rate of 7 7/8% per annum. Each Senior Note due 2012 will mature on March 15, 2012 and will bear interest at an annual rate of 8 1/2% per annum. Interest on the Senior Notes will accrue from their respective dates of original issuance, payable semiannually in arrears on March 15 and September 15 of each year, commencing September 15, 1997, to the Person in whose name the Senior Note is registered at the close of business on March 1 or September 1 preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal, premium, if any, and interest will be payable at the offices of the Trustee and the Paying Agent, provided that, at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as it appears in the register of the Senior Notes maintained by the Registrar. Initially, the Trustee will also act as Paying Agent and Registrar for the Senior Notes.

The Senior Notes are senior unsecured obligations of the Company. The Senior Notes rank pari passu in right of payment with all existing and future Pari Passu Indebtedness of the Company and rank senior in right

of payment to all existing and future Subordinated Indebtedness of the Company. At December 31, 1996, on a pro forma basis after giving effect to the sale of the Old Notes and the application of the net proceeds therefrom, the Company and its Restricted Subsidiaries would have had Pari Passu Indebtedness in addition to the Senior Notes of approximately $215.7 million, of which $5.6 million was secured by certain assets of the Company, and no Indebtedness would have ranked junior to the Senior Notes in right of payment.

GUARANTEES

All of the subsidiaries of the Company other than CEM and Chesapeake Canada Corporation have fully and unconditionally guaranteed, on a joint and several basis, the Company's obligations to pay principal of, premium, if any, and interest on the Senior Notes. Each of the Indentures provides that each Person other than a Foreign Subsidiary that becomes a Restricted Subsidiary after the Issue Date will guarantee the payment of the Senior Notes. Each of the Guarantees is a senior obligation of the Subsidiary Guarantors providing such Guarantee, and ranks pari passu in right of payment with all existing and future Pari Passu Indebtedness of such Subsidiary Guarantor, except to the extent of collateral securing such Pari Passu Indebtedness, and ranks senior to all existing and future Subordinated Indebtedness of such Subsidiary Guarantor. The Guarantees rank pari passu in right of payment with the guarantees by the Subsidiary Guarantors of the Existing Notes.

The obligations of each Subsidiary Guarantor are limited to the amount as will, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Guarantee or pursuant to its contribution obligations under the Indentures, result in the obligations of such Subsidiary Guarantor under its Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal, state or foreign law. Each Subsidiary Guarantor that makes a payment or distribution under a Guarantee shall be entitled to a contribution from each other Subsidiary Guarantor in a pro rata amount based on the Adjusted Net Assets of each Subsidiary Guarantor.

Each of the Indentures provides that, subject to the next succeeding paragraph, no Subsidiary Guarantor may consolidate or merge with or into (whether or not such Subsidiary Guarantor is the surviving entity or Person) another corporation, entity or Person unless (i) the entity or Person formed by or surviving any such consolidation or merger (if other than such Subsidiary Guarantor) assumes all the obligations of such Subsidiary Guarantor pursuant to a supplemental indenture, in a form reasonably satisfactory to the Trustee, under the Senior Notes to which such Indenture relates and such Indenture, and (ii) immediately after such transaction, no Default or Event of Default exists. The foregoing will not prohibit a merger between Subsidiary Guarantors or a merger between the Company and a Subsidiary Guarantor.

Each of the Indentures provides that in the event of a sale or other disposition of all or substantially all of the assets of any Subsidiary Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the capital stock or other ownership interests of such Subsidiary Guarantor, or a Subsidiary ceases to be a Subsidiary Guarantor, then such Subsidiary (in the event of a sale or other disposition, by way of such a merger, consolidation or otherwise, of all of the capital stock or other ownership interests of such Subsidiary) or the corporation acquiring the property (in the event of a sale or other disposition of all or substantially all of the assets of such Subsidiary) will be released and relieved of any obligations under its Guarantees. In addition, each of the Indentures provides that if, at any time while Senior Notes to which such Indenture relates remain outstanding, none of the Company's then outstanding Pari Passu Indebtedness (other than Senior Notes) is guaranteed by a Subsidiary Guarantor, such Subsidiary Guarantor shall be released and relieved of any obligations under its Guarantees (which shall be terminated and cease to have any force and effect). The Indentures provide that if any Subsidiary of the Company that is not a Subsidiary Guarantor guarantees any Funded Indebtedness of the Company at any time in the future, then the Company will cause the Senior Notes to be equally and ratably guaranteed by such Subsidiary.

OPTIONAL REDEMPTION

Senior Notes. The Company may at any time prior to March 15, 2004, at its option, redeem all or any portion of either series of the Senior Notes at the Make-Whole Price plus accrued and unpaid interest to the date of redemption.

Senior Notes due 2012. At any time on or after March 15, 2004, the Company may, at its option, redeem all or any portion of the Senior Notes due 2012 at the redemption prices (expressed as percentages of the principal amount of the Senior Notes due 2012) set forth below, plus, in each case, accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the twelve-month period beginning March 15 of the years indicated below:

YEAR	PERCENTAGE
2004	104.25%
2005	103.40%
2006	102.55%
2007	101.70%
2008	100.85%
2009 and thereafter	100.00%

If less than all of a series of the Senior Notes are to be redeemed at any time, selection of Senior Notes of such series for redemption will be made by the Trustee on a pro rata basis, by lot or by any other method that the Trustee considers fair and appropriate and that complies with the requirements of any securities exchange on which such series of the Senior Notes may be listed, provided that no Senior Notes with a principal amount of $1,000 or less will be redeemed in part. Notice of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Senior Notes to be redeemed at its registered address. If any Senior Note is to be redeemed in part only, the notice of redemption that relates to such Senior Note will state the portion of the principal amount thereof to be redeemed. A new Senior Note in a principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Senior Note. On and after the redemption date interest ceases to accrue on Senior Notes or portions of them called for redemption.

CERTAIN COVENANTS

Nothing in either of the Indentures or either series of the Senior Notes will in any way limit the amount of Indebtedness or securities (other than the Senior Notes) that the Company or any of its Subsidiaries may incur or issue. The Indentures provide that the following restrictive covenants will be applicable to the Company and its Restricted Subsidiaries.

Limitation on Liens. The Indentures will provide that the Company will not, and will not permit any Restricted Subsidiary to, issue, assume or guarantee any Indebtedness for borrowed money secured by any Lien on any property or asset now owned or hereafter acquired by the Company or such Restricted Subsidiary without making effective provision whereby any and all Senior Notes then or thereafter outstanding will be secured by a Lien equally and ratably with any and all other obligations thereby secured for so long as any such obligations shall be so secured.

The foregoing restriction will not, however, apply to:

(a) Liens existing on the date on which the Senior Notes are originally issued or provided for under the terms of agreements existing on such date;

(b) Liens on property securing (i) all or any portion of the cost of exploration, drilling or development of such property, (ii) all or any portion of the cost of acquiring, constructing, altering, improving or repairing any property or assets, real or personal, or improvements used or to be used in connection with such property or (iii) Indebtedness incurred by the Company or any Restricted Subsidiary to provide funds for the activities set forth in clauses (i) and (ii) above;

(c) Liens securing Indebtedness owed by a Restricted Subsidiary to the Company or to any other Restricted Subsidiary;

(d) Liens on property existing at the time of acquisition of such property by the Company or a Subsidiary or Liens on the property of any corporation or other entity existing at the time such corporation or other entity becomes a Restricted Subsidiary of the Company or is merged with the Company in compliance with the Indentures and in either case not incurred as a result of (or in connection with or in anticipation of) the acquisition of such property or such corporation or other entity becoming a Restricted Subsidiary of the Company or being merged with the Company, provided that such Liens do not extend to or cover any property or assets of the Company or any of its Restricted Subsidiaries other than the property so acquired;

(e) Liens on any property securing (i) Indebtedness incurred in connection with the construction, installation or financing of pollution control or abatement facilities or other forms of industrial revenue bond financing or (ii) Indebtedness issued or guaranteed by the United States or any State thereof or any department, agency or instrumentality of either;

(f) any Lien extending, renewing or replacing (or successive extensions, renewals or replacements of) any Lien of any type permitted under clauses (a) through (e) above, provided that such Lien extends to or covers only the property that is subject to the Lien being extended, renewed or replaced;

(g) certain Liens arising in the ordinary course of business of the Company and the Restricted Subsidiaries;

(h) any Lien resulting from the deposit of moneys or evidences of indebtedness in trust for the purpose of defeasing Indebtedness of the Company or any Restricted Subsidiary; or

(i) Liens (exclusive of any Lien of any type otherwise permitted under clauses (a) through (h) above) securing Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount which, together with the aggregate amount of Attributable Indebtedness deemed to be outstanding in respect of all Sale/Leaseback Transactions entered into pursuant to clause (a) of the covenant described under "Limitation on Sale/Leaseback Transactions" below (exclusive of any such Sale/Leaseback Transactions otherwise permitted under clauses (a) through (h) above), does not at the time such Indebtedness is incurred exceed 15% of ACNTA.

The following types of transactions will not be prohibited or otherwise limited by the foregoing covenant: (i) the sale, granting of Liens with respect to, or other transfer of, crude oil, natural gas or other petroleum hydrocarbons in place for a period of time until, or in an amount such that, the transferee will realize therefrom a specified amount (however determined) of money or of such crude oil, natural gas or other petroleum hydrocarbons; (ii) the sale or other transfer of any other interest in property of the character commonly referred to as a production payment, overriding royalty, forward sale or similar interest; (iii) the entering into of Currency Hedge Obligations, Interest Rate Hedging Agreements or Oil and Gas Hedging Contracts although Liens securing any Indebtedness for borrowed money that is the subject of any such obligation shall not be permitted hereby unless permitted under clauses (a) through (i) above; and (iv) the granting of Liens required by any contract or statute in order to permit the Company or any Restricted Subsidiary to perform any contract or subcontract made by it with or at the request of the United States or any State thereof or any department, agency or instrumentality of either, or to secure partial, progress, advance or other payments to the Company or any Restricted Subsidiary by such governmental unit pursuant to the provisions of any contract or statute.

Limitation of Sale/Leaseback Transactions. The Indentures will provide that the Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with any person (other than the Company or a Restricted Subsidiary) unless:

(a) the Company or such Restricted Subsidiary would be entitled to incur Indebtedness, in a principal amount equal to the Attributable Indebtedness with respect to such Sale/Leaseback Transaction, secured by a Lien on the property subject to such Sale/Leaseback Transaction pursuant to the

covenant described under "-- Limitation on Liens" above without equally and ratably securing the Senior Notes pursuant to such covenant;

(b) after the date on which the Senior Notes are originally issued and within a period commencing six months prior to the consummation of such Sale/Leaseback Transaction and ending six months after the consummation thereof, the Company or such Restricted Subsidiary shall have expended for property used or to be used in the ordinary course of business of the Company and the Restricted Subsidiaries (including amounts expended for the exploration, drilling or development thereof, and for additions, alterations, repairs and improvements thereto) an amount equal to all or a portion of the net proceeds of such Sale/Leaseback Transaction and the Company shall have elected to designate such amount as a credit against such Sale/Leaseback Transaction (with any such amount not being so designated to be applied as set forth in clause (c) below); or

(c) the Company, during the twelve-month period after the effective date of such Sale/Leaseback Transaction, shall have applied to the voluntary defeasance or retirement of a series of Senior Notes or any Pari Passu Indebtedness an amount equal to the greater of the net proceeds of the sale or transfer of the property leased in such Sale/Leaseback Transaction and the fair value, as determined by the Board of Directors of the Company, of such property at the time of entering into such Sale/Leaseback Transaction (in either case adjusted to reflect the remaining term of the lease and any amount expended by the Company as set forth in clause (b) above), less an amount equal to the principal amount of Senior Notes and Pari Passu Indebtedness voluntarily defeased or retired by the Company within such twelve-month period and not designated as a credit against any other Sale/Leaseback Transaction entered into by the Company or any Restricted Subsidiary during such period.

Limitations on Mergers and Consolidations. The Indentures will provide that the Company will not consolidate or merge with or into any Person, or sell, lease, convey or otherwise dispose of all or substantially all of its assets, or assign any of its obligations under the Indentures or under the Senior Notes, to any Person, unless: (i) the Person formed by or surviving such consolidation or merger (if other than the Company), or to which such sale, lease, conveyance or other disposition or assignment shall be made (collectively, the "Successor"), is a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia, or Canada or any Province thereof, and the Successor assumes by supplemental indenture in a form satisfactory to the Trustee all of the obligations of the Company under the Indentures and under the Senior Notes; and (ii) immediately after giving effect to such transaction, no Event of Default shall have occurred and be continuing.

SEC Reports. Notwithstanding that the Company may not be required to remain subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will file with the SEC and provide the Trustee and Holders with annual reports and such information, documents and other reports specified in Sections 13 and 15(d) of the Exchange Act.

CERTAIN DEFINITIONS

The following is a summary of certain defined terms to be used in the Indentures. Reference is made to the Indentures for the full definition of all such terms and for the definitions of capitalized terms used herein and not defined below.

"Adjusted Consolidated Net Tangible Assets" or "ACNTA" means, without duplication, as of the date of determination, (a) the sum of (i) discounted future net revenue from proved oil and gas reserves of the Company and its Restricted Subsidiaries calculated in accordance with SEC guidelines before any state or federal income taxes, as estimated by independent petroleum engineers in a reserve report prepared as of the end of the Company's most recently completed fiscal year, as increased by, as of the date of determination, the discounted future net revenue of (A) estimated proved oil and gas reserves of the Company and its Restricted Subsidiaries attributable to any acquisition consummated since the date of such year-end reserve report and (B) estimated oil and gas reserves of the Company and its Restricted Subsidiaries attributable to extensions, discoveries and other additions and upward revisions of estimates of proved oil and gas reserves due to exploration, development or exploitation, production or other activities conducted or otherwise occurring since

the date of such year-end reserve report which, in the case of sub-clauses (A) and (B), would, in accordance with standard industry practice, result in such increases as calculated in accordance with SEC guidelines (utilizing the prices utilized in such year-end reserve report), and decreased by, as of the date of determination, the discounted future net revenue of (C) estimated proved oil and gas reserves of the Company and its Restricted Subsidiaries produced or disposed of since the date of such year-end reserve report and (D) reductions in the estimated oil and gas reserves of the Company and its Restricted Subsidiaries since the date of such year-end reserve report attributable to downward revisions of estimates of proved oil and gas reserves due to exploration, development or exploitation, production or other activities conducted or otherwise occurring since the date of such year-end reserve report which, in the case of sub-clauses (C) and (D) would, in accordance with standard industry practice, result in such decreases as calculated in accordance with SEC guidelines (utilizing the prices utilized in such year-end reserve report); provided that, in the case of each of the determinations made pursuant to clauses (A) through (D), such increases and decreases shall be as estimated by the Company's engineers, (ii) the capitalized costs that are attributable to oil and gas properties of the Company and its Restricted Subsidiaries to which no proved oil and gas reserves are attributable, based on the Company's books and records as of a date no earlier than the date of the Company's latest annual or quarterly financial statements, (iii) the Net Working Capital on a date no earlier than the date of the Company's latest annual or quarterly financial statements and (iv) the greater of (I) the net book value on a date no earlier than the date of the Company's latest annual or quarterly financial statements and (II) the appraised value, as estimated by independent appraisers, of other tangible assets (including Investments in unconsolidated Subsidiaries) of the Company and its Restricted Subsidiaries, as of a date no earlier than the date of the Company's latest audited financial statements, minus (b) the sum of (i) minority interests, (ii) any gas balancing liabilities of the Company and its Restricted Subsidiaries reflected in the Company's latest annual or quarterly financial statements, (iii) the discounted future net revenue, calculated in accordance with SEC guidelines (utilizing the prices utilized in the Company's year-end reserve report), attributable to reserves which are required to be delivered to third parties to fully satisfy the obligations of the Company and its Restricted Subsidiaries with respect to Volumetric Production Payments on the schedules specified with respect thereto, (iv) the discounted future net revenue, calculated in accordance with SEC guidelines, attributable to reserves subject to Dollar-Denominated Production Payments which, based on the estimates of production included in determining the discounted future net revenue specified in (a)(i) above (utilizing the same prices utilized in the Company's year-end reserve report), would be necessary to fully satisfy the payment obligations of the Company and its Restricted Subsidiaries with respect to Dollar-Denominated Production Payments on the schedules specified with respect thereto and (v) the discounted future net revenue, calculated in accordance with SEC guidelines (utilizing the same prices utilized in the Company's year-end reserve report), attributable to reserves subject to participation interests, overriding royalty interests or other interests of third parties, pursuant to participation, partnership, vendor financing or other agreements then in effect, or which otherwise are required to be delivered to third parties. If the Company changes its method of accounting from the full cost method to the successful efforts method or a similar method of accounting, ACNTA will continue to be calculated as if the Company were still using the full cost method of accounting.

"Attributable Indebtedness" means, with respect to any particular lease under which any Person is at the time liable and at any date as of which the amount thereof is to be determined, the present value of the total net amount of rent required to be paid by such Person under the lease during the primary term thereof, without giving effect to any renewals at the option of the lessee, discounted from the respective due dates thereof to such date at the rate of interest per annum implicit in the terms of the lease. As used in the preceding sentence, the net amount of rent under any lease for any such period shall mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates or similar charges. In the case of any lease which is terminable by the lessee upon payment of a penalty, such net amount of rent shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of corporate stock or partnership interests and any and all warrants, options and rights with respect thereto (whether or not currently exercisable), including each class of common stock and preferred stock of such person.

"Capitalized Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under a lease of property, real or personal that is required to be capitalized for financial reporting purposes in accordance with generally accepted accounting principles, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with generally accepted accounting principles.

"Currency Hedge Obligations" means, at any time as to the Company and its Restricted Subsidiaries, the obligations of such Person at such time that were incurred in the ordinary course of business pursuant to any foreign currency exchange agreement, option or futures contract or other similar agreement or arrangement designed to protect against or manage such Person's or any of its Subsidiaries' exposure to fluctuations in foreign currency exchange rates.

"Dollar-Denominated Production Payments" mean production payment obligations recorded as liabilities in accordance with generally accepted accounting principles, together with all undertakings and obligations in connection therewith.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder.

"Foreign Subsidiary" means a Subsidiary that is incorporated in a jurisdiction other than the United States of America or a State thereof or the District of Columbia and with respect to which more than 80% of any of its sales, earnings or assets (determined on a consolidated basis in accordance with GAAP) are located in, generated from or derived from operations located in territories outside the United States of America and jurisdiction outside the United States of America.

"Funded Indebtedness" means all Indebtedness (including Indebtedness incurred under any revolving credit, letter of credit or working capital facility) that matures by its terms, or that is renewable at the option of any obligor thereon to a date, more than one year after the date on which such Indebtedness is originally incurred.

"Guarantee" means, individually and collectively, the guarantees given by the Subsidiary Guarantors pursuant to Article Ten of the Indentures.

"Holder" means a Person in whose name a Senior Note is registered on the Registrar's books.

"Indebtedness" means, without duplication, with respect to any Person, (a) all obligations of such Person (i) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), (ii) evidenced by bonds, notes, debentures or similar instruments, (iii) representing the balance deferred and unpaid of the purchase price of any property or services (other than accounts payable or other obligations arising in the ordinary course of business), (iv) evidenced by bankers' acceptances or similar instruments issued or accepted by banks, (v) for the payment of money relating to a Capitalized Lease Obligation, or (vi) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit; (b) all net obligations of such Person in respect of Currency Hedge Obligations, Interest Rate Hedge Agreements and Oil and Gas Hedging Contracts, except to the extent such net obligations are taken into account in the determination of future net revenues from proved oil and gas reserves for purposes of the calculation of Adjusted Consolidated Net Tangible Assets; (c) all liabilities of others of the kind described in the preceding clauses (a) or (b) that such Person has guaranteed or that are otherwise its legal liability (including, with respect to any Production Payment, any warranties or guaranties of production or payment by such Person with respect to such Production Payment but excluding other contractual obligations of such Person with respect to such Production Payment); (d) Indebtedness (as otherwise defined in this definition) of another Person secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person, the amount of such obligations being deemed to be the

lesser of (1) the full amount of such obligations so secured and (2) the fair market value of such asset, as determined in good faith by the Board of Directors of such Person, which determination shall be evidenced by a resolution of such Board; and (e) any and all deferrals, renewals, extensions, refinancings and refundings (whether direct or indirect) of, or amendments, modifications or supplements to, any liability of the kind described in any of the preceding clauses (a), (b), (c), (d) or this clause (e), whether or not between or among the same parties. Subject to clause (c) of the preceding sentence, neither Dollar-Denominated Production Payments nor Volumetric Production Payments shall be deemed to be Indebtedness.

"Interest Rate Hedging Agreements" means, with respect to the Company and its Restricted Subsidiaries, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates.

"Issue Date" means the date on which the Senior Notes are originally issued.

"Lien" means, with respect to any Person, any mortgage, pledge, lien, encumbrance, easement, restriction, covenant, right-of-way, charge or adverse claim affecting title or resulting in an encumbrance against real or personal property of such Person, or a security interest of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option, right of first refusal or other similar agreement to sell, in each case securing obligations of such Person and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statute or statutes) of any jurisdiction).

"Make-Whole Amount" with respect to a Senior Note means an amount equal to the excess, if any, of (i) the present value of (a) in the case of the Notes due 2004, the remaining interest and principal payments due thereon to the Maturity Date, and (b) in the case of the Notes due 2012, the remaining interest, premium and principal payments due on such Senior Note as if such Senior Note were redeemed on March 15, 2004, in each case computed using a discount rate equal to the Treasury Rate plus 25 basis points, over (ii) the outstanding principal amount of such Senior Note. "Treasury Rate" is defined as the yield to maturity at the time of the computation of United States Treasury securities with a constant maturity (as compiled by and published in the most recent Federal Reserve Statistical Release H.15(519), which has become publicly available at least two business days prior to the date of the redemption notice or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal (a) in the case of the Notes due 2004, to the then remaining maturity of the Notes due 2004, and (b) in the case of the Notes due 2012, to the then remaining maturity of such Notes due 2012 assuming redemption of the Senior Notes on March 15, 2004; provided, however, that if the Make-Whole Average Life of such Senior Note is not equal to the constant maturity of the United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the Make-Whole Average Life of such Senior Notes is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used. "Make-Whole Average Life" means the number of years (calculated to the nearest one-twelfth of a year) between the date of redemption and March 15, 2004.

"Make-Whole Price" means (a) with respect to a Senior Note due 2004, the sum of the outstanding principal amount and Make-Whole Amount of such Senior Note, and (b) with respect to a Senior Note due 2012, the greater of (i) the sum of the outstanding principal amount and Make-Whole Amount of such Senior Note due 2012, and (ii) the redemption price of such Senior Note on March 15, 2004, determined pursuant to the Indenture relating to the New Notes due 2012.

"Maturity Date" means March 15, 2004 with respect to the Senior Notes due 2004 and March 15, 2012 with respect to the Senior Notes due 2012.

"Net Working Capital" means (i) all current assets of the Company and its Restricted Subsidiaries, minus (ii) all current liabilities of the Company and its Restricted Subsidiaries, except current liabilities included in Indebtedness.

"Oil and Gas Hedging Contracts" means any oil and gas purchase or hedging agreement, and other agreement or arrangement, in each case, that is designed to provide protection against oil and gas price fluctuations.

"Pari Passu Indebtedness" means any Indebtedness of the Company, whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless such Indebtedness is contractually subordinate or junior in right of payment of principal, premium and interest of Senior Notes.

"Pari Passu Indebtedness of a Subsidiary Guarantor" means any Indebtedness of such Subsidiary Guarantor, whether outstanding on the Issue Date or thereafter created, incurred, or assumed unless such Indebtedness is contractually subordinate or junior in right of payment of principal, premium and interest to the Guarantees.

"Person" means any individual, corporation, partnership, joint venture, trust, estate, unincorporated organization or government or any agency or political subdivision thereof.

"Production Payments" means, collectively, Dollar-Denominated Production Payments and Volumetric Production Payments.

"Proved Developed Properties" means working interests, royalty interests, and other interests in oil, gas or mineral leases or other interests in oil, gas or mineral properties to which reserves are attributed which may properly be categorized as proved developed reserves under Regulation S-X under the Securities Act; together with all contracts, agreements and contract rights which cover, affect or otherwise relate to such interests; all hydrocarbons and all payments of any type in lieu of production; all improvements, fixtures, equipment, information, data and other property used in connection therewith or in connection with the treating, handling, storing, processing, transporting or marketing of such hydrocarbons; all insurance policies relating thereto or to the operation thereof; all personal property related thereto; and all proceeds thereof.

"Restricted Subsidiary" means any Subsidiary of the Company which owns or leases (as lessor or lessee) (i) any property owned or leased by the Company or any Subsidiary, or any interest of the Company or any Subsidiary in property, located within the United States of America or Canada (including property located off the coast of the United States of America or Canada held pursuant to lease from any federal, state, provincial or other governmental body) which is considered by the Company to be capable of producing oil or gas or minerals in commercial quantities and (ii) any processing or manufacturing plant or pipeline owned or leased by the Company or any Subsidiary and located within the United States of America or Canada, except any processing or manufacturing plant or pipeline, or portion thereof, which the Board of Directors declares is not material to the business of the Company and its subsidiaries taken as a whole.

"Sale/Leaseback Transaction" means with respect to the Company or any of its Restricted Subsidiaries, any arrangement with any Person providing for the leasing by the Company or any of its Restricted Subsidiaries of any principal property, acquired or placed into service more than 180 days prior to such arrangement, whereby such property has been or is to be sold or transferred by the Company or any of its Restricted Subsidiaries to such Person.

"Subordinated Indebtedness of a Subsidiary Guarantor" means any Indebtedness of such Subsidiary Guarantor, whether outstanding on the Issue Date or thereafter created, incurred or assumed, which is contractually subordinate or junior in right of payment of principal, premium and interest to the Guarantees.

"Subordinated Indebtedness of the Company" means any Indebtedness of the Company, whether outstanding on the Issue Date or thereafter created, incurred or assumed, which is contractually subordinate or junior in right of payment of principal, premium and interest to the Senior Notes.

"Subsidiary" means any subsidiary of the Company. A "subsidiary" of any Person means (i) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more subsidiaries of such Person or by such Person and one or more subsidiaries of such Person, (ii) a partnership in which such Person or a subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if such Person or its subsidiary is entitled to receive more than 50 percent of the assets of such partnership upon its dissolution, or (iii) any other Person (other than a

corporation or partnership) in which such Person, directly or indirectly, at the date of determination thereof, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Subsidiary Guarantor" means (i) each of the Subsidiaries that becomes a guarantor of a series of the Senior Notes in compliance with the provisions of Article Ten of the Indenture relating to such series of Senior Notes and (ii) each of the Subsidiaries executing a supplemental indenture in which such Subsidiary agrees to be bound by the terms of such Indenture.

"U.S. Government Securities" means securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case under clauses (i) or (ii) are not callable or redeemable at the option of the issuer thereof.

"U.S. Legal Tender" means such coin or currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts.

"Volumetric Production Payments" mean production payment obligations recorded as deferred revenue in accordance with generally accepted accounting principles, together with all undertakings and obligations in connection therewith.

"Voting Stock" means, with respect to any Person, securities of any class or classes of Capital Stock in such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of contingency) to vote in the election of members of the Board of Directors or other governing body of such person.

EVENTS OF DEFAULT

An Event of Default is defined in each Indenture as being: (i) default by the Company or any Subsidiary Guarantor in the payment of principal of or premium, if any, on the series of Senior Notes to which such Indenture relates when due and payable at maturity, upon acceleration or otherwise; (ii) default by the Company or any Subsidiary Guarantor for 30 days in payment of any interest on such Senior Notes; (iii) default by the Company or any Subsidiary Guarantor in the deposit of any optional redemption payment; (iv) default by the Company or any Subsidiary Guarantor in the performance of the covenants discussed under "-- Certain Covenants -- Limitation on Mergers and Consolidations" or in the performance of any other covenant or agreement in such Indenture which shall not have been remedied within 45 days after written notice by the Trustee or by the holders of at least 25% in principal amount of the series of Senior Notes to which such Indenture relates then outstanding; (v) the acceleration of the maturity of any other Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of $10 million or more, individually or in the aggregate, or a default in the payment of principal of, premium, if any, or interest on, any other Indebtedness of the Company or any Restricted Subsidiary, after giving effect to any applicable grace period, having an outstanding principal amount of $10 million or more individually or in the aggregate; (vi) one or more judgments or orders for the payment of money of $10 million or more individually or in the aggregate (net of applicable insurance coverage which is acknowledged in writing by the insurer) having been rendered against the Company or any Restricted Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 60 days; (vii) the failure of a Guarantee by a Subsidiary Guarantor to be in full force and effect, or the denial or disaffirmance by such entity thereof; or (viii) certain events involving bankruptcy, insolvency or reorganization of the Company or any Restricted Subsidiary of the Company. Each of the Indentures provides that the Trustee may withhold notice to the Holders of the Senior Notes to which such Indenture relates of any default (except in payment of principal of, or premium, if any, or interest on the Senior Notes) if the Trustee considers it in the interest of the Holders of the Senior Notes to do so.

Each of the Indentures provides that if an Event of Default occurs and is continuing with respect to the Indenture, the Trustee or the Holders of not less than 25% in principal amount of such Senior Notes

outstanding may declare the principal of and premium, if any, and accrued but unpaid interest on all such Senior Notes to be due and payable. Upon such a declaration, such principal premium, if any, and interest will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company or any Subsidiary of the Company occurs and is continuing, the principal of, and premium, if any, and interest on all the Senior Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders of the Senior Notes. The amount due and payable on the acceleration of any Senior Note will be equal to 100% of the principal amount of such Senior Note, plus accrued and unpaid interest to the date of payment. Under certain circumstances, the Holders of a majority in principal amount of the outstanding series of Senior Notes may rescind any such acceleration with respect to such series of Senior Notes and its consequences.

Each of the Indentures provides that no Holder of a Senior Note may pursue any remedy under the Indenture relating to such Senior Note unless (i) the Trustee shall have received written notice of a continuing Event of Default, (ii) the Trustee shall have received a request from Holders of at least 25% in principal amount of such series of Senior Notes to pursue such remedy, (iii) the Trustee shall have been offered indemnity reasonably satisfactory to it, (iv) the Trustee shall have failed to act for a period of 60 days after receipt of such notice, request and offer of indemnity and (v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of such series of Senior Notes; provided, however, such provision does not affect the right of a Holder of a Senior Note to sue for enforcement of any overdue payment thereon.

The Holders of a majority in principal amount of each series of the Senior Notes then outstanding will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee under the Indenture relating to such series of Senior Notes, subject to certain limitations specified in such Indenture. Each of the Indentures will require the annual filing by the Company with the Trustee of a written statement as to compliance with the covenants contained in such Indenture.

MODIFICATION AND WAIVER

Each of the Indentures provides that modifications and amendments to the Indenture or the series of Senior Notes subject thereto may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of a majority in principal amount of such series of Senior Notes then outstanding; provided that no such modification or amendment may, without the consent of the Holder of each Senior Note of such series then outstanding affected thereby, (i) reduce the percentage of principal amount of Senior Notes of such series whose Holders must consent to an amendment, supplement or waiver; (ii) reduce the rate or change the time for payment of interest, including default interest, on any such Senior Note; (iii) reduce the principal amount of any such Senior Note or change the Maturity Date of the Senior Notes; (iv) reduce the redemption price, including premium, if any, payable upon redemption of any Senior Note or change the time at which any Senior Note may or shall be redeemed; (v) make any such series of Senior Notes payable, in money other than that stated in such series of Senior Note; (vi) impair the right to institute suit for the enforcement of any payment of principal of, or premium, if any, or interest on, any Senior Note of such series; (vii) make any change in the percentage of principal amount of Senior Notes necessary to waive compliance with certain provisions of the Indenture; or (viii) waive a continuing Default or Event of Default in the payment of principal of, premium, if any, or interest on such series of the Senior Notes. Each of the Indentures will provide that modifications and amendments of such Indenture may be made by the Company and the Trustee without the consent of any holders of the Senior Notes to which such Indenture relates in certain limited circumstances, including (a) to cure any ambiguity, omission, defect or inconsistency, (b) to provide for the assumption of the obligations of the Company or any Subsidiary Guarantor under such Indenture upon the merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company or such Subsidiary Guarantor, (c) to reflect the release of any Subsidiary Guarantor from its Guarantee, or the addition of any Subsidiary of the Company as a Subsidiary Guarantor, in the manner provided in such Indenture, (d) to comply with any requirement of the SEC in order to effect or maintain the qualification of such Indenture under the Trust Indenture Act of 1939 or (e) to make any change that would

provide any additional benefit to the Holders or that does not adversely affect the rights of any Holder of Senior Notes in any material respect.

Each of the Indentures provides that the Holders of a majority in aggregate principal amount of the Senior Notes then outstanding may waive any past default under such Indenture, except a default in the payment of principal premium, if any, or interest.

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

The Company may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding Senior Notes of either series ("Legal Defeasance"). Such Legal Defeasance means that the Company will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Senior Notes of such series, except for (i) the rights of Holders of such Senior Notes to receive payments in respect of the principal of, premium, if any, and interest on such Senior Notes when such payments are due, (ii) the Company's obligations with respect to such Senior Notes concerning the issuance of temporary Senior Notes, transfers and exchanges of such Senior Notes, replacement of mutilated, destroyed, lost or stolen Senior Notes, the maintenance of an office or agency where such Senior Notes may be surrendered for transfer or exchange or presented for payment, and duties of paying agents, (iii) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's obligations in connection therewith and (iv) the Legal Defeasance provisions of the Indenture. In addition, the Company may, at its option and at any time, elect to have the obligations of the Company released with respect to certain covenants described under "-- Certain Covenants" ("Covenant Defeasance"), and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Senior Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment or bankruptcy and insolvency events) described under "-- Events of Default" will no longer constitute an Event of Default with respect to the Senior Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance, (i) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of a series of Senior Notes, cash in U.S. Legal Tender, non-callable U.S. Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on the outstanding Senior Notes of such series on the Maturity Date or on the applicable mandatory redemption date, as the case may be, of such principal or installment of principal, premium, if any, or interest; (ii) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that (A) the Company has received from or there has been published by, the Internal Revenue Service a ruling or (B) since the date of such Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the Holders of the outstanding Senior Notes of such series will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; (iii) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee to the effect that the Holders of the related series of outstanding Senior Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; (iv) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit; (v) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which the Company is a party or by which the Company is bound; (vi) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of such series of Senior Notes over other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and (vii) the Company shall have delivered to the Trustee an

Officers' Certificate and an opinion of counsel each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

GOVERNING LAW

Each of the Indentures provides that it will be governed by, and construed in accordance with, the laws of the State of New York, but without giving effect to principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

THE TRUSTEE

United States Trust Company of New York is the Trustee under each of the Indentures. Its address is 114 West 47th Street, New York, New York 10036-1532. The Company has also appointed the Trustee as the initial Registrar, Transfer Agent and Paying Agent under the Indentures.

The Trustee is permitted to become an owner or pledgee of Senior Notes and may otherwise deal with the Company or its Subsidiaries or Affiliates with the same rights it would have if it were not Trustee. If, however, the Trustee acquires any conflicting interest (as defined in the Trust Indenture Act of 1939), it must eliminate such conflict or resign.

Each of the Indentures provides that in case an Event of Default shall occur (and be continuing), the Trustee will be required to use the degree of care and skill of a prudent person in the conduct of such person's own affairs. The Trustee will be under no obligation to exercise any of its powers under either of the Indentures at the request of any of the Holders of the Senior Notes to which such Indenture relates, unless such Holders have offered the Trustee indemnity reasonably satisfactory to it.

BOOK-ENTRY SYSTEM

Book-Entry, Delivery and Form

The certificates representing each of the New Notes due 2004 and the New Notes due 2012 will initially be represented by one or more permanent global Senior Notes in definitive, fully registered form without interest coupons (each a "Global Note") and will be deposited with the Trustee as custodian for, and registered in the name of, a nominee of DTC. Except in the limited circumstances described below under "Certificated Senior Notes," owners of beneficial interests in a Global Note will not be entitled to receive physical delivery of Certificated Senior Notes (as defined below).

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Senior Notes represented by such Global Note for all purposes under the applicable Indenture and the Senior Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with the applicable procedures of DTC, in addition to those provided for under the applicable Indenture.

Payments of the principal of, and interest on, a Global Note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither the Company, the Trustee nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or

its nominee. The Company also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds.

The Company expects that DTC will take any action permitted to be taken by a holder of Senior Notes (including the presentation of Senior Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Senior Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Senior Notes, DTC will exchange the applicable Global Note for Certificated Senior Notes, which it will distribute to its participants.

The Company understands that DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A under the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

Although DTC is expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Company nor the Trustee will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Senior Notes

Subject to certain conditions, any person having a beneficial interest in a Global Note may, upon request to the Trustee, exchange such beneficial interest for Senior Notes in the form of certificated Senior Notes ("Certificated Senior Notes"). Upon any such issuance, the Trustee is required to register such Certificated Senior Notes in the name of, and cause the same to be delivered to, such person or persons (or the nominee of any thereof). In addition, if (i) the Company notifies the Trustee in writing that the Depositary is no longer willing or able to act as a depositary and the Company is unable to locate a qualified successor within 90 days or (ii) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of Senior Notes in the form of Certificated Senior Notes under the Indentures, then, upon surrender by the Global Note holder of its Global Note, Senior Notes in such form will be issued to each person that the Global Note holder and the Depositary identify as being the beneficial owner of the related Senior Notes.

Neither the Company nor the Trustee will be liable for any delay by the Global Note holder or the Depositary in identifying the beneficial owners of Senior Notes and the Company and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the Global Note holder or the Depositary for all purposes.

PLAN OF DISTRIBUTION

There has previously been only a limited secondary market and no public market for the Old Notes. The Company does not intend to apply for the listing of the Senior Notes on a national securities exchange or for their quotation through The Nasdaq Stock Market. The Old Notes are eligible for trading in the PORTAL market. The Company has been advised by the Initial Purchasers that the Initial Purchasers currently intend to make a market in the Senior Notes; however, no Initial Purchaser is obligated to do so and any market making may be discontinued by any Initial Purchaser at any time. In addition, such market making activity may be limited during the Exchange Offer. Therefore, there can be no assurance that an active market for the Old Notes or the New Notes will develop.

If a trading market develops for the Old Notes or the New Notes, future trading prices of such securities will depend on many factors, including, among other things, prevailing interest rates, the Company's results of operations and the market for similar securities. Depending on such factors, such securities may trade at a discount from their offering price.

With respect to resale of New Notes, based on an interpretation by the staff of the Commission set forth in no-action letters issued to third parties, the Company believes that a holder (other than a person that is an affiliate of the Company within the meaning of Rule 405 under the Securities Act or a "broker" or "dealer" registered under the Exchange Act) who exchanges Old Notes for New Notes in the ordinary course of business and who is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the New Notes, will be allowed to resell the New Notes to the public without further registration under the Securities Act and without delivering to the purchasers of the New Notes a prospectus that satisfies the requirements of Section 10 thereof. However, if any holder acquires New Notes in the Exchange Offer for the purpose of distributing or participating in a distribution of the New Notes, such holder cannot rely on the position of the staff of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988) or similar no-action letters or any similar interpretive letters and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction, unless an exemption from registration is otherwise available.

As contemplated by the above no-action letters and the Registration Rights Agreement, each holder accepting the Exchange Offer is required to represent to the Company in the Letter of Transmittal that (i) the New Notes are to be acquired by the holder in the ordinary course of business, (ii) the holder is not engaging and does not intend to engage in the distribution of the New Notes, and (iii) the holder acknowledges that if such holder participates in the New Offer for the purpose of distributing the New Notes such holder must comply with the registration and prospectus delivery requirements of the Securities Act and cannot rely on the above no-action letters.

Any broker or dealer registered under the Exchange Act (each a "Broker-Dealer") who holds Old Notes that were acquired for its own account as a result of market-making activities or other trading activities (other than Old Notes acquired directly from the Company) may exchange such Old Notes for New Notes pursuant to the Exchange Offer; however, such Broker-Dealer may be deemed an underwriter within the meaning of the Securities Act and, therefore, must deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of the New Notes received by it in the Exchange Offer, which prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of this Prospectus. The Company and the Subsidiary Guarantors have agreed to cause the Exchange Offer Registration Statement, of which this Prospectus is a part, to remain continuously effective for a period of one year from the date it is first declared effective, and to make this Prospectus, as amended or supplemented, available to any such Broker-Dealer for use in connection with resales. Any Broker-Dealer participating in the Exchange Offer will be required to acknowledge that it will deliver a prospectus in connection with any resales of New Notes received by it in the Exchange Offer. The delivery by a Broker-Dealer of a prospectus in connection with resales of New Notes shall not be deemed to be an admission by such Broker-Dealer that it is an underwriter within the meaning of the Securities Act. The Company will not receive any proceeds from any sale of New Notes by a Broker-Dealer.

LEGAL MATTERS

The legality of the New Notes offered hereby has been passed upon for the Company by McAfee & Taft A Professional Corporation, Oklahoma City, Oklahoma. From time to time, McAfee & Taft performs certain legal services for the Company.

EXPERTS

The Consolidated Financial Statements of the Company as of June 30, 1995 and for each of the two years in the period ended June 30, 1995 and the financial statements of Chesapeake Exploration Limited Partnership as of and for the same date and periods, included in this Prospectus, have been so included in reliance upon the reports of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in accounting and auditing.

The Consolidated Financial Statements of the Company as of June 30, 1996 and for the year then ended and the financial statements of Chesapeake Exploration Limited Partnership as of and for the same date and period, included in this Prospectus, have been included in reliance upon the reports of Coopers & Lybrand L.L.P., independent accountants, given on the authority of said firm as experts in accounting and auditing.

Effective July 1, 1996, Price Waterhouse LLP sold its Oklahoma City practice to Coopers & Lybrand L.L.P. and resigned as the Company's independent accountants.

Certain estimates of oil and gas reserves included and incorporated by reference herein were based upon engineering studies prepared by Williamson Petroleum Consultants, Inc., independent petroleum engineers. Such estimates are included or incorporated herein in reliance on the authority of such firm as experts in such matters.

GLOSSARY

The terms defined below are used throughout this Prospectus.

Bcf. Billion cubic feet of gas.

Bcfe. Billion cubic feet of gas equivalent.

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

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

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

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

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

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

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

Formation. A succession of sedimentary beds that were deposited under the same general geologic conditions. Gross Acres or Gross Wells. The total acres or wells, as the case may be, in which a working interest is owned. Horizontal Wells. Wells which are drilled at angles greater than 70 -- from vertical.

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

MBoe. One thousand barrels of oil equivalent.

MBtu. One thousand Btus.

Mcf. One thousand cubic feet of gas.

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 of gas.

MMcfe. One million cubic feet of gas equivalent. Net Acres or Net Wells. The sum of the fractional working interest owned in gross acres or gross wells.

Present Value. When used with respect to oil and gas reserves, present value means the estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and future development costs, using prices and costs in effect at the determination date, without giving effect to nonproperty 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 a 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.

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

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

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Chesapeake Energy Corporation

We have audited the accompanying consolidated balance sheet of Chesapeake Energy Corporation and its subsidiaries as of June 30, 1996, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chesapeake Energy Corporation and its subsidiaries as of June 30, 1996, and the consolidated results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Oklahoma City, Oklahoma
September 13, 1996, except for the first
paragraph of Note 9 which is as of March 7, 1997

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Chesapeake Energy Corporation

In our opinion, the consolidated balance sheet and the related consolidated statements of income, of cash flows and of stockholders' equity present fairly, in all material respects, the financial position of Chesapeake Energy Corporation and its subsidiaries at June 30, 1995, and the results of their operations and their cash flows for each of the two years in the period then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards 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 the opinion expressed above. We have not audited the consolidated financial statements of Chesapeake Energy Corporation for any period subsequent to June 30, 1995.

PRICE WATERHOUSE LLP

Houston, Texas
September 20, 1995, except for the
first and fourth paragraphs of Note 9
which are as of March 7, 1997

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	JUNE 30,	
	1996	1995
	($ IN THOUSANDS)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 51,638	$ 55,535
Accounts receivable:		
Oil and gas sales	12,687	10,644
Gas marketing sales	6,982	--
Joint interest and other, net of allowances of $340,000 and $452,000, respectively	27,661	26,317
Related parties	2,884	4,386
Inventory	5,163	8,926
Other	2,158	633
Total Current Assets	109,173	106,441
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full cost accounting:		
Evaluated oil and gas properties	363,213	165,302
Unevaluated properties	165,441	27,474
Less: accumulated depreciation, depletion and amortization	(92,720)	(41,821)
	435,934	150,955
Other property and equipment	18,162	16,966
Less: accumulated depreciation and amortization	(2,922)	(4,120)
Total Property and Equipment	451,174	163,801
OTHER ASSETS	11,988	6,451
TOTAL ASSETS	$572,335	$276,693
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 6,755	$ 9,993
Accounts payable	54,514	33,438
Accrued liabilities and other	14,062	7,688
Revenues and royalties due others	33,503	23,786
Total Current Liabilities	108,834	74,905
LONG-TERM DEBT, NET	268,431	145,754
REVENUES AND ROYALTIES DUE OTHERS	5,118	3,779
DEFERRED INCOME TAXES	12,185	7,280
CONTINGENCIES AND COMMITMENTS (Note 4)	--	--
STOCKHOLDERS' EQUITY:		
Preferred Stock, .01 par value, 10,000,000 shares authorized; 0 shares issued and outstanding	--	--
Common Stock, 100,000,000 shares authorized; $.01 par value at June 30, 1996, $.0011 par value at June 30, 1995; 60,159,826 and 52,622,496 shares issued and outstanding at June 30, 1996 and 1995, respectively	3,008	58
Paid-in capital	136,782	30,295
Accumulated earnings	37,977	14,622
Total Stockholders' Equity	177,767	44,975
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$572,335	$276,693

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)		
REVENUES:			
Oil and gas sales	$110,849	$56,983	$22,404
Gas marketing sales	28,428	--	--
Oil and gas service operations	6,314	8,836	6,439
Interest and other	3,831	1,524	981
Total Revenues	149,422	67,343	29,824
COSTS AND EXPENSES:			
Production expenses and taxes	8,303	4,256	3,647
Gas marketing expenses	27,452	--	--
Oil and gas service operations	4,895	7,747	5,199
Oil and gas depreciation, depletion and amortization	50,899	25,410	8,141
Depreciation and amortization of other assets	3,157	1,765	1,871
General and administrative	4,828	3,578	3,135
Interest and other	13,679	6,627	2,676
Total Costs and Expenses	113,213	49,383	24,669
INCOME BEFORE INCOME TAXES	36,209	17,960	5,155
INCOME TAX EXPENSE	12,854	6,299	1,250
NET INCOME	$ 23,355	$11,661	$ 3,905
EARNINGS PER COMMON SHARE:			
NET INCOME PER COMMON SHARE			
Primary	$ .40	$ .21	$ .08
Fully-diluted	$ .40	$ .21	$ .08
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING			
Primary	58,342	55,872	48,240
Fully-diluted	58,922	56,606	48,366

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME	$ 23,355	$ 11,661	$ 3,905
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation, depletion and amortization	52,768	26,628	9,455
Deferred taxes	12,854	6,299	1,250
Amortization of loan costs	1,288	548	557
Amortization of bond discount	563	567	138
Bad debt expense	114	308	222
Purchases and sales of trading securities, net	622	--	--
Gain on sale of fixed assets	(2,511)	(108)	--
CHANGES IN ASSETS AND LIABILITIES:			
(Increase) decrease in accounts receivable	(3,524)	(22,510)	(7,773)
(Increase) decrease in inventory	78	(1,203)	(304)
(Increase) decrease in other current assets	(1,525)	614	(726)
Increase (decrease) in accounts payable, accrued liabilities and other	25,834	19,387	10,077
Increase in current and non-current revenues and royalties due others	11,056	12,540	2,622
Cash provided by operating activities	120,972	54,731	19,423
CASH FLOWS FROM INVESTING ACTIVITIES:			
Exploration, development and acquisition of oil and gas properties	(347,294)	(120,985)	(34,654)
Proceeds from sale of oil and gas equipment, leasehold and other	11,416	15,107	7,598
Other proceeds from sales	698	1,104	765
Investment in gas marketing company, net of cash acquired	(363)	--	--
Other property and equipment additions	(8,846)	(7,929)	(2,920)
Cash used in investing activities	(344,389)	(112,703)	(29,211)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of Common Stock	99,498	--	--
Proceeds from long-term borrowings	166,667	128,834	48,800
Payments on long-term borrowings	(48,634)	(32,370)	(25,738)
Placement fee on Senior Notes and Warrants	--	--	(1,900)
Cash received from exercise of stock options	1,989	818	--
Cash provided by financing activities	219,520	97,282	21,162
Net increase (decrease) in cash and cash equivalents	(3,897)	39,310	11,374
Cash and cash equivalents, beginning of period	55,535	16,225	4,851
Cash and cash equivalents, end of period	$ 51,638	$ 55,535	$ 16,225
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
CASH PAYMENTS FOR:			
Interest	$ 17,179	$ 6,488	$ 1,467
Income taxes	$ --	$ --	$ 109

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

The Company has a financing arrangement with a vendor to supply certain oil and gas equipment inventory. The total amounts owed at June 30, 1996, 1995 and 1994 were $3,156,000, $6,513,000 and $5,952,000, respectively. No cash consideration is exchanged for inventory under this financing arrangement until actual draws on the inventory are made.

In fiscal 1996 and 1995, the Company recognized income tax benefits of $7,950,000 and $1,229,000, respectively, related to the disposition of stock options by directors and employees of the Company. The tax benefits were recorded as an adjustment to deferred income taxes and paid-in capital.

Proceeds from the issuances of $90 million of 10.5% Senior Notes in May 1995 and $120 million of 9.125% Senior Notes in April 1996 are net of $2.7 million and $3.9 million, respectively, in offering fees and expenses which were deducted from the actual cash received.

On March 31, 1994, the Company issued 8,000 units (see Note 2) to Trust Company of the West ("TCW") primarily in consideration for the surrender of 576,923 shares of the Company's 9% convertible preferred stock, including its rights to dividends, warrants to purchase Common Stock and an overriding royalty interest.

In February 1994, pending litigation was settled pursuant to an agreement requiring COI to pay $1.25 million, of which $250,000 plus interest was paid in July 1994, and the balance of which was paid in June 1995.

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	YEAR ENDED JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
PREFERRED STOCK:			
Balance, beginning of period	$ --	$ --	$ 6
Exchange of 576,923 shares of Preferred Stock	--	--	(6)
Balance, end of period	--	--	--
COMMON STOCK:			
Balance, beginning of period	58	51	51
Issuance of 5,989,500 shares of Common Stock	299	--	--
Exercise of stock options and warrants	79	7	--
Change in par value from $.0011 to $.01	2,572	--	--
Balance, end of period	3,008	58	51
COMMON STOCK WARRANTS:			
Balance, beginning of period	--	5	--
Issuance of Common Stock Warrants	--	--	5
Exercise of Common Stock Warrants	--	(5)	--
Balance, end of period	--	--	5
PAID-IN CAPITAL:			
Balance, beginning of period	30,295	28,243	32,704
Exchange of Preferred Stock	--	--	(7,494)
Issuance of Common Stock Warrants	--	--	3,033
Exercise of stock options and warrants	1,910	823	--
Issuance of Common Stock	105,516	--	--
Offering expenses and other	(6,317)	--	--
Tax benefit from exercise of stock options	7,950	1,229	--
Change in par value from $.0011 to $.01	(2,572)	--	--
Balance, end of period	136,782	30,295	28,243
ACCUMULATED EARNINGS (DEFICIT):			
Balance, beginning of period	14,622	2,961	(1,329)
Net income	23,355	11,661	3,905
Preferred dividends	--	--	(340)
Cancellation of preferred dividends	--	--	725
Balance, end of period	37,977	14,622	2,961
TOTAL STOCKHOLDERS' EQUITY	$177,767	$44,975	$31,260

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

Principles of Consolidation

The accompanying consolidated financial statements of Chesapeake Energy Corporation (the "Company" or "Parent") include the accounts of Chesapeake Operating, Inc. ("COI"), Chesapeake Exploration Limited Partnership ("CEX"), a limited partnership, Chesapeake Gas Development Corporation ("CGDC"), Chesapeake Energy Marketing, Inc. ("CEMI"), Lindsay Oil Field Supply, Inc. ("LOF"), Sander Trucking Company, Inc. ("STCO") and subsidiaries of those entities. All significant intercompany accounts and transactions have been eliminated.

In December 1995, the Company entered into the gas marketing business by acquiring all of the outstanding stock of an Oklahoma City-based natural gas marketing company for total consideration of $725,000. This subsidiary was subsequently named CEMI. CEMI provides natural gas marketing services including commodity price structuring, contract administration and nomination services for the Company, its partners and other natural gas producers in the geographical areas in which the Company is active.

Accounting Estimates

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

Cash Equivalents

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

Inventory

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

Oil and Gas Properties

The Company follows the full cost method of accounting under which all costs associated with property acquisition, exploration and development activities are capitalized. The Company capitalizes internal costs that can be directly identified with its acquisition, exploration and development activities and does not include any costs related to production, general corporate overhead or similar activities (see Note 11). Capitalized costs are amortized on a composite unit-of-production method based on proved oil and gas reserves. The Company's oil and gas reserves are estimated annually by independent petroleum engineers. The average composite rates used for depreciation, depletion and amortization were $0.85, $0.80 and $0.80 per equivalent Mcf in 1996, 1995, and 1994, respectively. 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. Unamortized costs as reduced by related deferred taxes are subject to a ceiling which limits such amounts to the estimated present value of oil and gas reserves, reduced by operating expenses, future development costs and income taxes. The costs of unproved properties are excluded from amortization until the properties are evaluated.

On April 30, 1996, the Company purchased interests in certain producing and non-producing oil and gas properties, including approximately 14,000 net acres of unevaluated leasehold from Amerada Hess Corporation for $35 million, subject to adjustment for activity after the effective date of January 1, 1996. The properties are located in the Knox and Golden Trend fields of southern Oklahoma, most of which are operated by the Company.

Other Property and Equipment

Other property and equipment primarily consists of vehicles, 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 over the estimated useful lives of the assets, which range from three to 30 years.

Leases

Included in other property and equipment in the consolidated balance sheets is computer equipment and software held under capital leases. Minimum lease payments under these capital leases and other operating leases are as follows:

	CAPITAL LEASES	OPERATING LEASES
	($ IN THOUSANDS)	
1997	$ 62	$133
1998	62	58
1999	15	53
2000	0	0
2001	0	0
Total minimum lease payments	139	$244
Less: amount relating to interest	(20)	
Present value of minimum payments	$119	

Capitalized Interest

During fiscal 1996, 1995 and 1994, interest of approximately $6,428,000, $1,574,000 and $356,000 was capitalized on significant investments in unproved properties that are not being currently depreciated, depleted, or amortized and on which exploration or development activities are in progress.

Service Operations

Certain subsidiaries of the Company performed contractual services on wells the Company operates as well as for third parties until June 30, 1996. Oil and gas service operations revenues and costs and expenses reflected in the accompanying consolidated statements of income include amounts derived from certain of the contractual services provided. The Company's economic interest in its oil and gas properties is not affected by the performance of these contractual services and all intercompany profits have been eliminated.

On June 30, 1996, Peak USA Energy Services, Ltd., a limited partnership ("Peak"), was formed by Peak Oilfield Services Company (a joint venture between Cook Inlet Region, Inc. and Nabors Industries, Inc.) and Chesapeake for the purpose of purchasing the Company's oilfield service assets and providing rig moving, transportation and related site construction services to the Company and the industry. The Company sold its

service company assets to Peak for $6.4 million, and simultaneously invested $2.5 million in exchange for a 33.3% partnership interest in Peak. This transaction resulted in recognition of a $1.8 million pre-tax gain during the fourth fiscal quarter of 1996 reported in Interest and other. A deferred gain from the sale of service company assets of $0.9 million was recorded as a reduction in the Company's investment in Peak and will be amortized to income over the estimated useful lives of the Peak assets. The Company's investment in Peak will be accounted for using the equity method.

Income Taxes

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

Net Income Per Share

Primary and fully diluted earnings per share for all periods have been computed based upon the weighted average number of shares of Common Stock outstanding after giving retroactive effect to all stock splits and the issuance of common stock equivalents when their effect is dilutive. Dilutive options or warrants which are issued during a period or which expire or are cancelled during a period are reflected in both primary and fully diluted earnings per share computations for the time they were outstanding during the period being reported upon.

Gas Imbalances

The Company follows the "sales method" of accounting for its oil and gas revenue whereby the Company recognizes sales revenue on all oil or gas sold to its purchasers, regardless of whether the sales are proportionate to the Company's ownership in the property. A liability is recognized only to the extent that the Company has a net imbalance in excess of the reserves on the underlying properties. The Company's net imbalance positions at June 30, 1996 and 1995 were not material.

Hedging

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

Debt Issue Costs

Other assets relate primarily to debt issue costs associated with the issuance of the 12% Senior Notes on March 31, 1994, the 10.5% Senior Notes on May 25, 1995, and the 9.125% Senior Notes on April 9, 1996 (see Note 2). The remaining unamortized costs on these issuances of Senior Notes at June 30, 1996 totaled $8.7 million and are being amortized over the life of the Senior Notes.

Stock Options

In October 1995, the Financial Accounting Standards Board issued Statement No. 123 ("SFAS 123"), "Accounting for Stock Based Compensation". As permitted by SFAS 123, the Company plans to continue to retain its current method of accounting for stock compensation and adopt the disclosure requirements of this Statement in fiscal 1997.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements for the years ended June 30, 1995 and 1994 to conform to the presentation used for the June 30, 1996 consolidated financial statements.

2. SENIOR NOTES

On April 9, 1996, the Company completed an offering of $120 million principal amount of 9.125% Senior Notes due 2006 ("9.125% Senior Notes"). The 9.125% Senior Notes are redeemable at the option of the Company at any time at the redemption or make-whole prices set forth in the indenture. The Company may also redeem at its option at any time on or prior to April 15, 1999 up to $42 million of the 9.125% Senior Notes at 109.125% of the principal amount thereof with the proceeds of an equity offering.

On May 25, 1995, the Company completed a private offering of $90 million principal amount of 10.5% Senior Notes due 2002 ("10.5% Senior Notes"). The 10.5% Senior Notes are redeemable at the option of the Company at any time on or after June 1, 1999. The Company may also redeem at its option any time prior to June 1, 1998 up to $30 million of the 10.5% Senior Notes at 110% of the principal amount thereof with the proceeds of an equity offering. In September 1995, the Company exchanged the 10.5% Senior Notes for substantially identical notes in a registered exchange offer (also referred to as the "10.5% Senior Notes").

On March 31, 1994, the Company completed a private offering of 47,500 Units consisting of an aggregate of $47.5 million principal amount of 12% Senior Notes due 2001 ("12% Senior Notes") and warrants ("Warrants") to purchase 4,381,874 shares of the Company's Common Stock at an aggregate exercise price of $4,870. The Warrants were valued at $3 million creating a discount on the 12% Senior Notes. All of the Warrants were subsequently exercised. In exchange for 8,000 Units, the Company acquired from Trust Company of the West ("TCW") 576,923 shares of the Company's 9% cumulative convertible preferred stock and all rights to dividends thereon, warrants to purchase 2,808,008 shares of the Company's Common Stock and 50% of an outstanding overriding royalty interest held by TCW. The 12% Senior Notes are redeemable at the option of the Company at any time on or after March 1, 1998 at an initial premium of 106% of the principal amount thereof, declining to no premium in 2000. The Company is required to redeem $11,875,000 principal amount of 12% Senior Notes on each of March 1, 1998, 1999 and 2000. In November 1994, the Company exchanged the 12% Senior Notes for substantially identical notes in a registered exchange offer (also referred to as the "12% Senior Notes").

The Company is a holding company and owns no operating assets and has no significant operations independent of its subsidiaries. The Company's obligations under the 12% Senior Notes, the 10.5% Senior Notes and the 9.125% Senior Notes have been fully and unconditionally guaranteed, on a joint and several basis, by each of the Company's "Restricted Subsidiaries" (as defined in the respective Indentures governing the Notes): COI, LOF, STCO, Whitmire Dozer Service, Inc. and CEX (collectively, the "Subsidiary Guarantors"). The only subsidiaries of the Company that are not Subsidiary Guarantors are CGDC and CEMI (together, the "Non-Guarantor Subsidiaries"). Each of the Subsidiary Guarantors is a direct or indirect wholly-owned subsidiary of the Company. The securities of the Subsidiary Guarantors have been pledged to secure performance of the Company's obligations under the 12% Senior Notes. The only affiliate securities constituting a substantial portion of the collateral for the 12% Senior Notes are the partnership interests in CEX.

The 12%, 10.5% and 9.125% Senior Note Indentures contain certain covenants, including covenants limiting the Company and the Subsidiary Guarantors 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 Subsidiary Guarantors; mergers or consolidations; and transactions with affiliates. The Company is also obligated to repurchase 12%,

10.5% and 9.125% Senior Notes if it fails to maintain a specified ratio of assets to debt and in the event of a change of control or certain asset sales.

The Company's bank credit agreement prohibits any distributions by CEX to its partners (the Company and COI) if the maturity of any obligations to the lender has been accelerated. The pledge agreement relating to the 12% Senior Notes requires that all dividends and distributions from Subsidiary Guarantors be paid to the collateral agent thereunder upon an event of default under the 12% Senior Notes Indenture. There are no other restrictions on the payment of cash dividends by Subsidiary Guarantors.

CEX is a limited partnership which is 10% owned by COI, as sole general partner, and 90% owned directly by the Company, as sole limited partner. CEX owns 94% and CGDC owns 6% of the Company's producing oil and gas properties, based on the present value of future net revenue at June 30, 1996 (discounted at 10%).

Set forth below are condensed consolidating financial statements of CEX, the other Subsidiary Guarantors, all Subsidiary Guarantors combined, the Non-Guarantor Subsidiaries and the Company. The CEX limited partnership condensed financial statements were prepared on a separate entity basis as reflected in the Company's books and records and include all material costs of doing business as if the partnership were on a stand-alone basis except that interest is not charged or allocated. No provision has been made for income taxes because the partnership is not a taxpaying entity. Separate audited financial statements of each Subsidiary Guarantor, other than CEX, have not been provided because management has determined that they are not material to investors.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF JUNE 30, 1996
(IN THOUSANDS)

ASSETS

	SUBSIDIARY GUARANTORS						
	CEX	ALL OTHERS	COMBINED	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:							
Cash and cash equivalents	$ --	$ 4,061	$ 4,061	$ 2,751	$44,826	$ --	$ 51,638
Accounts receivable	14,778	29,302	44,080	7,723	--	(1,589)	50,214
Inventory	--	4,947	4,947	216	--	--	5,163
Other	1,891	264	2,155	3	--	--	2,158
Total Current Assets	16,669	38,574	55,243	10,693	44,826	(1,589)	109,173
PROPERTY AND EQUIPMENT:							
Oil and gas properties	346,821	(8,211)	338,610	24,603	--	--	363,213
Unevaluated leasehold	165,441	--	165,441	--	--	--	165,441
Other property and equipment	--	9,608	9,608	61	8,493	--	18,162
Less: accumulated depreciation, depletion and amortization	(84,726)	(2,467)	(87,193)	(8,007)	(442)	--	(95,642)
	427,536	(1,070)	426,466	16,657	8,051	--	451,174
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	56,055	463,331	519,386	8,132	382,388	(909,906)	--
OTHER ASSETS	694	1,616	2,310	940	8,738	--	11,988
TOTAL ASSETS	$500,954	$502,451	$1,003,405	$36,422	$444,003	$(911,495)	$572,335
LIABILITIES AND STOCKHOLDERS' EQUITY							
CURRENT LIABILITIES:							
Notes payable and current maturities of long-term debt	$ --	$ 3,846	$ 3,846	$ 2,880	$ 29	$ --	$ 6,755
Accounts payable and other	789	90,280	91,069	7,339	5,260	(1,589)	102,079
Total Current Liabilities	789	94,126	94,915	10,219	5,289	(1,589)	108,834
LONG-TERM DEBT	--	2,113	2,113	10,020	256,298	--	268,431
REVENUES AND ROYALTIES DUE OTHERS	--	5,118	5,118	--	--	--	5,118
DEFERRED INCOME TAXES	--	23,950	23,950	1,335	(13,100)	--	12,185
INTERCOMPANY PAYABLES	413,726	410,581	824,307	8,182	73,647	(906,136)	--
STOCKHOLDERS' EQUITY:							
Common Stock	--	117	117	2	2,891	(2)	3,008
Other	86,439	(33,554)	52,885	6,664	118,978	(3,768)	174,759
	86,439	(33,437)	53,002	6,666	121,869	(3,770)	177,767
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$500,954	$502,451	$1,003,405	$36,422	$444,003	$(911,495)	$572,335

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF JUNE 30, 1995
(IN THOUSANDS)

ASSETS

		SUBSIDIARY GUARANTORS					
	CEX	ALL OTHERS	COMBINED	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:							
Cash and cash equivalents	$ --	$ 53,227	$53,227	$ 5	$ 2,303	$ --	$ 55,535
Accounts receivable	9,867	30,693	40,560	777	10	--	41,347
Inventory	--	8,895	8,895	31	--	--	8,926
Other	--	633	633	--	--	--	633
Total Current Assets	9,867	93,448	103,315	813	2,313	--	106,441
PROPERTY AND EQUIPMENT:							
Oil and gas properties	163,521	(16,723)	146,798	18,504	--	--	165,302
Unevaluated leasehold	27,474	--	27,474	--	--	--	27,474
Other property and equipment	--	12,199	12,199	--	4,767	--	16,966
Less: accumulated depreciation, depletion and amortization	(36,959)	(3,847)	(40,806)	(4,861)	(274)	--	(45,941)
	154,036..	(8,371)	145,665	13,643	4,493	--	163,801
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	17,559	181,914	199,473	--	176,795	(376,268)	--
OTHER ASSETS	776	41	817	123	5,511	--	6,451
TOTAL ASSETS	$182,238	$267,032	$449,270	$14,579	$189,112	$(376,268)	$276,693
LIABILITIES AND STOCKHOLDERS' EQUITY							
CURRENT LIABILITIES:							
Notes payable and current maturities of long-term debt	$--	$ 7,757	$ 7,757	$ 2,200	$ 36	$ --	$ 9,993
Accounts payable and other	516	61,777	62,293	--	2,619	--	64,912
Total Current Liabilities	516	69,534	70,050	2,200	2,655	--	74,905
LONG-TERM DEBT	10	1,326	1,336	8,600	135,818	--	145,754
REVENUES AND ROYALTIES DUE OTHERS	--	3,779	3,779	--	--	--	3,779
DEFERRED INCOME TAXES	--	9,621	9,621	164	(2,505)	--	7,280
INTERCOMPANY PAYABLES	140,236	201,959	342,195	3,307	30,766	(376,268)	--
STOCKHOLDERS' EQUITY:							
Common Stock	--	31	31	1	58	(32)	58
Other	41,476	(19,218)	22,258	307	22,320	32	44,917
	41,476..	(19,187)	22,289	308	22,378	--	44,975
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$182,238	$267,032	$449,270	$14,579	$189,112	$(376,268)	$276,693

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME
($ IN THOUSANDS)

		SUBSIDIARY GUARANTORS					
	CEX	ALL OTHERS	COMBINED	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 1996:							
REVENUES:							
Oil and gas sales	$103,712	$ --	$103,712	$ 6,884	$ --	$ 253	$110,849
Gas marketing sales	--	--	--	34,973	--	(6,545)	28,428
Oil and gas service operations	--	6,314	6,314	--	--	--	6,314
Interest and other	(1,473)	3,390	1,917	238	1,676	--	3,831
	102,239	9,704	111,943	42,095	1,676	(6,292)	149,422
COSTS AND EXPENSES:							
Production expenses and taxes	7,225	332	7,557	746	--	--	8,303
Gas marketing expenses	--	--	--	33,744	--	(6,292)	27,452
Oil and gas service operations	--	4,895	4,895	--	--	--	4,895
Oil and gas depreciation, depletion and amortization	48,333	--	48,333	2,566	--	--	50,899
Other depreciation and amortization	258	1,666	1,924	73	1,160	--	3,157
General and administrative	1,090	2,593	3,683	496	649	--	4,828
Interest and other	370	138	508	711	12,460	--	13,679
	57,276	9,624	66,900	38,336	14,269	(6,292)	113,213
Income (loss) before income taxes	44,963	80	45,043	3,759	(12,593)	--	36,209
Income tax expense (benefit)	--	15,990	15,990	1,335	(4,471)	--	12,854
Net income (loss)	$ 44,963	$(15,910)	$29,053	$ 2,424	$(8,122)	$ --	$ 23,355
FOR THE YEAR ENDED JUNE 30, 1995:							
REVENUES:							
Oil and gas sales	$ 55,417	$ --	$55,417	$ 1,566	$ --	$ --	$ 56,983
Oil and gas service operations	--	8,836	8,836	--	--	--	8,836
Interest and other	--	1,394	1,394	--	130	--	1,524
	55,417	10,230	65,647	1,566	130	--	67,343
COSTS AND EXPENSES:							
Production expenses and taxes	3,494	551	4,045	211	--	--	4,256
Oil and gas service operations	--	7,747	7,747	--	--	--	7,747
Oil and gas depreciation, depletion and amortization	24,769	6	24,775	635	--	--	25,410
Other depreciation and amortization	138	1,107	1,245	5	515	--	1,765
General and administrative	931	1,689	2,620	58	900	--	3,578
Interest and other	352	218	570	184	5,873	--	6,627
	29,684	11,318	41,002	1,093	7,288	--	49,383
Income (loss) before income taxes	25,733	(1,088)	24,645	473	(7,158)	--	17,960
Income tax expense (benefit)	--	8,639	8,639	165	(2,505)	--	6,299
Net Income (loss)	$ 25,733	$ (9,727)	$16,006	$ 308	$(4,653)	$ --	$ 11,661
FOR THE YEAR ENDED JUNE 30, 1994:							
REVENUES:							
Oil and gas sales	$ 22,404	$ --	$22,404	$ --	$ --	$ --	$ 22,404
Oil and gas service operations	--	6,439	6,439	--	--	--	6,439
Interest and other	--	622	622	--	359	--	981
	22,404	7,061	29,465	--	359	--	29,824
COSTS AND EXPENSES:							
Production expenses and taxes	3,185	462	3,647	--	--	--	3,647
Oil and gas service operations	--	5,199	5,199	--	--	--	5,199
Oil and gas depreciation, depletion and amortization	8,141	--	8,141	--	--	--	8,141
Other depreciation and amortization	171	1,536	1,707	--	164	--	1,871
General and administrative	823	2,169	2,992	--	143	--	3,135
Interest and other	507	1,492	1,999	--	677	--	2,676
	12,827	10,858	23,685	--	984	--	24,669
Income (loss) before income taxes	9,577	(3,797)	5,780	--	(625)	--	5,155
Income tax expense (benefit)	--	1,400	1,400	--	(150)	--	1,250

Net income (loss).....	$ 9,577	$ (5,197)	$ 4,380	$ --	$ (475)	$ --	$ 3,905

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	SUBSIDIARY GUARANTORS						
	CEX	ALL OTHERS	COMBINED	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 1996:							
CASH FLOWS FROM OPERATING ACTIVITIES	$ 91,286	$ 35,582	$126,868	$ 4,204	$ (10,100)	$ --	$ 120,972
CASH FLOWS FROM INVESTING ACTIVITIES							
Oil and gas properties	(329,507)	(16,988)	(346,495)	(6,099)	--	5,300	(347,294)
Proceeds from sales	7,458	9,956	17,414	--	--	(5,300)	12,114
Investment in gas marketing company	--	--	--	266	(629)	--	(363)
Other additions	(177)	(4,506)	(4,683)	(109)	(4,054)	--	(8,846)
	(322,226)	(11,538)	(333,764)	(5,942)	(4,683)	--	(344,389)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from borrowings	39,000	1,350	40,350	10,300	116,017	--	166,667
Payments on borrowings	(44,010)	(1,387)	(45,397)	(3,200)	(37)	--	(48,634)
Cash received from exercise of stock options	--	--	--	--	1,989	--	1,989
Cash received from issuance of common stock	--	--	--	--	99,498	--	99,498
Intercompany advances, net	235,950	(73,173)	162,777	(2,616)	(160,161)	--	--
	230,940	(73,210)	157,730	4,484	57,306	--	219,520
Net increase (decrease) in cash and cash equivalents	--	(49,166)	(49,166)	2,746	42,523	--	(3,897)
Cash, beginning of period	--	53,227	53,227	5	2,303	--	55,535
Cash, end of period	$ --	$ 4,061	$ 4,061	$ 2,751	$ 44,826	$ --	$ 51,638
FOR THE YEAR ENDED JUNE 30, 1995:							
CASH FLOWS FROM OPERATING ACTIVITIES	$ 46,753	$ 13,296	$ 60,049	$ 305	$ (4,692)	$ (931)	$ 54,731
CASH FLOWS FROM INVESTING ACTIVITIES:							
Oil and gas properties	(111,980)	(4,896)	(116,876)	(4,109)	--	--	(120,985)
Proceeds from sales	16,579	11,132	27,711	--	--	(11,500)	16,211
Purchase of oil and gas properties	--	--	--	(11,500)	--	11,500	--
Other additions	--	(7,929)	(7,929)	--	--	--	(7,929)
	(95,401)	(1,693)	(97,094)	(15,609)	--	--	(112,703)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from borrowings	28,433	1,601	30,034	11,500	87,300	--	128,834
Payments on borrowings	(28,433)	(3,599)	(32,032)	(700)	362	--	(32,370)
Intercompany advances, net	48,648	29,676	78,324	4,509	(83,764)	931	--
Other financing	--	--	--	--	818	--	818
	48,648	27,678	76,326	15,309	4,716	931	97,282
Net increase (decrease) in cash and cash equivalents	--	39,281	39,281	5	24	--	39,310
Cash, beginning of period	--	13,946	13,946	--	2,279	--	16,225
Cash, end of period	$ --	$ 53,227	$ 53,227	$ 5	$ 2,303	$ --	$ 55,535
FOR THE YEAR ENDED JUNE 30, 1994:							
CASH FLOWS FROM OPERATING ACTIVITIES	$ 13,131	$ 7,707	$ 20,838	$ --	$ (1,415)	$ --	$ 19,423
CASH FLOWS FROM INVESTING ACTIVITIES:							
Oil and gas properties	(33,466)	(1,188)	(34,654)	--	--	--	(34,654)
Proceeds from sales	3,268	5,095	8,363	--	--	--	8,363
Other additions	(159)	(1,782)	(1,941)	--	(979)	--	(2,920)
	(30,357)	2,125	(28,232)	--	(979)	--	(29,211)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from borrowings	--	8,800	8,800	--	40,000	--	48,800
Payments on borrowings	(10,201)	(15,537)	(25,738)	--	--	--	(25,738)
Intercompany advances, net	27,250	6,715	33,965	--	(33,965)	--	--
Other financing	--	--	--	--	(1,900)	--	(1,900)
	17,049	(22)	17,027	--	4,135	--	21,162
Net increase (decrease) in cash and cash equivalents	(177)	9,810	9,633	--	1,741	--	11,374
Cash, beginning of period	177	4,136	4,313	--	538	--	4,851
Cash, end of period	$ --	$ 13,946	$ 13,946	$ --	$ 2,279	$ --	$ 16,225

3. NOTES PAYABLE AND LONG-TERM DEBT

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

	JUNE 30,	
	1996	1995
	($ IN THOUSANDS)	
9.125% Senior Notes (see Note 2)	$120,000	$ --
Discount on 9.125% Senior Notes	(81)	--
10.5% Senior Notes (see Note 2)	90,000	90,000
12% Senior Notes (see Note 2)	47,500	47,500
Discount on 12% Senior Notes	(1,772)	(2,333)
Term note payable to Union Bank collateralized by CGDC, not guaranteed by the Company, variable interest at Union Bank's base rate (8.25% per annum at June 30, 1996), or at Eurodollar rate +1.875% collateralized by CGDC's producing oil and gas properties, payable in monthly installments through November 2002	12,900	10,800
Term note payable to Union Bank, variable interest at Union Bank's base rate or at Eurodollar rate + an incremental rate (8.25% per annum at June 30, 1996), collateralized by CEX's producing oil and gas properties and guaranteed by the Company	--	10
Note payable to a vendor, collateralized by oil and gas tubulars, payments due 60 days from shipment of the tubulars	3,156	6,513
Note payable to a bank, variable interest at a referenced base rate + 1.75% (10% per annum at June 30, 1996), collateralized by office buildings, payments due in monthly installments through May 1998	680	686
Notes payable to various entities to acquire oil service equipment, interest varies from 7% to 11% per annum, collateralized by equipment, payments due in monthly installments through December 2000	1,212	2,162
Other collateralized	1,469	230
Other, unsecured	122	179
Total notes payable and long-term debt	275,186	155,747
Less -- Current maturities	(6,755)	(9,993)
Notes payable and long-term debt, net of current maturities	$268,431	$145,754

The aggregate scheduled maturities of notes payable and long-term debt for the next five fiscal years ending June 30, 2001 and thereafter were as follows as of June 30, 1996 (in thousands of dollars):

1997	$ 6,755
1998	14,234
1999	13,637
2000	13,344
2001	14,565
After 2001	212,651
	$275,186

In April 1993, CEX entered into an oil and gas reserve-based reducing revolving credit facility (the "Revolving Credit Facility") with Union Bank. The Revolving Credit Facility has been amended from time to

time, most recently in September 1996. Concurrent with the September 1996 amendment, the Company increased the facility size to $125 million and expanded its bank group with Union Bank remaining as agent.

The maturity date of the Revolving Credit Facility is April 30, 2001. The facility provides for interest at the Union Bank reference rate (8.25% at June 30, 1996) or, at the option of the Company the Eurodollar rate plus 1.375% to 1.875% depending on the ratio of the amount outstanding to the borrowing base. Borrowings are collateralized by a first priority lien on substantially all of CEX's proved producing reserves, and are unconditionally guaranteed by the Company. At June 30, 1996 and 1995 there was $0 and $10,000 outstanding under the Revolving Credit Facility, respectively.

The amount of credit available at any time under the Revolving Credit Facility is the lesser of the commitment amount or the borrowing base. The borrowing base is reduced each month by a specified amount. Both the borrowing base and the monthly reduction amount are redetermined by Union Bank each May 1 and November 1 and may be redetermined at any other time upon the request of CEX or Union Bank. To the extent the amount outstanding at any time exceeds the borrowing base, CEX must reduce the amount outstanding or add additional collateral. At June 30, 1996, the commitment amount and the borrowing base under the Revolving Credit Facility were $35 million, and the monthly reduction amount was $700,000. The Revolving Credit Facility was amended in September 1996 to provide for a borrowing base and a commitment amount of $75 million, with a monthly reduction amount of $1,750,000. The Revolving Credit Facility contains customary financial covenants, limitations on indebtedness and liabilities, liens, prepayments of other indebtedness (including the 12%, 10.5% and 9.125% Senior Notes) and loans, investments and guarantees by the Company and prohibits the payment of dividends on the Company's Common Stock.

The Company's wholly-owned subsidiary, CGDC, has a credit facility with Union Bank (the "Term Credit Facility"), with an outstanding balance of $12.9 million at June 30, 1996. Collateral for the Term Credit Facility is limited to CGDC's producing oil and gas properties. The Term Credit Facility has not been guaranteed by the Company or any of its other subsidiaries and is recourse only to the assets of CGDC. CGDC acquired producing oil and gas properties from CEX in December 1994, June 1995 and December 1995 in exchange for $5.5 million, $6 million and $5.3 million in cash, respectively, using proceeds borrowed under this facility. CGDC has not guaranteed the payment of the Company's 12%, 10.5% or 9.125% Senior Notes, nor has the capital stock of CGDC been pledged as collateral for such indebtedness. The terms of the Term Credit Facility prohibit the payment of dividends by CGDC.

4. CONTINGENCIES AND COMMITMENTS

The Company is currently involved in various 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 currently pending or threatened litigation is not likely to have a material adverse effect on the consolidated financial position or results of operations of the Company.

The Company has employment contracts with its two principal shareholders and its chief financial officer and various other senior management personnel which provide for annual base salaries, bonus compensation and various benefits. The contracts provide for the continuation of salary and benefits for the respective terms of the agreements in the event of termination of employment without cause. These agreements expire June 30, 1997 through June 30, 1998.

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

5. INCOME TAXES

As discussed in Note 1, the Company has adopted SFAS 109. The components of the income tax provision for each of the periods are as follows:

	YEAR ENDED JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
Current	$ --	$ --	$ --
Deferred	12,854	6,299	1,250
Total	$12,854	$6,299	$1,250

The effective income tax rate differed from the computed "expected" federal income tax rate on earnings before income taxes for the following reasons:

	YEAR ENDED JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
Computed "expected" income tax provision	$12,673	$6,286	$1,753
Tax percentage depletion	(238)	(144)	(780)
Other	419	157	277
	$12,854	$6,299	$1,250

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:

	YEAR ENDED JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
Deferred tax liabilities:			
Acquisition, exploration and development costs and related depreciation, depletion and amortization	$(63,725)	$(31,220)	$(15,872)
Deferred tax assets:			
Net operating loss carryforwards	50,776	23,414	12,879
Percentage depletion carryforward	764	526	780
	51,540	23,940	13,659
Total Deferred Income Taxes	$(12,185)	$ (7,280)	$ (2,213)

At June 30, 1996, the Company had regular tax net operating loss carryforwards of approximately $140 million and alternative minimum tax net operating loss carryforwards of approximately $15 million. These loss carryforward amounts will expire during the years 2007 through 2011. The Company also had a percentage depletion carryforward of approximately $2.3 million at June 30, 1996, which is available to offset future federal income taxes payable and has no expiration date.

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

the Internal Revenue Service, the Company does not believe that an Ownership Change has occurred as of June 30, 1996.

6. RELATED PARTY TRANSACTIONS

Certain directors, shareholders and employees of the Company have acquired working interests in certain of the Company's oil and gas properties. The owners of such working interests are required to pay their proportionate share of all costs. As of June 30, 1996, 1995 and 1994 the Company had accounts receivable for these costs of $2.9 million, $4.4 million and $1.7 million, respectively.

During fiscal 1996, 1995 and 1994 the Company incurred legal expenses of $347,000, $516,000 and $631,000, respectively, for legal services provided by the law firm of which a director is a member.

7. EMPLOYEE BENEFIT PLANS

Effective October 1, 1989, the Company established a 401(K) profit sharing plan. On December 1, 1993, the Company amended the plan and established the Chesapeake Energy Savings and Incentive Plan. On January 1, 1996 the Company amended the plan and established the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan (the "Savings and Incentive Stock Bonus Plan"). Eligible employees may make voluntary contributions to the Savings and Incentive Stock Bonus Plan which are matched by the Company up to 10% of the employees' annual salary with the Company's common stock. The amount of employee contributions is limited as specified in the Savings and Incentive Stock Bonus Plan. The Company may, at its discretion, make additional contributions to the Savings and Incentive Stock Bonus Plan. The Company contributed $187,000, $95,000 and $70,000 to the Savings and Incentive Stock Bonus Plan during the fiscal years ended June 30, 1996, 1995 and 1994, respectively.

8. MAJOR CUSTOMERS

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

YEAR		AMOUNT	PERCENT OF OIL AND GAS SALES
		($ IN THOUSANDS)	
1996	Aquila Southwest Pipeline Corporation	$41,900	38%
	GPM Gas Corporation	$28,700	26%
	Wickford Energy Marketing, L.C.	$18,500	17%
1995	Aquila Southwest Pipeline Corporation	$18,548	33%
	Wickford Energy Marketing, L.C.	$15,704	28%
	GPM Gas Corporation	$11,686	21%
1994	Wickford Energy Marketing, L.C.	$ 6,190	28%
	GPM Gas Corporation	$ 6,105	27%
	Plains Marketing and Transportation, Inc.	$ 2,659	12%
	Texaco Exploration & Production, Inc.	$ 2,249	10%

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

9. STOCKHOLDERS' EQUITY

Effective December 31, 1996, the Company changed its state of incorporation from Delaware to Oklahoma. As part of this transaction, the authorized capital stock of the Company was increased to 100,000,000 shares of common stock, par value $.01 per share, and 10,000,000 shares of preferred stock, par

value $.01 per share. Also effective December 31, 1996, the Company effected a 2-for-1 split of its common stock. All par value, share and per share information, common stock options and exercise prices included in these consolidated financial statements and related footnotes have been restated to reflect the stock split.

On April 9, 1996, the Company completed a public offering of 4,950,000 shares of Common Stock at a price of $17.67 per share, resulting in net proceeds (after offering costs) to the Company of approximately $82.1 million. On April 12, 1996, the underwriters exercised an over-allotment option to purchase an additional 1,039,500 shares of Common Stock at a price of $17.67 per share, resulting in additional net proceeds (after offering costs) to the Company of approximately $17.3 million. The net proceeds from the offering were used to fund a portion of the Company's exploration and development capital expenditures and for general corporate purposes.

On March 31, 1994, the Company issued 12% Senior Notes and Warrants for 4,381,874 shares of the Company's Common Stock (see Note 2). The Warrants were valued at $3.04 million and are recorded as Common Stock Warrants and paid-in capital on the accompanying consolidated balance sheets. A portion of the 12% Senior Notes and Warrants were issued to Trust Company of the West in exchange for preferred stock, warrants to purchase Common Stock and an overriding royalty interest.

A 1.8-for-1 stock split of the Common Stock in January 1993, a 2-for-1 stock split of the Common Stock in December 1994, and 3-for-2 stock splits of the Common Stock in December 1995 and June 1996 have been given retroactive effect in these financial statements.

Stock Option Plans

Under the Company's 1992 Incentive Stock Option Plan (the "ISO Plan"), options to purchase Common Stock may be granted only to employees of the Company and its subsidiaries. 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. No options may be granted under the ISO Plan after December 16, 1994.

Under the Company's 1992 Nonstatutory Stock Option Plan (the "NSO Plan"), non-qualified options to purchase Common Stock may be granted only to directors and consultants of the Company. Subject to any adjustment as provided by the NSO Plan, the aggregate number of shares which may be issued and sold may not exceed 3,132,000 shares. The maximum period for exercise of an option may not be more than 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. No options may be granted under the NSO Plan after December 10, 2002.

Under the Company's 1994 Stock Option Plan (the "1994 Plan"), incentive and nonqualified stock options to purchase Common Stock may be granted to employees of the Company and its subsidiaries. Subject to any adjustment as provided by the 1994 Plan, the aggregate number of shares which may be issued and sold may not exceed 4,886,910 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. No options may be granted under the 1994 Plan after December 16, 2004.

	# OF OPTIONS	OPTION PRICES
Options outstanding at June 30, 1993	1,771,560	$0.56-$ 1.34
Options granted	3,280,500	$0.56-$ 0.86
Options exercised	--	--
Options terminated	(18,720)	$0.56-$ 0.67
Options outstanding at June 30, 1994	5,033,340	$0.56-$ 1.34
Options granted	3,185,550	$2.25-$ 4.92
Options exercised	(1,288,732)	$0.56-$ 1.34
Options terminated	(101,566)	$0.56-$ 2.25
Options outstanding at June 30, 1995	6,828,592	$0.56-$ 4.92
Options granted	2,426,850	$5.67-$17.67
Options exercised	(1,574,046)	$0.56-$17.67
Options terminated	(78,512)	$0.56-$ 5.67
Options outstanding at June 30, 1996	7,602,884	$0.56-$17.67

The exercise of certain stock options results in state and federal income tax benefits to the Company related to the difference between the market price of the Common Stock at the date of disposition (or sale) and the option price. During fiscal 1996 and 1995, $7,950,000 and $1,229,000 was recorded as an adjustment to additional paid-in capital and deferred income taxes with respect to such tax benefits.

10. FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

Hedging Activities

Periodically the Company utilizes hedging strategies to hedge the price of a portion of its future oil and gas production. These strategies include swap arrangements that establish an index-related price above which the Company pays the hedging partner and below which the Company is paid by the hedging partner, the purchase of index-related puts that provide for a "floor" price to the Company to be paid by the counter-party to the extent the price of the commodity is below the contracted floor, and basis protection swaps.

As of June 30, 1996, the Company had established NYMEX-based crude oil swap agreements for 1,000 Bbl per day for July 1, 1996 through August 31, 1996 at an average price of $17.85 per Bbl. The counter-party has the option exercisable monthly for an additional 1,000 Bbl per day for the period July 1, 1996 through December 31, 1996 to cause a swap if the price exceeds an average $17.74 per Bbl. The actual settlements for July and August resulted in a $0.5 million payment to the counter-party. The Company estimates, based on NYMEX prices as of August 30, 1996, that the effect of the September through December hedges would be a $0.4 million payment to the counter-party.

The Company has purchased Houston Ship Channel put options which guarantee the Company an average floor price of $2.21/Mmbtu for 20,000 Mmbtu per day for the period of November 1, 1996 through February 28, 1997. The average cost of these puts was $0.14 per Mmbtu.

As of June 30, 1996, the Company had NYMEX-based natural gas swaps and NYMEX/Houston Ship Channel Basis swaps for the months of July through October 1996. These transactions resulted in payments to

the Company's counter-party of approximately $2 million for the month of July 1996 and $1.5 million for the month of August 1996. The Company estimates, based on NYMEX prices as of August 30, 1996, that the effect of the September and October hedges would be a $0.2 million payment to the counter-party.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The Company's accounts receivable are primarily from purchasers of oil and natural gas products and exploration and production companies which own interests in properties operated by the Company. The industry concentration has the potential to impact the Company's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. The Company generally requires letters of credit for receivables from customers which are not considered investment grade, unless the credit risk can otherwise be mitigated.

Fair Value of Financial Instruments

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

The carrying values of items comprising current assets and current liabilities approximate fair values due to the short-term maturities of these instruments. The Company estimates the fair value of its long-term, fixed-rate debt using quoted market prices. The Company's carrying amount for such debt at June 30, 1996 and 1995 was $255.6 million and $135.2 million, respectively, compared to approximate fair values of $261.2 million and $137.8 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.

11. DISCLOSURES ABOUT OIL AND GAS PRODUCING ACTIVITIES

Net Capitalized Costs

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

	JUNE 30,	
	1996	1995
	($ IN THOUSANDS)	
Oil and gas properties:		
Proved	$363,213	$165,302
Unproved	165,441	27,474
Total	528,654	192,776
Less accumulated depreciation, depletion and amortization	(92,720)	(41,821)
Net capitalized costs	$435,934	$150,955

Unproved properties not subject to amortization at June 30, 1996 and 1995, consist mainly of lease acquisition costs. The Company capitalized approximately $6,428,000 and $1,574,000 of interest during the years ended June 30, 1996 and 1995 on significant investments in unproved properties that are not being currently depreciated, depleted, or amortized and on which exploration or development activities are in progress. The Company will continue to evaluate its unevaluated properties; however, the timing of the ultimate evaluation and disposition of the properties has not been determined.

Costs Incurred in Oil and Gas Acquisition, Exploration and Development

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

	JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
Development costs	$143,437	$ 81,833	$26,277
Exploration costs	39,410	14,129	5,358
Acquisition costs:			
Unproved properties	138,188	24,437	3,305
Proved properties	24,560	--	--
Capitalized internal costs	1,699	586	965
Proceeds from sale of leasehold, equipment and other	(11,416)	(15,107)	(7,598)
Total	$335,878	$105,878	$28,307

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

The Company's results of operations from oil and gas producing activities are presented below for the years ended June 30, 1996, 1995 and 1994, respectively. The following table includes revenues and expenses associated directly with the Company's oil and gas producing activities. It does not include any allocation of the Company's interest costs and, therefore, is not necessarily indicative of the contribution to consolidated net operating results of the Company's oil and gas operations.

	JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
Oil and gas sales	$110,849	$ 56,983	$22,404
Production costs(a)	(8,303)	(4,256)	(3,647)
Depletion and depreciation	(50,899)	(25,410)	(8,141)
Imputed income tax provision(b)	(18,335)	(9,561)	(3,610)
Results of operations from oil and gas producing activities	$ 33,312	$ 17,756	$ 7,006

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(a) Production costs include lease operating expenses and production taxes.

(b) The imputed income tax provision is hypothetical and determined without regard to the Company's deduction for general and administrative expenses, interest costs and other income tax credits and deductions.

Oil and Gas Reserve Quantities (unaudited)

The reserve information presented below is based upon reports prepared by the independent petroleum engineering firm of Williamson Petroleum Consultants, Inc. ("Williamson") as of June 30, 1996, 1995 and 1994 and the Company's petroleum engineers as of June 30, 1996 and 1995. The reserves evaluated internally by the Company constituted approximately 0.6% and 0.5% of total proved reserves as of June 30, 1996 and 1995, respectively. The information is presented in accordance with regulations prescribed by the Securities and Exchange Commission. The Company emphasizes that reserve estimates are inherently imprecise. The Company's reserve estimates were generally based upon extrapolation of historical production trends, analogy

to similar properties and volumetric calculations. Accordingly, these estimates are expected to change, and such changes could be material, 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 the Company based upon the reports prepared by Williamson for 1996, 1995 and 1994, along with those prepared by the Company's petroleum engineers for 1996 and 1995:

	JUNE 30,					
	1996		1995		1994	
	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)
Proved reserves, beginning of year	5,116	211,808	4,154	117,066	9,622	79,763
Extensions, discoveries and other additions	8,924	173,577	2,345	129,444	2,335	82,965
Revisions of previous estimate	(812)	(2,538)	(244)	(9,588)	(868)	(5,523)
Production	(1,413)	(51,710)	(1,139)	(25,114)	(537)	(6,927)
Sale of reserves-in-place	--	--	--	--	(6,398)	(33,212)
Purchase of reserves-in-place	443	20,087	--	--	--	--
Proved reserves, end of year	12,258	351,224	5,116	211,808	4,154	117,066
Proved developed reserves, end of year	3,648	144,721	1,973	77,764	1,313	30,445

On April 30, 1996, the Company purchased interests in certain producing and non-producing oil and gas properties, including approximately 14,000 net acres of unevaluated leasehold, from Amerada Hess Corporation for $35 million, subject to adjustment for activity after the effective date of January 1, 1996. The properties are located in the Knox and Golden Trend fields of southern Oklahoma, most of which are operated by the Company.

In October 1993, the Company entered into a joint development agreement covering a 20,000 gross acre development area in the Fayette County portion of the Giddings Field in southern Texas. The Company's ownership interests in the proved undeveloped properties covered by the joint development agreement were significantly less than those used in the June 30, 1993 reserve report. The impact of the reduced ownership percentages is reflected as sales of reserves in place in fiscal 1994 in the preceding table.

Standardized Measure of Discounted Future Net Cash Flows (unaudited)

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

Future cash inflows and future production and development costs are determined by applying year-end prices and costs to the estimated quantities of oil and gas to be produced. Estimates are made of quantities of proved reserves and the future periods during which they are expected to be produced based on year-end economic conditions. Estimated future income taxes are computed using current statutory income tax rates including consideration for the current tax basis of the properties and related carryforwards, giving effect to

permanent differences and tax credits. The resulting future net cash flows are reduced to present value amounts by applying a 10% annual discount factor.

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

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

	JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
Future cash inflows	$1,101,642	$427,377	$307,600
Future production costs	(168,974)	(75,927)	(50,765)
Future development costs	(137,068)	(76,543)	(47,040)
Future income tax provision	(173,439)	(46,537)	(36,847)
Future net cash flows	622,161	228,370	172,948
Less effect of a 10% discount factor	(171,973)	(69,359)	(54,340)
Standardized measure of discounted future net cash flows	$ 450,188	$159,011	$118,608

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

	JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
Standardized measure, beginning of year	$ 159,011	$118,608	$119,744
Sales of oil and gas produced, net of production costs	(102,546)	(52,727)	(18,757)
Net changes in prices and production costs	87,736	(25,574)	(10,795)
Extensions and discoveries, net of production and development costs	292,255	93,969	99,175
Changes in future development costs	(11,201)	3,406	(2,855)
Development costs incurred during the period that reduced future development costs	43,409	23,678	9,855
Revisions of previous quantity estimates	(10,505)	(11,204)	(13,107)
Purchase of undeveloped reserves-in-place	29,641	--	--
Sales of reserves-in-place	--	--	(66,372)
Accretion of discount	18,814	14,126	14,166
Net change in income taxes	(67,705)	(6,486)	(720)
Changes in production rates and other	11,279	1,215	(11,726)
Standardized measure, end of year	$ 450,188	$159,011	$118,608

12. QUARTERLY FINANCIAL DATA (unaudited)

Summarized unaudited quarterly financial data for fiscal 1996 and 1995 are as follows ($ in thousands except per share data):

	QUARTER ENDED			
	SEPTEMBER 30, 1995	DECEMBER 31, 1995	MARCH 31, 1996	JUNE 30, 1996
Net sales	$21,988	$31,766	$44,145	$47,692
Gross profit(a)	6,368	11,368	14,741	13,580
Net income	2,915	5,459	7,623	7,358
Net income per share:				
Primary	.05	.10	.13	.12
Fully-diluted	.05	.09	.13	.12

	QUARTER ENDED			
	SEPTEMBER 30, 1994	DECEMBER 31, 1994	MARCH 31, 1995	JUNE 30, 1995
Net sales	$13,042	$14,186	$15,788	$22,803
Gross profit(a)	4,559	5,805	4,997	7,702
Net income	2,336	3,248	2,305	3,772
Net income per share:				
Primary	.04	.06	.04	.07
Fully-diluted	.04	.06	.04	.07

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(a) Total revenue excluding interest and other income, less total costs and expenses excluding interest and other expense.

13. SUBSEQUENT EVENT (unaudited)

On March 17, 1997, the Company issued, in a non-public transaction under an available exemption from the registration requirements of Section 5 of the Securities Act of 1933, $150 million principal amount of 7 7/8% Senior Notes due 2004 and $150 million principal amount of 8 1/2% Senior Notes due 2012 (collectively, the "Notes"). Interest is payable semiannually on March 15 and September 15 of each year, commencing September 15, 1997. The Notes are senior unsecured obligations of the Company and are fully and unconditionally guaranteed, jointly and severally, by the following subsidiaries of the Company: Chesapeake Operating, Inc., Chesapeake Exploration Limited Partnership and Chesapeake Gas Development Corporation. The Company has agreed with the purchasers of the Notes to file a registration statement relating to an exchange offer of senior notes having substantially the same terms and provisions as the Notes.

REPORT OF INDEPENDENT ACCOUNTANTS

To the General Partner and Limited Partner of
Chesapeake Exploration Limited Partnership

We have audited the accompanying balance sheet of Chesapeake Exploration Limited Partnership ("CEX") as of June 30, 1996, and the related consolidated statements of income, partners' capital and cash flows for the year then ended. These financial statements are the responsibility of the CEX management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CEX as of June 30, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As more fully described in Note 1, CEX is a limited partnership owned by Chesapeake Energy Corporation ("CEC") and Chesapeake Operating, Inc. ("COI"). CEX has no employees and it is dependent on the financial resources of CEC and COI as well as being dependent on management by COI. Accordingly, CEX has significant transactions with CEC and COI which are disclosed in Note 4. The financial statements of CEX should be read in conjunction with the consolidated financial statements of CEC.

COOPERS & LYBRAND L.L.P.

Oklahoma City, Oklahoma
September 13, 1996

REPORT OF INDEPENDENT ACCOUNTANTS

To the General Partner and Limited Partner of
Chesapeake Exploration Limited Partnership

In our opinion, the balance sheet and the related statements of income, of partners' capital and of cash flows present fairly, in all material respects, the financial position of Chesapeake Exploration Limited Partnership ("CEX" formerly Chesapeake Exploration Company) at June 30, 1995, and the results of its operations and its cash flows for each of the two years in the period then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of CEX's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards 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 the opinion expressed above. We have not audited the financial statements of CEX for any period subsequent to June 30, 1995.

As more fully described in Note 1, CEX is a limited partnership owned by Chesapeake Energy Corporation ("CEC") and Chesapeake Operating, Inc. ("COI"). CEX has no employees and it is dependent on the financial resources of CEC and COI as well as being dependent on management by COI. Accordingly, CEX has significant transactions with CEC and COI which are disclosed in Note 4. The financial statements of CEX should be read in conjunction with the consolidated financial statements of CEC.

PRICE WATERHOUSE LLP

Houston, Texas
September 20, 1995

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
(A WHOLLY-OWNED PARTNERSHIP OF CHESAPEAKE ENERGY CORPORATION)

BALANCE SHEETS

ASSETS

	JUNE 30,	
	1996	1995
	($ IN THOUSANDS)	
CURRENT ASSETS:		
Accounts receivable	$ 14,778	$ 9,867
Prepaid expenses	1,891	--
Total Current Assets	16,669	9,867
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full cost accounting:	346,821	163,521
Unevaluated properties	165,441	27,474
Less: accumulated depreciation, depletion and amortization	(84,726)	(36,959)
Total Property and Equipment	427,536	154,036
INTERCOMPANY RECEIVABLES:		
Chesapeake Energy Corporation	47,502	14,682
Chesapeake Gas Development Corporation	8,171	2,877
Other	382	--
	56,055	17,559
OTHER ASSETS	694	776
TOTAL ASSETS	$500,954	$182,238
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accrued Expenses	$ 789	$ 516
Total Current Liabilities	789	516
LONG-TERM DEBT	--	10
INTERCOMPANY PAYABLES:		
Lindsay Oil Field Supply	2,190	2,190
Chesapeake Operating, Inc	411,536	138,046
	413,726	140,236
CONTINGENCIES AND COMMITMENTS (Note 3)	--	--
PARTNERS' CAPITAL:		
Contributions	424	424
Accumulated Earnings	86,015	41,052
Total Partners' Capital	86,439	41,476
TOTAL LIABILITIES & PARTNERS' CAPITAL	$500,954	$182,238

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

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
(A WHOLLY-OWNED PARTNERSHIP OF CHESAPEAKE ENERGY CORPORATION)

STATEMENTS OF INCOME

	YEAR ENDED JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
REVENUES:			
Oil and gas sales	$103,712	$55,417	$22,404
Other income (expense)	(1,473)	--	--
Total Revenues	102,239	55,417	22,404
COSTS AND EXPENSES:			
Production expenses and taxes	7,225	3,494	3,185
Oil and gas depreciation, depletion and amortization	48,333	24,769	8,141
General and administrative	1,090	931	823
Amortization	258	138	171
Interest	370	352	507
Total Costs and Expenses	57,276	29,684	12,827
NET INCOME	$ 44,963	$25,733	$ 9,577

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

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
(A WHOLLY-OWNED PARTNERSHIP OF CHESAPEAKE ENERGY CORPORATION)

STATEMENTS OF PARTNERS' CAPITAL

	CEC	COI	TOTAL
	($ IN THOUSANDS)		
Balance at June 30, 1993	$ 5,549	$ 617	$ 6,166
1994 Net Income	8,619	958	9,577
Balance at June 30, 1994	$14,168	$1,575	$15,743
1995 Net Income	23,160	2,573	25,733
Balance at June 30, 1995	$37,328	$4,148	$41,476
1996 Net Income	40,467	4,496	44,963
Balance at June 30, 1996	$77,795	$8,644	$86,439

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

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
(A WHOLLY-OWNED PARTNERSHIP OF CHESAPEAKE ENERGY CORPORATION)

STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
NET INCOME	$ 44,963	$ 25,733	$ 9,577
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Oil and gas depreciation, depletion and amortization	48,333	24,769	8,141
Amortization	258	138	171
General and administrative -- Allocated	1,090	931	814
CHANGES IN ASSETS AND LIABILITIES:			
Increase (decrease) in assets/liabilities	(3,358)	(4,818)	(5,572)
Cash provided by operating activities	91,286	46,753	13,131
CASH FLOWS FROM INVESTING ACTIVITIES:			
Development and acquisition of oil and gas properties	(329,507)	(111,980)	(33,466)
Proceeds from leasehold sales	2,158	5,079	3,268
Sale of producing properties	5,300	11,500	--
Other	(177)	--	(159)
Cash used in investing activities	(322,226)	(95,401)	(30,357)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term borrowings	39,000	28,433	--
Payments on long-term borrowings	(44,010)	(28,433)	(10,201)
Intercompany advances	415,270	144,596	42,496
Intercompany payments	(179,320)	(95,948)	(15,246)
Cash provided by financing activities	230,940	48,648	17,049
Net (decrease) increase in cash and cash equivalents	--	--	(177)
Cash and cash equivalents, beginning of period	--	--	177
Cash and cash equivalents, end of period	$ --	$ --	$ --
CASH INTEREST PAID	$ 563	$ 453	$ 507

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the three years ended June 30, 1996, CEX had non-cash intercompany transactions with the Company consisting primarily of allocated general and administrative expenses. In fiscal 1996 and 1995, the difference between the net book value and the proceeds from the sale of oil and gas properties sold to CGDC of $782,000 and $2,852,000, respectively, resulted in a non-cash transfer.

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

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
(A WHOLLY-OWNED PARTNERSHIP OF CHESAPEAKE ENERGY CORPORATION)

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chesapeake Exploration Limited Partnership, an Oklahoma limited partnership ("CEX"), was formed on December 27, 1994 and acquired Chesapeake Exploration Company ("Exploration") by merger on such date. Exploration was a general partnership which was 10% owned by Chesapeake Operating, Inc. ("COI") and 90% owned by Chesapeake Energy Corporation ("CEC" or the "Company"). CEC owns 100% of the Common Stock of COI. CEX is 10% owned by COI as the sole general partner, and 90% owned directly by the Company, as the sole limited partner.

Effective December 31, 1994, COI transferred to CEX all of the Company's undeveloped leasehold acreage, thereby formalizing their prior economic arrangement. Historically, COI had transferred undeveloped leasehold acreage to CEX on a property-by-property basis as drilling commenced. CEX also owns substantially all of the Company's proved developed oil and gas properties. Accordingly, the financial statements of CEX include costs related to proved undeveloped properties and unevaluated properties, as well as proved producing properties. The change in partnership structure and the transfer of undeveloped leasehold by COI to CEX have been accounted for as a reorganization of entities under common control in a manner similar to a pooling-of-interests.

The CEX financial statements were prepared on a separate entity basis as reflected in the Company's books and records and include all material costs of doing business as if the partnership were on a stand-alone basis, except that interest is not charged on intercompany accounts, or allocated.

Capital is provided by advances from CEC and COI, and to a lesser extent directly by CEX's bank credit facilities.

These financial statements should be read in conjunction with CEC's consolidated financial statements.

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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Oil and Gas Properties

CEC, and therefore CEX, follows the full cost method of accounting under which all costs associated with property acquisition, exploration and development activities are capitalized. CEX capitalizes internal costs that can be directly identified with its acquisition, exploration and development activities. Such costs do not include any costs related to production, general corporate overhead or similar activities (see Note 7). Capitalized costs are amortized on a composite unit-of-production method based on proved oil and gas reserves. CEX's oil and gas reserves are estimated annually by independent petroleum engineers. The average composite rates used for depreciation, depletion and amortization were $.85, $.80 and $.80 per equivalent Mcf in 1996, 1995 and 1994, respectively. 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. Unamortized costs, as reduced by related deferred taxes, are subject to a ceiling which limits such amounts to the estimated present value of oil and gas reserves, reduced by operating expenses, future development costs and income taxes. The costs of unproved properties are excluded from amortization until the properties are evaluated.

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
(A WHOLLY-OWNED PARTNERSHIP OF CHESAPEAKE ENERGY CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

On April 30, 1996, CEX purchased interests in certain producing and non-producing oil and gas properties, including approximately 14,000 net acres of unevaluated leasehold, from Amerada Hess Corporation for $35 million, subject to adjustment for activity after the effective date of January 1, 1996. The properties are located in the Knox and Golden Trend fields of southern Oklahoma, most of which are operated by the Company.

Capitalized Interest

During fiscal 1996, 1995 and 1994, interest of approximately $6,428,000, $1,574,000 and $356,000 was capitalized on significant investments in unproved properties that are not being currently depreciated, depleted, or amortized and on which exploration or development activities are in progress.

Intercompany Transactions

COI, as operator of the majority of CEX's producing properties, bills CEX, as non-operator, on a monthly basis for services performed as operator pursuant to a standard operating agreement which is common in the industry. Expenses related to the operations of CEX are recorded via such joint interest billings and via intercompany expense allocations to CEX by COI. CEX has no employees. In the CEC consolidated group, COI employs all management personnel and employees, except for employees of the service company subsidiaries, and the preponderance of general and administrative expenses are reflected in the financial records of COI. COI allocates a portion of its general and administrative expenses to CEX each period. This allocation is based on a per well charge at a rate common in the industry plus an estimate of time spent on CEX activities by officers and employees of COI.

CEC makes advances to CEX as needed. Certain of CEC's service subsidiaries perform contractual services on CEX's wells for third parties. These subsidiaries bill COI, as operator, and COI in turn bills CEX through monthly joint interest billings in accordance with the terms of the standard operating agreement.

It is CEC's policy not to demand payment of intercompany accounts. Interest is not allocated by the Company, nor is interest charged on intercompany accounts. CEC may, at its discretion, but it is not required to, contribute intercompany accounts to capital.

Income Taxes

CEX is a partnership and, accordingly, its taxable income or loss is allocated to the limited partner and the general partner and is ultimately included in CEC's consolidated tax returns.

Gas Imbalances

CEX follows the "sales method" of accounting for its oil and gas revenue whereby CEX recognizes sales revenue on all oil or gas sold to its purchasers, regardless of whether the sales are proportionate to CEX's ownership in the property. A liability is recognized only to the extent that CEX has a net imbalance in excess of the reserves on the underlying properties. CEX's net imbalance positions at June 30, 1996 and 1995 were not material.

Hedging

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

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
(A WHOLLY-OWNED PARTNERSHIP OF CHESAPEAKE ENERGY CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Reclassifications

Certain reclassifications have been made to the CEX financial statements for the years ended June 30, 1995 and 1994 to conform to the presentation used for the June 30, 1996 financial statements.

2. LONG-TERM DEBT

In April 1993, CEX entered into an oil and gas reserve-based reducing revolving credit facility (the "Revolving Credit Facility") with Union Bank. The Revolving Credit Facility has been amended from time to time, most recently in September 1996. Concurrent with the September 1996 amendment, CEX increased the facility size to $125 million and expanded its bank group with Union Bank remaining as agent.

The maturity date of the Revolving Credit Facility is April 30, 2001. The facility provides for interest at the Union Bank reference rate (8.25% at June 30, 1996) or, at the option of CEX the Eurodollar rate plus 1.375% to 1.875% depending on the ratio of the amount outstanding to the borrowing base. Borrowings are collateralized by a first priority lien on substantially all of CEX's proved producing reserves, and are unconditionally guaranteed by the Company. At June 30, 1996 and 1995 there was $0 and $10,000 outstanding under the Revolving Credit Facility, respectively.

The amount of credit available at any time under the Revolving Credit Facility is the lesser of the commitment amount or the borrowing base. The borrowing base is reduced each month by a specified amount. Both the borrowing base and the monthly reduction amount are redetermined by Union Bank each May 1 and November 1 and may be redetermined at any other time upon the request of CEX or Union Bank. To the extent the amount outstanding at any time exceeds the borrowing base, CEX must reduce the amount outstanding or add additional collateral. At June 30, 1996, the commitment amount and the borrowing base under the Revolving Credit Facility were $35 million, and the monthly reduction amount was $700,000. The Revolving Credit Facility was amended in September 1996 to provide for a borrowing base and a commitment amount of $75 million, with a monthly reduction amount of $1,750,000. The Revolving Credit Facility contains customary financial covenants, limitations on indebtedness and liabilities, liens, prepayments of other indebtedness and loans, investments and guarantees by the Company and prohibits the payment of dividends on the Company's Common Stock.

3. CONTINGENCIES AND COMMITMENTS

CEX has fully and unconditionally guaranteed CEC's obligations under the $47.5 million principal amount of 12% Senior Notes due 2001, issued March 31, 1994, the $90 million principal amount of 10.5% Senior Notes due 2002, issued May 25, 1995, and the $120 million principal amount of 9.125% Senior Notes due 2006, issued April 9, 1996. In addition, the CEX partnership interests have been pledged as collateral under the 12% Senior Notes.

4. RELATED PARTY TRANSACTIONS

CEX has significant transactions with COI, CEC, CGDC and other affiliated companies included in the CEC consolidated group, including:

COI as operator for CEX:

(a) acquires oil and gas properties,

(b) drills and equips wells,

(c) operates the majority of CEX's wells,

(d) sells interests in proved undeveloped properties to third parties, and

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
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NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(e) contracts services from affiliated entities in the CEC consolidated group and from third parties on behalf of CEX.

Capitalized costs associated with these transactions are reflected in the balance sheet as oil and gas properties and unevaluated properties for each period presented. Production expenses and taxes included in the statement of operations for each of the periods presented reflect expenses billed by COI to CEX for operations. Allocated general and administrative expenses reflect amounts allocated to CEX by COI.

The Company makes periodic advances (and contributions) to CEX.

The transactions included in the following intercompany balances are summarized as follows:

	COI	CEC	CGDC	OTHER SUBSIDIARIES
		($ IN THOUSANDS)		
BALANCE AT JUNE 30, 1993	$ (34,593)	$(14,047)	$ --	$ 1,033
Joint Interest Billing	$ (31,925)	$ (553)	$ --	$ --
Cash Collected for CEX	15,118	--	--	--
Debt Payments	(10,135)	(573)	--	--
Other	(123)	124	--	--
BALANCE AT JUNE 30, 1994	$ (61,658)	$(15,049)	$ --	$ 1,033
Joint Interest Billing	$(131,018)	$ (30)	$ --	$ --
Cash Collected for CEX	55,889	39,758	--	--
Debt Payments	(23)	(9,933)	--	--
Transfer of Properties to CGDC	--	--	2,852	--
Other	(1,236)	(64)	25	(3,223)
BALANCE AT JUNE 30, 1995	$(138,046)	$ 14,682	$2,877	$(2,190)
Joint Interest Billing	$(140,928)	$ --	$ --	$ --
Cash Collected for CEX	40,392	44,000	--	--
Debt Payments	--	(5,848)	--	--
Transfer of Properties to CGDC	--	--	5,515	--
Acquisition of properties	(162,748)	--	--	--
Other	(10,206)	(5,332)	(221)	382
BALANCE AT JUNE 30, 1996	$(411,536)	$ 47,502	$8,171	$(1,808)

5. MAJOR CUSTOMERS

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

YEAR		AMOUNTS	PERCENT OF OIL AND GAS SALES
		($ IN THOUSANDS)	
1996	Aquila Southwest Pipeline Corporation	$41,900	40%
	GPM Gas Corporation	$28,700	28%
	Wickford Energy Marketing, L.C.	$18,500	18%
1995	Aquila Southwest Pipeline Corporation	$18,548	33%
	Wickford Energy Marketing, L.C.	$15,704	28%
	GPM Gas Corporation	$11,686	21%
1994	Wickford Energy Marketing, L.C.	$ 6,190	28%
	GPM Gas Corporation	$ 6,105	27%
	Plains Marketing and Transportation, Inc.	$ 2,659	12%
	Texaco Exploration & Production, Inc.	$ 2,249	10%

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

6. FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company, on behalf of CEX, has only limited involvement with derivative financial instruments, as defined in Statement of Financial Accounting Standards No. 119 "Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments" and does not use them for trading purposes. The Company's objective is to hedge a portion of its exposure to price volatility from producing crude oil and natural gas. These arrangements may expose the Company to credit risk from its counter-parties and to basis risk.

Hedging Activities

Periodically the Company, on behalf of CEX, 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 the Company pays the hedging partner and below which the Company is paid by the hedging partner, the purchase of index-related puts that provide for a "floor" price to the Company to be paid by the counter-party to the extent the price of the commodity is below the contracted floor, and basis protection swaps.

As of June 30, 1996, the Company had NYMEX-based crude oil swap agreements for 1,000 Bbl per day for July 1, 1996 through August 31, 1996 at an average price of $17.85 per Bbl. The counter-party has the option exercisable monthly for an additional 1,000 Bbl per day for the period July 1, 1996 through December 31, 1996 to cause a swap if the price exceeds an average $17.74 per Bbl. The actual settlements for July and August resulted in a $0.5 million payment to the counter-party. The Company estimates, based on NYMEX prices as of August 30, 1996 that the effect of the September through December hedges would be a $0.4 million payment to the counter-party.

The Company has purchased Houston Ship Channel put options which guarantee the Company an average floor price of $2.21/Mmbtu for 20,000 Mmbtu per day for the period of November 1, 1996 through February 28, 1997. The average cost of these puts was $0.14 per Mmbtu.

As of June 30, 1996, the Company had NYMEX-based natural gas swaps and NYMEX/Houston Ship Channel Basis swaps for the months of July through October 1996. These transactions resulted in payments to

the Company's counter-party of approximately $2 million for the month of July 1996 and $1.5 million for the month of August 1996. The Company estimates, based on NYMEX prices as of August 30, 1996, that the effect of the September and October hedges would be a $0.2 million payment to the counter-party.

Concentration of Credit Risk

Financial instruments which potentially subject CEX to concentrations of credit risk consist principally of trade receivables. CEX's accounts receivable are primarily from purchasers of oil and natural gas products and exploration and production companies which own interests in properties operated by the Company. The industry concentration has the potential to impact CEX's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. The Company generally requires letters of credit for receivables from customers which are not considered investment grade, unless the credit risk can otherwise be mitigated.

Fair Value of Financial Instruments

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

The carrying values of items comprising current assets and current liabilities approximate fair values due to the short-term maturities of these instruments. Based on the borrowing rates currently available to CEX for bank loans with similar terms and average maturities, the fair value of long-term debt approximates the carrying value.

7. DISCLOSURES ABOUT OIL AND GAS PRODUCING ACTIVITIES

Net Capitalized Costs

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

	JUNE 30,	
	1996	1995
	($ IN THOUSANDS)	
Oil and gas properties:		
Proved	$346,821	$163,521
Unproved	165,441	27,474
Total	512,262	190,995
Less accumulated depreciation, depletion and amortization	(84,726)	(36,959)
Net capitalized costs	$427,536	$154,036

Unproved properties not subject to amortization at June 30, 1996 and 1995, consist mainly of lease acquisition costs. CEX capitalized approximately $6,428,000 and $1,574,000 of interest during the years ended June 30, 1996 and 1995 on significant investments in unproved properties that are not being currently depreciated, depleted, or amortized and on which exploration or development activities are in progress. CEX will continue to evaluate its unevaluated properties; however, the timing of the ultimate evaluation and disposition of the properties has not been determined.

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
(A WHOLLY-OWNED PARTNERSHIP OF CHESAPEAKE ENERGY CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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:

	JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
Development costs	$129,445	$ 70,562	$24,803
Exploration costs	36,532	14,129	5,358
Acquisition costs:			
Unproved properties	138,188	24,437	3,305
Proved properties	24,560	--	--
Sale of producing properties	(5,300)	(11,500)	--
Proceeds from sale of leasehold	(2,158)	(5,079)	(3,268)
Total	$321,267	$ 92,549	$30,198

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

CEX's results of operations from oil and gas producing activities are presented below for the years ended June 30, 1996, 1995 and 1994, respectively. The following table includes revenues and expenses associated directly with CEX's oil and gas producing activities. It does not include any allocation of CEC's interest costs and, therefore, is not necessarily indicative of the contribution to consolidated net operating results of CEX's oil and gas operations.

	JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
Oil and gas sales	$103,712	$ 55,417	$22,404
Production costs(a)	(7,225)	(3,494)	(3,185)
Depletion and depreciation	(48,333)	(24,769)	(8,141)
Results of operations from oil and gas producing activities	$ 48,154	$ 27,154	$11,078

- ---

(a) Production costs include lease operating expenses and production taxes.

Oil and Gas Reserve Quantities (Unaudited)

The reserve information presented below is based upon reports prepared by the independent petroleum engineering firm of Williamson Petroleum Consultants, Inc. ("Williamson") as of June 30, 1996, June 30, 1995 and June 30, 1994 and the Company's petroleum engineers as of June 30, 1996 and 1995. The reserves evaluated by the Company's petroleum engineers constituted approximately 0.6% and 0.5% of total proved reserves as of June 30, 1996 and 1995, respectively. The information is presented in accordance with regulations prescribed by the Securities and Exchange Commission. CEX emphasizes that reserve estimates are inherently imprecise. CEX's reserve estimates were generally based upon extrapolation of historical production trends, analogy to similar properties and volumetric calculations. Accordingly, these estimates are expected to change, and such changes could be material, 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

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
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NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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 CEX based upon the reports prepared by Williamson for 1996, 1995 and 1994 along with those prepared by the Company's petroleum engineers for 1996 and 1995.

	JUNE 30,					
	1996		1995		1994	
	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)
Proved reserves, beginning of year....	4,848	199,526	4,154	117,066	9,622	79,763
Extensions, discoveries and other additions.....	8,924	173,576	2,345	129,444	2,335	82,965
Revisions of previous estimate.....	(895)	(2,589)	(243)	(9,587)	(868)	(5,523)
Production.....	(1,304)	(49,320)	(1,006)	(22,723)	(537)	(6,927)
Sale of reserves-in-place.....	(74)	(6,359)	(402)	(14,674)	(6,398)	(33,212)
Purchase of reserves-in-place.....	443	20,087	--	--	--	--
Proved reserves, end of year.....	11,942	334,921	4,848	199,526	4,154	117,066
Proved developed reserves, end of year.....	3,214	126,590	1,705	65,481	1,313	30,445

On April 30, 1996, the Company purchased interests in certain producing and non-producing oil and gas properties, including approximately 14,000 net acres of unevaluated leasehold, from Amerada Hess Corporation for $35 million, subject to adjustment for activity after the effective date of January 1, 1996. The properties are located in the Knox and Golden Trend fields of southern Oklahoma, most of which are operated by the Company.

In October 1993, CEX entered into a joint development agreement covering a 20,000 gross acre development area in the Fayette County portion of the Giddings Field in southern Texas. CEX's ownership interests in the proved undeveloped properties covered by the joint development agreement were significantly less than those used in the June 30, 1993 reserve report. The impact of the reduced ownership percentages is reflected as sales of reserves in place in fiscal 1994 in the preceding table.

Standardized Measure of Discounted Future Net Cash Flows (Unaudited)

Statement of Financial Accounting Standards No. 69 ("SFAS 69") prescribes guidelines for computing a standardized measure of future net cash flows and changes therein relating to estimated proved reserves. CEX 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 income tax effect of these future cash inflows will be recognized by CEX's partners. 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 CEX's expectations of actual revenue to

be derived from those reserves nor their present worth. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these estimates are the basis for the valuation process.

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

	JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
Future cash inflows	$1,055,631	$402,027	$307,600
Future production costs	(161,223)	(70,558)	(50,765)
Future development costs	(136,927)	(76,542)	(47,040)
Future income tax provision	(163,374)	(42,519)	(36,847)
Future net cash flows	594,107	212,408	172,948
Less effect of a 10% discount factor	(160,659)	(63,496)	(54,340)
Standardized measure of discounted future net cash flows	$ 433,448	$148,912	$118,608

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

	JUNE 30,		
	1996	1995	1994
	($ IN THOUSANDS)		
Standardized measure, beginning of year	$148,912	$118,608	$119,744
Sales of oil and gas produced, net of production costs	(96,408)	(51,923)	(18,757)
Net changes in prices and production costs	78,501	(32,623)	(10,795)
Extensions and discoveries, net of production and development costs	292,255	93,969	99,175
Changes in future development costs	(11,084)	3,406	(2,855)
Development costs incurred during the period that reduced future development costs	43,409	23,678	9,855
Revisions of previous quantity estimates	(11,338)	(11,286)	(13,107)
Purchase of undeveloped reserves-in-place	29,641	--	--
Sales of reserves in-place	(5,835)	(7,514)	(66,372)
Accretion of discount	17,550	14,125	14,166
Net change in income taxes	(65,117)	(3,944)	(720)
Changes in production rates and other	12,962	2,416	(11,726)
Standardized measure, end of year	$433,448	$148,912	$118,608

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS

	DECEMBER 31, 1996	JUNE 30, 1996
	($ IN THOUSANDS)	
CURRENT ASSETS:		
Cash and cash equivalents	$140,739	$ 51,638
Short-term investments	29,092	--
Accounts receivable:		
Oil and gas sales	15,313	12,687
Oil and gas marketing sales	20,793	6,982
Joint interest and other, net of allowance for doubtful accounts of $198,000 and $340,000	26,066	27,661
Related parties	4,000	2,884
Inventory	7,071	5,163
Other	7,199	2,158
Total Current Assets	250,273	109,173
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full cost accounting:		
Evaluated oil and gas properties	527,566	363,213
Unevaluated properties	181,774	165,441
Less: accumulated depreciation, depletion and amortization	(128,963)	(92,720)
	580,377	435,934
Other property and equipment	22,052	18,162
Less: accumulated depreciation and amortization	(3,880)	(2,922)
Total Property and Equipment	598,549	451,174
OTHER ASSETS	11,775	11,988
TOTAL ASSETS	$860,597	$572,335
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 6,718	$ 6,755
Accounts payable	72,256	54,514
Accrued liabilities and other	10,144	14,062
Revenues and royalties due others	37,974	33,503
Total Current Liabilities	127,092	108,834
LONG-TERM DEBT, NET	220,149	268,431
REVENUES AND ROYALTIES DUE OTHERS	6,126	5,118
DEFERRED INCOME TAXES	23,168	12,185
STOCKHOLDERS' EQUITY:		
Preferred Stock, $.01 par value, 10,000,000 shares authorized; none issued	--	--
Common Stock, 100,000,000 shares authorized; $.01 par value at December 31, 1996, $.10 par value at June 30, 1996; 69,276,935 and 60,159,826 shares issued and outstanding at December 31, 1996 and June 30, 1996, respectively	693	3,008
Paid-in capital	426,914	136,782
Accumulated earnings	56,455	37,977
Total Stockholders' Equity	484,062	177,767
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$860,597	$572,335

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

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

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	1996	1995	1996	1995
REVENUES:				
Oil and gas sales	$53,414	$26,519	$ 90,167	$46,350
Oil and gas marketing sales	17,835	3,787	30,019	3,787
Oil and gas service operations	--	1,460	--	3,618
Interest and other	1,668	277	2,516	1,791
Total revenues	72,917	32,043	122,702	55,546
COSTS AND EXPENSES				
Production expenses and taxes	3,344	2,007	5,874	3,703
Oil and gas marketing expenses	17,682	3,766	29,548	3,766
Oil and gas service operations	--	1,167	--	3,019
Oil and gas depreciation, depletion and amortization	19,214	11,798	36,243	22,234
Depreciation and amortization of other assets	884	689	1,836	1,384
General and administrative	2,068	971	3,739	1,912
Interest	3,399	3,181	6,216	6,544
Total costs and expenses	46,591	23,579	83,456	42,562
INCOME BEFORE INCOME TAX AND EXTRAORDINARY ITEM	26,326	8,464	39,246	12,984
INCOME TAX EXPENSE				
Current	--	--	--	--
Deferred	9,609	3,005	14,325	4,609
Total income tax expense	9,609	3,005	14,325	4,609
INCOME BEFORE EXTRAORDINARY ITEM	16,717	5,459	24,921	8,375
EXTRAORDINARY ITEM:				
Loss on early extinguishment of debt, net of applicable income tax of $3,703	(6,443)	--	(6,443)	--
NET INCOME	$10,274	$ 5,459	$ 18,478	$ 8,375
NET EARNINGS PER COMMON SHARE AND COMMON SHARE EQUIVALENT (PRIMARY) Income before extraordinary item	$ .25	$ .10	$ .38	$ .15
Extraordinary item	(.10)	--	(.10)	--
Net Income	$ .15	$ .10	$ .28	$ .15
NET EARNINGS PER COMMON SHARE AND COMMON SHARE EQUIVALENT (FULLY DILUTED)				
Income before extraordinary item	$ .25	$ .09	$ .38	$ .14
Extraordinary item	(.10)	--	(.10)	--
Net Income	$ .15	$ .09	$ .28	$ .14
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING				
Primary	68,108	57,454	66,300	57,148
Fully-diluted	68,108	58,044	66,300	57,968

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED DECEMBER 31,	
	1996	1995
	($ IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 18,478	$ 8,375
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	37,317	23,044
Deferred taxes	10,622	4,609
Amortization of loan costs	762	574
Amortization of bond discount	191	280
Gain on sale of fixed assets and other	(522)	(412)
Investments in securities, net	(34,777)	406
Extraordinary item before income tax benefit	10,146	--
Equity in earnings of subsidiary	(178)	--
Other adjustments	--	(130)
Changes in current assets and liabilities	(138)	10,383
Cash provided by operating activities	41,901	47,129
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration, development and acquisition of oil and gas properties	(186,753)	(91,160)
Proceeds from sale of assets	12,274	6,473
Investment in gas marketing company, net of cash acquired	--	(320)
Investment in service operations	(3,048)	--
Long-term loan made to a third party	(2,000)	--
Additions to property, equipment and other	(4,622)	(3,671)
Cash used in investing activities	(184,149)	(88,678)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	50,000	16,650
Payments on long-term borrowings	(106,831)	(2,181)
Cash received from issuance of common stock	288,091	--
Cash received from exercise of stock options	273	458
Other financing	(184)	--
Cash provided by financing activities	231,349	14,927
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,101	(26,622)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	51,638	55,535
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 140,739	$ 28,913

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1996
(UNAUDITED)

1. ACCOUNTING PRINCIPLES

The accompanying unaudited consolidated financial statements of Chesapeake Energy Corporation and Subsidiaries (the "Company") have been prepared in accordance with the instructions to Form 10-Q as prescribed by the Securities and Exchange Commission. All material adjustments (consisting solely of normal recurring adjustments) which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods have been reflected. The results for the three months and six months ended December 31, 1996, are not necessarily indicative of the results to be expected for the full fiscal year.

2. RECENT EVENTS

On November 25, 1996, the Company issued 8,000,000 shares of Common Stock in a public offering at a price of $33.63 per share, which resulted in net proceeds to the Company of approximately $256.9 million. On December 2, 1996, the underwriters of the Company's Common Stock offering exercised an over-allotment option to purchase an additional 972,000 shares of Common Stock at a price of $33.63 per share, resulting in additional net proceeds to the Company of approximately $31.2 million, and total proceeds of $288.1 million.

Using a portion of the proceeds from the Common Stock offering, the Company exercised its covenant defeasance rights under Section 8.03 of the Indenture dated as of March 31, 1994 with respect to all of its outstanding $47.5 million of 12% Senior Notes. A combination of cash and non-callable U.S. Government Securities in the amount of $55 million was irrevocably deposited in trust to satisfy the Company's obligations, including accrued but unpaid interest through the date of defeasance of $1.3 million. The Company also repaid in full the outstanding balance of its revolving bank credit facility.

Effective December 31, 1996, the Company changed its state of incorporation from Delaware to Oklahoma. As part of this transaction, the authorized capital stock of the Company was increased to 100,000,000 shares of common stock, par value $.01 per share, and 10,000,000 shares of preferred stock, par value $.01 per share. Also effective December 31, 1996, the Company effected a 2-for-1 split of its common stock. All par value, share and per share information, common stock options and exercise prices included in these consolidated financial statements and related footnotes have been restated to reflect the stock split.

3. LEGAL PROCEEDINGS

On October 15, 1996, Union Pacific Resources Company ("UPRC") filed suit against the Company alleging patent infringement and tortious interference with contracts regarding confidentiality and proprietary information of UPRC. UPRC is seeking injunctive relief and damages in an unspecified amount, including actual, enhanced, consequential and punitive damages. The Company believes it has meritorious defenses to the allegations, including its belief that the subject patent is invalid. Given the subject of the claims, the Company is unable to predict the outcome of the matter or estimate a range of financial exposure.

4. SENIOR NOTES

10 1/2% Notes

The Company has outstanding $90 million in aggregate principal amount of 10 1/2% Notes which mature June 2002. The 10 1/2% Notes bear interest at an annual rate of 10 1/2%, payable semiannually on each June 1 and December 1. The 10 1/2% Notes are senior, unsecured obligations of the Company, and are fully and unconditionally guaranteed, jointly and severally, by certain subsidiaries of the Company (the "Guarantor Subsidiaries").

9 1/8% Notes

The Company has outstanding $120 million in aggregate principal amount of 9 1/8% Senior Notes due 2006 which mature April 15, 2006. The 9 1/8% Notes bear interest at an annual rate of 9 1/8%, payable semiannually on each April 15 and October 15. The 9 1/8% Notes are senior, unsecured obligations of the Company, and are fully and unconditionally guaranteed, jointly and severally, by the Guarantor Subsidiaries.

Set forth below are condensed consolidating financial statements of the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries and the Company. Separate financial statements of each Guarantor Subsidiary have not been included because management has determined that they are not material to investors.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 1996
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ 4,782	$ 6,182	$129,775	$ --	$ 140,739
Accounts receivable, net	53,866	21,369	--	(9,063)	66,172
Inventory	6,702	369	--	--	7,071
Other	931	33	35,327	--	36,291
Total Current Assets	66,281	27,953	165,102	(9,063)	250,273
PROPERTY AND EQUIPMENT:					
Oil and gas properties	502,928	24,638	--	--	527,566
Unevaluated leasehold	181,774	--	--	--	181,774
Other property and equipment	10,824	103	11,125	--	22,052
Less: accumulated depreciation, depletion and amortization	(122,962)	(9,287)	(594)	--	(132,843)
Total Property & Equipment	572,564	15,454	10,531	--	598,549
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	628,415	6,850	514,075	(1,149,340)	--
OTHER ASSETS	4,482	1,019	6,274	--	11,775
TOTAL ASSETS	$1,271,742	$51,276	$695,982	$(1,158,403)	$ 860,597

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 4,268	$ 2,450	$ --	$ --	$ 6,718
Accounts payable and other	104,859	21,389	3,189	(9,063)	120,374
Total Current Liabilities	109,127	23,839	3,189	(9,063)	127,092
LONG-TERM DEBT	1,486	8,740	209,923	--	220,149
REVENUES PAYABLE	6,126	--	--	--	6,126
DEFERRED INCOME TAXES	14,916	1,014	7,238	--	23,168
INTERCOMPANY PAYABLES	1,057,860	7,917	79,793	(1,145,570)	--
STOCKHOLDERS' EQUITY:					
Common Stock	116	2	577	(2)	693
Other	82,111	9,764	395,262	(3,768)	483,369
Total Stockholders' Equity	82,227	9,766	395,839	(3,770)	484,062
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,271,742	$51,276	$695,982	$(1,158,403)	$ 860,597

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF JUNE 30, 1996
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ 4,061	$ 2,751	$ 44,826	$ --	$ 51,638
Accounts receivable, net	44,080	7,723	--	(1,589)	50,214
Inventory	4,947	216	--	--	5,163
Other	2,155	3	--	--	2,158
Total Current Assets	55,243	10,693	44,826	(1,589)	109,173
PROPERTY AND EQUIPMENT:					
Oil and gas properties	338,610	24,603	--	--	363,213
Unevaluated leasehold	165,441	--	--	--	165,441
Other property and equipment	9,608	61	8,493	--	18,162
Less: accumulated depreciation, depletion and amortization	(87,193)	(8,007)	(442)	--	(95,642)
Total Property & Equipment	426,466	16,657	8,051	--	451,174
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	519,386	8,132	382,388	(909,906)	--
OTHER ASSETS	2,310	940	8,738	--	11,988
TOTAL ASSETS	$1,003,405	$36,422	$444,003	$(911,495)	$572,335

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 3,846	$ 2,880	$ 29	$ --	$ 6,755
Accounts payable and other	91,069	7,339	5,260	(1,589)	102,079
Total Current Liabilities	94,915	10,219	5,289	(1,589)	108,834
LONG-TERM DEBT	2,113	10,020	256,298	--	268,431
REVENUES PAYABLE	5,118	--	--	--	5,118
DEFERRED INCOME TAXES	23,950	1,335	(13,100)	--	12,185
INTERCOMPANY PAYABLES	824,307	8,182	73,647	(906,136)	--
STOCKHOLDERS' EQUITY:					
Common Stock	117	2	2,891	(2)	3,008
Other	52,885	6,664	118,978	(3,768)	174,759
Total Stockholders' Equity	53,002	6,666	121,869	(3,770)	177,767
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,003,405	$36,422	$444,003	$(911,495)	$572,335

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
FOR THE THREE MONTHS ENDED DECEMBER 31, 1996:					
REVENUES:					
Oil and gas sales	$51,147	$ 1,888	$ --	$ 379	$53,414
Oil and gas marketing sales	--	36,693	--	(18,858)	17,835
Interest and other	52	162	1,454	--	1,668
Total Revenues	51,199	38,743	1,454	(18,479)	72,917
COSTS AND EXPENSES:					
Production expenses and taxes	3,116	228	--	--	3,344
Oil and gas marketing expenses	--	36,161	--	(18,479)	17,682
Oil and gas depreciation, depletion and amortization	18,577	637	--	--	19,214
Other depreciation and amortization	509	40	335	--	884
General and administrative	1,370	259	439	--	2,068
Interest	275	122	3,002	--	3,399
Total Costs & Expenses	23,847	37,447	3,776	(18,479)	46,591
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	27,352	1,296	(2,322)	--	26,326
INCOME TAX EXPENSE (BENEFIT)	9,983	474	(848)	--	9,609
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	17,369	822	(1,474)	--	16,717
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	(590)	--	(5,853)	--	(6,443)
NET INCOME (LOSS)	$16,779	$ 822	$(7,327)	$ --	$10,274
FOR THE THREE MONTHS ENDED DECEMBER 31, 1995:					
REVENUES:					
Oil and gas sales	$24,925	$ 1,594	$ --	$ --	$26,519
Gas marketing sales	--	4,370	--	(583)	3,787
Oil and gas service operations	1,460	--	--	--	1,460
Interest and other	215	6	56	--	277
Total revenues	26,600	5,970	56	(583)	32,043
COSTS AND EXPENSES:					
Production expenses and taxes	1,844	163	--	--	2,007
Gas marketing expenses	--	4,349	--	(583)	3,766
Oil and gas service operations	1,167	--	--	--	1,167
Oil and gas depreciation	11,179	619	--	--	11,798
Other depreciation and amortization	418	13	258	--	689
General and administrative	686	67	218	--	971
Interest	42	165	2,974	--	3,181
Total Costs & Expenses	15,336	5,376	3,450	(583)	23,579
INCOME (LOSS) BEFORE INCOME TAX	11,264	594	(3,394)	--	8,464
INCOME TAX EXPENSE	4,958	316	(2,269)	--	3,005
NET INCOME (LOSS)	$ 6,306	$ 278	$(1,125)	$ --	$ 5,459

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
FOR THE SIX MONTHS ENDED DECEMBER 31, 1996:					
REVENUES:					
Oil and gas sales	$85,936	$ 3,579	$ --	$ 652	$ 90,167
Oil and gas marketing sales	--	58,607	--	(28,588)	30,019
Interest and other	167	571	1,778	--	2,516
Total Revenues	86,103	62,757	1,778	(27,936)	122,702
COSTS AND EXPENSES:					
Production expenses and taxes	5,463	411	--	--	5,874
Oil and gas marketing expenses	--	57,484	--	(27,936)	29,548
Oil and gas depreciation, depletion and amortization	34,950	1,293	--	--	36,243
Other depreciation and amortization	1,043	71	722	--	1,836
General and administrative	2,543	495	701	--	3,739
Interest	308	227	5,681	--	6,216
Total Costs & Expenses	44,307	59,981	7,104	(27,936)	83,456
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	41,796	2,776	(5,326)	--	39,246
INCOME TAX EXPENSE (BENEFIT)	15,255	1,014	(1,944)	--	14,325
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	26,541	1,762	(3,382)	--	24,921
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	(590)	--	(5,853)	--	(6,443)
NET INCOME (LOSS)	$25,951	$ 1,762	$(9,235)	$ --	$ 18,478
FOR THE SIX MONTHS ENDED DECEMBER 31, 1995:					
REVENUES:					
Oil and gas sales	$43,533	$ 2,817	$ --	$ --	$ 46,350
Gas marketing sales	--	4,370	--	(583)	3,787
Oil and gas service operations	3,618	--	--	--	3,618
Interest and other	1,236	6	549	--	1,791
Total Revenues	48,387	7,193	549	(583)	55,546
COSTS AND EXPENSES:					
Production expenses and taxes	3,392	311	--	--	3,703
Gas marketing expenses	--	4,349	--	(583)	3,766
Oil and gas service operations	3,019	--	--	--	3,019
Oil and gas depreciation, depletion and amortization	21,059	1,175	--	--	22,234
Other depreciation and amortization	850	17	517	--	1,384
General and administrative	1,499	101	312	--	1,912
Interest	81	350	6,113	--	6,544
Total Costs & Expenses	29,900	6,303	6,942	(583)	42,562
INCOME (LOSS) BEFORE INCOME TAX	18,487	890	(6,393)	--	12,984
INCOME TAX EXPENSE (BENEFIT)	6,562	316	(2,269)	--	4,609
NET INCOME (LOSS)	$11,925	$ 574	$(4,124)	$ --	$ 8,375

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
FOR THE SIX MONTHS ENDED DECEMBER 31, 1996:					
CASH FLOWS FROM OPERATING ACTIVITIES:	$ 89,669	$ (5,642)	$ (42,126)	$ --	$ 41,901
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(186,718)	(35)	--	--	(186,753)
Proceeds from sale of assets	12,274	--	--	--	12,274
Investment in service operations	(3,048)	--	--	--	(3,048)
Other additions	(4,185)	(204)	(2,233)	--	(6,622)
	(181,677)	(239)	(2,233)	--	(184,149)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	50,000	--	--	--	50,000
Payments on borrowings	(51,246)	(1,710)	(53,875)	--	(106,831)
Cash received from exercise of stock options	--	--	273	--	273
Cash received from issuance of common stock	--	--	288,091	--	288,091
Other financing	--	--	(184)	--	(184)
Intercompany advances, net	93,975	11,022	(104,997)	--	--
	92,729	9,312	129,308	--	231,349
Net increase (decrease) in cash	721	3,431	84,949	--	89,101
Cash, beginning of period	4,061	2,751	44,826	--	51,638
Cash, end of period	$ 4,782	$ 6,182	$ 129,775	$ --	$ 140,739
FOR THE SIX MONTHS ENDED DECEMBER 31, 1995:					
CASH FLOWS FROM OPERATING ACTIVITIES:	$ 50,475	$ 599	$ (3,945)	$ --	$ 47,129
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(84,998)	(11,462)	--	5,300	(91,160)
Proceeds from sales	11,773	--	--	(5,300)	6,473
Investment in gas marketing company	--	256	(576)	--	(320)
Other additions	(2,812)	(25)	(834)	--	(3,671)
	(76,037)	(11,231)	(1,410)	--	(88,678)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term borrowings	11,350	5,300	--	--	16,650
Payments on borrowings	(582)	(1,585)	(14)	--	(2,181)
Cash received from exercise of stock options	--	--	458	--	458
Intercompany advances, net	(57,930)	9,738	48,192	--	--
	(47,162)	13,453	48,636	--	14,927
Net increase (decrease) in cash and cash equivalents	(72,724)	2,821	43,281	--	(26,622)
Cash, beginning of period	53,227	5	2,303	--	55,535
Cash, end of period	$ (19,497)	$ 2,826	$ 45,584	$ --	$ 28,913

5. SUBSEQUENT EVENT

On March 17, 1997, the Company issued, in a non-public transaction under an available exemption from the registration requirements of Section 5 of the Securities Act of 1933, $150 million principal amount of 7 7/8% Senior Notes due 2004 and $150 million principal amount of 8 1/2% Senior Notes due 2012 (collectively, the "Notes"). Interest is payable semiannually on March 15 and September 15 of each year, commencing September 15, 1997. The Notes are senior unsecured obligations of the Company and are fully and unconditionally guaranteed, jointly and severally, by the following subsidiaries of the Company; Chesapeake Operating, Inc., Chesapeake Exploration Limited Partnership and Chesapeake Gas Development Corporation. The Company has agreed with the purchasers of the Notes to file a registration statement relating to an exchange offer of senior notes having substantially the same terms and provisions as the Notes.

ALL TENDERED OLD NOTES, EXECUTED LETTERS OF TRANSMITTAL AND OTHER RELATED DOCUMENTS SHOULD BE DIRECTED TO THE EXCHANGE AGENT. QUESTIONS AND REQUESTS FOR ASSISTANCE AND REQUESTS FOR ADDITIONAL COPIES OF THE PROSPECTUS, THE LETTER OF TRANSMITTAL AND OTHER RELATED DOCUMENTS SHOULD BE ADDRESSED TO THE EXCHANGE AGENT AS FOLLOWS:

By Registered or Certified Mail

UNITED STATES TRUST COMPANY OF NEW YORK
P.O. BOX 844 -- COOPER STATION
NEW YORK, NEW YORK 10276

By Hand

UNITED STATES TRUST COMPANY OF NEW YORK
111 BROADWAY, LOWER LEVEL
NEW YORK, NEW YORK 10006
ATTENTION: CORPORATE TRUST SERVICES

By Overnight Courier

UNITED STATES TRUST COMPANY OF NEW YORK
770 BROADWAY
NEW YORK, NEW YORK 10003
ATTENTION: CORPORATE TRUST OPERATIONS DEPARTMENT

By Facsimile

UNITED SATES TRUST COMPANY OF NEW YORK
(212) 420-6152
CONFIRM BY TELEPHONE: (800) 548-6565

(Originals of all documents submitted by facsimile should be sent promptly by hand, overnight delivery, or registered or certified mail.)

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS AND THE ACCOMPANYING LETTER OF TRANSMITTAL, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. NEITHER THIS PROSPECTUS NOR THE ACCOMPANYING LETTER OF TRANSMITTAL NOR BOTH TOGETHER CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH THE PROSPECTUS RELATES OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS OR THE LETTER OF TRANSMITTAL OR BOTH TOGETHER NOR ANY EXCHANGE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREIN OR THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE SUCH DATE.

$150,000,000
7 7/8% SERIES B SENIOR NOTES DUE 2004
AND

$150,000,000
8 1/2% SERIES B SENIOR NOTES DUE 2012

CHESAPEAKE ENERGY
CORPORATION

PROSPECTUS

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, 1997

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

As permitted by the Oklahoma General Corporation Act under which the Company is incorporated, the Company's Certificate of Incorporation provides for indemnification of each of the Company's officers and directors against (a) expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any action, suit or proceeding brought by reason of his being or having been a director, officer, employee or agent of the Company, or of any other corporation, partnership, joint venture, or other enterprise at the request of the Company, other than an action by or in the right of the Company, provided that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Company, and with respect to any criminal action, he had no reasonable cause to believe that his conduct was unlawful and (b) expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of any action or suit by or in the right of the Company brought by reason of his being or having been a director, officer, employee or agent of the Company, or any other corporation, partnership, joint venture, or other enterprise at the request of the Company, provided that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Company, except that no indemnification shall be made in respect of any claim, issue or matter as to which he shall have been adjudged liable to the Company, unless and only to the extent that the court in which such action was decided has determined that the person is fairly and reasonably entitled to indemnity for such expenses which the court deems proper. The Company's bylaws provide for similar indemnification. These provisions may be sufficiently broad to indemnify such persons for liabilities arising under the Securities Act of 1933, as amended.

The Company has entered into indemnity agreements with each of its directors and executive officers. Under each indemnity agreement, the Company will pay on behalf of the indemnitee, and his executors, administrators and heirs, any amount which he is or becomes legally obligated to pay because of (i) any claim or claims from time to time threatened or made against him by any person because of any act or omission or neglect or breach of duty, including any actual or alleged error or misstatement or misleading statement, which he commits or suffers while acting in his capacity as a director and/or officer of the Company or an affiliate or (ii) being a party, or being threatened to be made a party, to any threatened, pending or contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was an officer, director, employee or agent of the Company or an affiliate or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The payments which the Company will be obligated to make thereunder shall include, inter alia, damages, charges, judgments, fines, penalties, settlements and costs, cost of investigation and cost of defense of legal, equitable or criminal actions, claims or proceedings and appeals therefrom, and costs of attachment, supersedeas, bail, surety or other bonds. The Company also provides liability insurance for each of its directors and executive officers.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

EXHIBIT NUMBERS	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 7/8% Senior Notes due 2004
4.2	-- Form of 7 7/8% Senior Notes due 2004 (included in Exhibit 4.1 as Exhibit A)

EXHIBIT NUMBERS	DESCRIPTION
4.3	-- Indenture dated as of March 15, 1997 among the Registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 8 1/2% Senior Notes due 2012
4.4	-- Form of 8 1/2% Senior Notes due 2012 (included in Exhibit 4.3 as Exhibit A)
4.5	-- Registration Rights Agreement dated March 12, 1997 among the Registrant, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership and Donaldson, Lufkin & Jenrette Securities Corporation, Bear, Stearns & Co. Inc., J.P. Morgan Securities Inc. and Lehman Brothers Inc.
4.6	-- Indenture dated as of May 15, 1995 among Chesapeake Energy Corporation, its subsidiaries signatory thereto as Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Incorporated herein by reference to Exhibit 4.3 to Registrant's registration statement on Form S-4 (No. 33-93718).
4.7	-- Indenture dated April 1, 1996 among Chesapeake Energy Corporation, its subsidiaries signatory thereto as Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Incorporated herein by reference to Exhibit 4.6 to Registrant's registration statement on Form S-3 (No. 333-1588).
4.8	-- Stock Registration Agreement dated May 21, 1992 between Chesapeake Energy Corporation and various lenders, as amended by First Amendment thereto dated May 26, 1992. Incorporated herein by reference to Exhibits 10.26.1 and 10.26.2 to Registrant's registration statement on Form S-1 (No. 33-55600).
5	-- Opinion of McAfee & Taft A Professional Corporation
12	-- Statement Re Computation of Ratios
23.1	-- Consent of Price Waterhouse LLP
23.2	-- Consent of Coopers & Lybrand L.L.P.
23.3	-- Consent of Williamson Petroleum Consultants, Inc.
23.4	-- Consent of McAfee & Taft A Professional Corporation (included as part of its opinion filed as Exhibit 5)
24	-- Power of Attorney
25.1	-- Statement of Eligibility of Trustee on Form T-1 with respect to 7 7/8% Senior Notes due 2004
25.2	-- Statement of Eligibility of Trustee on Form T-1 with respect to 8 1/2% Senior Notes due 2012
99.1	-- Form of Letter of Transmittal
99.2	-- Form of Notice of Guaranteed Delivery

(b) Financial Statement Schedules

None

ITEM 22. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

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

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

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

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

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

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

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

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

The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registration pursuant to the provisions described under Item 20, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Oklahoma City, State of Oklahoma, on the 10th day of April, 1997.

CHESAPEAKE ENERGY CORPORATION

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

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on April 10, 1997.

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

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

/s/ E. F. HEIZER, JR.
E. F. Heizer, Jr.
Director

/s/ SHANNON SELF
Shannon Self
Director

/s/ TOM L. WARD
Tom L. Ward
President and Director

/s/ RONALD A. LEFAIVE
Ronald A. Lefaive
Controller (Principal Accounting Officer)

/s/ BREENE M. KERR
Breene M. Kerr
Director

/s/ FREDERICK B. WHITTEMORE
Frederick B. Whittemore
Director

/s/ WALTER C. WILSON
Walter C. Wilson
Director

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Oklahoma City, State of Oklahoma, on the 10th day of April, 1997.

CHESAPEAKE OPERATING, INC.
CHESAPEAKE GAS DEVELOPMENT CORPORATION
(the "Corporate Subsidiary Guarantors")

By /s/ MARCUS C. ROWLAND
Marcus C. Rowland
Vice President of each of the Corporate Subsidiary Guarantors

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP

By: Chesapeake Operating, Inc.
General Partner

By /s/ MARCUS C. ROWLAND
Marcus C. Rowland
Vice President

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on April 10, 1997.

/s/ AUBREY K. McCLENDON
Aubrey K. McClendon
Director of each Corporate Subsidiary Guarantor, Chief Executive Officer of Chesapeake Operating, Inc. and President and Chief Executive Officer of Chesapeake Gas Development Corporation

/s/ TOM L. WARD
Tom L. Ward
Director of each Corporate Subsidiary Guarantor and President of Chesapeake Operating, Inc.

/s/ MARCUS C. ROWLAND
Marcus C. Rowland
Vice President of each Corporate Subsidiary Guarantor (Principal Financial and Accounting Officer)

EXHIBIT INDEX

EXHIBIT NUMBERS	DESCRIPTION
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99.1	-- Form of Letter of Transmittal
99.2	-- Form of Notice of Guaranteed Delivery

EXHIBIT 4.1

CHESAPEAKE ENERGY CORPORATION,

as Issuer,

THE SUBSIDIARY GUARANTORS,

as Guarantors,

AND

UNITED STATES TRUST COMPANY OF NEW YORK,

as Trustee

INDENTURE

DATED AS OF MARCH 15, 1997

$150,000,000

SERIES A AND SERIES B
7 7/8% SENIOR NOTES DUE 2004

CROSS-REFERENCE TABLE

TIA SECTION	INDENTURE SECTION
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.8
(b)	7.8; 7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.5
(b)	12.3
(c)	12.3
313(a)	7.6
(b)(1)	N.A.
(b)(2)	7.6
(c)	7.6; 12.2
(d)	7.6
314(a)	4.2; 4.3; 12.2
(b)	N.A.
(c)(1)	12.4
(c)(2)	12.4
(c)(3)	N.A.
(d)	N.A.
(e)	12.5
(f)	N.A.
315(a)	7.1(b)
(b)	7.5; 12.2
(c)	7.1(a)
(d)	7.1(c)
(e)	6.11
316(a)(last sentence)	2.9
(a)(1)(A)	6.5
(a)(1)(B)	6.2; 6.4; 9.2
(a)(2)	N.A.
(b)	6.7
(c)	N.A.
317(a)(1)	6.8
(a)(2)	6.9
(b)	2.4
318(a)	12.1
318(c)	12.1

- -------------------------
N.A. means Not Applicable
NOTE: This Cross-Reference table shall not, for any purpose, be deemed part of this Indenture.

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SUCCESSOR CORPORATION

ARTICLE VI

DEFAULTS AND REMEDIES

ARTICLE VII

TRUSTEE

ARTICLE XI

MISCELLANEOUS

NOTE: This Table of Contents shall not, for any purpose, be deemed to be a part of this Indenture.

INDENTURE, dated as of March 15, 1997, among CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), the SUBSIDIARY GUARANTORS listed as signatories hereto, and UNITED STATES TRUST COMPANY OF NEW YORK, a New York corporation, as Trustee.

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the holders of the Company's 7 7/8% Series A Senior Notes due 2004 (the "Series A Notes") and 7 7/8% Series B Senior Notes due 2004 (the "Series B Notes", and together with the Series A Notes, the "Securities"):

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1 Definitions.

"Adjusted Consolidated Net Tangible Assets" means, without duplication, as of the date of determination, (a) the sum of (i) discounted future net revenue from proved oil and gas reserves of the Company and its Restricted Subsidiaries calculated in accordance with SEC guidelines before any state or federal income taxes, as estimated by independent petroleum engineers in a reserve report prepared as of the end of the Company's most recently completed fiscal year, as increased by, as of the date of determination, the discounted future net revenue of (A) estimated proved oil and gas reserves of the Company and its Restricted Subsidiaries attributable to any acquisition consummated since the date of such year-end reserve report, and (B) estimated oil and gas reserves of the Company and its Restricted Subsidiaries attributable to extensions, discoveries and other additions and upward revisions of estimates of proved oil and gas reserves due to exploration, development or exploitation, production or other activities conducted or otherwise occurring since the date of such year-end reserve report, which, in the case of sub-clauses (A) and (B), would, in accordance with standard industry practice, result in such increases as calculated in accordance with SEC guidelines (utilizing the prices utilized in such year-end reserve report), and decreased by, as of the date of determination, the discounted future net revenue of (C) estimated proved oil and gas reserves of the Company and its Restricted Subsidiaries produced or disposed of since the date of such year-end reserve report and (D) reductions in the estimated oil and gas reserves of the Company and its Restricted Subsidiaries since the date of such year-end reserve report attributable to downward revisions of estimates of proved oil and gas reserves due to exploration, development or exploitation, production or other activities conducted or otherwise occurring since the date of such year-end reserve report which, in the case of sub-clauses (C) and (D), would, in accordance with standard industry practice, result in such decreases as calculated in accordance with SEC guidelines (utilizing the prices utilized in such year-end reserve report); provided that, in the case of each of the determinations made pursuant to clauses (A) through (D), such increases and decreases shall be as estimated by the Company's engineers, (ii) the capitalized costs that are attributable to oil and gas properties of the Company and its Restricted Subsidiaries to which no proved oil and gas reserves are attributable, based on the Company's books and records as of a date no earlier than the date of the Company's latest annual or quarterly financial statements, (iii) the Net Working Capital on a date

no earlier than the date of the Company's latest annual or quarterly financial statements and (iv) the greater of (I) the net book value on a date no earlier than the date of the Company's latest annual or quarterly financial statements and (II) the appraised value, as estimated by independent appraisers, of other tangible assets (including Investments in unconsolidated Subsidiaries) of the Company and its Restricted Subsidiaries, as of a date no earlier than the date of the Company's latest audited financial statements, minus (b) the sum of (i) minority interests, (ii) any gas balancing liabilities of the Company and its Restricted Subsidiaries reflected in the Company's latest annual or quarterly financial statements, (iii) the discounted future net revenue, calculated in accordance with SEC guidelines (utilizing the prices utilized in the Company's year-end reserve report), attributable to reserves which are required to be delivered to third parties to fully satisfy the obligations of the Company and its Restricted Subsidiaries with respect to Volumetric Production Payments on the schedules specified with respect thereto, (iv) the discounted future net revenue, calculated in accordance with SEC guidelines, attributable to reserves subject to Dollar-Denominated Production Payments which, based on the estimates of production included in determining the discounted future net revenue specified in (a) (i) above (utilizing the same prices utilized in the Company's year-end reserve report), would be necessary to fully satisfy the payment obligations of the Company and its Restricted Subsidiaries with respect to Dollar-Denominated Production Payments on the schedules specified with respect thereto and (v) the discounted future net revenue, calculated in accordance with SEC guidelines (utilizing the same prices utilized in the Company's year-end reserve report), attributable to reserves subject to participation interests, overriding royalty interests or other interests of third parties, pursuant to participation, partnership, vendor financing or other agreements then in effect, or which otherwise are required to be delivered to third parties. If the Company changes its method of accounting from the full cost method to the successful efforts method or a similar method of accounting, Adjusted Consolidated Net Tangible Assets will continue to be calculated as if the Company were still using the full cost method of accounting.

"Adjusted Net Assets of a Subsidiary Guarantor" at any date shall mean the lesser of (i) the amount by which the fair value of the property of such Subsidiary Guarantor exceeds the total amount of liabilities, including, without limitation, contingent liabilities (after giving effect to all other fixed and contingent liabilities incurred or assumed on such date), but excluding liabilities under the Guarantee of such Subsidiary Guarantor at such date and (ii) the amount by which the present fair saleable value of the assets of such Subsidiary Guarantor at such date exceeds the amount that will be required to pay the probable liability of such Subsidiary Guarantor on its debts (after giving effect to all other fixed and contingent liabilities incurred or assumed on such date and after giving effect to any collection from any Subsidiary of such Subsidiary Guarantor in respect of the obligations of such Subsidiary under the Guarantee), excluding debt in respect of the Guarantee, as they become absolute and matured.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person directly or indirectly, whether through

the ownership of Voting Stock, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Registrar, Paying Agent or co-registrar.

"Agent Member" means any member of, or participant in, the Depository.

"Attributable Indebtedness" means, with respect to any particular lease under which any Person is at the time liable and at any date as of which the amount thereof is to be determined, the present value of the total net amount of rent required to be paid by such Person under the lease during the primary term thereof, without giving effect to any renewals at the option of the lessee, discounted from the respective due dates thereof to such date at the rate of interest per annum implicit in the terms of the lease. As used in the preceding sentence, the net amount of rent under any lease for any such period shall mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates or similar charges. In the case of any lease which is terminable by the lessee upon payment of a penalty, such net amount of rent shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Board of Directors" means, with respect to any Person, the Board of Directors of such Person or any committee of the Board of Directors of such Person duly authorized to act on behalf of the Board of Directors of such Person.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors or the managing partner(s) of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Book-Entry Security" means a Security represented by a Global Security and registered in the name of the nominee of the Depository.

"Business Day" means any day on which the New York Stock Exchange, Inc. is open for trading and which is not a Legal Holiday.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or the equivalents (however designated) of corporate stock or partnership interests and any and all warrants, options and rights with respect thereto (whether or not currently exercisable), including each class of common stock and preferred stock of such Person.

"Capitalized Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under a lease of property, real or personal, that is required to be capitalized for

financial reporting purposes in accordance with GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"CEDEL" means Cedel Bank, Societe Anonyme (or any successor securities clearing agency).

"Company" means the party named as such above, until a successor replaces such Person in accordance with the terms of this Indenture, and thereafter means such successor.

"Currency Hedge Obligations" means, at any time as to the Company and its Restricted Subsidiaries, the obligations of such Person at such time that were incurred in the ordinary course of business pursuant to any foreign currency exchange agreement, option or futures contract or other similar agreement or arrangement designed to protect against or manage such Person's or any of its Subsidiaries' exposure to fluctuations in foreign currency exchange rates.

"Default" means any event which is, or after notice or passage of time would be, an Event of Default.

"Depository" means, with respect to the Securities issuable or issued in whole or in part in the form of one or more Book-Entry Securities, The Depository Trust Company or another person designated as Depository by the Company, which must be a clearing agency registered under the Exchange Act.

"Dollar-Denominated Production Payments" mean production payment obligations recorded as liabilities in accordance with GAAP, together with all undertakings and obligations in connection therewith.

"Euroclear" means the Euroclear clearance system (or any successor securities clearing agency).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder.

"Exchange Offer" means the registration by the Company under the Securities Act of all the Series B Notes pursuant to a registration statement under which the Company offers each Holder of Series A Notes the opportunity to exchange all Series A Notes held by such Holder for Series B Notes in an aggregate principal amount equal to the aggregate principal amount of Series A Notes held by such Holder, all in accordance with the terms and conditions of the Registration Rights Agreement.

"Foreign Subsidiary" means a Subsidiary that is incorporated in a jurisdiction other than the United States of America or a State thereof or the District of Columbia and with respect to which more than 80% of any of its sales, earnings or assets (determined on a consolidated basis in

accordance with GAAP) are located in, generated from or derived from operations located in territories outside the United States of America and jurisdictions outside the United States of America.

"Funded Indebtedness" means all Indebtedness (including Indebtedness incurred under any revolving credit, letter of credit or working capital facility) that matures by its terms, or that is renewable at the option of any obligor thereon to a date, more than one year after the date on which such Indebtedness is originally incurred.

"GAAP" means generally accepted accounting principles as in effect in the United States of America as of the Issue Date.

"Global Security" means a Security evidencing all or a part of the Securities to be issued as Book-Entry Securities, issued to the Depository in accordance with Section 2.2, that bears the legend referred to in footnote 1 of the form of Security attached hereto as Exhibit A.

"Guarantee" means, individually and collectively, the guarantees given by the Subsidiary Guarantors pursuant to Article Ten hereof, including a notation in the Securities substantially in the form attached hereto as Exhibit A-1.

"Holder" means a Person in whose name a Security is registered on the Registrar's books.

"Indebtedness" means, without duplication, with respect to any Person, (a) all obligations of such Person (i) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), (ii) evidenced by bonds, notes, debentures or similar instruments, (iii) representing the balance deferred and unpaid of the purchase price of any property or services (other than accounts payable or other obligations arising in the ordinary course of business), (iv) evidenced by bankers' acceptances or similar instruments issued or accepted by banks, (v) for the payment of money relating to a Capitalized Lease Obligation, or (vi) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit; (b) all net obligations of such Person in respect of Currency Hedge Obligations, Interest Rate Hedge Agreements and Oil and Gas Hedging Contracts, except to the extent such net obligations are taken into account in the determination of future net revenues from proved oil and gas reserves for purposes of the calculation of Adjusted Consolidated Net Tangible Assets; (c) all liabilities of others of the kind described in the preceding clauses (a) or (b) that such Person has guaranteed or that are otherwise its legal liability (including, with respect to any Production Payment, any warranties or guaranties of production or payment by such Person with respect to such Production Payment but excluding other contractual obligations of such Person with respect to such Production Payment); (d) Indebtedness (as otherwise defined in this definition) of another Person secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person, the amount of such obligations being deemed to be the lesser of (1) the full amount of such obligations so secured, and (2) the fair market value of such asset, as determined in good faith by the Board of Directors of such Person, which determination shall be evidenced by a Board

Resolution, and (e) any and all deferrals, renewals, extensions, refinancings and refundings (whether direct or indirect) of, or amendments, modifications or supplements to, any liability of the kind described in any of the preceding clauses (a), (b), (c), (d) or this clause (e), whether or not between or among the same parties. Subject to clause (c) of the preceding sentence, neither Dollar-Denominated Production Payments nor Volumetric Production Payments shall be deemed to be Indebtedness.

"Indenture" means this Indenture, as amended or supplemented from time to time in accordance with the terms hereof.

"Initial Purchasers" means, collectively, Donaldson, Lufkin & Jenrette Securities Corporation, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and J.P. Morgan Securities Inc.

"Interest Rate Hedging Agreements" means, with respect to the Company and its Restricted Subsidiaries, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates.

"Issue Date" means March 17, 1997.

"Lien" means, with respect to any Person, any mortgage, pledge, lien, encumbrance, easement, restriction, covenant, right-of-way, charge or adverse claim affecting title or resulting in an encumbrance against real or personal property of such Person, or a security interest of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option, right of first refusal or other similar agreement to sell, in each case securing obligations of such Person and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statute or statutes) of any jurisdiction).

"Liquidated Damages" shall have the meaning set forth in the Registration Rights Agreement.

"Make-Whole Amount" with respect to a Security means an amount equal to the excess, if any, of (i) the present value of the remaining interest and principal payments due on such Security to the Maturity Date, computed using a discount rate equal to the Treasury Rate plus 25 basis points, over (ii) the outstanding principal amount of such Security. As used herein, "Treasury Rate" is defined as the yield to maturity at the time of the computation of United States Treasury securities with a constant maturity (as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519), which has become publicly available at least two Business Days prior to the date of the redemption notice or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the then remaining maturity of the Securities; provided, however, that if the Make- Whole Average Life of such Security is not equal to the constant maturity of the United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a

year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the Make-Whole Average Life of such Securities is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used. As used herein, "Make- Whole Average Life" means the number of years (calculated to the nearest one-twelfth) between the date of redemption and March 15, 2004.

"Maturity Date" means March 15, 2004.

"Net Working Capital" means (i) all current assets of the Company and its Restricted Subsidiaries, minus (ii) all current liabilities of the Company and its Restricted Subsidiaries, except current liabilities included in Indebtedness.

"Officer" means, with respect to any Person, the Chairman of the Board, the President, any Vice President, the Chief Financial Officer or the Treasurer of such Person.

"Officers' Certificate" means, with respect to any Person, a certificate signed by two Officers or by an Officer and either a Secretary, Assistant Secretary or Assistant Treasurer of such Person. One of the Officers signing an Officers' Certificate given pursuant to Section 4.3(a) shall be the principal executive, financial or accounting officer of the Person delivering such certificate.

"Oil and Gas Hedging Contracts" means any oil and gas purchase or hedging agreement, and other agreement or arrangement, in each case , that is designed to provide protection against oil and gas price fluctuations.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company (or any Subsidiary Guarantor, if applicable) or the Trustee.

"Ordinary Course Lien" means:

(a) Liens for taxes, assessments or governmental charges or levies on the property of the Company or any Restricted Subsidiary if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on the books of the Company;

(b) Liens imposed by law, such as carriers', warehousemen's, landlords' and mechanics' liens and other similar liens arising in the ordinary course of business which secure obligations not more than 60 days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on the books of the Company;

(c) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;

(d) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the ordinary course of business of the Company and the Restricted Subsidiaries;

(e) Liens arising under operating agreements or similar agreements in respect of obligations which are not yet due or which are being contested in good faith by appropriate proceedings;

(f) Liens reserved in oil, gas and/or mineral leases, production sharing contracts and petroleum concession agreements and licenses for bonus or rental payments and for compliance with the terms of such leases, contracts, agreements and licenses;

(g) Liens pursuant to partnership agreements, oil, gas and/or mineral leases, production sharing contracts, petroleum concession agreements and licenses, farm-out agreements, division orders, contracts for the sale, purchase, exchange, processing or transportation of oil, gas and/or other hydrocarbons, unitization and pooling declarations and agreements, operating agreements, development agreements, area of mutual interest agreements, and other agreements which are customary in the oil, gas and other mineral exploration, development and production business and in the business of processing of gas and gas condensate production for the extraction of products therefrom;

(h) Liens on personal property (excluding the Capital Stock of any Restricted Subsidiary) securing Indebtedness of the Company or any Restricted Subsidiary other than Funded Indebtedness; and

(i) Liens imposed by law or order as a result of any proceeding before any court or regulatory body that is being contested in good faith, and Liens which secure a judgment or other court-ordered award or settlement as to which the Company has not exhausted its appellate rights.

"Pari Passu Indebtedness" means any Indebtedness of the Company, whether outstanding on the Issue Date or thereafter created, incurred, or assumed unless such Indebtedness is contractually subordinate or junior in right of payment of principal, premium and interest to the Securities.

"Pari Passu Indebtedness of a Subsidiary Guarantor" means any Indebtedness of such Subsidiary Guarantor, whether outstanding on the Issue Date or thereafter created, incurred, or

assumed unless such Indebtedness is contractually subordinate or junior in right of payment of principal, premium and interest to the Guarantees.

"Person" means any individual, corporation, partnership, joint venture, trust, estate, unincorporated organization or government or any agency or political subdivision thereof.

"Production Payments" means, collectively, Dollar-Denominated Production Payments and Volumetric Production Payments.

"Qualified Institutional Buyer" or "QIB" shall have the meaning specified in Rule 144A under the Securities Act.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of March 12, 1997, by and among the Company, the Subsidiary Guarantors and each of the purchasers named on the signature pages thereto, as such agreement may be amended, modified or supplemented from time to time.

"Regulation S" means Regulation S under the Securities Act (or any successor provision), as it may be amended from time to time.

"Restricted Security" has the meaning provided in Rule 144(a)(3) under the Securities Act.

"Restricted Subsidiary" means any Subsidiary of the Company which owns or leases (as lessor or lessee) (i) any property owned or leased by the Company or any Subsidiary, or any interest of the Company or any Subsidiary in property located within the United States of America or Canada (including property located off the coast of the United States of America or Canada held pursuant to lease from any federal, state, provincial or other governmental body) which is considered by the Company to be capable of producing oil or gas or minerals in commercial quantities and (ii) any processing or manufacturing plant or pipeline owned or leased by the Company or any Subsidiary and located within the United States of America or Canada, except any processing or manufacturing plant or pipeline, or portion thereof, which the Board of Directors declares is not material to the business of the Company and its Subsidiaries taken as a whole.

"Sale/Leaseback Transaction" means with respect to the Company or any of its Restricted Subsidiaries, any arrangement with any Person providing for the leasing by the Company or any of its Restricted Subsidiaries of any principal property, acquired or placed into service more than 180 days prior to such arrangement, whereby such property has been or is to be sold or transferred by the Company or any of its Restricted Subsidiaries to such Person.

"SEC" means the Securities and Exchange Commission.

"Securities" means the Series A Notes and the Series B Notes.

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

"Securities Custodian" means the Trustee, as custodian with respect to the Global Securities and any successor entity thereto.

"Series A Notes" means the Company's 7 7/8% Series A Senior Notes due 2004, as amended or supplemented from time to time in accordance with the terms hereof, that are issued pursuant to this Indenture.

"Series B Notes" means the Company's 7 7/8% Series B Senior Notes due 2004, as amended or supplemented from time to time in accordance with the terms hereof, that are issued pursuant to this Indenture in exchange for the Series A Notes in the Exchange Offer.

"Subordinated Indebtedness of a Subsidiary Guarantor" means any Indebtedness of such Subsidiary Guarantor, whether outstanding on the Issue Date or thereafter created, incurred or assumed, which is contractually subordinate or junior in right of payment of principal, premium and interest to the Guarantees.

"Subordinated Indebtedness of the Company" means any Indebtedness of the Company, whether outstanding on the Issue Date or thereafter created, incurred or assumed, which is contractually subordinate or junior in right of payment of principal, premium and interest to the Securities.

"Subsidiary" means any subsidiary of the Company. A "subsidiary" of any Person means (i) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more subsidiaries of such Person or by such Person and one or more subsidiaries of such Person, (ii) a partnership in which such Person or a subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if such Person or its subsidiary is entitled to receive more than fifty percent of the assets of such partnership upon its dissolution, or (iii) any other Person (other than a corporation or partnership) in which such Person, directly or indirectly, at the date of determination thereof, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Subsidiary Guarantor" means (i) each of the Subsidiaries that becomes a guarantor of the Securities in compliance with the provisions of Article Ten of this Indenture and (ii) each of the Subsidiaries executing a supplemental indenture in which such Subsidiary agrees to be bound by the terms of this Indenture.

"Successor Security" of any particular Security means every Security issued after, and evidencing all or a portion of the same debt as that evidenced by, such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 2.7 in

exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbbb) as in effect on the date of this Indenture, except as provided in Section 9.3.

"Transferee Certificate" means the Transferee Letter of Representation attached as Exhibit B to this Indenture.

"Trust Officer" means any officer or assistant officer within the corporate trust department of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor.

"U.S. Government Securities" means securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case under clauses (i) or (ii) are not callable or redeemable at the option of the issuer thereof.

"U.S. Legal Tender" means such coin or currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts.

"Volumetric Production Payments" mean production payment obligations recorded as deferred revenue in accordance with GAAP, together with all undertakings and obligations in connection therewith.

"Voting Stock" means, with respect to any Person, securities of any class or classes of Capital Stock in such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of contingency) to vote in the election of members of the Board of Directors or other governing body of such Person.

SECTION 1.2 Other Definitions.

Term	Defined in Section
"Applicable Procedures"	2.6(g)
"Bankruptcy Law"	6.1
"Covenant Defeasance"	8.3
"Custodian"	6.1
"Defaulted Interest"	2.12
"Depository Securities Certification"	2.1
"Event of Default"	6.1
"Funding Guarantor"	10.6
"Legal Defeasance"	8.2
"Legal Holiday"	11.7
"Make-Whole Price"	3.8
"Owner Securities Certification"	2.1
"Paying Agent"	2.3
"Payment Default"	6.1
"Permanent Regulation S Global Security"	2.1
"Registrar"	2.3
"Restricted Global Security"	2.1
"Restricted Period"	2.1
"Temporary Regulation S Global Security"	2.1
"Transferee Securities Certification"	2.6(g)

SECTION 1.3 Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms, if used in this Indenture, have the following meanings:

"Commission" means the SEC.

"indenture securities" means the Securities and the Guarantees.

"indenture security holder" means a Holder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company, the Subsidiary Guarantors and any other obligor on the Securities or the Guarantees.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them therein.

SECTION 1.4 Rules of Construction.

Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(iii) "or" is not exclusive;

(iv) words in the singular include the plural, and words in the plural include the singular;

(v) any gender used in this Indenture shall be deemed to include the neuter, masculine or feminine genders;

(vi) provisions apply to successive events and transactions; and

(vii) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other Subdivision.

ARTICLE II

THE SECURITIES

SECTION 2.1 Form and Dating.

The Securities and the certificate of authentication, and the notation on the Securities relating to the Guarantee, shall be substantially in the forms of Exhibits A and A-1, respectively. The Securities may also have such insertions, omissions, substitutions and variations as are required or as may be permitted by or consistent with this Indenture. The provisions of Exhibits A and A-1 are part of this Indenture. The Securities may have notations, legends and endorsements required by law or stock exchange rule or usage. The Company shall approve the form of the Securities and any notation, legend or endorsement on them. Each Security shall be dated the date of its authentication.

The terms and provisions contained in the Securities and the Guarantee shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Company and the Subsidiary Guarantors, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Securities offered and sold in their initial distribution in reliance on Regulation S may be initially issued in the form of temporary Global Securities in fully registered form without interest coupons, substantially in the form of Exhibit A, with such applicable legends as are provided for in Exhibit A hereto. Such temporary Global Securities may be registered in the name of the Depository or its nominee and deposited with the Trustee, as custodian for the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided, for credit by the Depository to the respective accounts of the beneficial owners of the Securities represented thereby (or such other accounts as they may direct), provided that upon such deposit all such Securities shall be credited to or through accounts maintained at the Depository by or on behalf of Euroclear or CEDEL. Until such time as the Restricted Period (as defined below) shall have expired, any such temporary Global Securities, together with their Successor Securities which are Global Securities other than the Restricted Global Security, shall each be referred to herein as a "Temporary Regulation S Global Security." After such time as the Restricted Period shall have expired and the certifications referred to in the next succeeding paragraph shall have been provided, interests in such Temporary Regulation S Global Securities shall be exchanged for interests in like Global Securities, each referred to herein collectively as a "Permanent Regulation S Global Security," substantially in the form of Security set forth in Exhibit A, with such applicable legends as are provided for in Exhibit A. Such Permanent Regulation S Global Securities shall be registered in the name of the Depository or its nominee and deposited with the Trustee, as custodian for the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided, for credit to the respective accounts of the beneficial owners of the Securities represented thereby (or such other accounts as they may direct). The aggregate principal amount of the Temporary Regulation S Global Security or the Permanent Regulation S Global Security may be increased or decreased from time to time by adjustments made on the records of the Trustee, as custodian for the Depository, as hereinafter provided. As used herein, the term "Restricted Period" means the period of 40 days commencing on the day after the latest of (a) the day on which the Securities are first offered to persons other than distributors (as defined in Regulation S) in reliance on Regulation S and (b) the Issue Date.

Interests in a Temporary Regulation S Global Security may be exchanged for interests in a Permanent Regulation S Global Security only after (a) the expiration of the Restricted Period, (b) delivery by a beneficial owner of an interest therein to Euroclear or CEDEL of a written certification (an "Owner Securities Certification") substantially in the form of Exhibit C hereto, and (c) upon delivery by Euroclear or CEDEL to the Trustee of a written certification (a "Depository Securities Certification") substantially in the form attached hereto as Exhibit D. Upon satisfaction of such conditions, the Trustee will exchange the portion of the Temporary Regulation S Global Security covered by such certification for interests in a Permanent Regulation S Global Security. The delivery by such Holder of a beneficial interest in such Temporary Regulation S Global Security of such certification shall constitute an irrevocable instruction by such holder to Euroclear or CEDEL, as the case may be, to exchange such Holder's beneficial interest in the Temporary Regulation S Global Security for a beneficial interest in the Permanent Regulation S Global Security upon the expiration of the Restricted Period in accordance with the next succeeding paragraph.

Upon:

(i) the expiration of the Restricted Period;

(ii) receipt by Euroclear or CEDEL, as the case may be, of Owner Securities Certifications described in the preceding paragraph;

(iii) receipt by the Depository of:

(1) written instructions given in accordance with the Applicable Procedures from an Agent Member directing the Depository to credit or cause to be credited to a specified Agent Member's account a beneficial interest in a Permanent Regulation S Global Security in a principal amount equal to that of the beneficial interest in a corresponding Temporary Regulation S Global Security for which the necessary certifications have been delivered; and

(2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Agent Member, and the Euroclear or CEDEL account for which such Agent Member's account is held, to be credited with, and the account of the Agent Member to be debited for, such beneficial interest; and

(iv) receipt by the Trustee of notification from the Depository of the transactions described in (iii) above and from Euroclear or CEDEL, as the case may be, of Depository Securities Certifications,

the Trustee, as Registrar (as defined below), shall instruct the Depository to reduce the principal amount of such Temporary Regulation S Global Security and to increase the principal amount of such Permanent Regulation S Global Security, by the principal amount of the beneficial interest in such Temporary Regulation S Global Security to be so transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in such Permanent Regulation S Global Security having a principal amount equal to the amount by which the principal amount of such Temporary Regulation S Global Security was reduced upon such transfer.

Securities offered and sold in their initial distribution in reliance on Rule 144A under the Securities Act and other than in reliance on Rule 144A under the Securities Act or Regulation S shall be issued in the form of one or more Global Securities (collectively, and, together with their Successor Securities, the "Restricted Global Security") in fully registered form without interest coupons, substantially in the form of Security set forth in Exhibit A hereto, with such applicable legends as are provided for in Exhibit A except as otherwise permitted herein. Such Restricted Global Security shall be registered in the name of the Depository or its nominee and deposited with the Trustee, as custodian for the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided, for credit by the Depository to the respective accounts of beneficial owners of the securities represented thereby (or such other accounts as they may direct).

The aggregate principal amount of the Restricted Global Security may be increased or decreased from time to time by adjustments made on the records of the Trustee, as custodian for the Depository, in connection with a corresponding decrease or increase in the aggregate principal amount of the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, as hereinafter provided.

SECTION 2.2 Execution and Authentication.

Two Officers of the Company shall sign the Securities on behalf of the Company, and one Officer of each Subsidiary Guarantor shall sign the notation on the Securities relating to the Guarantee of such Subsidiary Guarantor on behalf of such Subsidiary Guarantor, in each case by manual or facsimile signature. The Company's seal shall be reproduced on the Securities.

If an Officer of the Company or any Subsidiary Guarantor whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall be valid nevertheless.

A Security shall not be valid until the Trustee or an authenticating agent manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

The Trustee or an authenticating agent shall authenticate Securities for original issue in the aggregate principal amount of $150,000,000 upon a written order of the Company signed by two Officers of the Company. The aggregate principal amount of Securities outstanding at any time may not exceed $150,000,000.

Series B Notes may be issued only in exchange for a like principal amount of Series A Notes pursuant to an Exchange Offer.

The principal and interest on Book-Entry Securities shall be payable to the Depository or its nominee, as the case may be, as the sole registered owner and the sole holder of the Book-Entry Securities represented thereby. The principal and interest on Securities in certificated form shall be payable at the office of the Paying Agent.

The Trustee may appoint an authenticating agent to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so except on original issuance. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or its Affiliates.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof.

If the Securities are to be issued in the form of one or more Global Securities, then the Company shall execute and the Trustee shall authenticate and deliver one or more Global Securities that shall represent and shall be in minimum denominations of $1,000.

SECTION 2.3 Registrar and Paying Agent.

The Company shall maintain an office or agency where the Securities may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where Securities may be presented for payment (the "Paying Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. Where the Trustee is acting as or has been appointed Registrar and/or Paying Agent, the Company may appoint one or more co- registrars and one or more additional paying agents with the prior consent of the Trustee, whose consent shall not be unreasonably withheld. The term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. Such agency agreement shall provide for reasonable compensation for such services. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any such Agent and shall furnish the Trustee with an executed counterpart of any such agency agreement. If the Company fails to maintain or act as Registrar or Paying Agent, the Trustee shall act as such and shall be duly compensated therefor.

The Registrar or a co-registrar and a Paying Agent shall be maintained by the Company in the Borough of Manhattan, the City of New York. The Company initially designates the Trustee as the Registrar and Paying Agent.

The Company initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Securities Custodian with respect to the Global Securities.

SECTION 2.4 Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent other than the Trustee to hold in trust for the benefit of Holders or the Trustee all money held by such Paying Agent for the payment of principal of, premium, if any, or interest on the Securities (whether such money shall have been paid to it by the Company or any Subsidiary Guarantor), and to notify the Trustee of any Default by the Company or any Subsidiary Guarantor in making any such payment. While any such Default continues, the Trustee may require the Paying Agent to pay all money held by it to the Trustee. Except as provided in the immediately preceding sentence, the Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed and, if the Company requires such payment, the Company shall give prior notice to the Trustee and provide appropriate money transfer instructions to the Paying Agent. Upon such payment over to the Trustee and accounting for any funds disbursed, such Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent,

it shall segregate and hold as separate trust funds for the benefit of the Holders all money held by it as Paying Agent.

SECTION 2.5 Holder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish or cause to be furnished to the Trustee at least ten Business Days prior to each semiannual interest payment date, and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders, and the Company shall otherwise comply with TIA Section 312(a).

SECTION 2.6 Transfer and Exchange.

(a) Beneficial interests in a Global Security may, subject to the restrictions on the transferability of the Securities and upon delivery of a certificate in the form of Exhibit B hereto be exchanged for certificated Securities upon request but only upon at least 20 days' prior written notice given to the Trustee by or on behalf of the Depository (in accordance with the Depository's customary procedures) and will bear the applicable legends set forth in Exhibit A hereto.

(b) If any Global Security is to be exchanged for other Securities or canceled in whole, it shall be surrendered by or on behalf of the Depository or its nominee to the Trustee, as Registrar, for exchange or cancellation as provided in this Article II. If any Global Security is to be exchanged for other Securities or cancelled in part, or if another Security is to be exchanged in whole or in part for a beneficial interest in any Global Security, such Global Security shall be so surrendered for exchange or cancellation as provided in this Article II or, if the Trustee is acting as custodian for the Depository or its nominee (or is party to a similar arrangement) with respect to such Global Security, the principal amount thereof shall be reduced or increased by an amount equal to the portion thereof to be so exchanged or cancelled, or the principal amount of such other Security to be so exchanged for a beneficial interest therein, as the case may be, in each case by means of an appropriate adjustment made on the records of the Trustee, whereupon the Trustee, in accordance with the Applicable Procedures, shall instruct the Depository or its authorized representatives to make a corresponding adjustment to its records (including by crediting or debiting any Agent Member's account as necessary to reflect any transfer or exchange of a beneficial interest). Upon any such surrender or adjustment of a Global Security, the Trustee shall, subject to this Article II, authenticate and deliver any Securities issuable in exchange for such Global Security (or any portion thereof) to or upon the order of, and registered in such names as may be directed by, the Depository or its authorized representative. Upon the request of the Trustee in connection with the occurrence of any of the events specified in the preceding paragraph or in clause (r) below, the Company shall promptly make available to the Trustee a reasonable supply of Securities that are not in the form of Global Securities. The Trustee shall be entitled to rely upon any order, direction or request of the

Depository or its authorized representative which is given or made pursuant to this Article II if such order, direction or request is given or made in accordance with the Applicable Procedures.

(c) Subject to the provisions in the legends required by this Indenture, the registered Holder may grant proxies and otherwise authorize any Person, including Agent Members and Persons who may hold interests in Agent Members to take any action that such Holder is entitled to take under this Indenture.

(d) Neither Agent Members nor any other Person on whose behalf Agent Members may act shall have any rights under this Indenture with respect to any Global Security held on their behalf by the Depository or under the Global Security, and the Depository may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practice governing the exercise of the rights of a Holder of any Security. With respect to any Global Security deposited with the Trustee as custodian for the Depository for credit to their respective accounts (or to such other accounts as they may direct) at Euroclear or CEDEL, the provisions of the "Operating Procedures of the Euroclear System" and the "Terms and Conditions Governing Use of Euroclear," and the "Management Regulations" and "Instructions to Participants" of CEDEL, respectively, shall be applicable to such Global Security.

(e) Upon presentation for transfer and exchange of any Security at the office of the Trustee, as Registrar, located in The City of New York, accompanied by a written instrument of transfer or exchange in the form approved by the Company (it being understood that, until notice to the contrary is given to holders of Securities, the Company shall be deemed to have approved the form of instrument of transfer or exchange, if any, printed on any Security), executed by the registered Holder, in person or by such Holder's attorney thereunto duly authorized in writing, and upon compliance with this Section 2.6, such Security shall be transferred upon the Register, and a new Security shall be authenticated and issued in the name of the transferee. Notwithstanding any provision to the contrary herein or in the Securities, transfers of a Global Security, in whole or in part, and transfers of interests therein of the kind described in this Section 2.6, shall only be made in accordance with this Section 2.6. Transfers and exchanges subject to this Section 2.6 shall also be subject to the other provisions of this Indenture that are not inconsistent with this Section 2.6.

(f) General. A Global Security may not be transferred, in whole or in part, to any Person other than the Depository or a nominee thereof, and no such transfer to any such other Person may be registered; provided, however, that this clause (f) shall not prohibit any transfer of a Security that is issued in exchange for a Global Security but is not itself a Global Security. No transfer of a Security to any Person shall be effective under this Indenture or the Securities unless and until such Security has been registered in the name of such Person. Nothing in this clause (f) shall prohibit or

render ineffective any transfer of a beneficial interest in a Global Security effected in accordance with the other provisions of this Section 2.6.

(g) Temporary Regulation S Global Security. If the holder of a beneficial interest in a Temporary Regulation S Global Security wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in such Temporary Regulation S Global Security, such transfer may be effected, subject to the rules and procedures of the Depository, Euroclear and CEDEL, in each case to the extent applicable and as in effect from time to time (the "Applicable Procedures"), only in accordance with this clause (g). Upon delivery (i) by a beneficial owner of an interest in a Temporary Regulation S Global Security to Euroclear or CEDEL, as the case may be, of an Owner Securities Certification, (ii) by the transferee of such beneficial interest in the Temporary Regulation S Global Security to Euroclear or CEDEL, as the case may be, of a written certification (a "Transferee Securities Certification") substantially in the form of Exhibit E hereto and (iii) by Euroclear or CEDEL, as the case may be, to the Trustee, as Registrar, of a Depository Securities Certification, the Trustee may direct either Euroclear or CEDEL, as the case may be, to reflect on its records the transfer of a beneficial interest in the Temporary Regulation S Global Security from the beneficial owner providing the Owner Securities Certification to the Person providing the Transferee Securities Certification.

(h) Restricted Global Security to Temporary Regulation S Global Security. If the holder of a beneficial interest in the Restricted Global Security wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Temporary Regulation S Global Security, such transfer may be effected, subject to the Applicable Procedures, only in accordance with the provisions of this clause (h) and clause (n) below. Upon receipt by the Trustee, as Registrar, of (A) written instructions given by or on behalf of the Depository in accordance with the Applicable Procedures directing the Trustee to credit or cause to be credited to a specified Agent Member's account a beneficial interest in the Temporary Regulation S Global Security in a specified principal amount and to cause to be debited from another specified Agent Member's account a beneficial interest in the Restricted Global Security in an equal principal amount and (B) a certificate in substantially the form set forth in Exhibit F hereto signed by or on behalf of the holder of such beneficial interest in the Restricted Global Security, the Trustee, as Registrar, shall, subject to clause (n) below, reduce the principal amount of the Restricted Global Security, and increase the principal amount of the Temporary Regulation S Global Security by such specified principal amount.

(i) Restricted Global Security to Permanent Regulation S Global Security. If the holder of a beneficial interest in the Restricted Global Security wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Permanent Regulation S Global Security, such transfer may be effected, subject to the Applicable Procedures, only in accordance with this clause (i). Upon receipt by the Trustee, as Registrar, of (A) written instructions given by or on behalf of the Depository in accordance with the Applicable Procedures directing the Trustee to credit or cause to be credited to a specified Agent Member's account a beneficial interest in the Permanent Regulation S Global Security in a specified principal

amount and to cause to be debited from another specified Agent Member's account a beneficial interest in the Restricted Global Security in an equal principal amount and (B) a certificate in substantially the form set forth in Exhibit G hereto signed by or on behalf of the holder of such beneficial interest in the Restricted Global Security, the Trustee, as Registrar, shall reduce the principal amount of a Restricted Global Security, and increase the principal amount of the Permanent Regulation S Global Security by such specified principal amount.

(j) Temporary Regulation S Global Security or Permanent Regulation S Global Security to Restricted Global Security. If the holder of a beneficial interest in the Temporary Regulation S Global Security or the Permanent Regulation S Global Security at any time, wishes to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Restricted Global Security, such transfer may be effected, subject to the Applicable Procedures, only in accordance with this clause (j) and clause (n) below; provided, that with respect to any transfer of a beneficial interest in a Temporary Regulation S Global Security, the transferor and Euroclear or CEDEL, as the case may be, must have previously delivered an Owner Securities Certification and a Depository Securities Certification respectively, with respect to such beneficial interest. Upon receipt by the Trustee, as Registrar, of (A) written instructions given by or on behalf of the Depository in accordance with the Applicable Procedures directing the Trustee to credit or cause to be credited, to a specified Agent Member's account a beneficial interest in the Restricted Global Security in a specified principal amount and to cause to be debited from another specified Agent Member's account a beneficial interest in the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, as the case may be, in an equal principal amount and (B) a certificate in substantially the form set forth in Exhibit H signed by or on behalf of the holder of such beneficial interest in the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, as the case may be, the Trustee, as Security Registrar, shall, subject to clause (n) below, reduce the principal amount of such Temporary Regulation S Global Security or Permanent Regulation S Global Security, as the case may be, and increase the principal amount of the Restricted Global Security by such specified principal amount.

(k) Non-Global Restricted Security to Restricted Global Security. If the holder of a Restricted Security (other than a Global Security) wishes at any time to transfer all or any portion of such Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Restricted Global Security, the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, such transfer may be effected, subject to the Applicable Procedures, only in accordance with this clause (k) and clause (n) below. Upon receipt by the Trustee, as Registrar, of (A) such Security and written instructions given by or on behalf of such Holder as provided in this Section 2.6 directing the Trustee to credit or cause to be credited to a specified Agent Member's account a beneficial interest in the Restricted Global Security, the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, as the case may be, in a specified principal amount equal to the principal amount of the Restricted Security (or portion thereof) to be so transferred, and (B) an appropriately completed certificate substantially in the form set forth in Exhibit I-1 hereto, if the specified account is to be credited with a beneficial interest in the Restricted Global Security, or Exhibit I-2 herein, if the specified account is to be

credited with a beneficial interest in the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, signed by or on behalf of such Holder, then the Trustee, as Registrar, shall, subject to clause (n) below, cancel such Restricted Security (and issue a new Security in respect of any untransferred portion thereof) as provided in this Section 2.6 and increase the principal amount of the Restricted Global Security, Temporary Regulation S Global Security or Permanent Regulation S Global Security, as the case may be, by the specified principal amount.

(l) Non-Global Permanent Regulation S Security to Restricted Global Security or Permanent Regulation S Global Security. If the Holder of a Permanent Regulation S Security (other than a Global Security) wishes at any time to transfer all or any portion of such Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Restricted Global Security or the Permanent Regulation S Global Security, as the case may be, such transfer may be effected only in accordance with this clause (1) and subject to the Applicable Procedures. Upon receipt by the Trustee, as Registrar, of (A) such Security and instructions given by or on behalf of such Holder as provided in this Section 2.6 directing the Trustee to credit or cause to be credited to a specified Agent Member's account a beneficial interest in the Restricted Global Security or the Permanent Regulation S Global Security, as the case may be, in a principal amount equal to the principal amount of the Security (or portion thereof) to be so transferred, and (B) (i) with respect to a transfer which is to be delivered in the form of a beneficial interest in the Restricted Global Security, a certificate in substantially the form set forth in Exhibit J-1 hereto, signed by or on behalf of such Holder, and (ii) with respect to a transfer which is to be delivered in the form of a beneficial interest in the Permanent Regulation S Global Security, a certificate in substantially the form set forth in Exhibit J-2 hereto, signed by or on behalf of such Holder, then the Trustee, as Registrar, shall, subject to clause (q) below, cancel such Security (and issue a new Security in respect of any untransferred portion thereof) as provided in this Section 2.6 and increase the principal amount of the Restricted Global Security, or the Permanent Regulation S Global Security, as the case may be, by the specified principal.

(m) Other Exchanges. Securities that are not Global Securities may be exchanged (on transfer or otherwise) for Securities that are not Global Securities or for beneficial interests in a Global Security (if any is then outstanding) only in accordance with such procedures, which shall be substantially consistent with the provisions of clauses (f) through (l) above (including the certification requirements intended to insure that transfers of beneficial interests in a Global Security comply with Rule 144A under the Securities Act or Regulation S, as the case may be) and any Applicable Procedures, as may from time to time be adopted by the Company and the Trustee.

(n) Interests in Temporary Regulation S Global Security to be Held Through Euroclear or CEDEL. Until the later of the expiration of the Restricted Period and the provision of the Owner Securities Certification and the Depository Securities Certification, beneficial interests in any Temporary Regulation S Global Security may be held only in or through accounts maintained at the Depository by Euroclear or CEDEL (or by Agent Members acting for the account thereof).

(o) When Securities in certificated form are presented to the Registrar with a request to register the transfer of such Securities or to exchange such Securities for an equal principal amount of Securities of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if its requirements for such transaction are met; provided, however, that the Securities surrendered for transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing. To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Securities at the Registrar's request. No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchanges or transfers pursuant to Sections 2.2, 2.10, 3.7 or 9.5). The Registrar shall not be required to register the transfer of or exchange of any Security (i) during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Securities and ending at the close of business on the day of such mailing and (ii) selected for redemption in whole or in part pursuant to Article Three, except the unredeemed portion of any Security being redeemed in part.

(p) If a Series A Note is a Restricted Security in certificated form, then as provided in this Indenture and subject to the limitations herein set forth, the Holder, provided it is a Qualified Institutional Buyer or an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act), may exchange such Security for a Book-Entry Security by instructing the Trustee (by completing the Transferee Certificate in the form of Exhibit B hereto) to arrange for such Series A Note to be represented by a beneficial interest in a Global Security in accordance with the customary procedures of the Depository.

(q) Upon any exchange provided for in Section 2.6(a), the Company shall execute and the Trustee shall authenticate, and deliver to the person specified by the Depository a new Series A Note or Notes registered in such names and in such authorized denominations as the Depository, pursuant to the instructions of the beneficial owner of the Securities requesting the exchange, shall instruct the Trustee. Thereupon, the beneficial ownership of such Global Security shown on the records maintained by the Depository or its nominee shall be reduced by the amounts so exchanged and an appropriate endorsement be made by and on behalf of the Trustee on the Global Security. Any such exchange shall be effected through the Depository in accordance with the procedures of the Depository therefor.

(r) Notwithstanding the foregoing, no Global Security shall be registered for transfer or exchange, or authenticated and delivered, whether pursuant to this Section, Section 2.7, 2.10 or 3.7 or otherwise , in the name of a person other than the Depository for such Global Security or its nominee until (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or if at any time the Depository ceases to be a clearing agency registered under the Exchange Act, and a successor depository is not appointed by the Company within 30 days, (ii) the Company executes and delivers to the Trustee a Company order

that all such Global Securities shall be exchangeable or (iii) there shall have occurred and be continuing an Event of Default. Upon the occurrence in respect of any Global Security representing the Series A Notes of any one or more of the conditions specified in clause (i), (ii) or (iii) of the preceding sentence, such Global Security may be registered for transfer or exchange for Series A Notes registered in the names of, authenticated and delivered to, such persons as the Trustee or the Depository, as the case may be, shall direct.

(s) Except as provided above, any Security authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, any Global Security, whether pursuant to this Section 2.7, 2.10 or 3.7 or otherwise, shall also be a Global Security and bear the legend specified in footnote 1 to Exhibit A.

SECTION 2.7 Replacement Securities.

If a mutilated Security is surrendered to the Trustee or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Security if the requirements of the Trustee are met. An indemnity bond may be required by the Trustee, the Company or any Subsidiary Guarantor that is sufficient in the judgment of the Company, the Subsidiary Guarantors and the Trustee to protect the Company, the Subsidiary Guarantors, the Trustee or any Agent from any loss which any of them may suffer if a Security is replaced. The Company may charge for its expenses (including fees and expenses of the Trustee) in replacing a Security.

SECTION 2.8 Outstanding Securities.

Senior Notes outstanding at any time are all Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Security effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.8 as not outstanding. Except as set forth in Section 2.9, a Security does not cease to be outstanding because the Company, the Subsidiary Guarantors or any of their respective Subsidiaries or Affiliates holds the Security.

If a Security is replaced pursuant to Section 2.7, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the principal amount of any Security is considered paid under Section 4.1, it ceases to be outstanding and interest on it ceases to accrue.

SECTION 2.9 Treasury Securities.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company, any Subsidiary Guarantor or an Affiliate of the Company shall be considered as though they are not outstanding,

except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded.

SECTION 2.10 Temporary Securities.

Until definitive Securities are ready for delivery, the Company may prepare and, upon written order of the Company, the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate and deliver definitive Securities in exchange for a like principal amount of temporary Securities surrendered to it. Until so exchanged, temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 2.11 Cancellation.

The Company or any Subsidiary Guarantor at any time may deliver Securities to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Securities surrendered to them for transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for registration, transfer, exchange, payment or cancellation and shall destroy canceled Securities unless the Company directs their return to the Company. Except as provided in Section 2.7, the Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation.

Securities that are redeemed by the Company or that are otherwise acquired by the Company, will be surrendered to the Trustee for cancellation.

SECTION 2.12 Defaulted Interest.

If the Company defaults in a payment of interest on the Securities, it shall pay, or cause the Paying Agent to pay, the defaulted interest in any lawful manner (plus interest on such defaulted interest to the extent lawful) (taken together, the "Defaulted Interest") to the persons who are Holders on a subsequent special record date, in each case at the rate provided in the Securities and in Section 4.1 hereof. At least 15 days before the special record date, the Company shall mail to each Holder a notice stating the special record date, the payment date and the amount of Defaulted Interest to be paid. In the event that the Company has elected to cause a Paying Agent to pay the Defaulted Interest, the Company shall so notify the Paying Agent at least 15 days before the special record date, which notice shall also set forth the special record date, the payment date and the aggregate amount of Defaulted Interest to be paid. At least five days before such payment date, the Company shall deposit with the Paying Agent money sufficient to pay all of the Defaulted Interest on the payment date therefor and instruct the Paying Agent in writing to pay to specified Holders on the payment date. On the payment date, the Paying Agent shall make the payments in accordance with

the Company's written instructions from funds deposited with the Paying Agent for the purpose of making such Defaulted Interest payments.

SECTION 2.13 Persons Deemed Owners.

The Company, the Trustee, any Paying Agent and any authenticating agent may treat the Person in whose name any Security (including, without limitation, any Global Security) is registered as the owner of such Security for the purpose of receiving payments of principal of, premium, if any, or interest on such Security and for all other purposes. None of the Company, the Trustee, any Paying Agent or any authenticating agent shall be affected by any notice to the contrary.

ARTICLE III

REDEMPTION

SECTION 3.1 Notice to Trustee.

If the Company elects to redeem Securities pursuant to the optional redemption provisions of Paragraphs 6 or 7 of the Securities, it shall furnish to the Trustee and the Registrar, at least 45 days but not more than 60 days before the redemption date (unless the Trustee consents to a shorter period in writing), an Officers' Certificate setting forth the redemption date, the principal amount of Securities to be redeemed and the redemption price, including the detail of the calculation of the Make-Whole Price, if applicable.

SECTION 3.2 Selection of Securities to Be Redeemed.

If less than all of the Securities are to be redeemed at any time, the Trustee shall select the Securities to be redeemed pro rata, by lot or, if the Securities are listed on any securities exchange, by any other method that the Trustee considers fair and appropriate and that complies with the requirements of such exchange; provided, however, that no Securities with a principal amount of $1,000 or less will be redeemed in part. The Trustee shall make the selection from outstanding Securities not previously called for redemption not less than 30 nor more than 45 days prior to the redemption date. Securities and portions of them it selects shall be in amounts of $1,000 or whole multiples of $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of Securities selected for redemption.

SECTION 3.3 Notice of Redemption.

(a) At least 30 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first-class mail to each Holder of Securities to be redeemed at such Holder's registered address.

(i) The notice shall identify the Securities to be redeemed and shall state:

(ii) the redemption date;

(iii) the redemption price;

(iv) the aggregate principal amount of Securities being redeemed;

(v) the name and address of the Paying Agent;

(vi) that Securities called for redemption must be surrendered to the Paying Agent at the address specified in such notice to collect the redemption price;

(vii) that, unless the Company defaults in the payment of the redemption price or accrued interest, interest on Securities called for redemption ceases to accrue on and after the redemption date and the only remaining right of the Holders is to receive payment of the redemption prices in respect of the Securities upon surrender to the Paying Agent of the Securities;

(viii) if any Security is being redeemed in part, the portion of the principal amount of such Security to be redeemed and that, after the redemption date, upon surrender of such Security, a new Security or Securities in principal amount equal to the unredeemed portion will be issued in the name of the Holder thereof upon cancellation of the Security or Securities being redeemed;

(ix) the paragraph of the Securities pursuant to which the Securities called for redemption are being redeemed; and

(x) the CUSIP number of the Securities.

(b) At the Company's request, the Trustee shall give the notice of redemption required in Section 3.3(a) in the Company's name and at the Company's expense; provided, however, that the Company shall deliver to the Trustee, at least 45 days prior to the redemption date (unless the Trustee consents to a shorter notice period in writing), an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in Section 3.3(a).

SECTION 3.4 Effect of Notice of Redemption.

Once notice of redemption is mailed in accordance with Section 3.3, Securities called for redemption become due and payable on the redemption date at the redemption price. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price, plus accrued and unpaid interest to the redemption date.

SECTION 3.5 Deposit of Redemption Price.

Prior to the redemption date, the Company shall deposit with the Paying Agent funds available on the redemption date sufficient to pay the redemption price of, and accrued and unpaid interest on, the Securities to be redeemed on that date. The Paying Agent shall promptly return to the Company any money so deposited which is not required for that purpose upon the written request of the Company, except with respect to monies owed as obligations to the Trustee pursuant to Article Seven.

If any Security called for redemption shall not be so paid upon redemption because of the failure of the Company to comply with the preceding paragraph, interest will continue to be payable on the unpaid principal and premium, if any, including from the redemption date until such principal and premium, if any, is paid, and, to the extent lawful, on any interest not paid on such unpaid principal, in each case at the rate provided in the Securities and in Section 4.01 hereof.

SECTION 3.6 Securities Redeemed in Part.

Upon surrender of a Security that is to be redeemed in part, the Company shall issue and the Trustee shall authenticate for the Holder, at the expense of the Company, a new Security equal in aggregate amount to the unredeemed portion of the Security surrendered.

SECTION 3.7 Optional Redemption at Make-Whole Price.

At any time, the Company may, at its option, redeem all or any portion of the Securities at the "Make-Whole Price" (hereinafter defined) plus accrued and unpaid interest to the date of redemption. For purposes hereof, the term "Make-Whole Price" means the sum of (i) the outstanding principal amount of the Securities plus (ii) the Make-Whole Amount.

Any redemption pursuant to this Section 3.7 shall be made, to the extent applicable, pursuant to the provisions of Sections 3.1 through 3.6 hereof.

ARTICLE IV

COVENANTS

SECTION 4.1 Payment of Securities.

The Company shall pay the principal of, premium, if any, and interest on, the Securities on the dates and in the manner provided in the Securities and this Indenture. Principal, premium and interest shall be considered paid on the date due if the Trustee or Paying Agent holds on that date money deposited by the Company designated for and sufficient to pay all principal, premium and interest then due. All references to interest in this Indenture shall for all purposes be deemed to

include any additional interest payable as Liquidated Damages pursuant to the Registration Rights Agreement.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal, and premium, if any, at the rate borne by the Securities to the extent lawful; and it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the same rate to the extent lawful.

SECTION 4.2 SEC Reports.

(a) The Company, within 15 days after it files the same with the SEC, shall deliver to Holders, copies of the annual reports and the information, documents and other reports (or copies of any such portions of any of the foregoing as the SEC may by rules and regulations prescribe) that the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Notwithstanding that the Company may not be required to remain subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall file with the SEC and provide Holders with such annual reports and such information, documents and other reports specified in Sections 13 and 15(d) of the Exchange Act. The Company and each Subsidiary Guarantor shall also comply with the provisions of TIA Section 314(a).

(b) The Company may request the Trustee on behalf of the Company at the Company's expense to mail the foregoing to Holders. In such case, the Company shall provide the Trustee with a sufficient number of copies of all reports and other documents and information that the Trustee may be required to deliver to Holders under this Section.

SECTION 4.3 Compliance Certificates.

(a) The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year of the Company, an Officers' Certificate substantially in the form of Annex 4.3 hereto, stating that a review of the activities of the Company and the Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that, to the best of such Officer's knowledge, the Company and each Subsidiary Guarantor has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which such Officer may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of such Officer's knowledge, after reasonable inquiry, no event has occurred and remains in existence by reason of which payments on account of the principal of, premium, if any, or interest, if any, on the Securities are prohibited or, if such event has occurred, a description of the event and what action the Company and the Subsidiary Guarantors are taking or propose to take with

respect thereto. Such Officers' Certificate shall comply with TIA Section 314(a)(4). The Company hereby represents that, as of the Issue Date, its fiscal year ends June 30, and hereby covenants that it shall notify the Trustee at least 30 days in advance of any change in its fiscal year.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.2 shall be accompanied by a written statement of the Company's independent public accountants (which shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements nothing has come to their attention that would lead them to believe that the Company has violated any provisions of Sections 4.7, 4.8, 4.9 or 4.10 of this Indenture (to the extent such provisions relate to accounting matters) or, if any such violation has occurred, specifying the nature and period of existence thereof. Where such financial statements are not accompanied by such a written statement, the Company shall furnish the Trustee with an Officers' Certificate stating that any such written statement would be contrary to the then current recommendations of the American Institute of Certified Public Accountants.

(c) The Company and the Subsidiary Guarantors will, so long as any of the Securities are outstanding, deliver to the Trustee forthwith upon any Officer becoming aware of any Default or Event of Default or default in the performance of any covenant, agreement or condition contained in this Indenture, an Officers' Certificate specifying such Default or Event of Default and what action the Company or any Subsidiary Guarantor proposes to take with respect thereto.

SECTION 4.4 Maintenance of Office or Agency.

The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 11.2. If at any time the Company shall fail to maintain any required office or agency or shall fail to furnish the Trustee with the address thereof, such surrenders, presentations, notices and demands may be made or served at the corporate trust office of the Trustee.

Subject to Section 2.3, the Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 4.5 Corporate Existence.

The Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate, partnership or other existence of each Subsidiary and all rights (charter and statutory) and franchises of the Company and the Subsidiaries; provided, that the Company shall not be required to preserve the corporate existence of any Subsidiary, or any such right or franchise, if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 4.6 Waiver of Stay, Extension or Usury Laws.

The Company and each Subsidiary Guarantor covenants (to the extent that each may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension, or usury law or other law, which would prohibit or forgive the Company or any Subsidiary Guarantor from paying all or any portion of the principal of, premium, if any, or interest on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture; and (to the extent that it may lawfully do so) each of the Company and the Subsidiary Guarantors hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.7 Payment of Taxes and Other Claims.

The Company shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (a) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary and (b) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 4.8 Maintenance of Properties and Insurance.

(a) The Company shall cause all properties used or held for use in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order (ordinary wear and tear excepted) and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation

or maintenance of any such property, or disposing of it, if such discontinuance or disposal is, in the judgment of the Company, desirable in the conduct of its business and not disadvantageous in any material respect to the Holders.

(b) The Company shall provide or cause to be provided, for itself and each of its Subsidiaries, insurance (including appropriate self-insurance) against loss or damage of the kinds that, in the reasonable, good faith opinion of the Company, are adequate and appropriate for the conduct of the business of the Company and such Subsidiaries in a prudent manner, with reputable insurers or with the government of the United States or an agency or instrumentality thereof, in such amounts, with such deductibles, and by such methods as shall be customary, in the reasonable, good faith opinion of the Company, for corporations similarly situated in the industry.

SECTION 4.9 Limitation on Liens.

The Company shall not, and shall not permit any Restricted Subsidiary to, issue, assume or guarantee any Indebtedness for borrowed money secured by any Lien on any property or asset now owned or hereafter acquired by the Company or such Restricted Subsidiary without making effective provision whereby any and all Securities then or thereafter outstanding will be secured by a Lien equally and ratably with any and all other obligations thereby secured for so long as any such obligations shall be so secured. Notwithstanding the foregoing, the Company or any Restricted Subsidiary may, without so securing the Securities, issue, assume or guarantee Indebtedness secured by the following Liens:

(a) Liens existing on the Issue Date or provided for under the terms of agreements existing on the Issue Date (including, without limitation, the Lien provided for pursuant to Section 7.7);

(b) Liens on property securing (i) all or any portion of the cost of exploration, drilling or development of such property, (ii) all or any portion of the cost of acquiring, constructing, altering, improving or repairing any property or assets, real or personal, or improvements used or to be used in connection with such property or (iii) Indebtedness incurred by the Company or any Restricted Subsidiary to provide funds for the activities set forth in clauses (i) and (ii) above;

(c) Liens securing Indebtedness owed by a Restricted Subsidiary to the Company or to any other Restricted Subsidiary;

(d) Liens on property existing at the time of acquisition of such property by the Company or a Subsidiary or Liens on the property of any corporation or other entity existing at the time such corporation or other entity becomes a Restricted Subsidiary of the Company or is merged with the Company in compliance with Article V hereof and in either case not incurred as a result of (or in connection with or in anticipation of) the acquisition of such property or such corporation or other entity becoming a Restricted Subsidiary of the Company or being merged with the Company,

provided that such Liens do not extend to or cover any property or assets of the Company or any of its Restricted Subsidiaries other than the property so acquired;

(e) Liens on any property securing (i) Indebtedness incurred in connection with the construction, installation or financing of pollution control or abatement facilities or other forms of industrial revenue bond financing or (ii) Indebtedness issued or guaranteed by the United States or any State thereof or any department, agency or instrumentality of either,

(f) any Lien extending, renewing or replacing (or successive extensions, renewals or replacements of) any Lien of any type permitted under clauses (a) through (e) above, provided that such Lien extends to or covers only the property that is subject to the Lien being extended, renewed or replaced;

(g) any Ordinary Course Lien arising, but only so long as continuing, in the ordinary course of business of the Company and the Restricted Subsidiaries;

(h) any Lien resulting from the deposit of moneys or evidences of Indebtedness in trust for the purpose of defeasing Indebtedness of the Company or any Restricted Subsidiary; or

(i) Liens (exclusive of any Lien of any type otherwise permitted under clauses (a) through (h) above) securing Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount which, together with the aggregate amount of Attributable Indebtedness deemed to be outstanding in respect of all Sale/Leaseback Transactions entered into pursuant to clause (a) of Section 4.10 (exclusive of any such Sale/Leaseback Transactions otherwise permitted under clauses (a) through (h) above), does not at the time such Indebtedness is incurred exceed 15% of Adjusted Consolidated Net Tangible Assets.

The following types of transactions will not be prohibited or otherwise limited by this Section 4.9: (i) the sale, granting of Liens with respect to, or other transfer of, crude oil, natural gas or other petroleum hydrocarbons in place for a period of time until, or in an amount such that, the transferee will realize therefrom a specified amount (however determined) of money or of such crude oil, natural gas or other petroleum hydrocarbons; (ii) the sale or other transfer of any other interest in property of the character commonly referred to as a production payment, overriding royalty, forward sale or similar interest; (iii) the entering into of Currency Hedge Obligations, Interest Rate Hedging Agreements or Oil and Gas Hedging Contracts although Liens securing any Indebtedness for borrowed money that is the subject of any such obligation shall not be permitted hereby unless permitted under clauses (a) through (i) above; and (iv) the granting of Liens required by any contract or statute in order to permit the Company or any Restricted Subsidiary to perform any contract or subcontract made by it with or at the request of the United States or any State thereof or any department, agency or instrumentality of either, or to secure partial, progress, advance or other payments to the Company or any Restricted Subsidiary by such governmental unit pursuant to the provisions of any contract or statute.

SECTION 4.10 Limitation on Sale/Leaseback Transactions.

The Company shall not, and shall not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with any person (other than the Company or a Restricted Subsidiary) unless:

(a) the Company or such Restricted Subsidiary would be entitled to incur Indebtedness, in a principal amount equal to the Attributable Indebtedness with respect to such Sale/Leaseback Transaction, secured by a Lien on the property subject to such Sale/Leaseback Transaction pursuant to the covenant described in Section 4.9 without equally and ratably securing the Securities pursuant to such covenant;

(b) after the Issue Date and within a period commencing six months prior to the consummation of such Sale/Leaseback Transaction and ending six months after the consummation thereof, the Company or such Restricted Subsidiary shall have expended for property used or to be used in the ordinary course of business of the Company and the Restricted Subsidiaries (including amounts expended for the exploration, drilling or development thereof, and for additions, alterations, repairs and improvements thereto) an amount equal to all or a portion of the net proceeds of such Sale/Leaseback Transaction and the Company shall have elected to designate such amount as a credit against such Sale/Leaseback Transaction (with any such amount not being so designated to be applied as set forth in clause (c) below); or

(c) the Company, during the 12-month period after the effective date of such Sale/Leaseback Transaction, shall have applied to the voluntary defeasance or retirement of Securities or any Pari Passu Indebtedness an amount equal to the greater of the net proceeds of the sale or transfer of the property leased in such Sale/Leaseback Transaction and the fair value, as determined by the Board of Directors of the Company, of such property at the time of entering into such Sale/Leaseback Transaction (in either case adjusted to reflect the remaining term of the lease and any amount expended by the Company as set forth in clause (b) above), less an amount equal to the principal amount of Securities and Pari Passu Indebtedness voluntarily defeased or retired by the Company within such 12-month period and not designated as a credit against any other Sale/Leaseback Transaction entered into by the Company or any Restricted Subsidiary during such period.

ARTICLE V

SUCCESSOR CORPORATION

SECTION 5.1 When Company May Merge, etc.

The Company shall not consolidate with or merge with any Person or convey, transfer or lease all or substantially all of its assets to any Person, unless:

(i) the Company survives such merger or the Person formed by such consolidation or into which the Company is merged or that acquires by conveyance or transfer, or which leases, all or substantially all of the assets of the Company is a corporation organized and existing under the laws of the United States of America, any state thereof or the District of Columbia or of Canada or any province thereof and expressly assumes, by supplemental indenture, the due and punctual payment of the principal of, premium, if any, and interest on, all the Securities and the performance of every other covenant and obligation of the Company under this Indenture; and

(ii) immediately before and after giving effect to such transaction no Default or Event of Default exists.

In connection with any consolidation, merger, conveyance, transfer or lease contemplated by this Section 5.1, the Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture.

SECTION 5.2 Successor Corporation Substituted.

Upon any consolidation, merger, lease, conveyance or transfer in accordance with Section 5.1, the Trustee shall be notified by the Company and the successor Person, and the successor Person formed by such consolidation or into which the Company is merged or to which such lease, conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor had been named as the Company herein and thereafter (except in the case of a lease) the predecessor corporation will be relieved of all further obligations and covenants under this Indenture and the Securities.

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.1 Events of Default.

An "Event of Default" occurs upon:

(1) default by the Company or any Subsidiary Guarantor in the payment of principal of, or premium, if any, on the Securities when due and payable at maturity, upon acceleration or otherwise;

(2) default by the Company or any Subsidiary Guarantor in the payment of any installment of interest on the Securities when due and payable and continuance of such default for 30 days;

(3) default by the Company or any Subsidiary Guarantor in the deposit of any optional redemption payment, when and as due and payable pursuant to Article Three;

(4) default on any other Indebtedness of the Company, any Subsidiary Guarantor or any other Restricted Subsidiary if either (A) such default results in the acceleration of the maturity of any such Indebtedness having a principal amount of $10.0 million or more individually or, taken together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, in the aggregate, or (B) such default results from the failure to pay when due principal of, premium, if any, or interest on, any such Indebtedness, after giving effect to any applicable grace period (a "Payment Default"), having a principal amount of $10.0 million or more individually or, taken together with the principal amount of any other Indebtedness under which there has been a Payment Default, in the aggregate;

(5) default in the performance, or breach of, the covenants set forth in Article V, or in the performance, or breach of, any other covenant or agreement of the Company or any Subsidiary Guarantor in this Indenture and failure to remedy such default within a period of 45 days after written notice thereof from the Trustee or Holders of 25% of the principal amount of the outstanding Securities;

(6) the entry by a court of one or more judgments or orders for the payment of money against the Company, any Subsidiary Guarantor or any other Restricted Subsidiary in an aggregate amount in excess of $10.0 million (net of applicable insurance coverage by a third party insurer which is acknowledged in writing by such insurer) that has not been vacated, discharged, satisfied or stayed pending appeal within 60 days from the entry thereof;

(7) a Guarantee by a Subsidiary Guarantor shall cease to be in full force and effect (other than a release of a Guarantee in accordance with Section 10.4) or any Subsidiary Guarantor shall deny or disaffirm its obligations with respect thereto;

(8) the Company or any Restricted Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case or proceeding,

(B) consents to the entry of an order for relief against it in an involuntary case or proceeding,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) admits in writing that it generally is unable to pay its debts as the same become due; or

(9) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief (with respect to the petition commencing such case) against the Company or any Restricted Subsidiary in an involuntary case or proceeding,

(B) appoints a Custodian of the Company or any Restricted Subsidiary or for all or substantially all of its property, or

(C) orders the liquidation of the Company or any Restricted Subsidiary,

and the order or decree remains unstayed and in effect for 60 days.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

SECTION 6.2 Acceleration.

If an Event of Default (other than an Event of Default specified in clauses 8 or 9) under Section 6.1 occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% of the principal amount of the outstanding Securities may declare the unpaid principal of and premium, if any, or the Change of Control purchase price if the Event of Default includes failure to pay the Change of Control purchase price, and accrued and unpaid interest on, all the Securities then outstanding to be due and payable, by a notice in writing to the Company (and to the Trustee, if given by Holders), and upon any such declaration such principal, premium, if any, and accrued and unpaid interest shall become immediately due and payable, notwithstanding anything contained in this Indenture or the Securities to the contrary. If an Event of Default specified in clauses 8 or 9 above occurs, all unpaid principal of, and premium, if any, and accrued and unpaid interest on, the Securities then outstanding will become due and payable, without any declaration or other act on the part of the Trustee or any Holder.

The Holders of a majority of the principal amount of the outstanding Securities, by written notice to the Company, the Subsidiary Guarantors and the Trustee, may rescind and annul a declaration of acceleration and its consequences if (1) the Company or any Subsidiary Guarantor has paid or deposited with such Trustee a sum sufficient to pay (A) all overdue installments of interest

on all the Securities, (B) the principal of, and premium, if any, on any Securities that have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in the Securities, (C) to the extent that payment of such interest is lawful, interest on the defaulted interest at the rate or rates prescribed therefor in the Securities, and (D) all money paid or advanced by the Trustee thereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; (2) all Events of Default, other than the non-payment of the principal of any Securities that have become due solely by such declaration of acceleration, have been cured or waived as provided in this Indenture; and (3) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. No such rescission will affect any subsequent Event of Default or impair any right consequent thereon.

SECTION 6.3 Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may, but is not obligated to, pursue, in its own name and as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture. If an Event of Default specified under clauses (8) or (9) of Section 6.1 occurs with respect to the Company at a time when the Company is the Paying Agent, the Trustee shall automatically assume the duties of Paying Agent.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 6.4 Waiver of Past Defaults.

Subject to Sections 6.7 and 9.2, the Holders of at least a majority of the principal amount of the outstanding Securities by notice to the Trustee may waive an existing Default or Event of Default and its consequences, except a Default or Event of Default in payment of principal or interest on the Securities, including any optional redemption payments or Change of Control or Net Proceeds Offer payments.

SECTION 6.5 Control by Majority.

The Holders of a majority in principal amount of the Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on such Trustee, provided that (1) such direction is not in conflict with any rule of law or with this Indenture and (2) the Trustee may take any other action deemed proper by such Trustee that is not inconsistent with such direction.

SECTION 6.6 Limitation on Remedies.

No Holder of any of the Securities will have any right to institute any proceeding, judicial or otherwise, or for the appointment of a receiver or trustee or pursue any remedy under this Indenture, unless:

(1) such Holder has previously given notice to the Trustee of a continuing Event of Default,

(2) the Holders of not less than 25% of the principal amount of the outstanding Securities have made written request to such Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under this Indenture,

(3) such Holder or Holders have offered to such Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request,

(4) such Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any proceeding, and

(5) no direction inconsistent with such written request has been given to such Trustee during such 60-day period by the Holders of a majority of the principal amount of the outstanding Securities.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over other Holders.

SECTION 6.7 Rights of Holders to Receive Payment.

Notwithstanding any other provision of this Indenture, the Holder of any Securities will have the right, which is absolute and unconditional, to receive payment of the principal of and interest on such Securities on the stated maturity therefor and to institute suit for the enforcement of any such payment, and such right may not be impaired without the consent of such Holder.

SECTION 6.8 Collection Suit by Trustee.

If an Event of Default in payment of principal, premium, if any, or interest specified in Section 6.1(1), (2) or (3) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company or any Subsidiary Guarantor for the whole amount of principal, premium, if any, and interest remaining unpaid with respect to the Securities, and interest on overdue principal and premium, if any, and, to the extent lawful, interest on overdue interest, and such further amounts as shall be sufficient to cover the costs and expenses

of collection, including the reasonable compensation and expenses of the Trustee, its agents and counsel.

SECTION 6.9 Trustee May File Proofs of Claim.

(a) The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Company, the Subsidiary Guarantors, their creditors or their property and may collect and receive any money or securities or other property payable or deliverable on any such claims and to distribute the same.

(b) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10 Priorities.

If the Trustee collects any money pursuant to this Article Six, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.7;

Second: to Holders for amounts due and unpaid on the Securities for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal and interest, respectively; and

Third: To the Company.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

SECTION 6.11 Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.7, or a suit by Holders of more than 10% in principal amount of the then outstanding Securities.

ARTICLE VII

TRUSTEE

SECTION 7.1 Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such rights and powers vested in it by this Indenture and use the same degree of care and skill in such exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Except during the continuance of an Event of Default:

(i) The Trustee need perform only those duties that are specifically set forth (or incorporated by reference) in this Indenture and no others.

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine such certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(iii) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(iv) This paragraph (c) does not limit the effect of paragraph (b) of this Section.

(v) The Trustee shall not be liable for any error of judgment made in good faith by an officer of the Trustee, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(vi) The Trustee shall not be liable with respect to action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5, and the Trustee shall be entitled from time to time to request such a direction.

(b) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(c) The Trustee shall be under no obligation and may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense. No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the

exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.2 Rights of Trustee.

Subject to Section 7.1:

(a) The Trustee may rely on and shall be protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney, to the extent reasonably required by such inquiry or investigation.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

SECTION 7.3 Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its Subsidiaries or Affiliates with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.4 Trustee's Disclaimer.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities or

any prospectus, offering or solicitation documents, and it shall not be responsible for any statement in the Securities other than its certificate of authentication.

SECTION 7.5 Notice of Defaults.

If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Holder pursuant to Section 11.2 a notice of the Default within 90 days after it occurs. Except in the case of a Default in any payment on any Security, the Trustee may withhold the notice if and so long as the board of directors, executive committee or a trust committee of officers in good faith determines that withholding the notice is in the interests of Holders.

SECTION 7.6 Reports by Trustee to Holders.

Within 60 days after each May 15, beginning with the May 15 following the date of this Indenture, the Trustee shall mail to each Holder a brief report dated as of such May 15 that complies with TIA Section 313(a), but only if such report is required in any year under TIA Section 313(a). The Trustee also shall comply with TIA Sections 313(b) and 313(c).

A copy of each report at the time of its mailing to Holders shall be filed with the SEC and each stock exchange on which the Securities are listed. The Company shall notify the Trustee in writing when the Securities become listed on any national securities exchange or of any delisting thereof.

SECTION 7.7 Compensation and Indemnity.

The Company and the Subsidiary Guarantors jointly and severally agree to pay the Trustee from time to time reasonable compensation for its services (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust). The Company and the Subsidiary Guarantors jointly and severally agree to reimburse the Trustee upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred by it. Such expenses shall include when applicable the reasonable compensation and expenses of the Trustee's agents and counsel.

The Trustee shall not be under any obligation to institute any suit, or take any remedial action under this Indenture, or to enter any appearance or in any way defend any suit in which it may be a defendant, or to take any steps in the execution of the trusts created hereby or thereby or in the enforcement of any rights and powers under this Indenture, until it shall be indemnified to its satisfaction against any and all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provisions of this Indenture, including compensation for services, costs, expenses, outlays, counsel fees and other disbursements, and against all liability not due to its negligence or willful misconduct. The Company and the Subsidiary Guarantors jointly and severally agree to indemnify the Trustee against any loss, liability or expenses incurred by it arising out of or in connection with the acceptance and administration of the trust and its duties

hereunder as Trustee, Registrar and/or Paying Agent, including the costs and expenses of enforcing this Indenture against the Company (including with respect to this Section 7.7) and of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Company and the Subsidiary Guarantors of any claim for which it may seek indemnity; however, unless the position of the Company is prejudiced by such failure, the failure of the Trustee to promptly notify the Company shall not limit its right to indemnification. The Company shall defend each such claim and the Trustee shall cooperate in the defense. The Trustee may retain separate counsel and the Company shall reimburse the Trustee for the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent.

Neither the Company nor the Subsidiary Guarantors shall be obligated to reimburse any expense or indemnify against any loss or liability incurred by the Trustee through the Trustee's negligence or willful misconduct.

To secure the payment obligations of the Company and the Subsidiary Guarantors in this Section, the Trustee shall have a claim prior to that of the Holders of the Securities on all money or property held or collected by the Trustee, except that held in trust to pay principal of and interest on particular Securities. The Trustee's right to receive payment of any amounts due under this Section 7.7 shall not be subordinate to any other liability or Indebtedness of the Company.

When the Trustee incurs expenses or renders services after the occurrence of any Event of Default specified in Sections 6.1(8) or (9), the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.8 Replacement of Trustee.

(i) The Trustee may resign by so notifying the Company and the Subsidiary Guarantors. The Holders of a majority in principal amount of the Securities may remove the Trustee by so notifying the Trustee, in writing. The Company may remove the Trustee if:

(ii) the Trustee fails to comply with Section 7.1;

(iii) the Trustee is adjudged a bankrupt or an insolvent;

(iv) a receiver or other public officer takes charge of the Trustee or its property; or

(v) the Trustee becomes incapable of acting as Trustee hereunder.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the

successor Trustee takes office, the Holders of a majority in principal amount of the Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company and the Subsidiary Guarantors. Immediately after that, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.7, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee shall mail notice of its succession to each Holder.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Any successor Trustee shall comply with TIA Section 310(a)(5).

SECTION 7.9 Successor Trustee by Merger, etc.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust assets to, another corporation, the successor corporation without any further act shall be the successor Trustee; provided such corporation or association shall be otherwise eligible and qualified under this Article.

SECTION 7.10 Eligibility; Disqualification.

This Indenture shall always have a Trustee which satisfies the requirements of TIA Section 310(a)(1). The Trustee shall always have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee shall also comply with TIA Section 310(b).

SECTION 7.11 Preferential Collection of Claims Against Company.

The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE VIII

DISCHARGE OF INDENTURE

SECTION 8.1 Option to Effect Legal Defeasance or Covenant Defeasance.

The Company may, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, at any time, with respect to the Securities, elect to exercise its rights pursuant to either Section 8.2 or 8.3 with respect to all outstanding Securities upon compliance with the conditions set forth below in this Article Eight.

SECTION 8.2 Legal Defeasance and Discharge.

Upon the Company's exercise under Section 8.1 of the option applicable to this Section 8.2, the Company and the Subsidiary Guarantors shall be deemed to have been discharged from their obligations with respect to all outstanding Securities on the date all conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, such Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Securities, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.5 and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Securities and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Securities to receive solely from the trust fund described in Section 8.4, and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest on such Securities when such payments are due, (b) the Company's obligations with respect to such Securities under Sections 2.3, 2.4, 2.6, 2.7, 2.10 and 4.4, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's obligations in connection therewith (including, but not limited to, Section 7.7) and (d) this Article Eight. Subject to compliance with this Article Eight, the Company may exercise its option under this Section 8.2 notwithstanding the prior exercise of its option under Section 8.3 with respect to the Securities.

SECTION 8.3 Covenant Defeasance.

Upon the Company's exercise under Section 8.1 of the option applicable to this Section 8.3, the Company shall be released from its obligations under the covenants contained in Sections 4.7, 4.8, 4.9 and 4.10 and Article Five with respect to the outstanding Securities on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Securities shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Securities shall not be deemed outstanding for accounting purposes). For this

purpose, such Covenant Defeasance means that, with respect to the outstanding Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.1(5), but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.1 of the option applicable to this Section 8.3, Sections 6.1(4) through 6.1(9) shall not constitute Events of Default.

SECTION 8.4 Conditions to Legal or Covenant Defeasance.

The following shall be the conditions to application of either Section 8.2 or Section 8.3 to the outstanding Securities:

(a) The Company shall irrevocably have deposited or cause to be deposited with the Trustee (or another trustee satisfying the requirements of Section 7.10 who shall agree to comply with the provisions of this Article Eight applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, (a) cash in U.S. Legal Tender in an amount, or (b) non-callable U.S. Government Securities which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, cash in U.S. Legal Tender in an amount, or (c) a combination thereof, in such amounts, as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge the principal of, premium, if any, and interest on the outstanding Securities on the Maturity Date or on the applicable redemption date, as the case may be, of such principal or installment of principal, premium, if any, or interest and in accordance with the terms of this Indenture and of such Securities; provided that the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such non-callable Government Securities to said payments with respect to the Securities.

(b) In the case of an election under Section 8.2, the Company shall have delivered to the Trustee an Opinion of Counsel confirming that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date hereof, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) In the case of an election under Section 8.3, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) No Default or Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit or, insofar as Subsection 6.1(8) or 6.1(9) is concerned, at any time in the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);

(e) Such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company is a party or by which the Company is bound;

(f) In the case of any election under Section 8.2 or 8.3, the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit made by the Company pursuant to its election under Section 8.2 or 8.3 was not made by the Company with the intent of preferring the Holders over other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(g) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the Legal Defeasance under Section 8.2 or the Covenant Defeasance under Section 8.3 (as the case may be) have been complied with as contemplated by this Section 8.4.

SECTION 8.5 Deposited Money and U.S. Government Securities to be Held in Trust; Other Miscellaneous Provisions.

Subject to Section 8.6, all money and non-callable U.S. Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.5, the "Trustee") pursuant to Section 8.4 in respect of the outstanding Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company or a Subsidiary Guarantor, if any, acting as Paying Agent) as the Trustee may determine, to the Holders of such Securities of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable U.S. Government Securities deposited pursuant to Section 8.4 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Securities.

Anything in this Article Eight to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the Company's request any money or non-callable U.S. Government Securities held by it as provided in Section 8.4 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.4(a)), are in excess of the amount thereof which would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.6 Repayment to Company.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on any Security which is not subject to the last paragraph of Section 8.5 and has remained unclaimed for one year after such principal, and premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Securities shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 8.7 Reinstatement.

If the Trustee or Paying Agent is unable to apply any U.S. Legal Tender or non-callable U.S. Government Securities in accordance with Section 8.2 or 8.3, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining, or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.2 or 8.3 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.2 or 8.3, as the case may be; provided, however, that, if the Company makes any payment of principal of, premium, if any, or interest on any Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE IX

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.1 Without Consent of Holders.

The Company, the Subsidiary Guarantors and the Trustee may amend or supplement this Indenture or the Securities without notice to or consent of any Holder:

(1) to cure any ambiguity, defect or inconsistency;

(2) to comply with Section 5.1;

(3) to reflect the addition or release of any Subsidiary Guarantor, as provided for by this Indenture;

(4) to comply with any requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA; or

(5) to make any change that would provide any additional benefit or rights to the Holders or that does not adversely affect the rights of any Holder in any material respect.

Upon the request of the Company and the Subsidiary Guarantors, accompanied by a Board Resolution of the Company and of each Subsidiary Guarantor authorizing the execution of any such supplemental indenture, and upon receipt by the Trustee of the documents described in Section 9.6, the Trustee shall join with the Company and the Subsidiary Guarantors in the execution of any supplemental indenture authorized or permitted by the terms of this Indenture and make any further appropriate agreements and stipulations that may be therein contained. After an amendment or waiver under this Section becomes effective, the Company shall mail to the Holders of each Security affected thereby a notice briefly describing the amendment or waiver. 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 supplemental indenture.

SECTION 9.2 With Consent of Holders.

Except as provided below in this Section 9.2, the Company, the Subsidiary Guarantors and the Trustee may amend this Indenture or the Securities with the written consent (including consents obtained in connection with a tender offer or exchange offer for Securities or a solicitation of consents in respect of Securities, provided that in each case such offer or solicitation is made to all Holders of then outstanding Securities on equal terms) of the Holders of at least a majority of the principal amount of the outstanding Securities.

Upon the request of the Company and the Subsidiary Guarantors, accompanied by a Board Resolution of the Company and each Subsidiary Guarantor authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the Opinion of Counsel described in Section 9.6, the Trustee shall join with the Company and the Subsidiary Guarantors in the execution of such supplemental indenture.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

The Holders of a majority of the principal amount of the outstanding Securities may waive compliance in a particular instance by the Company or the Subsidiary Guarantors with any provision of this Indenture or the Securities (including waivers obtained in connection with a tender offer or exchange offer for Securities or a solicitation of consents in respect of Securities, provided that in each case such offer or solicitation is made to all Holders of the then outstanding Securities on equal terms). However, without the consent of each Holder affected, an amendment or waiver under this Section may not:

(1) reduce the percentage of principal amount of Securities whose Holders must consent to an amendment, supplement or waiver of any provision of this Indenture or the Securities;

(2) reduce the rate or change the time for payment of interest, including default interest, on the Securities;

(3) reduce the principal amount of any Security or change the Maturity Date of the Securities;

(4) reduce the redemption price, including premium, if any, payable upon the redemption of any Security or change the time at which any Security may be redeemed;

(5) waive a Default or Event of Default in the payment of the principal of, premium, if any, or interest on the Securities;

(6) make any Security payable in money other than that stated in the Security;

(7) impair the right to institute suit for the enforcement of principal of, premium, if any, or principal on any Security pursuant to Sections 6.7 or 6.8, except as limited by Section 6.6; or

(8) make any change in Section 6.4 or Section 6.7 or in this sentence of this Section 9.2.

The right of any Holder to participate in any consent required or sought pursuant to any provision of this Indenture (and the obligation of the Company to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of any Securities with respect to which such consent is required or sought as of a date identified by the Trustee in a notice furnished to Holders in accordance with the terms of this Indenture.

SECTION 9.3 Compliance with Trust Indenture Act.

Every amendment to or supplement of this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 9.4 Revocation and Effect of Consents.

A consent to an amendment, supplement or waiver by a Holder of a Security shall bind the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, until an amendment, supplement or waiver becomes effective, any such Holder or subsequent Holder may revoke the consent as to its Security or portion of a Security. For such revocation to be effective, the Trustee must receive the notice of revocation before the date the amendment, supplement or waiver becomes effective.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment or waiver. If the Company elects to fix a record date for such purpose, the record date shall be fixed at (i) the later of 30 days prior to the first solicitation of such consent or the date of the most recent list of Holders furnished to the Trustee prior to such solicitation pursuant to Section 2.5, or (ii) such other date as the Company shall designate. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consent from the Holders of the principal amount of Securities required hereunder for such amendment or waiver to be effective also shall have been given and not revoked within such 90-day period.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder unless it makes a change described in any of clauses (i) through (ix) of Section 9.2. In that case the amendment, supplement or waiver shall bind each Holder of a Security who has consented to it and

every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security.

SECTION 9.5 Notation on or Exchange of Securities.

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

SECTION 9.6 Trustee Protected.

The Trustee shall sign any amendment or supplement or waiver authorized pursuant to this Article if the amendment or supplement or waiver does not adversely affect the rights of the Trustee. If it does adversely affect the rights of the Trustee, the Trustee may but need not sign it. In signing such amendment or supplement or waiver the Trustee shall be entitled to receive, and (subject to Article Seven) shall be fully protected in relying upon, an Opinion of Counsel stating that such amendment or supplement or waiver is authorized or permitted by and complies with this Indenture. The Company may not sign an amendment or supplement until the Boards of Directors of the Company and the Subsidiary Guarantors approve it.

ARTICLE X

GUARANTEES

SECTION 10.1 Unconditional Guarantee.

Each Subsidiary Guarantor hereby, jointly and severally, unconditionally guarantees (such guarantee to be referred to herein as the "Guarantee") to each Holder and to the Trustee the due and punctual payment of the principal of, premium, if any, and interest on the Securities and all other amounts due and payable under this Indenture and the Securities by the Company whether at maturity, by acceleration, redemption, repurchase or otherwise, including, without limitation, interest on the overdue principal of, premium, if any, and interest on the Securities, to the extent lawful, all in accordance with the terms hereof and thereof; subject, however, to the limitations set forth in Section 10.5.

Failing payment when due of any amount so guaranteed for whatever reason, the Subsidiary Guarantors will be jointly and severally obligated to pay the same immediately. Each Subsidiary Guarantor hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Securities or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Securities with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to

enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Subsidiary Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Guarantee will not be discharged except by complete performance of the obligations contained in the Securities, this Indenture and in this Guarantee. If any Holder or the Trustee is required by any court or otherwise to return to the Company, any Subsidiary Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Company or any Subsidiary Guarantor, any amount paid by the Company or any Subsidiary Guarantor to the Trustee or such Holder, this Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Subsidiary Guarantor agrees it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Subsidiary Guarantor further agrees that, as between each Subsidiary Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any acceleration of such obligations as provided in Article Six, such obligations (whether or not due and payable) shall forthwith become due and payable by each Subsidiary Guarantor for the purpose of this Guarantee.

SECTION 10.2 Subsidiary Guarantors May Consolidate, etc. on Certain Terms.

(a) Subject to paragraph (b) of this Section 10.2, no Subsidiary Guarantor may consolidate or merge with or into (whether or not such Subsidiary Guarantor is the surviving entity or Person) another corporation, entity or Person unless (i) the entity or Person formed by or surviving any such consolidation or merger (if other than such Subsidiary Guarantor) assumes all the obligations of such Subsidiary Guarantor pursuant to a supplemental indenture, in a form reasonably satisfactory to the Trustee, under the Securities and this Indenture and (ii) immediately after such transaction, no Default or Event of Default exists. In connection with any consolidation or merger contemplated by this Section 10.2, the Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture. This Section 10.2(a) will not prohibit a merger between Subsidiary Guarantors or a merger between the Company and a Subsidiary Guarantor.

(b) In the event of a sale or other disposition of all or substantially all of the assets of any Subsidiary Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the Capital Stock of such Subsidiary Guarantor, then such Subsidiary Guarantor (in the event of a sale or other disposition, by way of such a merger, consolidation or otherwise, of all of the Capital Stock of such Subsidiary Guarantor) or the corporation acquiring the property (in the event of a sale or other disposition of all or substantially all of the assets of such Subsidiary Guarantor) will be released and relieved of any obligations under its Guarantees.

SECTION 10.3 Addition of Subsidiary Guarantors.

(a) If any Subsidiary of the Company guarantees any Funded Indebtedness of the Company at any time subsequent to the Issue Date, then the Company shall (i) cause the Securities to be equally and ratably guaranteed by such Subsidiary, but only to the extent that the Securities are not already guaranteed by such Subsidiary on reasonably comparable terms and (ii) cause such Subsidiary to execute and deliver a supplemental indenture, in a form reasonably satisfactory to the Trustee, evidencing its provision of a guarantee pursuant to the terms hereof.

(b) The Company agrees to cause each Subsidiary other than a Foreign Subsidiary that shall become a Restricted Subsidiary after the Issue Date to execute and deliver a supplemental indenture pursuant to which such Restricted Subsidiary shall guarantee the payment of the Securities pursuant to the terms hereof.

(c) Any Person that was not a Subsidiary Guarantor on the Issue Date may become a Guarantor by executing and delivering to the Trustee (i) a supplemental indenture in form and substance satisfactory to the Trustee, which subjects such Person to the provisions (including the representations and warranties) of this Indenture as a Subsidiary Guarantor and (ii) an Opinion of Counsel and Officers' Certificate to the effect that such supplemental indenture has been duly authorized and executed by such Person and constitutes the legal, valid, binding and enforceable obligation of such Person (subject to such customary exceptions concerning creditors' rights and equitable principles as may be acceptable to the Trustee in its discretion and provided that no opinion need be rendered concerning the enforceability of the Guarantee).

SECTION 10.4 Release of a Subsidiary Guarantor.

(a) If, at any time while the Securities remain outstanding, none of the Company's then outstanding Pari Passu Indebtedness (other than the Securities) is guaranteed by a Restricted Subsidiary, such Restricted Subsidiary shall be released and relieved of its obligations under its Guarantee (which shall be terminated and cease to have any force and effect). For purposes of this Section 10.4(a) only, other Pari Passu Indebtedness shall not be deemed to be outstanding if, and as long as, all conditions to defeasance thereof have been satisfied, pursuant to defeasance provisions substantially similar to those set forth in Article Eight hereof.

(b) Upon the sale or disposition of a Subsidiary Guarantor (or substantially all of its assets), which is otherwise in compliance with the terms of this Indenture, including but not limited to the provisions of Section 10.2, or if a Subsidiary ceases to be a Restricted Subsidiary, such Subsidiary shall be released and relieved of its obligations under its Guarantee (which shall terminate and cease to have any force and effect). The Trustee shall deliver an appropriate instrument evidencing such release upon receipt of a request by the Company accompanied by an Officers' Certificate and an Opinion of Counsel certifying that such sale or other disposition or cessation was made by the Company in accordance with the provisions of this Indenture.

(c) Any Subsidiary Guarantor not so released pursuant to this Article Ten remains liable for the full amount of principal of and interest on the Securities as provided in this Article Ten.

SECTION 10.5 Limitation of Subsidiary Guarantor's Liability.

Each Subsidiary Guarantor, and by its acceptance hereof each Holder, hereby confirms that it is the intention of all such parties that the guarantee by such Subsidiary Guarantor pursuant to its Guarantee not constitute a fraudulent transfer or conveyance for purposes of any federal or state law. To effectuate the foregoing intention, the Holders and each Subsidiary Guarantor hereby irrevocably agree that the obligations of each Subsidiary Guarantor under the Guarantee shall be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Guarantee or pursuant to Section 10.6, result in the obligations of such Subsidiary Guarantor under the Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. This Section 10.5 is for the benefit of the creditors of each Subsidiary Guarantor, and, for purposes of applicable fraudulent transfer and fraudulent conveyance law, any Indebtedness of a Subsidiary Guarantor pursuant to a bank credit facility shall be deemed to have been incurred prior to the incurrence by such Subsidiary Guarantor of its liability under the Guarantee.

SECTION 10.6 Contribution.

In order to provide for just and equitable contribution among the Subsidiary Guarantors, the Subsidiary Guarantors agree, inter se, that in the event any payment or distribution is made by any Subsidiary Guarantor (a "Funding Guarantor") under the Guarantee, such Funding Guarantor shall be entitled to a contribution from each other Subsidiary Guarantor in a pro rata amount based on the Adjusted Net Assets of each Subsidiary Guarantor (including the Funding Guarantor) for all payments, damages and expenses incurred by the Funding Guarantor in discharging the Company's obligations with respect to the Securities or any other Subsidiary Guarantor's obligations with respect to the Guarantee.

SECTION 10.7 Execution and Delivery of Guarantee.

To further evidence the Guarantees set forth in Section 10.1, each Subsidiary Guarantor hereby agrees that a notation relating to such Guarantee, in substantially the form of Exhibit A-1, shall be endorsed on each Security authenticated and delivered by the Trustee and executed by either manual or facsimile signature of one Officer of each Subsidiary Guarantor.

Each of the Subsidiary Guarantors hereby agrees that its Guarantee set forth in Section 10.1 shall remain in full force and effect notwithstanding any failure to endorse on each Security a notation relating to such Guarantee.

If an Officer of a Subsidiary Guarantor whose signature is on this Indenture or a Security no longer holds that office at the time the Trustee authenticates such Security or at any time thereafter, such Subsidiary Guarantor's Guarantee of such Security shall be valid nevertheless.

The delivery of any Security by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of any Guarantee set forth in this Indenture on behalf of the Subsidiary Guarantor.

SECTION 10.8 Severability.

In case any provision of this Guarantee shall be invalid, illegal or unenforceable, that portion of such provision that is not invalid, illegal or unenforceable shall remain in effect, and the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

ARTICLE XI

MISCELLANEOUS

SECTION 11.1 Trust Indenture Act Controls.

Whether prior to or following the qualification of this Indenture under the TIA, if any provision of this Indenture limits, qualifies, or conflicts with the duties imposed by operation of TIA Section 318(c) upon an Indenture qualified under the TIA, the imposed duties shall control under this Indenture.

SECTION 11.2 Notices.

Any notice or communication shall be sufficiently given if in writing and delivered in person or mailed by certified or registered mail (return receipt requested), facsimile, telecopier or overnight air courier guaranteeing next day delivery, addressed as follows:

If to the Company or any Subsidiary Guarantor:

Chesapeake Energy Corporation
6100 North Western Avenue
Oklahoma City, Oklahoma 73118
Attention: Chief Financial Officer

If to the Trustee:

United States Trust Company of New York

114 West 47th Street
New York, New York 10036
Attention: Corporate Trust Department

The Company or any Subsidiary Guarantor or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

All 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 faxed or telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication mailed to a Holder shall be mailed by first-class mail to the address for such Holder appearing on the registration books of the Registrar and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If the Company or any Subsidiary Guarantor mails notice or communications to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 11.3 Communication by Holders with Other Holders.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Company, the Subsidiary Guarantors, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 11.4 Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company or any Subsidiary Guarantor to the Trustee to take any action under this Indenture, the Company or such Subsidiary Guarantor, as the case may be, shall furnish to the Trustee:

(1) an Officers' Certificate (which shall include the statements set forth in Section 11.5) stating that, in the opinion of the signers, the conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, such conditions precedent have been complied with.

SECTION 11.5 Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of each such person, such covenant or condition has been complied with.

SECTION 11.6 Rules by Trustee and Agents.

The Trustee may make reasonable rules for actions taken by, or meetings or consents of, Holders. The Registrar or Paying Agent may make reasonable rules for its functions.

SECTION 11.7 Legal Holidays.

A "Legal Holiday" is a Saturday, a Sunday, or a day on which banks and trust companies in The City of New York are not required by law or executive order to be open. If a payment date is a Legal Holiday at a place of payment, payment may be made at the place on the next succeeding day that is not a Legal Holiday, without additional interest.

SECTION 11.8 Governing Law.

THIS INDENTURE AND THE SENIOR NOTES AND THE GUARANTEES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

SECTION 11.9 No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company, any Subsidiary Guarantor or any other Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 11.10 No Recourse Against Others.

All liability described in Paragraph 16 of the Securities of any director, officer, employee or stockholder, as such, of the Company, the Subsidiary Guarantors or the Trustee is waived and released.

SECTION 11.11 Successors.

All agreements of the Company and the Subsidiary Guarantors in this Indenture, the Securities and the Guarantees shall bind their respective successors. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 11.12 Duplicate Originals.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same instrument.

SECTION 11.13 Severability.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and a Holder shall have no claim therefor against any party hereto.

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

CHESAPEAKE ENERGY
CORPORATION

By: /s/ AUBREY K. MCCLENDON

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

UNITED STATES TRUST COMPANY OF NEW
YORK, as Trustee

By: /s/ PETER C. GERRER

Name: Peter C. Gerrer
Title: Vice President

SUBSIDIARY GUARANTORS

CHESAPEAKE OPERATING, INC.

CHESAPEAKE GAS DEVELOPMENT CORPORATION

For each of the above:

By: /s/ MARCUS C. ROWLAND

Name: Marcus C. Rowland
Title: Vice President

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP

By: Chesapeake Operating, Inc.,
General Partner

By: /s/ MARCUS C. ROWLAND

Name: Marcus C. Rowland
Title: Vice President

ANNEX 4.3

OFFICERS' CERTIFICATE OF NONDEFAULT

CHESAPEAKE ENERGY CORPORATION

This Officers' Certificate is provided pursuant to Section 4.03(a) of the Indenture dated March 15, 1997 among Chesapeake Energy Corporation (the "Company"), the Subsidiary Guarantors named therein and United States Trust Company of New York, as Trustee (the "Indenture").

A review of the activities of the Company and the Subsidiaries during the preceding fiscal year ended June 30, _____ has been made under the supervision of the Officers signing below with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under the Indenture. In addition, each such Officer signing this certificate states that, to the best of such Officer's knowledge, the Company and each Subsidiary Guarantor has kept, observed, performed and fulfilled each and every covenant contained in the Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of the Indenture. After reasonable inquiry, to the best of each such Officer's knowledge, no event has occurred and remains in existence by reason of which payments on account of the principal of, premium, if any, or interest, if any, on the Senior Notes are prohibited. This Officers' Certificate is intended to comply with TIA 314(a)(4).

Additionally, each Officer signing below has read each covenant or condition set forth in the Indenture and has made such examination or investigation as is necessary, in the opinion of each such Officer, to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with, which examination or investigation was conducted in the course of the Officers' routine operational management of the Company. In the opinion of each such Officer, each such covenant or condition has been complied with.

EXECUTED THIS _____ day of _____, _____.

CHESAPEAKE ENERGY CORPORATION,

an Oklahoma corporation

*By:

By:

- ---

* This certificate must be signed by the principal executive, financial or accounting officer (as well as one other Officer).

EXHIBIT A

[FACE OF SECURITY]

[THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OR A DEPOSITORY OR A SUCCESSOR DEPOSITORY. THIS SECURITY IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

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.]1

[THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1)(a) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED

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(1) This paragraph should be included in any Global Security.

STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE.]2

[THIS SECURITY IS A TEMPORARY REGULATION S GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER. EXCEPT IN THE CIRCUMSTANCES DESCRIBED IN SECTION 2.6 OF THE INDENTURE, INTERESTS IN THIS TEMPORARY REGULATION S GLOBAL SECURITY MAY NOT BE OFFERED OR SOLD TO A U.S. PERSON OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD (AS DEFINED IN THE INDENTURE), AND NO TRANSFER OR EXCHANGE OF AN INTEREST IN THIS TEMPORARY REGULATION S GLOBAL SECURITY MAY BE MADE FOR AN INTEREST IN A RESTRICTED GLOBAL SECURITY UNTIL AFTER THE LATER OF THE DATE OF EXPIRATION OF THE RESTRICTED PERIOD AND THE DATE ON WHICH THE OWNER SECURITIES CERTIFICATION AND THE DEPOSITORY SECURITIES CERTIFICATION RELATING TO SUCH INTEREST HAVE BEEN PROVIDED IN ACCORDANCE WITH THE TERMS OF THE INDENTURE, TO THE EFFECT THAT THE BENEFICIAL OWNER OR OWNERS OF SUCH INTEREST ARE NOT U.S. PERSONS.]3

[THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITY ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON, UNLESS THE SECURITIES ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE.]4

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(2) This paragraph shall be included only if this Security is a Restricted Security.

(3) This paragraph shall be included only if this Security is a Temporary Regulation S Global Security.

(4) This paragraph shall be included only if this Security is a Permanent Regulation S Global Security.

CHESAPEAKE ENERGY CORPORATION

7 7/8% SERIES [A/B] SENIOR NOTE DUE 2004

No. $_____

CUSIP No._____

Chesapeake Energy Corporation, an Oklahoma corporation, promises to pay to _____ or registered assigns the principal sum of _____ Dollars on March 15, 2004.

Interest Payment Dates: March 15 and September 15, commencing September 15, 1997

Record Dates: March 1 and September 1

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

Dated:

[Seal] CHESAPEAKE ENERGY CORPORATION

By:

By:

Certificate of Authentication:

UNITED STATES TRUST COMPANY OF NEW YORK
as Trustee, certifies that this is one of the [Global]5
Securities referred to in the within-mentioned Indenture.

By ---
Authorized Signatory

- ---

(5) If the Security is issued in global form, insert the term Global.

[REVERSE OF SECURITY]

CHESAPEAKE ENERGY CORPORATION

7 7/8% SERIES [A/B] SENIOR NOTE DUE 2004

1. Interest. Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), promises to pay interest on the principal amount of this Security at 7 7/8% per annum from the Issue Date until maturity. The Company will pay interest semiannually on March 15 and September 15 of each year (each an "Interest Payment Date"), or if any such day is not a Business Day, on the next succeeding Business Day. Interest on the Securities will accrue from the most recent Interest Payment Date on which interest has been paid or, if no interest has been paid, from the Issue Date; provided, that if there is no existing Default in the payment of interest, and if this Security is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be September 15, 1997. The Company shall pay interest on overdue principal and premium, if any, from time to time on demand at a rate equal to the interest rate on the Securities then in effect; it shall pay interest on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months. All references herein to interest shall include additional interest, if any, payable as Liquidated Damages pursuant to the Registration Rights Agreement.

2. Method of Payment. The Company will pay interest on the Securities to the persons who are registered holders of Securities at the close of business on the record date immediately preceding the Interest Payment Date, even if such Securities are canceled after the record date and on or before the Interest Payment Date. Holders must surrender Securities to the Paying Agent to collect principal payments. The Company will pay principal of, premium, if any, and interest on the Securities in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. However, the Company may pay principal and interest by wire transfer of Federal Funds, or interest by its check payable in such U.S. Legal Tender. The Company may deliver any such interest payment to the Paying Agent or to a Holder at the Holder's registered address. Notwithstanding the foregoing, the Company shall pay or cause to be paid all amounts payable with respect to Restricted Securities or non-DTC eligible Securities by wire transfer of Federal funds to the account of the Holders of such Securities. If this Security is a Global Security, all payments in respect of this Security will be made to the Depository or its nominee in immediately available funds in accordance with customary procedures established from time to time by the Depository.

3. Paying Agent and Registrar. Initially, the Trustee will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-registrar without notice. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

4. Indenture. The Company issued the Securities under an Indenture, dated as of March 15, 1997 (the "Indenture"), among the Company, the Subsidiary Guarantors and the Trustee. Capitalized terms herein are used as defined in the Indenture unless otherwise defined herein. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbbb) as in effect on the date of the Indenture. Notwithstanding anything to the contrary herein, the Securities are subject to all such terms, and Holders are referred to the Indenture and such Act for a complete statement of such terms. The Securities are limited to $150,000,000 aggregate principal amount.

5. Ranking and Guarantees. The Securities are general senior unsecured obligations of the Company. The Company's obligation to pay principal, premium, if any, and interest with respect to the Securities is unconditionally guaranteed on a senior basis, jointly and severally, by the Subsidiary Guarantors pursuant to Article Ten of the Indenture. Certain limitations to the obligations of the Subsidiary Guarantors are set forth in further detail in the Indenture.

6. Redemption at Make-Whole Price. At any time, the Company may, at its option, redeem all or any portion of the Securities at the Make-Whole Price plus accrued and unpaid interest to the date of redemption. Any redemption pursuant to this Paragraph 6 shall be made pursuant to the provisions of Sections 3.1 through 3.6 of the Indenture.

7. Notice of Redemption. Notice of redemption will be mailed to the Holder's registered address at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed. If less than all Securities are to be redeemed, the Trustee shall select pro rata, by lot or, if the Securities are listed on any securities exchange, by any other method that the Trustee considers fair and appropriate and that complies with the requirements of such exchange; the Securities to be redeemed in multiples of $1,000; provided, however, that no Securities with a principal amount of $1,000 or less will be redeemed in part. Securities in denominations larger than $1,000 may be redeemed in part. On and after the redemption date, interest ceases to accrue on Securities or portions of them called for redemption (unless the Company shall default in the payment of the redemption price or accrued interest).

8. Restrictive Covenants. The Indenture imposes certain limitations on, among other things, the ability of the Company to merge or consolidate with any other Person or sell, lease or otherwise transfer all or substantially all of its properties or assets, the ability of the Company or the Restricted Subsidiaries to incur encumbrances against certain property or enter into certain sale and leaseback transactions, all subject to certain limitations described in the Indenture.

9. Denominations, Transfer, Exchange. The Securities shall be issued in global form or in accordance with Section 2.6(f) of the Indenture, in definite registered form, without coupons in denominations of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not transfer or exchange any

Securities selected for redemption. Also, it need not transfer or exchange any Securities for a period of 15 days before a selection of Securities to be redeemed.

10. Persons Deemed Owners. The registered Holder of a Security may be treated as the owner of it for all purposes and neither the Company, any Subsidiary Guarantor, the Trustee nor any Agent shall be affected by notice to the contrary.

11. Unclaimed Money. If money for the payment of principal or interest remains unclaimed for one year, the Trustee or Paying Agent will pay the money back to the Company at its request. After that, all liability of the Trustee and such Paying Agent with respect to such money shall cease.

12. Amendment, Supplement, Waiver. Subject to certain exceptions, the Indenture or the Securities may be amended or supplemented with the consent of the Holders of at least a majority of the outstanding principal amount of the Securities, and any past default or noncompliance with any provision may be waived with the consent of the Holders of a majority in principal amount of the Securities. Without the consent of any Holder, the Company may amend or supplement the Indenture or the Securities to, among other things, cure any ambiguity, defect or inconsistency or to make any change that does not adversely affect the rights of any Holder.

13. Successor Corporation. When a successor corporation assumes all the obligations of its predecessor under the Securities and the Indenture, the predecessor corporation will be released from those obligations.

14. Defaults and Remedies. An event of default generally is: default by the Company or any Subsidiary Guarantor for 30 days in payment of interest on the Securities; default by the Company or any Subsidiary Guarantor in payment of principal of, or premium, if any, on the Securities; default by the Company or any Subsidiary Guarantor in the deposit of any optional redemption payment when due and payable; defaults resulting in acceleration prior to maturity of certain other Indebtedness or resulting from payment defaults under certain other Indebtedness; failure by the Company or any Subsidiary Guarantor for 45 days after notice to comply with any of its other agreements in the Indenture; certain final judgments against the Company or Subsidiaries; a failure of any Guarantee of a Subsidiary Guarantor to be in full force and effect or denial by any Subsidiary Guarantor of its obligations with respect thereto; and certain events of bankruptcy or insolvency. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Securities may declare all the Securities to be due and payable immediately, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization relating to the Company, all outstanding Securities shall become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in principal

amount of the Securities may direct the Trustee in its exercise of any trust or power. The Company must furnish an annual compliance certificate to the Trustee.

15. Trustee Dealings with Company and Subsidiary Guarantors. The Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company, the Subsidiary Guarantors or their respective Subsidiaries or Affiliates with the same rights it would have if it were not Trustee.

16. No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company, any Subsidiary Guarantor or the Trustee shall not have any liability for any obligations of the Company, any Subsidiary Guarantor or the Trustee under the Securities or the Indenture or for any claim based on, in respect of or by reason of, such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Security.

17. Authentication. This Security shall not be valid until the Trustee or an authenticating agent signs the certificate of authentication on the other side of this Security.

18. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=Custodian), and U/G/M/A (=Uniform Gifts to Minors Act).

19. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company will cause CUSIP numbers to be printed on the Securities as a convenience to Holders of the Securities. No representation is made as to the accuracy of such numbers as printed on the Securities and reliance may be placed only on the other identification numbers printed hereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to: Chesapeake Energy Corporation, 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, Attention: Chief Financial Officer.

[Until this Temporary Regulation S Global Security is exchanged for a Permanent Regulation S Global Security, the Holder hereof shall not be entitled to receive payments of interest hereon; until so exchanged in full, this Temporary Regulation S Global Security shall in all other respects be entitled to the same benefits as other Securities under the Indenture.

This Temporary Regulation S Global Security is exchangeable in whole or in part for one or more Permanent Regulation S Global Securities or Restricted Global Securities only (i) on or after the expiration of the Restricted Period and (ii) upon presentation of certificates (accompanied by an Opinion of Counsel, if applicable) required by Article II of the Indenture. Upon exchange of this Temporary Regulation S Global Security for one or more Permanent Regulation S Global Securities or Restricted Global Securities, the Trustee shall cancel this Temporary Regulation S Global Security.

This Temporary Regulation S Global Security shall not become valid or obligatory until the certificate of authentication hereon shall have been duly manually signed by the Trustee in accordance with the Indenture. This Temporary Regulation S Global Security shall be governed by and construed in accordance with tho laws of the State of New York.

SCHEDULE OF EXCHANGES FOR GLOBAL SECURITIES

The following exchanges of a part of this Temporary Regulation S Global Security for other Global Securities have been made:

Date of Exchange	Amount of Decrease in Principal Amount of this Global Security	Amount of Increase in Principal Amount of this Global Security	Principal Amount of this Global Security Following Such Decrease (or Increase)	Signature of Authorized Officer of Trustee or Securities Custodian]6

- ---

(6) Insert on the form of reverse of a Temporary Regulation S Global Security.

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to:

_____

(Insert assignee's social security or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ as agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

_____

Your Signature:

_____

(Sign exactly as your name appears on the other side of this Security)

Date: _____

Signature Guarantee: _____

EXHIBIT A-1

FORM OF NOTATION ON SECURITY
RELATING TO GUARANTEE

The Subsidiary Guarantors (as defined in the Indenture), jointly and severally, have unconditionally guaranteed the due and punctual payment of the principal of, premium, if any, and interest on the Securities, and all other amounts due and payable under the Indenture and the Securities by the Company, whether at maturity, acceleration, redemption, repurchase or otherwise, including, without limitation, the due and punctual payment of interest on the overdue principal of, premium, if any, and interest on the Securities, to the extent lawful.

The obligations of the Subsidiary Guarantors pursuant to the Guarantee are subject to the terms and limitations set forth in Article Ten of the Indenture, and reference is made thereto for the precise terms of the Guarantee.

CHESAPEAKE OPERATING, INC.

By:

Name: Marcus C. Rowland
Title: Vice President

CHESAPEAKE GAS DEVELOPMENT
CORPORATION

By:

Name: Marcus C. Rowland
Title: Vice President

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP

By: Chesapeake Operating, Inc.,
General Partner

By:

Name: Marcus C. Rowland
Title: Vice President

EXHIBIT B

TRANSFEREE LETTER OF REPRESENTATION

Donaldson Lufkin & Jenrette
Securities Corporation
Bear, Stearns & Co. Inc.
J.P. Morgan Securities Inc.
Lehman Brothers, Inc.

Initial Purchasers in connection with the Offering Memorandum referred to below

Chesapeake Energy Corporation
6100 North Western
Oklahoma City, Oklahoma 73118

United States Trust Company of New York
114 West 47th Street
New York, New York 10036
Attention:

Ladies and Gentlemen:

In connection with our proposed purchase of $_____ aggregate principal amount of 7 7/8% Senior Notes due 2004 (the "Notes") of Chesapeake Energy Corporation (the "Company"), we confirm that:

(i) we are an "institutional accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act") (an "Institutional Accredited Investor"), or any entity in which all of the equity owners are Institutional Accredited Investors;

(ii) any purchase of Notes by us will be for our own account or for the account of one or more other Institutional Accredited Investors as to which we exercise sole investment discretion;

(iii) in the event that we purchase any Notes, we will acquire such Notes having a minimum purchase price of at least $100,000 for our own account and for each separate account for which we exercise sole investment discretion;

(iv) we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of purchasing Notes and we

and any accounts for which we are acting are able to bear the economic risks of our or their investment;

(v) we are not acquiring the Notes with a view to any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; provided that the disposition of our property and the property of any accounts for which we are acting as shall remain at all times within our control; and

(vi) we have received a copy of the Offering Memorandum and acknowledge that we have had access to such financial and other information, and have been afforded the opportunity to ask such questions of representatives of the Company and receive answers thereto, as we deem necessary in connection with our decision to purchase Notes.

We understand that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Notes have not been registered under the Securities Act, and we agree, on our own behalf and on behalf of each account for which we acquire any Notes, that if we should sell or otherwise transfer any Notes prior to the date which is three years (or such shorter period set forth in Rule 144(k) under the Securities Act, as such provision may be amended) after the original issuance of the Notes, we will do so only (a) to the Company or any of its subsidiaries, (b) inside the United States in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined in Rule 144A under the Securities 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 Trustee, a signed letter contained certain representations and agreements relating to the restrictions on transfer of the Notes (the form of which letter can be obtained from the applicable Trustee), (d) outside the United States in accordance with 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.

We understand that the registrar will not be required to accept for registration of transfer any Notes, except upon presentation of evidence satisfactory to the Company that the foregoing restrictions on transfer have been complied with. We understand that, on any proposed resale of any Notes, we will be required to furnish to the Trustee and the Company such certification, legal opinions and other information as the Trustee and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend reflecting the substance of this paragraph. We further agree to provide to any person acquiring any of the Notes from us a notice advising such person that resales of the Notes are restricted as stated herein.

We acknowledge that you, the Company and others will rely upon our confirmation, acknowledgments and agreements set forth herein, and agree to notify you promptly in writing if any of our representations or warranties herein cease to be accurate and complete.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,

(Name of Purchaser)

By:

Name:
Title:

Date:

Upon transfer, the Notes should be registered in the name of the new beneficial owner as follows:

Name:

Address:

Taxpayer ID Number:

EXHIBIT C

[FORM OF CERTIFICATION TO BE GIVEN BY
HOLDERS OF BENEFICIAL INTEREST IN A
TEMPORARY REGULATION S GLOBAL SECURITY TO
EUROCLEAR OR CEDEL]

OWNER SECURITIES CERTIFICATION

CHESAPEAKE ENERGY CORPORATION

7 7/8% Senior Notes due 2004
CUSIP No. _____

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This is to certify that, as of the date hereof, $_____ of the above-captioned Securities (the "Securities") are beneficially owned by non-U.S. person(s). As used in this paragraph, the term "U.S. person" has the meaning given to it by Regulation S under the Securities Act of 1933, as amended.

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the Securities held by you for our account in accordance with your operating procedures if any applicable statement is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceedings. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated: _____, 199__

By:

As, or as agent for, the beneficial owner(s) of the Securities to which this certificate relates.

EXHIBIT D

[FORM OF CERTIFICATION TO BE GIVEN BY THE EUROCLEAR OPERATOR OR CEDEL BANK, SOCIETE ANONYME]

DEPOSITORY SECURITIES CERTIFICATION

CHESAPEAKE ENERGY CORPORATION

7 7/8% Senior Notes due 2004
CUSIP No. _____

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This is to certify that, with respect to U.S.$_____ principal amount of the above-captioned Securities (the "Securities"), except as set forth below, we have received in writing, by tested telex or by electronic transmission, from member organizations appearing in our records as persons being entitled to a portion of the principal amount of the Securities (our "Member Organizations"), certifications with respect to such portion, substantially to the effect set forth in the Indenture.1

We further certify (i) that we are not making available herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) any portion of the Temporary Regulation S Global Security (as defined in the Indenture) excepted in such certifications and (ii) that as of the date hereof we have not received any notification from any of our Member Organizations to the effect that the statements made by such Member Organizations with respect to any portion of the part submitted herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) are no longer true and cannot be relied upon as of the date hereof.

We understand that this certification is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably

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(1) Unless Morgan Guaranty Trust Company of New York, London Branch is otherwise informed by the Agent, the long form certificate set out in the Operating Procedures will be deemed to meet the requirements of this sentence.

authorize you to produce this certification to any interested party in such proceedings. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated: _____, 199__

Yours faithfully,

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK, as operator
of the Euroclear System)

or

[CEDEL BANK, SOCIETE ANONYME]

By:

EXHIBIT E

[FORM OF CERTIFICATION TO BE GIVEN BY
TRANSFEREE OF BENEFICIAL INTEREST IN A
TEMPORARY REGULATION S GLOBAL SECURITY]

TRANSFEREE SECURITIES CERTIFICATION

CHESAPEAKE ENERGY CORPORATION

7 7/8% Senior Notes due 2004
CUSIP No. _____

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

For purposes of acquiring a beneficial interest in the Temporary Regulation S Global Security, the undersigned certifies that it is not a U.S. Person as defined by Regulation S under the Securities Act of 1933, as amended.

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the Securities held by you in which we intend to acquire a beneficial interest in accordance with your operating procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchaser.

Dated: _____, 199__

Dated: _____, 199__

By:

As, or as agent for, the beneficial owner(s) of the Securities to which this certificate relates.

EXHIBIT F

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF RESTRICTED GLOBAL SECURITY TO
TEMPORARY REGULATION S GLOBAL SECURITY]

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
7 7/8% Senior Notes due 2004 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S.$_____ aggregate principal amount of Securities which are held in Restricted Global Security (CUSIP No. _____) with the Depository in the name of (insert name of transferor) (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the Securities to a Person who will take delivery thereof in the form of an equal aggregate principal amount of Securities evidenced by the Temporary Regulation S Global Security (CUSIP No. _____) to be held with the Depository in the name of [Euroclear] [Cedel Bank, Societe Anonyme].

In connection with such request and in respect of such Securities, the Transferor does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Securities and pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), and accordingly the Transferor does hereby certify that:

(1) the offer of the Securities was not made to a person in the United States;

[(2) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States;]1

[(2) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States;]1

(3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable;

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(5) upon completion of the transaction, the beneficial interest being transferred as described above is to be held with the Depository in the name of [Euroclear] [Cedel Bank, Societe Anonyme].

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated:

CC: Chesapeake Energy Corporation

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(1) Insert one of these two provisions, which come from the definition offshore transaction in Regulation S.

EXHIBIT G

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF RESTRICTED GLOBAL SECURITY TO
PERMANENT REGULATION S GLOBAL SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
7 7/8% Senior Notes due 2004 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), by and among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. $_____ aggregate principal amount of Securities which are held in the form of the Restricted Global Security (CUSIP No. _____) with the Depository in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the Securities to a Person who will take delivery thereof in the form of an equal aggregate principal amount of Securities evidenced by the Permanent Regulation S Global Security (CUSIP No. _____).

In connection with such request, and in respect of such Securities, the Transferor does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Securities and,

(1) with respect to transfers made in reliance on Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), the Transferor does hereby certify that:

(A) the offer of the Securities was not made to a person in the United States;

[(B) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States;]1

[(B) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States;]1

(C) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable; and

(D) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(2) with respect to transfers made in reliance on Rule 144 under the Securities Act, the Transferor does hereby certify that the Securities are being transferred in a transaction permitted by Rule 144 under the Securities Act.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated: ----------

CC: Chesapeake Energy Corporation

- ----------

(1) Insert one of these two provisions, which come from the definition of offshore transactions in Regulation S.

EXHIBIT H

FORM OF CERTIFICATION FOR TRANSFER OR EXCHANGE OF TEMPORARY REGULATION S GLOBAL SECURITY OR PERMANENT REGULATION S GLOBAL SECURITY TO RESTRICTED GLOBAL SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
7 7/8% Senior Notes due 2004 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. $_____ principal amount of Securities which are evidenced by an aggregate [Temporary Regulation S Global Security (CUSIP No. _____)] [Permanent Regulation S Global Security (CUSIP No. _____)] and held with the Depository through [Euroclear] [Cedel] (Common Code _____) in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the Securities to a person that will take delivery thereof in the form of an equal principal amount of Securities evidenced by a Restricted Global Security of the same series and of like tenor as the Securities (CUSIP No. _____).

In connection with such request and in respect of such Securities, the Transferor does hereby certify that such transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act and, accordingly, the Transferor does hereby further certify that the Securities are being transferred to a person that the Transferor reasonably believes is purchasing the Securities for its own account, or for one or more accounts with respect to which such person exercises sole investment discretion, and such person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated:

CC: Chesapeake Energy Corporation

EXHIBIT I-1

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF NON-GLOBAL RESTRICTED SECURITY
TO RESTRICTED GLOBAL SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
7 7/8% Senior Notes due 2004 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of Restricted Securities held in definitive form (CUSIP No. _____) by [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such Securities.

In connection with such request and in respect of such Securities, the Transferor does hereby certify that (i) such Securities are owned by the Transferor and are being exchanged without transfer or (ii) such transfer has been effected pursuant to and in accordance with Rule 144A or Rule 144 under the United States Securities Act of 1933, as amended (the "Securities Act") and accordingly the Transferor does hereby further certify that:

(1) if the transfer has been effected pursuant to Rule 144A:

(A) the Securities are being transferred to a person that the Transferor reasonably believes is purchasing the Securities for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion;

(B) such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A; and

(C) the Securities have been transferred in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States; or

(2) if the transfer has been effected pursuant to Rule 144:

(A) more than two years (or such shorter period as set forth in Rule 144(d) or any amendment thereto) has elapsed since the date of the closing of the initial placement of the Securities pursuant to the Purchase Agreement; and

(B) the Securities have been transferred in a transaction permitted by Rule 144 and made in accordance with any applicable securities laws of any state of the United States.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated:

[Insert Name of Transferor]

By:

Name:
Title:

CC: Chesapeake Energy Corporation

EXHIBIT I-2

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF NON-GLOBAL RESTRICTED SECURITY
TO PERMANENT REGULATION S GLOBAL SECURITY
OR TEMPORARY REGULATION S GLOBAL SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
7 7/8% Senior Notes due 2004 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of Restricted Securities held in definitive form (CUSIP No. _____) by [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such Securities.

In connection with such request and in respect of such Securities, the Transferor does hereby certify that (i) such Securities are owned by the Transferor and are being exchanged without transfer or (ii) such transfer has been effected pursuant to and in accordance with (a) Rule 903 or Rule 904 under the Securities Act of 1933, as amended (the "Act"), or (b) Rule 144 under the Act, and accordingly the Transferor does hereby further certify that:

(1) if the transfer has been effected pursuant to Rule 903 or Rule 904:

(A) the offer of the Securities was not made to a person in the United States;

(B) either;

(i) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States, or

(ii) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States;

(C) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable;

(D) the transaction is not part of a plan or scheme to evade the registration requirements of the Act; and

(E) if such transfer is to occur during the Restricted Period, upon completion of the transaction, the beneficial interest being transferred as described above was held with the Depository through [Euroclear] [CEDEL]; or

(2) if the transfer has been effected pursuant to Rule 144:

(A) more than two years (or such shorter period as set forth in Rule 144(d) or any amendment thereto) has elapsed since the date of the closing of the initial placement of the Securities pursuant to the Purchase Agreement; and

(B) the Securities have been transferred in a transaction permitted by Rule 144 and made in accordance with any applicable securities laws of any state of the United States.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated:

[Insert Name of Transferor]

By:

Name:
Title:

CC: Chesapeake Energy Corporation

EXHIBIT J-1

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF NON-GLOBAL PERMANENT
REGULATION S SECURITY TO RESTRICTED GLOBAL
SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
7 7/8% Senior Notes due 2004 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of Restricted Securities held in definitive form (CUSIP No. _____) by [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such Securities.

In connection with such request and in respect of such Securities, the Transferor does hereby certify that (i) such Securities are owned by the Transferor and are being exchanged without transfer or (ii) such transfer has been effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended, and accordingly the Transferor does hereby further certify that the Securities are being transferred to a person that the Transferor reasonably believes is purchasing the Securities for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably

authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated:

[Insert Name of Transferor]

By:

Name:
Title:

CC: Chesapeake Energy Corporation

EXHIBIT J-2

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF NON-GLOBAL PERMANENT
REGULATION S SECURITY TO PERMANENT
REGULATION S GLOBAL SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
7 7/8% Senior Notes due 2004 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of Restricted Securities held in definitive form (CUSIP No. _____) by [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such Securities.

In connection with such request and in respect of such Securities, the Transferor does hereby certify that (i) such Securities are owned by the Transferor and are being exchanged without transfer or (ii) such transfer has been effected pursuant to and in accordance with (a) Rule 903 or Rule 904 under the Securities Act of 1933, as amended (the "Act"), or (b) Rule 144 under the Act, and accordingly the Transferor does hereby further certify that:

(1) if the transfer has been effected pursuant to Rule 903 or Rule 904:

(A) the offer of the Securities was not made to a person in the United States;

(B) either;

(i) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States, or

(ii) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States;

(C) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable;

(D) the transaction is not part of a plan or scheme to evade the registration requirements of the Act; and

(E) if such transfer is to occur during the Restricted Period, upon completion of the transaction, the beneficial interest being transferred as described above was held with the Depository through [Euroclear] [CEDEL]; or

(2) if the transfer has been effected pursuant to Rule 144;

(A) more than two years (or such shorter period as set forth in Rule 144(d) or any amendment thereto) has elapsed since the date of the closing of the initial placement of the Securities pursuant to the Purchase Agreement; and

(B) the Securities have been transferred in a transaction permitted by Rule 144 and made in accordance with any applicable securities laws of any state of the United States.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated:

[Insert Name of Transferor]

By:

Name:
Title:

CC: Chesapeake Energy Corporation

EXHIBIT 4.3

CHESAPEAKE ENERGY CORPORATION,

as Issuer,

THE SUBSIDIARY GUARANTORS,

as Guarantors,

AND

UNITED STATES TRUST COMPANY OF NEW YORK,

as Trustee

INDENTURE

DATED AS OF MARCH 15, 1997

$150,000,000

SERIES A AND SERIES B
8 1/2% SENIOR NOTES DUE 2012

CROSS-REFERENCE TABLE

TIA SECTION	INDENTURE SECTION
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.8
(b)	7.8; 7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.5
(b)	12.3
(c)	12.3
313(a)	7.6
(b)(1)	N.A.
(b)(2)	7.6
(c)	7.6; 12.2
(d)	7.6
314(a)	4.2; 4.3; 12.2
(b)	N.A.
(c)(1)	12.4
(c)(2)	12.4
(c)(3)	N.A.
(d)	N.A.
(e)	12.5
(f)	N.A.
315(a)	7.1(b)
(b)	7.5; 12.2
(c)	7.1(a)
(d)	7.1(c)
(e)	6.11
316(a)(last sentence)	2.9
(a)(1)(A)	6.5
(a)(1)(B)	6.2; 6.4; 9.2
(a)(2)	N.A.
(b)	6.7
(c)	N.A.
317(a)(1)	6.8
(a)(2)	6.9
(b)	2.4
318(a)	12.1
318(c)	12.1

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N.A. means Not Applicable

NOTE: This Cross-Reference table shall not, for any purpose, be deemed part of this Indenture.

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NOTE: This Table of Contents shall not, for any purpose, be deemed to be a part of this Indenture.

INDENTURE, dated as of March 15, 1997, among CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), the SUBSIDIARY GUARANTORS listed as signatories hereto, and UNITED STATES TRUST COMPANY OF NEW YORK, a New York corporation, as Trustee.

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the holders of the Company's 8 1/2% Series A Senior Notes due 2012 (the "Series A Notes") and 8 1/2% Series B Senior Notes due 2012 (the "Series B Notes", and together with the Series A Notes, the "Securities"):

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1 Definitions.

"Adjusted Consolidated Net Tangible Assets" means, without duplication, as of the date of determination, (a) the sum of (i) discounted future net revenue from proved oil and gas reserves of the Company and its Restricted Subsidiaries calculated in accordance with SEC guidelines before any state or federal income taxes, as estimated by independent petroleum engineers in a reserve report prepared as of the end of the Company's most recently completed fiscal year, as increased by, as of the date of determination, the discounted future net revenue of (A) estimated proved oil and gas reserves of the Company and its Restricted Subsidiaries attributable to any acquisition consummated since the date of such year-end reserve report, and (B) estimated oil and gas reserves of the Company and its Restricted Subsidiaries attributable to extensions, discoveries and other additions and upward revisions of estimates of proved oil and gas reserves due to exploration, development or exploitation, production or other activities conducted or otherwise occurring since the date of such year-end reserve report, which, in the case of sub-clauses (A) and (B), would, in accordance with standard industry practice, result in such increases as calculated in accordance with SEC guidelines (utilizing the prices utilized in such year-end reserve report), and decreased by, as of the date of determination, the discounted future net revenue of (C) estimated proved oil and gas reserves of the Company and its Restricted Subsidiaries produced or disposed of since the date of such year-end reserve report and (D) reductions in the estimated oil and gas reserves of the Company and its Restricted Subsidiaries since the date of such year-end reserve report attributable to downward revisions of estimates of proved oil and gas reserves due to exploration, development or exploitation, production or other activities conducted or otherwise occurring since the date of such year-end reserve report which, in the case of sub-clauses (C) and (D), would, in accordance with standard industry practice, result in such decreases as calculated in accordance with SEC guidelines (utilizing the prices utilized in such year-end reserve report); provided that, in the case of each of the determinations made pursuant to clauses (A) through (D), such increases and decreases shall be as estimated by the Company's engineers, (ii) the capitalized costs that are attributable to oil and gas properties of the Company and its Restricted Subsidiaries to which no proved oil and gas reserves are attributable, based on the Company's books and records as of a date no earlier than the date of the Company's latest annual or quarterly financial statements, (iii) the Net Working Capital on a date

no earlier than the date of the Company's latest annual or quarterly financial statements and (iv) the greater of (I) the net book value on a date no earlier than the date of the Company's latest annual or quarterly financial statements and (II) the appraised value, as estimated by independent appraisers, of other tangible assets (including Investments in unconsolidated Subsidiaries) of the Company and its Restricted Subsidiaries, as of a date no earlier than the date of the Company's latest audited financial statements, minus (b) the sum of (i) minority interests, (ii) any gas balancing liabilities of the Company and its Restricted Subsidiaries reflected in the Company's latest annual or quarterly financial statements, (iii) the discounted future net revenue, calculated in accordance with SEC guidelines (utilizing the prices utilized in the Company's year-end reserve report), attributable to reserves which are required to be delivered to third parties to fully satisfy the obligations of the Company and its Restricted Subsidiaries with respect to Volumetric Production Payments on the schedules specified with respect thereto, (iv) the discounted future net revenue, calculated in accordance with SEC guidelines, attributable to reserves subject to Dollar-Denominated Production Payments which, based on the estimates of production included in determining the discounted future net revenue specified in (a) (i) above (utilizing the same prices utilized in the Company's year-end reserve report), would be necessary to fully satisfy the payment obligations of the Company and its Restricted Subsidiaries with respect to Dollar-Denominated Production Payments on the schedules specified with respect thereto and (v) the discounted future net revenue, calculated in accordance with SEC guidelines (utilizing the same prices utilized in the Company's year-end reserve report), attributable to reserves subject to participation interests, overriding royalty interests or other interests of third parties, pursuant to participation, partnership, vendor financing or other agreements then in effect, or which otherwise are required to be delivered to third parties. If the Company changes its method of accounting from the full cost method to the successful efforts method or a similar method of accounting, Adjusted Consolidated Net Tangible Assets will continue to be calculated as if the Company were still using the full cost method of accounting.

"Adjusted Net Assets of a Subsidiary Guarantor" at any date shall mean the lesser of (i) the amount by which the fair value of the property of such Subsidiary Guarantor exceeds the total amount of liabilities, including, without limitation, contingent liabilities (after giving effect to all other fixed and contingent liabilities incurred or assumed on such date), but excluding liabilities under the Guarantee of such Subsidiary Guarantor at such date and (ii) the amount by which the present fair saleable value of the assets of such Subsidiary Guarantor at such date exceeds the amount that will be required to pay the probable liability of such Subsidiary Guarantor on its debts (after giving effect to all other fixed and contingent liabilities incurred or assumed on such date and after giving effect to any collection from any Subsidiary of such Subsidiary Guarantor in respect of the obligations of such Subsidiary under the Guarantee), excluding debt in respect of the Guarantee, as they become absolute and matured.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person directly or indirectly, whether through

the ownership of Voting Stock, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Registrar, Paying Agent or co-registrar.

"Agent Member" means any member of, or participant in, the Depository.

"Attributable Indebtedness" means, with respect to any particular lease under which any Person is at the time liable and at any date as of which the amount thereof is to be determined, the present value of the total net amount of rent required to be paid by such Person under the lease during the primary term thereof, without giving effect to any renewals at the option of the lessee, discounted from the respective due dates thereof to such date at the rate of interest per annum implicit in the terms of the lease. As used in the preceding sentence, the net amount of rent under any lease for any such period shall mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates or similar charges. In the case of any lease which is terminable by the lessee upon payment of a penalty, such net amount of rent shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Board of Directors" means, with respect to any Person, the Board of Directors of such Person or any committee of the Board of Directors of such Person duly authorized to act on behalf of the Board of Directors of such Person.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors or the managing partner(s) of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Book-Entry Security" means a Security represented by a Global Security and registered in the name of the nominee of the Depository.

"Business Day" means any day on which the New York Stock Exchange, Inc. is open for trading and which is not a Legal Holiday.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or the equivalents (however designated) of corporate stock or partnership interests and any and all warrants, options and rights with respect thereto (whether or not currently exercisable), including each class of common stock and preferred stock of such Person.

"Capitalized Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under a lease of property, real or personal, that is required to be capitalized for

financial reporting purposes in accordance with GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"CEDEL" means Cedel Bank, Societe Anonyme (or any successor securities clearing agency).

"Company" means the party named as such above, until a successor replaces such Person in accordance with the terms of this Indenture, and thereafter means such successor.

"Currency Hedge Obligations" means, at any time as to the Company and its Restricted Subsidiaries, the obligations of such Person at such time that were incurred in the ordinary course of business pursuant to any foreign currency exchange agreement, option or futures contract or other similar agreement or arrangement designed to protect against or manage such Person's or any of its Subsidiaries' exposure to fluctuations in foreign currency exchange rates.

"Default" means any event which is, or after notice or passage of time would be, an Event of Default.

"Depository" means, with respect to the Securities issuable or issued in whole or in part in the form of one or more Book-Entry Securities, The Depository Trust Company or another person designated as Depository by the Company, which must be a clearing agency registered under the Exchange Act.

"Dollar-Denominated Production Payments" mean production payment obligations recorded as liabilities in accordance with GAAP, together with all undertakings and obligations in connection therewith.

"Euroclear" means the Euroclear clearance system (or any successor securities clearing agency).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder.

"Exchange Offer" means the registration by the Company under the Securities Act of all the Series B Notes pursuant to a registration statement under which the Company offers each Holder of Series A Notes the opportunity to exchange all Series A Notes held by such Holder for Series B Notes in an aggregate principal amount equal to the aggregate principal amount of Series A Notes held by such Holder, all in accordance with the terms and conditions of the Registration Rights Agreement.

"Foreign Subsidiary" means a Subsidiary that is incorporated in a jurisdiction other than the United States of America or a State thereof or the District of Columbia and with respect to which more than 80% of any of its sales, earnings or assets (determined on a consolidated basis in

accordance with GAAP) are located in, generated from or derived from operations located in territories outside the United States of America and jurisdictions outside the United States of America.

"Funded Indebtedness" means all Indebtedness (including Indebtedness incurred under any revolving credit, letter of credit or working capital facility) that matures by its terms, or that is renewable at the option of any obligor thereon to a date, more than one year after the date on which such Indebtedness is originally incurred.

"GAAP" means generally accepted accounting principles as in effect in the United States of America as of the Issue Date.

"Global Security" means a Security evidencing all or a part of the Securities to be issued as Book-Entry Securities, issued to the Depository in accordance with Section 2.2, that bears the legend referred to in footnote 1 of the form of Security attached hereto as Exhibit A.

"Guarantee" means, individually and collectively, the guarantees given by the Subsidiary Guarantors pursuant to Article Ten hereof, including a notation in the Securities substantially in the form attached hereto as Exhibit A-1.

"Holder" means a Person in whose name a Security is registered on the Registrar's books.

"Indebtedness" means, without duplication, with respect to any Person, (a) all obligations of such Person (i) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), (ii) evidenced by bonds, notes, debentures or similar instruments, (iii) representing the balance deferred and unpaid of the purchase price of any property or services (other than accounts payable or other obligations arising in the ordinary course of business), (iv) evidenced by bankers' acceptances or similar instruments issued or accepted by banks, (v) for the payment of money relating to a Capitalized Lease Obligation, or (vi) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit; (b) all net obligations of such Person in respect of Currency Hedge Obligations, Interest Rate Hedge Agreements and Oil and Gas Hedging Contracts, except to the extent such net obligations are taken into account in the determination of future net revenues from proved oil and gas reserves for purposes of the calculation of Adjusted Consolidated Net Tangible Assets; (c) all liabilities of others of the kind described in the preceding clauses (a) or (b) that such Person has guaranteed or that are otherwise its legal liability (including, with respect to any Production Payment, any warranties or guaranties of production or payment by such Person with respect to such Production Payment but excluding other contractual obligations of such Person with respect to such Production Payment); (d) Indebtedness (as otherwise defined in this definition) of another Person secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person, the amount of such obligations being deemed to be the lesser of (1) the full amount of such obligations so secured, and (2) the fair market value of such asset, as determined in good faith by the Board of Directors of such Person, which determination shall be evidenced by a Board

Resolution, and (e) any and all deferrals, renewals, extensions, refinancings and refundings (whether direct or indirect) of, or amendments, modifications or supplements to, any liability of the kind described in any of the preceding clauses (a), (b), (c), (d) or this clause (e), whether or not between or among the same parties. Subject to clause (c) of the preceding sentence, neither Dollar-Denominated Production Payments nor Volumetric Production Payments shall be deemed to be Indebtedness.

"Indenture" means this Indenture, as amended or supplemented from time to time in accordance with the terms hereof.

"Initial Purchasers" means, collectively, Donaldson, Lufkin & Jenrette Securities Corporation, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and J.P. Morgan Securities Inc.

"Interest Rate Hedging Agreements" means, with respect to the Company and its Restricted Subsidiaries, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates.

"Issue Date" means March 17, 1997.

"Lien" means, with respect to any Person, any mortgage, pledge, lien, encumbrance, easement, restriction, covenant, right-of-way, charge or adverse claim affecting title or resulting in an encumbrance against real or personal property of such Person, or a security interest of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option, right of first refusal or other similar agreement to sell, in each case securing obligations of such Person and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statute or statutes) of any jurisdiction).

"Liquidated Damages" shall have the meaning set forth in the Registration Rights Agreement.

"Make-Whole Amount" with respect to a Security means an amount equal to the excess, if any, of (i) the present value of the remaining interest, premium and principal payments due on such Security as if such Security were redeemed on March 15, 2004, computed using a discount rate equal to the Treasury Rate plus 25 basis points, over (ii) the outstanding principal amount of such Security. As used herein, "Treasury Rate" is defined as the yield to maturity at the time of the computation of United States Treasury securities with a constant maturity (as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519), which has become publicly available at least two Business Days prior to the date of the redemption notice or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the then remaining maturity of the Securities assuming redemption of the Securities on March 15, 2004; provided, however, that if the Make-Whole Average Life of such Security is not equal to the constant maturity of the United States Treasury security for which a weekly average yield is given,

the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the Make-Whole Average Life of such Securities is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used. As used herein, "Make-Whole Average Life" means the number of years (calculated to the nearest one-twelfth) between the date of redemption and March 15, 2004.

"Maturity Date" means March 15, 2012.

"Net Working Capital" means (i) all current assets of the Company and its Restricted Subsidiaries, minus (ii) all current liabilities of the Company and its Restricted Subsidiaries, except current liabilities included in Indebtedness.

"Officer" means, with respect to any Person, the Chairman of the Board, the President, any Vice President, the Chief Financial Officer or the Treasurer of such Person.

"Officers' Certificate" means, with respect to any Person, a certificate signed by two Officers or by an Officer and either a Secretary, Assistant Secretary or Assistant Treasurer of such Person. One of the Officers signing an Officers' Certificate given pursuant to Section 4.3(a) shall be the principal executive, financial or accounting officer of the Person delivering such certificate.

"Oil and Gas Hedging Contracts" means any oil and gas purchase or hedging agreement, and other agreement or arrangement, in each case , that is designed to provide protection against oil and gas price fluctuations.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company (or any Subsidiary Guarantor, if applicable) or the Trustee.

"Ordinary Course Lien" means:

(a) Liens for taxes, assessments or governmental charges or levies on the property of the Company or any Restricted Subsidiary if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on the books of the Company;

(b) Liens imposed by law, such as carriers', warehousemen's, landlords' and mechanics' liens and other similar liens arising in the ordinary course of business which secure obligations not more than 60 days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on the books of the Company;

(c) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;

(d) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the ordinary course of business of the Company and the Restricted Subsidiaries;

(e) Liens arising under operating agreements or similar agreements in respect of obligations which are not yet due or which are being contested in good faith by appropriate proceedings;

(f) Liens reserved in oil, gas and/or mineral leases, production sharing contracts and petroleum concession agreements and licenses for bonus or rental payments and for compliance with the terms of such leases, contracts, agreements and licenses;

(g) Liens pursuant to partnership agreements, oil, gas and/or mineral leases, production sharing contracts, petroleum concession agreements and licenses, farm-out agreements, division orders, contracts for the sale, purchase, exchange, processing or transportation of oil, gas and/or other hydrocarbons, unitization and pooling declarations and agreements, operating agreements, development agreements, area of mutual interest agreements, and other agreements which are customary in the oil, gas and other mineral exploration, development and production business and in the business of processing of gas and gas condensate production for the extraction of products therefrom;

(h) Liens on personal property (excluding the Capital Stock of any Restricted Subsidiary) securing Indebtedness of the Company or any Restricted Subsidiary other than Funded Indebtedness; and

(i) Liens imposed by law or order as a result of any proceeding before any court or regulatory body that is being contested in good faith, and Liens which secure a judgment or other court-ordered award or settlement as to which the Company has not exhausted its appellate rights.

"Pari Passu Indebtedness" means any Indebtedness of the Company, whether outstanding on the Issue Date or thereafter created, incurred, or assumed unless such Indebtedness is contractually subordinate or junior in right of payment of principal, premium and interest to the Securities.

"Pari Passu Indebtedness of a Subsidiary Guarantor" means any Indebtedness of such Subsidiary Guarantor, whether outstanding on the Issue Date or thereafter created, incurred, or

assumed unless such Indebtedness is contractually subordinate or junior in right of payment of principal, premium and interest to the Guarantees.

"Person" means any individual, corporation, partnership, joint venture, trust, estate, unincorporated organization or government or any agency or political subdivision thereof.

"Production Payments" means, collectively, Dollar-Denominated Production Payments and Volumetric Production Payments.

"Qualified Institutional Buyer" or "QIB" shall have the meaning specified in Rule 144A under the Securities Act.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of March 12, 1997, by and among the Company, the Subsidiary Guarantors and each of the purchasers named on the signature pages thereto, as such agreement may be amended, modified or supplemented from time to time.

"Regulation S" means Regulation S under the Securities Act (or any successor provision), as it may be amended from time to time.

"Restricted Security" has the meaning provided in Rule 144(a)(3) under the Securities Act.

"Restricted Subsidiary" means any Subsidiary of the Company which owns or leases (as lessor or lessee) (i) any property owned or leased by the Company or any Subsidiary, or any interest of the Company or any Subsidiary in property located within the United States of America or Canada (including property located off the coast of the United States of America or Canada held pursuant to lease from any federal, state, provincial or other governmental body) which is considered by the Company to be capable of producing oil or gas or minerals in commercial quantities and (ii) any processing or manufacturing plant or pipeline owned or leased by the Company or any Subsidiary and located within the United States of America or Canada, except any processing or manufacturing plant or pipeline, or portion thereof, which the Board of Directors declares is not material to the business of the Company and its Subsidiaries taken as a whole.

"Sale/Leaseback Transaction" means with respect to the Company or any of its Restricted Subsidiaries, any arrangement with any Person providing for the leasing by the Company or any of its Restricted Subsidiaries of any principal property, acquired or placed into service more than 180 days prior to such arrangement, whereby such property has been or is to be sold or transferred by the Company or any of its Restricted Subsidiaries to such Person.

"SEC" means the Securities and Exchange Commission.

"Securities" means the Series A Notes and the Series B Notes.

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

"Securities Custodian" means the Trustee, as custodian with respect to the Global Securities and any successor entity thereto.

"Series A Notes" means the Company's 8 1/2% Series A Senior Notes due 2012, as amended or supplemented from time to time in accordance with the terms hereof, that are issued pursuant to this Indenture.

"Series B Notes" means the Company's 8 1/2% Series B Senior Notes due 2012, as amended or supplemented from time to time in accordance with the terms hereof, that are issued pursuant to this Indenture in exchange for the Series A Notes in the Exchange Offer.

"Subordinated Indebtedness of a Subsidiary Guarantor" means any Indebtedness of such Subsidiary Guarantor, whether outstanding on the Issue Date or thereafter created, incurred or assumed, which is contractually subordinate or junior in right of payment of principal, premium and interest to the Guarantees.

"Subordinated Indebtedness of the Company" means any Indebtedness of the Company, whether outstanding on the Issue Date or thereafter created, incurred or assumed, which is contractually subordinate or junior in right of payment of principal, premium and interest to the Securities.

"Subsidiary" means any subsidiary of the Company. A "subsidiary" of any Person means (i) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more subsidiaries of such Person or by such Person and one or more subsidiaries of such Person, (ii) a partnership in which such Person or a subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if such Person or its subsidiary is entitled to receive more than fifty percent of the assets of such partnership upon its dissolution, or (iii) any other Person (other than a corporation or partnership) in which such Person, directly or indirectly, at the date of determination thereof, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Subsidiary Guarantor" means (i) each of the Subsidiaries that becomes a guarantor of the Securities in compliance with the provisions of Article Ten of this Indenture and (ii) each of the Subsidiaries executing a supplemental indenture in which such Subsidiary agrees to be bound by the terms of this Indenture.

"Successor Security" of any particular Security means every Security issued after, and evidencing all or a portion of the same debt as that evidenced by, such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 2.7 in

exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbbb) as in effect on the date of this Indenture, except as provided in Section 9.3.

"Transferee Certificate" means the Transferee Letter of Representation attached as Exhibit B to this Indenture.

"Trust Officer" means any officer or assistant officer within the corporate trust department of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor.

"U.S. Government Securities" means securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case under clauses (i) or (ii) are not callable or redeemable at the option of the issuer thereof.

"U.S. Legal Tender" means such coin or currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts.

"Volumetric Production Payments" mean production payment obligations recorded as deferred revenue in accordance with GAAP, together with all undertakings and obligations in connection therewith.

"Voting Stock" means, with respect to any Person, securities of any class or classes of Capital Stock in such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of contingency) to vote in the election of members of the Board of Directors or other governing body of such Person.

SECTION 1.2 Other Definitions.

Term	Defined in Section
"Applicable Procedures"	2.6(g)
"Bankruptcy Law"	6.1
"Covenant Defeasance"	8.3
"Custodian"	6.1
"Defaulted Interest"	2.12
"Depository Securities Certification"	2.1
"Event of Default"	6.1
"Funding Guarantor"	10.6
"Legal Defeasance"	8.2
"Legal Holiday"	11.7
"Make-Whole Price"	3.8
"Owner Securities Certification"	2.1
"Paying Agent"	2.3
"Payment Default"	6.1
"Permanent Regulation S Global Security"	2.1
"Registrar"	2.3
"Restricted Global Security"	2.1
"Restricted Period"	2.1
"Temporary Regulation S Global Security"	2.1
"Transferee Securities Certification"	2.6(g)

SECTION 1.3 Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms, if used in this Indenture, have the following meanings:

"Commission" means the SEC.

"indenture securities" means the Securities and the Guarantees.

"indenture security holder" means a Holder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company, the Subsidiary Guarantors and any other obligor on the Securities or the Guarantees.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them therein.

SECTION 1.4 Rules of Construction.

Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(iii) "or" is not exclusive;

(iv) words in the singular include the plural, and words in the plural include the singular;

(v) any gender used in this Indenture shall be deemed to include the neuter, masculine or feminine genders;

(vi) provisions apply to successive events and transactions; and

(vii) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other Subdivision.

ARTICLE II

THE SECURITIES

SECTION 2.1 Form and Dating.

The Securities and the certificate of authentication, and the notation on the Securities relating to the Guarantee, shall be substantially in the forms of Exhibits A and A-1, respectively. The Securities may also have such insertions, omissions, substitutions and variations as are required or as may be permitted by or consistent with this Indenture. The provisions of Exhibits A and A-1 are part of this Indenture. The Securities may have notations, legends and endorsements required by law or stock exchange rule or usage. The Company shall approve the form of the Securities and any notation, legend or endorsement on them. Each Security shall be dated the date of its authentication. The terms and provisions contained in the Securities and the Guarantee shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Company and the Subsidiary Guarantors, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Securities offered and sold in their initial distribution in reliance on Regulation S may be initially issued in the form of temporary Global Securities in fully registered form without interest coupons, substantially in the form of Exhibit A, with such applicable legends as are provided for in Exhibit A hereto. Such temporary Global Securities may be registered in the name of the Depository or its nominee and deposited with the Trustee, as custodian for the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided, for credit by the Depository to the respective accounts of the beneficial owners of the Securities represented thereby (or such other accounts as they may direct), provided that upon such deposit all such Securities shall be credited to or through accounts maintained at the Depository by or on behalf of Euroclear or CEDEL. Until such time as the Restricted Period (as defined below) shall have expired, any such temporary Global Securities, together with their Successor Securities which are Global Securities other than the Restricted Global Security, shall each be referred to herein as a "Temporary Regulation S Global Security." After such time as the Restricted Period shall have expired and the certifications referred to in the next succeeding paragraph shall have been provided, interests in such Temporary Regulation S Global Securities shall be exchanged for interests in like Global Securities, each referred to herein collectively as a "Permanent Regulation S Global Security," substantially in the form of Security set forth in Exhibit A, with such applicable legends as are provided for in Exhibit A. Such Permanent Regulation S Global Securities shall be registered in the name of the Depository or its nominee and deposited with the Trustee, as custodian for the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided, for credit to the respective accounts of the beneficial owners of the Securities represented thereby (or such other accounts as they may direct). The aggregate principal amount of the Temporary Regulation S Global Security or the Permanent Regulation S Global Security may be increased or decreased from time to time by adjustments made on the records of the Trustee, as custodian for the Depository, as hereinafter provided. As used herein, the term "Restricted Period" means the period of 40 days commencing on the day after the latest of (a) the day on which the Securities are first offered to persons other than distributors (as defined in Regulation S) in reliance on Regulation S and (b) the Issue Date.

Interests in a Temporary Regulation S Global Security may be exchanged for interests in a Permanent Regulation S Global Security only after (a) the expiration of the Restricted Period, (b) delivery by a beneficial owner of an interest therein to Euroclear or CEDEL of a written certification (an "Owner Securities Certification") substantially in the form of Exhibit C hereto, and (c) upon delivery by Euroclear or CEDEL to the Trustee of a written certification (a "Depository Securities Certification") substantially in the form attached hereto as Exhibit D. Upon satisfaction of such conditions, the Trustee will exchange the portion of the Temporary Regulation S Global Security covered by such certification for interests in a Permanent Regulation S Global Security. The delivery by such Holder of a beneficial interest in such Temporary Regulation S Global Security of such certification shall constitute an irrevocable instruction by such holder to Euroclear or CEDEL, as the case may be, to exchange such Holder's beneficial interest in the Temporary Regulation S Global Security for a beneficial interest in the Permanent Regulation S Global Security upon the expiration of the Restricted Period in accordance with the next succeeding paragraph.

Upon:

(i) the expiration of the Restricted Period;

(ii) receipt by Euroclear or CEDEL, as the case may be, of Owner Securities Certifications described in the preceding paragraph;

(iii) receipt by the Depository of:

(1) written instructions given in accordance with the Applicable Procedures from an Agent Member directing the Depository to credit or cause to be credited to a specified Agent Member's account a beneficial interest in a Permanent Regulation S Global Security in a principal amount equal to that of the beneficial interest in a corresponding Temporary Regulation S Global Security for which the necessary certifications have been delivered; and

(2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Agent Member, and the Euroclear or CEDEL account for which such Agent Member's account is held, to be credited with, and the account of the Agent Member to be debited for, such beneficial interest; and

(iv) receipt by the Trustee of notification from the Depository of the transactions described in (iii) above and from Euroclear or CEDEL, as the case may be, of Depository Securities Certifications,

the Trustee, as Registrar (as defined below), shall instruct the Depository to reduce the principal amount of such Temporary Regulation S Global Security and to increase the principal amount of such Permanent Regulation S Global Security, by the principal amount of the beneficial interest in such Temporary Regulation S Global Security to be so transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in such Permanent Regulation S Global Security having a principal amount equal to the amount by which the principal amount of such Temporary Regulation S Global Security was reduced upon such transfer.

Securities offered and sold in their initial distribution in reliance on Rule 144A under the Securities Act and other than in reliance on Rule 144A under the Securities Act or Regulation S shall be issued in the form of one or more Global Securities (collectively, and, together with their Successor Securities, the "Restricted Global Security") in fully registered form without interest coupons, substantially in the form of Security set forth in Exhibit A hereto, with such applicable legends as are provided for in Exhibit A except as otherwise permitted herein. Such Restricted Global Security shall be registered in the name of the Depository or its nominee and deposited with the Trustee, as custodian for the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided, for credit by the Depository to the respective accounts of beneficial owners of the securities represented thereby (or such other accounts as they may direct).

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The aggregate principal amount of the Restricted Global Security may be increased or decreased from time to time by adjustments made on the records of the Trustee, as custodian for the Depository, in connection with a corresponding decrease or increase in the aggregate principal amount of the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, as hereinafter provided.

SECTION 2.2 Execution and Authentication.

Two Officers of the Company shall sign the Securities on behalf of the Company, and one Officer of each Subsidiary Guarantor shall sign the notation on the Securities relating to the Guarantee of such Subsidiary Guarantor on behalf of such Subsidiary Guarantor, in each case by manual or facsimile signature. The Company's seal shall be reproduced on the Securities.

If an Officer of the Company or any Subsidiary Guarantor whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall be valid nevertheless.

A Security shall not be valid until the Trustee or an authenticating agent manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

The Trustee or an authenticating agent shall authenticate Securities for original issue in the aggregate principal amount of $150,000,000 upon a written order of the Company signed by two Officers of the Company. The aggregate principal amount of Securities outstanding at any time may not exceed $150,000,000.

Series B Notes may be issued only in exchange for a like principal amount of Series A Notes pursuant to an Exchange Offer.

The principal and interest on Book-Entry Securities shall be payable to the Depository or its nominee, as the case may be, as the sole registered owner and the sole holder of the Book-Entry Securities represented thereby. The principal and interest on Securities in certificated form shall be payable at the office of the Paying Agent.

The Trustee may appoint an authenticating agent to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so except on original issuance. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or its Affiliates.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof.

If the Securities are to be issued in the form of one or more Global Securities, then the Company shall execute and the Trustee shall authenticate and deliver one or more Global Securities that shall represent and shall be in minimum denominations of $1,000.

SECTION 2.3 Registrar and Paying Agent.

The Company shall maintain an office or agency where the Securities may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where Securities may be presented for payment (the "Paying Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. Where the Trustee is acting as or has been appointed Registrar and/or Paying Agent, the Company may appoint one or more co- registrars and one or more additional paying agents with the prior consent of the Trustee, whose consent shall not be unreasonably withheld. The term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. Such agency agreement shall provide for reasonable compensation for such services. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any such Agent and shall furnish the Trustee with an executed counterpart of any such agency agreement. If the Company fails to maintain or act as Registrar or Paying Agent, the Trustee shall act as such and shall be duly compensated therefor.

The Registrar or a co-registrar and a Paying Agent shall be maintained by the Company in the Borough of Manhattan, the City of New York. The Company initially designates the Trustee as the Registrar and Paying Agent.

The Company initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Securities Custodian with respect to the Global Securities.

SECTION 2.4 Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent other than the Trustee to hold in trust for the benefit of Holders or the Trustee all money held by such Paying Agent for the payment of principal of, premium, if any, or interest on the Securities (whether such money shall have been paid to it by the Company or any Subsidiary Guarantor), and to notify the Trustee of any Default by the Company or any Subsidiary Guarantor in making any such payment. While any such Default continues, the Trustee may require the Paying Agent to pay all money held by it to the Trustee. Except as provided in the immediately preceding sentence, the Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed and, if the Company requires such payment, the Company shall give prior notice to the Trustee and provide appropriate money transfer instructions to the Paying Agent. Upon such payment over to the Trustee and accounting for any funds disbursed, such Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent,

it shall segregate and hold as separate trust funds for the benefit of the Holders all money held by it as Paying Agent.

SECTION 2.5 Holder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish or cause to be furnished to the Trustee at least ten Business Days prior to each semiannual interest payment date, and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders, and the Company shall otherwise comply with TIA Section 312(a).

SECTION 2.6 Transfer and Exchange.

(a) Beneficial interests in a Global Security may, subject to the restrictions on the transferability of the Securities and upon delivery of a certificate in the form of Exhibit B hereto be exchanged for certificated Securities upon request but only upon at least 20 days' prior written notice given to the Trustee by or on behalf of the Depository (in accordance with the Depository's customary procedures) and will bear the applicable legends set forth in Exhibit A hereto.

(b) If any Global Security is to be exchanged for other Securities or canceled in whole, it shall be surrendered by or on behalf of the Depository or its nominee to the Trustee, as Registrar, for exchange or cancellation as provided in this Article II. If any Global Security is to be exchanged for other Securities or cancelled in part, or if another Security is to be exchanged in whole or in part for a beneficial interest in any Global Security, such Global Security shall be so surrendered for exchange or cancellation as provided in this Article II or, if the Trustee is acting as custodian for the Depository or its nominee (or is party to a similar arrangement) with respect to such Global Security, the principal amount thereof shall be reduced or increased by an amount equal to the portion thereof to be so exchanged or cancelled, or the principal amount of such other Security to be so exchanged for a beneficial interest therein, as the case may be, in each case by means of an appropriate adjustment made on the records of the Trustee, whereupon the Trustee, in accordance with the Applicable Procedures, shall instruct the Depository or its authorized representatives to make a corresponding adjustment to its records (including by crediting or debiting any Agent Member's account as necessary to reflect any transfer or exchange of a beneficial interest). Upon any such surrender or adjustment of a Global Security, the Trustee shall, subject to this Article II, authenticate and deliver any Securities issuable in exchange for such Global Security (or any portion thereof) to or upon the order of, and registered in such names as may be directed by, the Depository or its authorized representative. Upon the request of the Trustee in connection with the occurrence of any of the events specified in the preceding paragraph or in clause (r) below, the Company shall promptly make available to the Trustee a reasonable supply of Securities that are not in the form of Global Securities. The Trustee shall be entitled to rely upon any order, direction or request of the

Depository or its authorized representative which is given or made pursuant to this Article II if such order, direction or request is given or made in accordance with the Applicable Procedures.

(c) Subject to the provisions in the legends required by this Indenture, the registered Holder may grant proxies and otherwise authorize any Person, including Agent Members and Persons who may hold interests in Agent Members to take any action that such Holder is entitled to take under this Indenture.

(d) Neither Agent Members nor any other Person on whose behalf Agent Members may act shall have any rights under this Indenture with respect to any Global Security held on their behalf by the Depository or under the Global Security, and the Depository may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practice governing the exercise of the rights of a Holder of any Security. With respect to any Global Security deposited with the Trustee as custodian for the Depository for credit to their respective accounts (or to such other accounts as they may direct) at Euroclear or CEDEL, the provisions of the "Operating Procedures of the Euroclear System" and the "Terms and Conditions Governing Use of Euroclear," and the "Management Regulations" and "Instructions to Participants" of CEDEL, respectively, shall be applicable to such Global Security.

(e) Upon presentation for transfer and exchange of any Security at the office of the Trustee, as Registrar, located in The City of New York, accompanied by a written instrument of transfer or exchange in the form approved by the Company (it being understood that, until notice to the contrary is given to holders of Securities, the Company shall be deemed to have approved the form of instrument of transfer or exchange, if any, printed on any Security), executed by the registered Holder, in person or by such Holder's attorney thereunto duly authorized in writing, and upon compliance with this Section 2.6, such Security shall be transferred upon the Register, and a new Security shall be authenticated and issued in the name of the transferee. Notwithstanding any provision to the contrary herein or in the Securities, transfers of a Global Security, in whole or in part, and transfers of interests therein of the kind described in this Section 2.6, shall only be made in accordance with this Section 2.6. Transfers and exchanges subject to this Section 2.6 shall also be subject to the other provisions of this Indenture that are not inconsistent with this Section 2.6.

(f) General. A Global Security may not be transferred, in whole or in part, to any Person other than the Depository or a nominee thereof, and no such transfer to any such other Person may be registered; provided, however, that this clause (f) shall not prohibit any transfer of a Security that is issued in exchange for a Global Security but is not itself a Global Security. No transfer of a Security to any Person shall be effective under this Indenture or the Securities unless and until such Security has been registered in the name of such Person. Nothing in this clause (f) shall prohibit or

render ineffective any transfer of a beneficial interest in a Global Security effected in accordance with the other provisions of this Section 2.6.

(g) Temporary Regulation S Global Security. If the holder of a beneficial interest in a Temporary Regulation S Global Security wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in such Temporary Regulation S Global Security, such transfer may be effected, subject to the rules and procedures of the Depository, Euroclear and CEDEL, in each case to the extent applicable and as in effect from time to time (the "Applicable Procedures"), only in accordance with this clause (g). Upon delivery (i) by a beneficial owner of an interest in a Temporary Regulation S Global Security to Euroclear or CEDEL, as the case may be, of an Owner Securities Certification, (ii) by the transferee of such beneficial interest in the Temporary Regulation S Global Security to Euroclear or CEDEL, as the case may be, of a written certification (a "Transferee Securities Certification") substantially in the form of Exhibit E hereto and (iii) by Euroclear or CEDEL, as the case may be, to the Trustee, as Registrar, of a Depository Securities Certification, the Trustee may direct either Euroclear or CEDEL, as the case may be, to reflect on its records the transfer of a beneficial interest in the Temporary Regulation S Global Security from the beneficial owner providing the Owner Securities Certification to the Person providing the Transferee Securities Certification.

(h) Restricted Global Security to Temporary Regulation S Global Security. If the holder of a beneficial interest in the Restricted Global Security wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Temporary Regulation S Global Security, such transfer may be effected, subject to the Applicable Procedures, only in accordance with the provisions of this clause (h) and clause (n) below. Upon receipt by the Trustee, as Registrar, of (A) written instructions given by or on behalf of the Depository in accordance with the Applicable Procedures directing the Trustee to credit or cause to be credited to a specified Agent Member's account a beneficial interest in the Temporary Regulation S Global Security in a specified principal amount and to cause to be debited from another specified Agent Member's account a beneficial interest in the Restricted Global Security in an equal principal amount and (B) a certificate in substantially the form set forth in Exhibit F hereto signed by or on behalf of the holder of such beneficial interest in the Restricted Global Security, the Trustee, as Registrar, shall, subject to clause (n) below, reduce the principal amount of the Restricted Global Security, and increase the principal amount of the Temporary Regulation S Global Security by such specified principal amount.

(i) Restricted Global Security to Permanent Regulation S Global Security. If the holder of a beneficial interest in the Restricted Global Security wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Permanent Regulation S Global Security, such transfer may be effected, subject to the Applicable Procedures, only in accordance with this clause (i). Upon receipt by the Trustee, as Registrar, of (A) written instructions given by or on behalf of the Depository in accordance with the Applicable Procedures directing the Trustee to credit or cause to be credited to a specified Agent Member's account a beneficial interest in the Permanent Regulation S Global Security in a specified principal

amount and to cause to be debited from another specified Agent Member's account a beneficial interest in the Restricted Global Security in an equal principal amount and (B) a certificate in substantially the form set forth in Exhibit G hereto signed by or on behalf of the holder of such beneficial interest in the Restricted Global Security, the Trustee, as Registrar, shall reduce the principal amount of a Restricted Global Security, and increase the principal amount of the Permanent Regulation S Global Security by such specified principal amount.

(j) Temporary Regulation S Global Security or Permanent Regulation S Global Security to Restricted Global Security. If the holder of a beneficial interest in the Temporary Regulation S Global Security or the Permanent Regulation S Global Security at any time, wishes to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Restricted Global Security, such transfer may be effected, subject to the Applicable Procedures, only in accordance with this clause (j) and clause (n) below; provided, that with respect to any transfer of a beneficial interest in a Temporary Regulation S Global Security, the transferor and Euroclear or CEDEL, as the case may be, must have previously delivered an Owner Securities Certification and a Depository Securities Certification respectively, with respect to such beneficial interest. Upon receipt by the Trustee, as Registrar, of (A) written instructions given by or on behalf of the Depository in accordance with the Applicable Procedures directing the Trustee to credit or cause to be credited, to a specified Agent Member's account a beneficial interest in the Restricted Global Security in a specified principal amount and to cause to be debited from another specified Agent Member's account a beneficial interest in the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, as the case may be, in an equal principal amount and (B) a certificate in substantially the form set forth in Exhibit H signed by or on behalf of the holder of such beneficial interest in the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, as the case may be, the Trustee, as Security Registrar, shall, subject to clause (n) below, reduce the principal amount of such Temporary Regulation S Global Security or Permanent Regulation S Global Security, as the case may be, and increase the principal amount of the Restricted Global Security by such specified principal amount.

(k) Non-Global Restricted Security to Restricted Global Security. If the holder of a Restricted Security (other than a Global Security) wishes at any time to transfer all or any portion of such Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Restricted Global Security, the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, such transfer may be effected, subject to the Applicable Procedures, only in accordance with this clause (k) and clause (n) below. Upon receipt by the Trustee, as Registrar, of (A) such Security and written instructions given by or on behalf of such Holder as provided in this Section 2.6 directing the Trustee to credit or cause to be credited to a specified Agent Member's account a beneficial interest in the Restricted Global Security, the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, as the case may be, in a specified principal amount equal to the principal amount of the Restricted Security (or portion thereof) to be so transferred, and (B) an appropriately completed certificate substantially in the form set forth in Exhibit I-1 hereto, if the specified account is to be credited with a beneficial interest in the Restricted Global Security, or Exhibit I-2 herein, if the specified account is to be

credited with a beneficial interest in the Temporary Regulation S Global Security or the Permanent Regulation S Global Security, signed by or on behalf of such Holder, then the Trustee, as Registrar, shall, subject to clause (n) below, cancel such Restricted Security (and issue a new Security in respect of any untransferred portion thereof) as provided in this Section 2.6 and increase the principal amount of the Restricted Global Security, Temporary Regulation S Global Security or Permanent Regulation S Global Security, as the case may be, by the specified principal amount.

(l) Non-Global Permanent Regulation S Security to Restricted Global Security or Permanent Regulation S Global Security. If the Holder of a Permanent Regulation S Security (other than a Global Security) wishes at any time to transfer all or any portion of such Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in the Restricted Global Security or the Permanent Regulation S Global Security, as the case may be, such transfer may be effected only in accordance with this clause (1) and subject to the Applicable Procedures. Upon receipt by the Trustee, as Registrar, of (A) such Security and instructions given by or on behalf of such Holder as provided in this Section 2.6 directing the Trustee to credit or cause to be credited to a specified Agent Member's account a beneficial interest in the Restricted Global Security or the Permanent Regulation S Global Security, as the case may be, in a principal amount equal to the principal amount of the Security (or portion thereof) to be so transferred, and (B) (i) with respect to a transfer which is to be delivered in the form of a beneficial interest in the Restricted Global Security, a certificate in substantially the form set forth in Exhibit J-1 hereto, signed by or on behalf of such Holder, and (ii) with respect to a transfer which is to be delivered in the form of a beneficial interest in the Permanent Regulation S Global Security, a certificate in substantially the form set forth in Exhibit J-2 hereto, signed by or on behalf of such Holder, then the Trustee, as Registrar, shall, subject to clause (q) below, cancel such Security (and issue a new Security in respect of any untransferred portion thereof) as provided in this Section 2.6 and increase the principal amount of the Restricted Global Security, or the Permanent Regulation S Global Security, as the case may be, by the specified principal.

(m) Other Exchanges. Securities that are not Global Securities may be exchanged (on transfer or otherwise) for Securities that are not Global Securities or for beneficial interests in a Global Security (if any is then outstanding) only in accordance with such procedures, which shall be substantially consistent with the provisions of clauses (f) through (l) above (including the certification requirements intended to insure that transfers of beneficial interests in a Global Security comply with Rule 144A under the Securities Act or Regulation S, as the case may be) and any Applicable Procedures, as may from time to time be adopted by the Company and the Trustee.

(n) Interests in Temporary Regulation S Global Security to be Held Through Euroclear or CEDEL. Until the later of the expiration of the Restricted Period and the provision of the Owner Securities Certification and the Depository Securities Certification, beneficial interests in any Temporary Regulation S Global Security may be held only in or through accounts maintained at the Depository by Euroclear or CEDEL (or by Agent Members acting for the account thereof).

(o) When Securities in certificated form are presented to the Registrar with a request to register the transfer of such Securities or to exchange such Securities for an equal principal amount of Securities of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if its requirements for such transaction are met; provided, however, that the Securities surrendered for transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing. To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Securities at the Registrar's request. No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchanges or transfers pursuant to Sections 2.2, 2.10, 3.7 or 9.5). The Registrar shall not be required to register the transfer of or exchange of any Security (i) during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Securities and ending at the close of business on the day of such mailing and (ii) selected for redemption in whole or in part pursuant to Article Three, except the unredeemed portion of any Security being redeemed in part.

(p) If a Series A Note is a Restricted Security in certificated form, then as provided in this Indenture and subject to the limitations herein set forth, the Holder, provided it is a Qualified Institutional Buyer or an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act), may exchange such Security for a Book-Entry Security by instructing the Trustee (by completing the Transferee Certificate in the form of Exhibit B hereto) to arrange for such Series A Note to be represented by a beneficial interest in a Global Security in accordance with the customary procedures of the Depository.

(q) Upon any exchange provided for in Section 2.6(a), the Company shall execute and the Trustee shall authenticate, and deliver to the person specified by the Depository a new Series A Note or Notes registered in such names and in such authorized denominations as the Depository, pursuant to the instructions of the beneficial owner of the Securities requesting the exchange, shall instruct the Trustee. Thereupon, the beneficial ownership of such Global Security shown on the records maintained by the Depository or its nominee shall be reduced by the amounts so exchanged and an appropriate endorsement be made by and on behalf of the Trustee on the Global Security. Any such exchange shall be effected through the Depository in accordance with the procedures of the Depository therefor.

(r) Notwithstanding the foregoing, no Global Security shall be registered for transfer or exchange, or authenticated and delivered, whether pursuant to this Section, Section 2.7, 2.10 or 3.7 or otherwise , in the name of a person other than the Depository for such Global Security or its nominee until (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or if at any time the Depository ceases to be a clearing agency registered under the Exchange Act, and a successor depository is not appointed by the Company within 30 days, (ii) the Company executes and delivers to the Trustee a Company order

that all such Global Securities shall be exchangeable or (iii) there shall have occurred and be continuing an Event of Default. Upon the occurrence in respect of any Global Security representing the Series A Notes of any one or more of the conditions specified in clause (i), (ii) or (iii) of the preceding sentence, such Global Security may be registered for transfer or exchange for Series A Notes registered in the names of, authenticated and delivered to, such persons as the Trustee or the Depository, as the case may be, shall direct.

(s) Except as provided above, any Security authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, any Global Security, whether pursuant to this Section 2.7, 2.10 or 3.7 or otherwise, shall also be a Global Security and bear the legend specified in footnote 1 to Exhibit A.

SECTION 2.7 Replacement Securities.

If a mutilated Security is surrendered to the Trustee or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Security if the requirements of the Trustee are met. An indemnity bond may be required by the Trustee, the Company or any Subsidiary Guarantor that is sufficient in the judgment of the Company, the Subsidiary Guarantors and the Trustee to protect the Company, the Subsidiary Guarantors, the Trustee or any Agent from any loss which any of them may suffer if a Security is replaced. The Company may charge for its expenses (including fees and expenses of the Trustee) in replacing a Security.

SECTION 2.8 Outstanding Securities.

Senior Notes outstanding at any time are all Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Security effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.8 as not outstanding. Except as set forth in Section 2.9, a Security does not cease to be outstanding because the Company, the Subsidiary Guarantors or any of their respective Subsidiaries or Affiliates holds the Security.

If a Security is replaced pursuant to Section 2.7, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the principal amount of any Security is considered paid under Section 4.1, it ceases to be outstanding and interest on it ceases to accrue.

SECTION 2.9 Treasury Securities.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company, any Subsidiary Guarantor or an Affiliate of the Company shall be considered as though they are not outstanding,

except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded.

SECTION 2.10 Temporary Securities.

Until definitive Securities are ready for delivery, the Company may prepare and, upon written order of the Company, the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate and deliver definitive Securities in exchange for a like principal amount of temporary Securities surrendered to it. Until so exchanged, temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 2.11 Cancellation.

The Company or any Subsidiary Guarantor at any time may deliver Securities to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Securities surrendered to them for transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for registration, transfer, exchange, payment or cancellation and shall destroy canceled Securities unless the Company directs their return to the Company. Except as provided in Section 2.7, the Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation.

Securities that are redeemed by the Company or that are otherwise acquired by the Company, will be surrendered to the Trustee for cancellation.

SECTION 2.12 Defaulted Interest.

If the Company defaults in a payment of interest on the Securities, it shall pay, or cause the Paying Agent to pay, the defaulted interest in any lawful manner (plus interest on such defaulted interest to the extent lawful) (taken together, the "Defaulted Interest") to the persons who are Holders on a subsequent special record date, in each case at the rate provided in the Securities and in Section 4.1 hereof. At least 15 days before the special record date, the Company shall mail to each Holder a notice stating the special record date, the payment date and the amount of Defaulted Interest to be paid. In the event that the Company has elected to cause a Paying Agent to pay the Defaulted Interest, the Company shall so notify the Paying Agent at least 15 days before the special record date, which notice shall also set forth the special record date, the payment date and the aggregate amount of Defaulted Interest to be paid. At least five days before such payment date, the Company shall deposit with the Paying Agent money sufficient to pay all of the Defaulted Interest on the payment date therefor and instruct the Paying Agent in writing to pay to specified Holders on the payment date. On the payment date, the Paying Agent shall make the payments in accordance with

the Company's written instructions from funds deposited with the Paying Agent for the purpose of making such Defaulted Interest payments.

SECTION 2.13 Persons Deemed Owners.

The Company, the Trustee, any Paying Agent and any authenticating agent may treat the Person in whose name any Security (including, without limitation, any Global Security) is registered as the owner of such Security for the purpose of receiving payments of principal of, premium, if any, or interest on such Security and for all other purposes. None of the Company, the Trustee, any Paying Agent or any authenticating agent shall be affected by any notice to the contrary.

ARTICLE III

REDEMPTION

SECTION 3.1 Notice to Trustee.

If the Company elects to redeem Securities pursuant to the optional redemption provisions of Paragraphs 6, 7 or 8 of the Securities, it shall furnish to the Trustee and the Registrar, at least 45 days but not more than 60 days before the redemption date (unless the Trustee consents to a shorter period in writing), an Officers' Certificate setting forth the redemption date, the principal amount of Securities to be redeemed and the redemption price, including the detail of the calculation of the Make-Whole Price, if applicable.

SECTION 3.2 Selection of Securities to Be Redeemed.

If less than all of the Securities are to be redeemed at any time, the Trustee shall select the Securities to be redeemed pro rata, by lot or, if the Securities are listed on any securities exchange, by any other method that the Trustee considers fair and appropriate and that complies with the requirements of such exchange; provided, however, that no Securities with a principal amount of $1,000 or less will be redeemed in part. The Trustee shall make the selection from outstanding Securities not previously called for redemption not less than 30 nor more than 45 days prior to the redemption date. Securities and portions of them it selects shall be in amounts of $1,000 or whole multiples of $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of Securities selected for redemption.

SECTION 3.3 Notice of Redemption.

(a) At least 30 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first-class mail to each Holder of Securities to be redeemed at such Holder's registered address.

(i) The notice shall identify the Securities to be redeemed and shall state:

(ii) the redemption date;

(iii) the redemption price;

(iv) the aggregate principal amount of Securities being redeemed;

(v) the name and address of the Paying Agent;

(vi) that Securities called for redemption must be surrendered to the Paying Agent at the address specified in such notice to collect the redemption price;

(vii) that, unless the Company defaults in the payment of the redemption price or accrued interest, interest on Securities called for redemption ceases to accrue on and after the redemption date and the only remaining right of the Holders is to receive payment of the redemption prices in respect of the Securities upon surrender to the Paying Agent of the Securities;

(viii) if any Security is being redeemed in part, the portion of the principal amount of such Security to be redeemed and that, after the redemption date, upon surrender of such Security, a new Security or Securities in principal amount equal to the unredeemed portion will be issued in the name of the Holder thereof upon cancellation of the Security or Securities being redeemed;

(ix) the paragraph of the Securities pursuant to which the Securities called for redemption are being redeemed; and

(x) the CUSIP number of the Securities.

(b) At the Company's request, the Trustee shall give the notice of redemption required in Section 3.3(a) in the Company's name and at the Company's expense; provided, however, that the Company shall deliver to the Trustee, at least 45 days prior to the redemption date (unless the Trustee consents to a shorter notice period in writing), an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in Section 3.3(a).

SECTION 3.4 Effect of Notice of Redemption.

Once notice of redemption is mailed in accordance with Section 3.3, Securities called for redemption become due and payable on the redemption date at the redemption price. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price, plus accrued and unpaid interest to the redemption date.

SECTION 3.5 Deposit of Redemption Price.

Prior to the redemption date, the Company shall deposit with the Paying Agent funds available on the redemption date sufficient to pay the redemption price of, and accrued and unpaid interest on, the Securities to be redeemed on that date. The Paying Agent shall promptly return to the Company any money so deposited which is not required for that purpose upon the written request of the Company, except with respect to monies owed as obligations to the Trustee pursuant to Article Seven.

If any Security called for redemption shall not be so paid upon redemption because of the failure of the Company to comply with the preceding paragraph, interest will continue to be payable on the unpaid principal and premium, if any, including from the redemption date until such principal and premium, if any, is paid, and, to the extent lawful, on any interest not paid on such unpaid principal, in each case at the rate provided in the Securities and in Section 4.01 hereof.

SECTION 3.6 Securities Redeemed in Part.

Upon surrender of a Security that is to be redeemed in part, the Company shall issue and the Trustee shall authenticate for the Holder, at the expense of the Company, a new Security equal in aggregate amount to the unredeemed portion of the Security surrendered.

SECTION 3.7 Optional Redemption.

Except as set forth in Section 3.8 hereof, the Company shall not have the option to redeem the Securities pursuant to this Section 3.7 prior to March 15, 2004. The Securities may be redeemed at the option of the Company, in whole or from time to time in part, at any time on or after March 15, 2004, at the redemption prices set forth below (expressed as a percentage of the principal amount of the Securities to be redeemed), together with accrued and unpaid interest on the Securities so

redeemed to the redemption date, if redeemed during the 12-month period commencing on March 15 of the years indicated below:

Year	Redemption Price
2004	104.25%
2005	103.40%
2006	102.55%
2007	101.70%
2008	100.85%
2009 and thereafter	100.00%

Any redemption pursuant to this Section 3.7 shall be made, to the extent applicable, pursuant to the provisions of Sections 3.1 through 3.6 hereof.

SECTION 3.8 Optional Redemption at Make-Whole Price.

At any time prior to March 15, 2004, the Company may, at its option, redeem all or any portion of the Securities at the "Make-Whole Price" (hereinafter defined) plus accrued and unpaid interest to the date of redemption. For purposes hereof, the term "Make-Whole Price" means the greater of (i) the sum of (A) the outstanding principal amount of the Securities plus (B) the Make-Whole Amount and (ii) the redemption price (expressed as a percentage of the principal amount) of the Securities on March 15, 2004 set forth in Section 3.7.

Any redemption pursuant to this Section 3.8 shall be made, to the extent applicable, pursuant to the provisions of Sections 3.1 through 3.6 hereof.

ARTICLE IV

COVENANTS

SECTION 4.1 Payment of Securities.

The Company shall pay the principal of, premium, if any, and interest on, the Securities on the dates and in the manner provided in the Securities and this Indenture. Principal, premium and interest shall be considered paid on the date due if the Trustee or Paying Agent holds on that date money deposited by the Company designated for and sufficient to pay all principal, premium and interest then due. All references to interest in this Indenture shall for all purposes be deemed to include any additional interest payable as Liquidated Damages pursuant to the Registration Rights Agreement.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal, and premium, if any, at the rate borne by the Securities to the extent lawful; and it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the same rate to the extent lawful.

SECTION 4.2 SEC Reports.

(a) The Company, within 15 days after it files the same with the SEC, shall deliver to Holders, copies of the annual reports and the information, documents and other reports (or copies of any such portions of any of the foregoing as the SEC may by rules and regulations prescribe) that the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Notwithstanding that the Company may not be required to remain subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall file with the SEC and provide Holders with such annual reports and such information, documents and other reports specified in Sections 13 and 15(d) of the Exchange Act. The Company and each Subsidiary Guarantor shall also comply with the provisions of TIA Section 314(a).

(b) The Company may request the Trustee on behalf of the Company at the Company's expense to mail the foregoing to Holders. In such case, the Company shall provide the Trustee with a sufficient number of copies of all reports and other documents and information that the Trustee may be required to deliver to Holders under this Section.

SECTION 4.3 Compliance Certificates.

(a) The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year of the Company, an Officers' Certificate substantially in the form of Annex 4.3 hereto, stating that a review of the activities of the Company and the Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that, to the best of such Officer's knowledge, the Company and each Subsidiary Guarantor has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which such Officer may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of such Officer's knowledge, after reasonable inquiry, no event has occurred and remains in existence by reason of which payments on account of the principal of, premium, if any, or interest, if any, on the Securities are prohibited or, if such event has occurred, a description of the event and what action the Company and the Subsidiary Guarantors are taking or propose to take with respect thereto. Such Officers' Certificate shall comply with TIA Section 314(a)(4). The Company hereby represents that, as of the Issue Date, its fiscal year ends June 30, and hereby covenants that it shall notify the Trustee at least 30 days in advance of any change in its fiscal year.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.2 shall be accompanied by a written statement of the Company's independent public accountants (which shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements nothing has come to their attention that would lead them to believe that the Company has violated any provisions of Sections 4.7, 4.8, 4.9 or 4.10 of this Indenture (to the extent such provisions relate to accounting matters) or, if any such violation has occurred, specifying the nature and period of existence thereof. Where such financial statements are not accompanied by such a written statement, the Company shall furnish the Trustee with an Officers' Certificate stating that any such written statement would be contrary to the then current recommendations of the American Institute of Certified Public Accountants.

(c) The Company and the Subsidiary Guarantors will, so long as any of the Securities are outstanding, deliver to the Trustee forthwith upon any Officer becoming aware of any Default or Event of Default or default in the performance of any covenant, agreement or condition contained in this Indenture, an Officers' Certificate specifying such Default or Event of Default and what action the Company or any Subsidiary Guarantor proposes to take with respect thereto.

SECTION 4.4 Maintenance of Office or Agency.

The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 11.2. If at any time the Company shall fail to maintain any required office or agency or shall fail to furnish the Trustee with the address thereof, such surrenders, presentations, notices and demands may be made or served at the corporate trust office of the Trustee.

Subject to Section 2.3, the Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 4.5 Corporate Existence.

The Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate, partnership or other existence of each Subsidiary and all rights (charter and statutory) and franchises of the Company and the Subsidiaries; provided, that the Company shall not be required to preserve the corporate existence of any Subsidiary, or any such right or franchise, if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 4.6 Waiver of Stay, Extension or Usury Laws.

The Company and each Subsidiary Guarantor covenants (to the extent that each may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension, or usury law or other law, which would prohibit or forgive the Company or any Subsidiary Guarantor from paying all or any portion of the principal of, premium, if any, or interest on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture; and (to the extent that it may lawfully do so) each of the Company and the Subsidiary Guarantors hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.7 Payment of Taxes and Other Claims.

The Company shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (a) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary and (b) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 4.8 Maintenance of Properties and Insurance.

(a) The Company shall cause all properties used or held for use in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order (ordinary wear and tear excepted) and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation

or maintenance of any such property, or disposing of it, if such discontinuance or disposal is, in the judgment of the Company, desirable in the conduct of its business and not disadvantageous in any material respect to the Holders.

(b) The Company shall provide or cause to be provided, for itself and each of its Subsidiaries, insurance (including appropriate self-insurance) against loss or damage of the kinds that, in the reasonable, good faith opinion of the Company, are adequate and appropriate for the conduct of the business of the Company and such Subsidiaries in a prudent manner, with reputable insurers or with the government of the United States or an agency or instrumentality thereof, in such amounts, with such deductibles, and by such methods as shall be customary, in the reasonable, good faith opinion of the Company, for corporations similarly situated in the industry.

SECTION 4.9 Limitation on Liens.

The Company shall not, and shall not permit any Restricted Subsidiary to, issue, assume or guarantee any Indebtedness for borrowed money secured by any Lien on any property or asset now owned or hereafter acquired by the Company or such Restricted Subsidiary without making effective provision whereby any and all Securities then or thereafter outstanding will be secured by a Lien equally and ratably with any and all other obligations thereby secured for so long as any such obligations shall be so secured. Notwithstanding the foregoing, the Company or any Restricted Subsidiary may, without so securing the Securities, issue, assume or guarantee Indebtedness secured by the following Liens:

(a) Liens existing on the Issue Date or provided for under the terms of agreements existing on the Issue Date (including, without limitation, the Lien provided for pursuant to Section 7.7);

(b) Liens on property securing (i) all or any portion of the cost of exploration, drilling or development of such property, (ii) all or any portion of the cost of acquiring, constructing, altering, improving or repairing any property or assets, real or personal, or improvements used or to be used in connection with such property or (iii) Indebtedness incurred by the Company or any Restricted Subsidiary to provide funds for the activities set forth in clauses (i) and (ii) above;

(c) Liens securing Indebtedness owed by a Restricted Subsidiary to the Company or to any other Restricted Subsidiary;

(d) Liens on property existing at the time of acquisition of such property by the Company or a Subsidiary or Liens on the property of any corporation or other entity existing at the time such corporation or other entity becomes a Restricted Subsidiary of the Company or is merged with the Company in compliance with Article V hereof and in either case not incurred as a result of (or in connection with or in anticipation of) the acquisition of such property or such corporation or other entity becoming a Restricted Subsidiary of the Company or being merged with the Company,

provided that such Liens do not extend to or cover any property or assets of the Company or any of its Restricted Subsidiaries other than the property so acquired;

(e) Liens on any property securing (i) Indebtedness incurred in connection with the construction, installation or financing of pollution control or abatement facilities or other forms of industrial revenue bond financing or (ii) Indebtedness issued or guaranteed by the United States or any State thereof or any department, agency or instrumentality of either,

(f) any Lien extending, renewing or replacing (or successive extensions, renewals or replacements of) any Lien of any type permitted under clauses (a) through (e) above, provided that such Lien extends to or covers only the property that is subject to the Lien being extended, renewed or replaced;

(g) any Ordinary Course Lien arising, but only so long as continuing, in the ordinary course of business of the Company and the Restricted Subsidiaries;

(h) any Lien resulting from the deposit of moneys or evidences of Indebtedness in trust for the purpose of defeasing Indebtedness of the Company or any Restricted Subsidiary; or

(i) Liens (exclusive of any Lien of any type otherwise permitted under clauses (a) through (h) above) securing Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount which, together with the aggregate amount of Attributable Indebtedness deemed to be outstanding in respect of all Sale/Leaseback Transactions entered into pursuant to clause (a) of Section 4.10 (exclusive of any such Sale/Leaseback Transactions otherwise permitted under clauses (a) through (h) above), does not at the time such Indebtedness is incurred exceed 15% of Adjusted Consolidated Net Tangible Assets.

The following types of transactions will not be prohibited or otherwise limited by this Section 4.9: (i) the sale, granting of Liens with respect to, or other transfer of, crude oil, natural gas or other petroleum hydrocarbons in place for a period of time until, or in an amount such that, the transferee will realize therefrom a specified amount (however determined) of money or of such crude oil, natural gas or other petroleum hydrocarbons; (ii) the sale or other transfer of any other interest in property of the character commonly referred to as a production payment, overriding royalty, forward sale or similar interest; (iii) the entering into of Currency Hedge Obligations, Interest Rate Hedging Agreements or Oil and Gas Hedging Contracts although Liens securing any Indebtedness for borrowed money that is the subject of any such obligation shall not be permitted hereby unless permitted under clauses (a) through (i) above; and (iv) the granting of Liens required by any contract or statute in order to permit the Company or any Restricted Subsidiary to perform any contract or subcontract made by it with or at the request of the United States or any State thereof or any department, agency or instrumentality of either, or to secure partial, progress, advance or other payments to the Company or any Restricted Subsidiary by such governmental unit pursuant to the provisions of any contract or statute.

SECTION 4.10 Limitation on Sale/Leaseback Transactions.

The Company shall not, and shall not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with any person (other than the Company or a Restricted Subsidiary) unless:

(a) the Company or such Restricted Subsidiary would be entitled to incur Indebtedness, in a principal amount equal to the Attributable Indebtedness with respect to such Sale/Leaseback Transaction, secured by a Lien on the property subject to such Sale/Leaseback Transaction pursuant to the covenant described in Section 4.9 without equally and ratably securing the Securities pursuant to such covenant;

(b) after the Issue Date and within a period commencing six months prior to the consummation of such Sale/Leaseback Transaction and ending six months after the consummation thereof, the Company or such Restricted Subsidiary shall have expended for property used or to be used in the ordinary course of business of the Company and the Restricted Subsidiaries (including amounts expended for the exploration, drilling or development thereof, and for additions, alterations, repairs and improvements thereto) an amount equal to all or a portion of the net proceeds of such Sale/Leaseback Transaction and the Company shall have elected to designate such amount as a credit against such Sale/Leaseback Transaction (with any such amount not being so designated to be applied as set forth in clause (c) below); or

(c) the Company, during the 12-month period after the effective date of such Sale/Leaseback Transaction, shall have applied to the voluntary defeasance or retirement of Securities or any Pari Passu Indebtedness an amount equal to the greater of the net proceeds of the sale or transfer of the property leased in such Sale/Leaseback Transaction and the fair value, as determined by the Board of Directors of the Company, of such property at the time of entering into such Sale/Leaseback Transaction (in either case adjusted to reflect the remaining term of the lease and any amount expended by the Company as set forth in clause (b) above), less an amount equal to the principal amount of Securities and Pari Passu Indebtedness voluntarily defeased or retired by the Company within such 12-month period and not designated as a credit against any other Sale/Leaseback Transaction entered into by the Company or any Restricted Subsidiary during such period.

ARTICLE V

SUCCESSOR CORPORATION

SECTION 5.1 When Company May Merge, etc.

The Company shall not consolidate with or merge with any Person or convey, transfer or lease all or substantially all of its assets to any Person, unless:

(i) the Company survives such merger or the Person formed by such consolidation or into which the Company is merged or that acquires by conveyance or transfer, or which leases, all or substantially all of the assets of the Company is a corporation organized and existing under the laws of the United States of America, any state thereof or the District of Columbia or of Canada or any province thereof and expressly assumes, by supplemental indenture, the due and punctual payment of the principal of, premium, if any, and interest on, all the Securities and the performance of every other covenant and obligation of the Company under this Indenture; and

(ii) immediately before and after giving effect to such transaction no Default or Event of Default exists.

In connection with any consolidation, merger, conveyance, transfer or lease contemplated by this Section 5.1, the Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture.

SECTION 5.2 Successor Corporation Substituted.

Upon any consolidation, merger, lease, conveyance or transfer in accordance with Section 5.1, the Trustee shall be notified by the Company and the successor Person, and the successor Person formed by such consolidation or into which the Company is merged or to which such lease, conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor had been named as the Company herein and thereafter (except in the case of a lease) the predecessor corporation will be relieved of all further obligations and covenants under this Indenture and the Securities.

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.1 Events of Default.

An "Event of Default" occurs upon:

(1) default by the Company or any Subsidiary Guarantor in the payment of principal of, or premium, if any, on the Securities when due and payable at maturity, upon acceleration or otherwise;

(2) default by the Company or any Subsidiary Guarantor in the payment of any installment of interest on the Securities when due and payable and continuance of such default for 30 days;

(3) default by the Company or any Subsidiary Guarantor in the deposit of any optional redemption payment, when and as due and payable pursuant to Article Three;

(4) default on any other Indebtedness of the Company, any Subsidiary Guarantor or any other Restricted Subsidiary if either (A) such default results in the acceleration of the maturity of any such Indebtedness having a principal amount of $10.0 million or more individually or, taken together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, in the aggregate, or (B) such default results from the failure to pay when due principal of, premium, if any, or interest on, any such Indebtedness, after giving effect to any applicable grace period (a "Payment Default"), having a principal amount of $10.0 million or more individually or, taken together with the principal amount of any other Indebtedness under which there has been a Payment Default, in the aggregate;

(5) default in the performance, or breach of, the covenants set forth in Article V, or in the performance, or breach of, any other covenant or agreement of the Company or any Subsidiary Guarantor in this Indenture and failure to remedy such default within a period of 45 days after written notice thereof from the Trustee or Holders of 25% of the principal amount of the outstanding Securities;

(6) the entry by a court of one or more judgments or orders for the payment of money against the Company, any Subsidiary Guarantor or any other Restricted Subsidiary in an aggregate amount in excess of $10.0 million (net of applicable insurance coverage by a third party insurer which is acknowledged in writing by such insurer) that has not been vacated, discharged, satisfied or stayed pending appeal within 60 days from the entry thereof;

(7) a Guarantee by a Subsidiary Guarantor shall cease to be in full force and effect (other than a release of a Guarantee in accordance with Section 10.4) or any Subsidiary Guarantor shall deny or disaffirm its obligations with respect thereto;

(8) the Company or any Restricted Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case or proceeding,

(B) consents to the entry of an order for relief against it in an involuntary case or proceeding,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) admits in writing that it generally is unable to pay its debts as the same become due; or

(9) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief (with respect to the petition commencing such case) against the Company or any Restricted Subsidiary in an involuntary case or proceeding,

(B) appoints a Custodian of the Company or any Restricted Subsidiary or for all or substantially all of its property, or

(C) orders the liquidation of the Company or any Restricted Subsidiary, and the order or decree remains unstayed and in effect for 60 days. The term "Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

SECTION 6.2 Acceleration.

If an Event of Default (other than an Event of Default specified in clauses 8 or 9) under Section 6.1 occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% of the principal amount of the outstanding Securities may declare the unpaid principal of and premium, if any, or the Change of Control purchase price if the Event of Default includes failure to pay the Change of Control purchase price, and accrued and unpaid interest on, all the Securities then outstanding to be due and payable, by a notice in writing to the Company (and to the Trustee, if given by Holders), and upon any such declaration such principal, premium, if any, and accrued and unpaid interest shall become immediately due and payable, notwithstanding anything contained in this Indenture or the Securities to the contrary. If an Event of Default specified in clauses 8 or 9 above occurs, all unpaid principal of, and premium, if any, and accrued and unpaid interest on, the Securities then outstanding will become due and payable, without any declaration or other act on the part of the Trustee or any Holder.

The Holders of a majority of the principal amount of the outstanding Securities, by written notice to the Company, the Subsidiary Guarantors and the Trustee, may rescind and annul a declaration of acceleration and its consequences if (1) the Company or any Subsidiary Guarantor has paid or deposited with such Trustee a sum sufficient to pay (A) all overdue installments of interest

on all the Securities, (B) the principal of, and premium, if any, on any Securities that have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in the Securities, (C) to the extent that payment of such interest is lawful, interest on the defaulted interest at the rate or rates prescribed therefor in the Securities, and (D) all money paid or advanced by the Trustee thereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; (2) all Events of Default, other than the non-payment of the principal of any Securities that have become due solely by such declaration of acceleration, have been cured or waived as provided in this Indenture; and (3) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. No such rescission will affect any subsequent Event of Default or impair any right consequent thereon.

SECTION 6.3 Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may, but is not obligated to, pursue, in its own name and as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture. If an Event of Default specified under clauses (8) or (9) of Section 6.1 occurs with respect to the Company at a time when the Company is the Paying Agent, the Trustee shall automatically assume the duties of Paying Agent. The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 6.4 Waiver of Past Defaults.

Subject to Sections 6.7 and 9.2, the Holders of at least a majority of the principal amount of the outstanding Securities by notice to the Trustee may waive an existing Default or Event of Default and its consequences, except a Default or Event of Default in payment of principal or interest on the Securities, including any optional redemption payments or Change of Control or Net Proceeds Offer payments.

SECTION 6.5 Control by Majority.

The Holders of a majority in principal amount of the Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on such Trustee, provided that (1) such direction is not in conflict with any rule of law or with this Indenture and (2) the Trustee may take any other action deemed proper by such Trustee that is not inconsistent with such direction.

SECTION 6.6 Limitation on Remedies.

No Holder of any of the Securities will have any right to institute any proceeding, judicial or otherwise, or for the appointment of a receiver or trustee or pursue any remedy under this Indenture, unless:

(1) such Holder has previously given notice to the Trustee of a continuing Event of Default,

(2) the Holders of not less than 25% of the principal amount of the outstanding Securities have made written request to such Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under this Indenture,

(3) such Holder or Holders have offered to such Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request,

(4) such Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any proceeding, and

(5) no direction inconsistent with such written request has been given to such Trustee during such 60-day period by the Holders of a majority of the principal amount of the outstanding Securities.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over other Holders.

SECTION 6.7 Rights of Holders to Receive Payment.

Notwithstanding any other provision of this Indenture, the Holder of any Securities will have the right, which is absolute and unconditional, to receive payment of the principal of and interest on such Securities on the stated maturity therefor and to institute suit for the enforcement of any such payment, and such right may not be impaired without the consent of such Holder.

SECTION 6.8 Collection Suit by Trustee.

If an Event of Default in payment of principal, premium, if any, or interest specified in Section 6.1(1), (2) or (3) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company or any Subsidiary Guarantor for the whole amount of principal, premium, if any, and interest remaining unpaid with respect to the Securities, and interest on overdue principal and premium, if any, and, to the extent lawful, interest on overdue interest, and such further amounts as shall be sufficient to cover the costs and expenses

of collection, including the reasonable compensation and expenses of the Trustee, its agents and counsel.

SECTION 6.9 Trustee May File Proofs of Claim.

(a) The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Company, the Subsidiary Guarantors, their creditors or their property and may collect and receive any money or securities or other property payable or deliverable on any such claims and to distribute the same.

(b) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10 Priorities.

If the Trustee collects any money pursuant to this Article Six, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.7;

Second: to Holders for amounts due and unpaid on the Securities for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal and interest, respectively; and

Third: To the Company.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

SECTION 6.11 Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.7, or a suit by Holders of more than 10% in principal amount of the then outstanding Securities.

ARTICLE VII

TRUSTEE

SECTION 7.1 Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such rights and powers vested in it by this Indenture and use the same degree of care and skill in such exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Except during the continuance of an Event of Default:

(i) The Trustee need perform only those duties that are specifically set forth (or incorporated by reference) in this Indenture and no others.

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine such certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(iii) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(iv) This paragraph (c) does not limit the effect of paragraph (b) of this Section.

(v) The Trustee shall not be liable for any error of judgment made in good faith by an officer of the Trustee, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(vi) The Trustee shall not be liable with respect to action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5, and the Trustee shall be entitled from time to time to request such a direction.

(b) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(c) The Trustee shall be under no obligation and may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense. No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the

exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.2 Rights of Trustee.

Subject to Section 7.1:

(a) The Trustee may rely on and shall be protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney, to the extent reasonably required by such inquiry or investigation.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

SECTION 7.3 Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its Subsidiaries or Affiliates with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.4 Trustee's Disclaimer.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities or

any prospectus, offering or solicitation documents, and it shall not be responsible for any statement in the Securities other than its certificate of authentication.

SECTION 7.5 Notice of Defaults.

If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Holder pursuant to Section 11.2 a notice of the Default within 90 days after it occurs. Except in the case of a Default in any payment on any Security, the Trustee may withhold the notice if and so long as the board of directors, executive committee or a trust committee of officers in good faith determines that withholding the notice is in the interests of Holders.

SECTION 7.6 Reports by Trustee to Holders.

Within 60 days after each May 15, beginning with the May 15 following the date of this Indenture, the Trustee shall mail to each Holder a brief report dated as of such May 15 that complies with TIA Section 313(a), but only if such report is required in any year under TIA Section 313(a). The Trustee also shall comply with TIA Sections 313(b) and 313(c).

A copy of each report at the time of its mailing to Holders shall be filed with the SEC and each stock exchange on which the Securities are listed. The Company shall notify the Trustee in writing when the Securities become listed on any national securities exchange or of any delisting thereof.

SECTION 7.7 Compensation and Indemnity.

The Company and the Subsidiary Guarantors jointly and severally agree to pay the Trustee from time to time reasonable compensation for its services (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust). The Company and the Subsidiary Guarantors jointly and severally agree to reimburse the Trustee upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred by it. Such expenses shall include when applicable the reasonable compensation and expenses of the Trustee's agents and counsel.

The Trustee shall not be under any obligation to institute any suit, or take any remedial action under this Indenture, or to enter any appearance or in any way defend any suit in which it may be a defendant, or to take any steps in the execution of the trusts created hereby or thereby or in the enforcement of any rights and powers under this Indenture, until it shall be indemnified to its satisfaction against any and all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provisions of this Indenture, including compensation for services, costs, expenses, outlays, counsel fees and other disbursements, and against all liability not due to its negligence or willful misconduct. The Company and the Subsidiary Guarantors jointly and severally agree to indemnify the Trustee against any loss, liability or expenses incurred by it arising out of or in connection with the acceptance and administration of the trust and its duties

hereunder as Trustee, Registrar and/or Paying Agent, including the costs and expenses of enforcing this Indenture against the Company (including with respect to this Section 7.7) and of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Company and the Subsidiary Guarantors of any claim for which it may seek indemnity; however, unless the position of the Company is prejudiced by such failure, the failure of the Trustee to promptly notify the Company shall not limit its right to indemnification. The Company shall defend each such claim and the Trustee shall cooperate in the defense. The Trustee may retain separate counsel and the Company shall reimburse the Trustee for the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent. Neither the Company nor the Subsidiary Guarantors shall be obligated to reimburse any expense or indemnify against any loss or liability incurred by the Trustee through the Trustee's negligence or willful misconduct. To secure the payment obligations of the Company and the Subsidiary Guarantors in this Section, the Trustee shall have a claim prior to that of the Holders of the Securities on all money or property held or collected by the Trustee, except that held in trust to pay principal of and interest on particular Securities. The Trustee's right to receive payment of any amounts due under this Section 7.7 shall not be subordinate to any other liability or Indebtedness of the Company. When the Trustee incurs expenses or renders services after the occurrence of any Event of Default specified in Sections 6.1(8) or (9), the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.8 Replacement of Trustee.

(i) The Trustee may resign by so notifying the Company and the Subsidiary Guarantors. The Holders of a majority in principal amount of the Securities may remove the Trustee by so notifying the Trustee, in writing. The Company may remove the Trustee if:

(ii) the Trustee fails to comply with Section 7.1;

(iii) the Trustee is adjudged a bankrupt or an insolvent;

(iv) a receiver or other public officer takes charge of the Trustee or its property; or

(v) the Trustee becomes incapable of acting as Trustee hereunder.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the

successor Trustee takes office, the Holders of a majority in principal amount of the Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company and the Subsidiary Guarantors. Immediately after that, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.7, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee shall mail notice of its succession to each Holder.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Any successor Trustee shall comply with TIA Section 310(a)(5).

SECTION 7.9 Successor Trustee by Merger, etc.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust assets to, another corporation, the successor corporation without any further act shall be the successor Trustee; provided such corporation or association shall be otherwise eligible and qualified under this Article.

SECTION 7.10 Eligibility; Disqualification.

This Indenture shall always have a Trustee which satisfies the requirements of TIA Section 310(a)(1). The Trustee shall always have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee shall also comply with TIA Section 310(b).

SECTION 7.11 Preferential Collection of Claims Against Company.

The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE VIII

DISCHARGE OF INDENTURE

SECTION 8.1 Option to Effect Legal Defeasance or Covenant Defeasance.

The Company may, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, at any time, with respect to the Securities, elect to exercise its rights pursuant to either Section 8.2 or 8.3 with respect to all outstanding Securities upon compliance with the conditions set forth below in this Article Eight.

SECTION 8.2 Legal Defeasance and Discharge.

Upon the Company's exercise under Section 8.1 of the option applicable to this Section 8.2, the Company and the Subsidiary Guarantors shall be deemed to have been discharged from their obligations with respect to all outstanding Securities on the date all conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, such Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Securities, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.5 and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Securities and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Securities to receive solely from the trust fund described in Section 8.4, and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest on such Securities when such payments are due, (b) the Company's obligations with respect to such Securities under Sections 2.3, 2.4, 2.6, 2.7, 2.10 and 4.4, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's obligations in connection therewith (including, but not limited to, Section 7.7) and (d) this Article Eight. Subject to compliance with this Article Eight, the Company may exercise its option under this Section 8.2 notwithstanding the prior exercise of its option under Section 8.3 with respect to the Securities.

SECTION 8.3 Covenant Defeasance.

Upon the Company's exercise under Section 8.1 of the option applicable to this Section 8.3, the Company shall be released from its obligations under the covenants contained in Sections 4.7, 4.8, 4.9 and 4.10 and Article Five with respect to the outstanding Securities on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Securities shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Securities shall not be deemed outstanding for accounting purposes). For this

purpose, such Covenant Defeasance means that, with respect to the outstanding Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.1(5), but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.1 of the option applicable to this Section 8.3, Sections 6.1(4) through 6.1(9) shall not constitute Events of Default.

SECTION 8.4 Conditions to Legal or Covenant Defeasance.

The following shall be the conditions to application of either Section 8.2 or Section 8.3 to the outstanding Securities:

(a) The Company shall irrevocably have deposited or cause to be deposited with the Trustee (or another trustee satisfying the requirements of Section 7.10 who shall agree to comply with the provisions of this Article Eight applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, (a) cash in U.S. Legal Tender in an amount, or (b) non-callable U.S. Government Securities which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, cash in U.S. Legal Tender in an amount, or (c) a combination thereof, in such amounts, as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge the principal of, premium, if any, and interest on the outstanding Securities on the Maturity Date or on the applicable redemption date, as the case may be, of such principal or installment of principal, premium, if any, or interest and in accordance with the terms of this Indenture and of such Securities; provided that the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such non-callable Government Securities to said payments with respect to the Securities.

(b) In the case of an election under Section 8.2, the Company shall have delivered to the Trustee an Opinion of Counsel confirming that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date hereof, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) In the case of an election under Section 8.3, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) No Default or Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit or, insofar as Subsection 6.1(8) or 6.1(9) is concerned, at any time in the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);

(e) Such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company is a party or by which the Company is bound;

(f) In the case of any election under Section 8.2 or 8.3, the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit made by the Company pursuant to its election under Section 8.2 or 8.3 was not made by the Company with the intent of preferring the Holders over other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(g) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the Legal Defeasance under Section 8.2 or the Covenant Defeasance under Section 8.3 (as the case may be) have been complied with as contemplated by this Section 8.4.

SECTION 8.5 Deposited Money and U.S. Government Securities to be Held in Trust; Other Miscellaneous Provisions.

Subject to Section 8.6, all money and non-callable U.S. Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.5, the "Trustee") pursuant to Section 8.4 in respect of the outstanding Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company or a Subsidiary Guarantor, if any, acting as Paying Agent) as the Trustee may determine, to the Holders of such Securities of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable U.S. Government Securities deposited pursuant to Section 8.4 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Securities.

Anything in this Article Eight to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the Company's request any money or non-callable U.S. Government Securities held by it as provided in Section 8.4 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.4(a)), are in excess of the amount thereof which would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.6 Repayment to Company.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on any Security which is not subject to the last paragraph of Section 8.5 and has remained unclaimed for one year after such principal, and premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Securities shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 8.7 Reinstatement.

If the Trustee or Paying Agent is unable to apply any U.S. Legal Tender or non-callable U.S. Government Securities in accordance with Section 8.2 or 8.3, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining, or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.2 or 8.3 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.2 or 8.3, as the case may be; provided, however, that, if the Company makes any payment of principal of, premium, if any, or interest on any Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE IX

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.1 Without Consent of Holders.

The Company, the Subsidiary Guarantors and the Trustee may amend or supplement this Indenture or the Securities without notice to or consent of any Holder:

(1) to cure any ambiguity, defect or inconsistency;

(2) to comply with Section 5.1;

(3) to reflect the addition or release of any Subsidiary Guarantor, as provided for by this Indenture;

(4) to comply with any requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA; or

(5) to make any change that would provide any additional benefit or rights to the Holders or that does not adversely affect the rights of any Holder in any material respect.

Upon the request of the Company and the Subsidiary Guarantors, accompanied by a Board Resolution of the Company and of each Subsidiary Guarantor authorizing the execution of any such supplemental indenture, and upon receipt by the Trustee of the documents described in Section 9.6, the Trustee shall join with the Company and the Subsidiary Guarantors in the execution of any supplemental indenture authorized or permitted by the terms of this Indenture and make any further appropriate agreements and stipulations that may be therein contained. After an amendment or waiver under this Section becomes effective, the Company shall mail to the Holders of each Security affected thereby a notice briefly describing the amendment or waiver. 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 supplemental indenture.

SECTION 9.2 With Consent of Holders.

Except as provided below in this Section 9.2, the Company, the Subsidiary Guarantors and the Trustee may amend this Indenture or the Securities with the written consent (including consents obtained in connection with a tender offer or exchange offer for Securities or a solicitation of consents in respect of Securities, provided that in each case such offer or solicitation is made to all Holders of then outstanding Securities on equal terms) of the Holders of at least a majority of the principal amount of the outstanding Securities.

Upon the request of the Company and the Subsidiary Guarantors, accompanied by a Board Resolution of the Company and each Subsidiary Guarantor authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the Opinion of Counsel described in Section 9.6, the Trustee shall join with the Company and the Subsidiary Guarantors in the execution of such supplemental indenture.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof. The Holders of a majority of the principal amount of the outstanding Securities may waive compliance in a particular instance by the Company or the Subsidiary Guarantors with any provision of this Indenture or the Securities (including waivers obtained in connection with a tender offer or exchange offer for Securities or a solicitation of consents in respect of Securities, provided that in each case such offer or solicitation is made to all Holders of the then outstanding Securities on equal terms). However, without the consent of each Holder affected, an amendment or waiver under this Section may not:

(1) reduce the percentage of principal amount of Securities whose Holders must consent to an amendment, supplement or waiver of any provision of this Indenture or the Securities;

(2) reduce the rate or change the time for payment of interest, including default interest, on the Securities;

(3) reduce the principal amount of any Security or change the Maturity Date of the Securities;

(4) reduce the redemption price, including premium, if any, payable upon the redemption of any Security or change the time at which any Security may be redeemed;

(5) waive a Default or Event of Default in the payment of the principal of, premium, if any, or interest on the Securities;

(6) make any Security payable in money other than that stated in the Security;

(7) impair the right to institute suit for the enforcement of principal of, premium, if any, or principal on any Security pursuant to Sections 6.7 or 6.8, except as limited by Section 6.6; or

(8) make any change in Section 6.4 or Section 6.7 or in this sentence of this Section 9.2.

The right of any Holder to participate in any consent required or sought pursuant to any provision of this Indenture (and the obligation of the Company to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of any Securities with respect to which such consent is required or sought as of a date identified by the Trustee in a notice furnished to Holders in accordance with the terms of this Indenture.

SECTION 9.3 Compliance with Trust Indenture Act.

Every amendment to or supplement of this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 9.4 Revocation and Effect of Consents.

A consent to an amendment, supplement or waiver by a Holder of a Security shall bind the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, until an amendment, supplement or waiver becomes effective, any such Holder or subsequent Holder may revoke the consent as to its Security or portion of a Security. For such revocation to be effective, the Trustee must receive the notice of revocation before the date the amendment, supplement or waiver becomes effective.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment or waiver. If the Company elects to fix a record date for such purpose, the record date shall be fixed at (i) the later of 30 days prior to the first solicitation of such consent or the date of the most recent list of Holders furnished to the Trustee prior to such solicitation pursuant to Section 2.5, or (ii) such other date as the Company shall designate. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consent from the Holders of the principal amount of Securities required hereunder for such amendment or waiver to be effective also shall have been given and not revoked within such 90-day period.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder unless it makes a change described in any of clauses (i) through (ix) of Section 9.2. In that case the amendment, supplement or waiver shall bind each Holder of a Security who has consented to it and

every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security.

SECTION 9.5 Notation on or Exchange of Securities.

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

SECTION 9.6 Trustee Protected.

The Trustee shall sign any amendment or supplement or waiver authorized pursuant to this Article if the amendment or supplement or waiver does not adversely affect the rights of the Trustee. If it does adversely affect the rights of the Trustee, the Trustee may but need not sign it. In signing such amendment or supplement or waiver the Trustee shall be entitled to receive, and (subject to Article Seven) shall be fully protected in relying upon, an Opinion of Counsel stating that such amendment or supplement or waiver is authorized or permitted by and complies with this Indenture. The Company may not sign an amendment or supplement until the Boards of Directors of the Company and the Subsidiary Guarantors approve it.

ARTICLE X

GUARANTEES

SECTION 10.1 Unconditional Guarantee.

Each Subsidiary Guarantor hereby, jointly and severally, unconditionally guarantees (such guarantee to be referred to herein as the "Guarantee") to each Holder and to the Trustee the due and punctual payment of the principal of, premium, if any, and interest on the Securities and all other amounts due and payable under this Indenture and the Securities by the Company whether at maturity, by acceleration, redemption, repurchase or otherwise, including, without limitation, interest on the overdue principal of, premium, if any, and interest on the Securities, to the extent lawful, all in accordance with the terms hereof and thereof; subject, however, to the limitations set forth in Section 10.5.

Failing payment when due of any amount so guaranteed for whatever reason, the Subsidiary Guarantors will be jointly and severally obligated to pay the same immediately. Each Subsidiary Guarantor hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Securities or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Securities with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to

enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Subsidiary Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Guarantee will not be discharged except by complete performance of the obligations contained in the Securities, this Indenture and in this Guarantee. If any Holder or the Trustee is required by any court or otherwise to return to the Company, any Subsidiary Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Company or any Subsidiary Guarantor, any amount paid by the Company or any Subsidiary Guarantor to the Trustee or such Holder, this Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Subsidiary Guarantor agrees it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Subsidiary Guarantor further agrees that, as between each Subsidiary Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any acceleration of such obligations as provided in Article Six, such obligations (whether or not due and payable) shall forthwith become due and payable by each Subsidiary Guarantor for the purpose of this Guarantee.

SECTION 10.2 Subsidiary Guarantors May Consolidate, etc. on Certain Terms.

(a) Subject to paragraph (b) of this Section 10.2, no Subsidiary Guarantor may consolidate or merge with or into (whether or not such Subsidiary Guarantor is the surviving entity or Person) another corporation, entity or Person unless (i) the entity or Person formed by or surviving any such consolidation or merger (if other than such Subsidiary Guarantor) assumes all the obligations of such Subsidiary Guarantor pursuant to a supplemental indenture, in a form reasonably satisfactory to the Trustee, under the Securities and this Indenture and (ii) immediately after such transaction, no Default or Event of Default exists. In connection with any consolidation or merger contemplated by this Section 10.2, the Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture. This Section 10.2(a) will not prohibit a merger between Subsidiary Guarantors or a merger between the Company and a Subsidiary Guarantor.

(b) In the event of a sale or other disposition of all or substantially all of the assets of any Subsidiary Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the Capital Stock of such Subsidiary Guarantor, then such Subsidiary Guarantor (in the event of a sale or other disposition, by way of such a merger, consolidation or otherwise, of all of the Capital Stock of such Subsidiary Guarantor) or the corporation acquiring the property (in the event of a sale or other disposition of all or substantially all of the assets of such Subsidiary Guarantor) will be released and relieved of any obligations under its Guarantees.

SECTION 10.3 Addition of Subsidiary Guarantors.

(a) If any Subsidiary of the Company guarantees any Funded Indebtedness of the Company at any time subsequent to the Issue Date, then the Company shall (i) cause the Securities to be equally and ratably guaranteed by such Subsidiary, but only to the extent that the Securities are not already guaranteed by such Subsidiary on reasonably comparable terms and (ii) cause such Subsidiary to execute and deliver a supplemental indenture, in a form reasonably satisfactory to the Trustee, evidencing its provision of a guarantee pursuant to the terms hereof.

(b) The Company agrees to cause each Subsidiary other than a Foreign Subsidiary that shall become a Restricted Subsidiary after the Issue Date to execute and deliver a supplemental indenture pursuant to which such Restricted Subsidiary shall guarantee the payment of the Securities pursuant to the terms hereof.

(c) Any Person that was not a Subsidiary Guarantor on the Issue Date may become a Guarantor by executing and delivering to the Trustee (i) a supplemental indenture in form and substance satisfactory to the Trustee, which subjects such Person to the provisions (including the representations and warranties) of this Indenture as a Subsidiary Guarantor and (ii) an Opinion of Counsel and Officers' Certificate to the effect that such supplemental indenture has been duly authorized and executed by such Person and constitutes the legal, valid, binding and enforceable obligation of such Person (subject to such customary exceptions concerning creditors' rights and equitable principles as may be acceptable to the Trustee in its discretion and provided that no opinion need be rendered concerning the enforceability of the Guarantee).

SECTION 10.4 Release of a Subsidiary Guarantor.

(a) If, at any time while the Securities remain outstanding, none of the Company's then outstanding Pari Passu Indebtedness (other than the Securities) is guaranteed by a Restricted Subsidiary, such Restricted Subsidiary shall be released and relieved of its obligations under its Guarantee (which shall be terminated and cease to have any force and effect). For purposes of this Section 10.4(a) only, other Pari Passu Indebtedness shall not be deemed to be outstanding if, and as long as, all conditions to defeasance thereof have been satisfied, pursuant to defeasance provisions substantially similar to those set forth in Article Eight hereof.

(b) Upon the sale or disposition of a Subsidiary Guarantor (or substantially all of its assets), which is otherwise in compliance with the terms of this Indenture, including but not limited to the provisions of Section 10.2, or if a Subsidiary ceases to be a Restricted Subsidiary, such Subsidiary shall be released and relieved of its obligations under its Guarantee (which shall terminate and cease to have any force and effect). The Trustee shall deliver an appropriate instrument evidencing such release upon receipt of a request by the Company accompanied by an Officers' Certificate and an Opinion of Counsel certifying that such sale or other disposition or cessation was made by the Company in accordance with the provisions of this Indenture.

(c) Any Subsidiary Guarantor not so released pursuant to this Article Ten remains liable for the full amount of principal of and interest on the Securities as provided in this Article Ten.

SECTION 10.5 Limitation of Subsidiary Guarantor's Liability.

Each Subsidiary Guarantor, and by its acceptance hereof each Holder, hereby confirms that it is the intention of all such parties that the guarantee by such Subsidiary Guarantor pursuant to its Guarantee not constitute a fraudulent transfer or conveyance for purposes of any federal or state law. To effectuate the foregoing intention, the Holders and each Subsidiary Guarantor hereby irrevocably agree that the obligations of each Subsidiary Guarantor under the Guarantee shall be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Guarantee or pursuant to Section 10.6, result in the obligations of such Subsidiary Guarantor under the Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. This Section 10.5 is for the benefit of the creditors of each Subsidiary Guarantor, and, for purposes of applicable fraudulent transfer and fraudulent conveyance law, any Indebtedness of a Subsidiary Guarantor pursuant to a bank credit facility shall be deemed to have been incurred prior to the incurrence by such Subsidiary Guarantor of its liability under the Guarantee.

SECTION 10.6 Contribution.

In order to provide for just and equitable contribution among the Subsidiary Guarantors, the Subsidiary Guarantors agree, inter se, that in the event any payment or distribution is made by any Subsidiary Guarantor (a "Funding Guarantor") under the Guarantee, such Funding Guarantor shall be entitled to a contribution from each other Subsidiary Guarantor in a pro rata amount based on the Adjusted Net Assets of each Subsidiary Guarantor (including the Funding Guarantor) for all payments, damages and expenses incurred by the Funding Guarantor in discharging the Company's obligations with respect to the Securities or any other Subsidiary Guarantor's obligations with respect to the Guarantee.

SECTION 10.7 Execution and Delivery of Guarantee.

To further evidence the Guarantees set forth in Section 10.1, each Subsidiary Guarantor hereby agrees that a notation relating to such Guarantee, in substantially the form of Exhibit A-1, shall be endorsed on each Security authenticated and delivered by the Trustee and executed by either manual or facsimile signature of one Officer of each Subsidiary Guarantor.

Each of the Subsidiary Guarantors hereby agrees that its Guarantee set forth in Section 10.1 shall remain in full force and effect notwithstanding any failure to endorse on each Security a notation relating to such Guarantee.

If an Officer of a Subsidiary Guarantor whose signature is on this Indenture or a Security no longer holds that office at the time the Trustee authenticates such Security or at any time thereafter, such Subsidiary Guarantor's Guarantee of such Security shall be valid nevertheless.

The delivery of any Security by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of any Guarantee set forth in this Indenture on behalf of the Subsidiary Guarantor.

SECTION 10.8 Severability.

In case any provision of this Guarantee shall be invalid, illegal or unenforceable, that portion of such provision that is not invalid, illegal or unenforceable shall remain in effect, and the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

ARTICLE XI

MISCELLANEOUS

SECTION 11.1 Trust Indenture Act Controls.

Whether prior to or following the qualification of this Indenture under the TIA, if any provision of this Indenture limits, qualifies, or conflicts with the duties imposed by operation of TIA Section 318(c) upon an Indenture qualified under the TIA, the imposed duties shall control under this Indenture.

SECTION 11.2 Notices.

Any notice or communication shall be sufficiently given if in writing and delivered in person or mailed by certified or registered mail (return receipt requested), facsimile, telecopier or overnight air courier guaranteeing next day delivery, addressed as follows:

If to the Company or any Subsidiary Guarantor:

Chesapeake Energy Corporation
6100 North Western Avenue
Oklahoma City, Oklahoma 73118
Attention: Chief Financial Officer

If to the Trustee:

United States Trust Company of New York

114 West 47th Street
New York, New York 10036
Attention: Corporate Trust Department

The Company or any Subsidiary Guarantor or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

All 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 faxed or telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication mailed to a Holder shall be mailed by first-class mail to the address for such Holder appearing on the registration books of the Registrar and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If the Company or any Subsidiary Guarantor mails notice or communications to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 11.3 Communication by Holders with Other Holders.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Company, the Subsidiary Guarantors, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 11.4 Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company or any Subsidiary Guarantor to the Trustee to take any action under this Indenture, the Company or such Subsidiary Guarantor, as the case may be, shall furnish to the Trustee:

(1) an Officers' Certificate (which shall include the statements set forth in Section 11.5) stating that, in the opinion of the signers, the conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, such conditions precedent have been complied with.

SECTION 11.5 Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of each such person, such covenant or condition has been complied with.

SECTION 11.6 Rules by Trustee and Agents.

The Trustee may make reasonable rules for actions taken by, or meetings or consents of, Holders. The Registrar or Paying Agent may make reasonable rules for its functions.

SECTION 11.7 Legal Holidays.

A "Legal Holiday" is a Saturday, a Sunday, or a day on which banks and trust companies in The City of New York are not required by law or executive order to be open. If a payment date is a Legal Holiday at a place of payment, payment may be made at the place on the next succeeding day that is not a Legal Holiday, without additional interest.

SECTION 11.8 Governing Law.

THIS INDENTURE AND THE SENIOR NOTES AND THE GUARANTEES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

SECTION 11.9 No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company, any Subsidiary Guarantor or any other Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 11.10 No Recourse Against Others.

All liability described in Paragraph 17 of the Securities of any director, officer, employee or stockholder, as such, of the Company, the Subsidiary Guarantors or the Trustee is waived and released.

SECTION 11.11 Successors.

All agreements of the Company and the Subsidiary Guarantors in this Indenture, the Securities and the Guarantees shall bind their respective successors. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 11.12 Duplicate Originals.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same instrument.

SECTION 11.13 Severability.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and a Holder shall have no claim therefor against any party hereto.

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

CHESAPEAKE ENERGY
CORPORATION

By: /s/ AUBREY K. MCCLENDON

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

UNITED STATES TRUST COMPANY OF
NEW YORK, as Trustee

By: /s/ PETER C. GERRER

Name: Peter C. Gerrer
Title: Vice President

SUBSIDIARY GUARANTORS

CHESAPEAKE OPERATING, INC.

CHESAPEAKE GAS DEVELOPMENT
CORPORATION

For each of the above:

By: /s/ MARCUS C. ROWLAND

Name: Marcus C. Rowland
Title: Vice President

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP

By: Chesapeake Operating, Inc.,
General Partner

By: /s/ MARCUS C. ROWLAND

Name: Marcus C. Rowland
Title: Vice President

ANNEX 4.3

OFFICERS' CERTIFICATE OF NONDEFAULT

CHESAPEAKE ENERGY CORPORATION

This Officers' Certificate is provided pursuant to Section 4.03(a) of the Indenture dated March 15, 1997 among Chesapeake Energy Corporation (the "Company"), the Subsidiary Guarantors named therein and United States Trust Company of New York, as Trustee (the "Indenture").

A review of the activities of the Company and the Subsidiaries during the preceding fiscal year ended June 30, _____ has been made under the supervision of the Officers signing below with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under the Indenture. In addition, each such Officer signing this certificate states that, to the best of such Officer's knowledge, the Company and each Subsidiary Guarantor has kept, observed, performed and fulfilled each and every covenant contained in the Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of the Indenture. After reasonable inquiry, to the best of each such Officer's knowledge, no event has occurred and remains in existence by reason of which payments on account of the principal of, premium, if any, or interest, if any, on the Senior Notes are prohibited. This Officers' Certificate is intended to comply with TIA 314(a)(4).

Additionally, each Officer signing below has read each covenant or condition set forth in the Indenture and has made such examination or investigation as is necessary, in the opinion of each such Officer, to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with, which examination or investigation was conducted in the course of the Officers' routine operational management of the Company. In the opinion of each such Officer, each such covenant or condition has been complied with.

EXECUTED THIS _____ day of _____, _____.

CHESAPEAKE ENERGY CORPORATION,
an Oklahoma corporation

*By:

By:

- ---
* This certificate must be signed by the principal executive, financial or accounting officer (as well as one other Officer).

EXHIBIT A

[FACE OF SECURITY]

[THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OR A DEPOSITORY OR A SUCCESSOR DEPOSITORY. THIS SECURITY IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

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.] (1)

[THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1)(a) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED

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(1) This paragraph should be included in any Global Security.

STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE.] (2)

[THIS SECURITY IS A TEMPORARY REGULATION S GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER. EXCEPT IN THE CIRCUMSTANCES DESCRIBED IN SECTION 2.6 OF THE INDENTURE, INTERESTS IN THIS TEMPORARY REGULATION S GLOBAL SECURITY MAY NOT BE OFFERED OR SOLD TO A U.S. PERSON OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD (AS DEFINED IN THE INDENTURE), AND NO TRANSFER OR EXCHANGE OF AN INTEREST IN THIS TEMPORARY REGULATION S GLOBAL SECURITY MAY BE MADE FOR AN INTEREST IN A RESTRICTED GLOBAL SECURITY UNTIL AFTER THE LATER OF THE DATE OF EXPIRATION OF THE RESTRICTED PERIOD AND THE DATE ON WHICH THE OWNER SECURITIES CERTIFICATION AND THE DEPOSITORY SECURITIES CERTIFICATION RELATING TO SUCH INTEREST HAVE BEEN PROVIDED IN ACCORDANCE WITH THE TERMS OF THE INDENTURE, TO THE EFFECT THAT THE BENEFICIAL OWNER OR OWNERS OF SUCH INTEREST ARE NOT U.S. PERSONS.] (3)

[THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITY ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON, UNLESS THE SECURITIES ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE.] (4)

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(2) This paragraph shall be included only if this Security is a Restricted Security.

(3) This paragraph shall be included only if this Security is a Temporary Regulation S Global Security.

(4) This paragraph shall be included only if this Security is a Permanent Regulation S Global Security.

CHESAPEAKE ENERGY CORPORATION

8 1/2% SERIES [A/B] SENIOR NOTE DUE 2012

No. $_____
CUSIP No._____

Chesapeake Energy Corporation, an Oklahoma corporation, promises to pay to _____ or registered assigns the principal sum of _____ Dollars on March 15, 2012.

Interest Payment Dates: March 15 and September 15, commencing September 15, 1997

Record Dates: March 1 and September 1

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

Dated:

[Seal]

CHESAPEAKE ENERGY CORPORATION

By:

By:

Certificate of Authentication:

UNITED STATES TRUST COMPANY OF NEW YORK
as Trustee, certifies that this is one of the [Global] (5) Securities referred to in the within-mentioned Indenture.

By

Authorized Signatory

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(5) If the Security is issued in global form, insert the term Global.

[REVERSE OF SECURITY]

CHESAPEAKE ENERGY CORPORATION

8 1/2% SERIES [A/B] SENIOR NOTE DUE 2012

1. Interest. Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), promises to pay interest on the principal amount of this Security at 8 1/2% per annum from the Issue Date until maturity. The Company will pay interest semiannually on March 15 and September 15 of each year (each an "Interest Payment Date"), or if any such day is not a Business Day, on the next succeeding Business Day. Interest on the Securities will accrue from the most recent Interest Payment Date on which interest has been paid or, if no interest has been paid, from the Issue Date; provided, that if there is no existing Default in the payment of interest, and if this Security is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be September 15, 1997. The Company shall pay interest on overdue principal and premium, if any, from time to time on demand at a rate equal to the interest rate on the Securities then in effect; it shall pay interest on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months. All references herein to interest shall include additional interest, if any, payable as Liquidated Damages pursuant to the Registration Rights Agreement.

2. Method of Payment. The Company will pay interest on the Securities to the persons who are registered holders of Securities at the close of business on the record date immediately preceding the Interest Payment Date, even if such Securities are canceled after the record date and on or before the Interest Payment Date. Holders must surrender Securities to the Paying Agent to collect principal payments. The Company will pay principal of, premium, if any, and interest on the Securities in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. However, the Company may pay principal and interest by wire transfer of Federal Funds, or interest by its check payable in such U.S. Legal Tender. The Company may deliver any such interest payment to the Paying Agent or to a Holder at the Holder's registered address. Notwithstanding the foregoing, the Company shall pay or cause to be paid all amounts payable with respect to Restricted Securities or non-DTC eligible Securities by wire transfer of Federal funds to the account of the Holders of such Securities. If this Security is a Global Security, all payments in respect of this Security will be made to the Depository or its nominee in immediately available funds in accordance with customary procedures established from time to time by the Depository.

3. Paying Agent and Registrar. Initially, the Trustee will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-registrar without notice. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

4. Indenture. The Company issued the Securities under an Indenture, dated as of March 15, 1997 (the "Indenture"), among the Company, the Subsidiary Guarantors and the Trustee. Capitalized terms herein are used as defined in the Indenture unless otherwise defined herein. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbbb) as in effect on the date of the Indenture. Notwithstanding anything to the contrary herein, the Securities are subject to all such terms, and Holders are referred to the Indenture and such Act for a complete statement of such terms. The Securities are limited to $150,000,000 aggregate principal amount.

5. Ranking and Guarantees. The Securities are general senior unsecured obligations of the Company. The Company's obligation to pay principal, premium, if any, and interest with respect to the Securities is unconditionally guaranteed on a senior basis, jointly and severally, by the Subsidiary Guarantors pursuant to Article Ten of the Indenture. Certain limitations to the obligations of the Subsidiary Guarantors are set forth in further detail in the Indenture.

6. Optional Redemption. At any time on or after March 15, 2004, the Company may, at its option, redeem all or any portion of the Securities at the redemption prices (expressed as a percentage of the principal amount of the Securities to be redeemed) set forth below, plus, in each case, accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the 12-month period beginning March 15 of the years indicated below:

Year	Price
2004	104.25%
2005	103.40%
2006	102.55%
2007	101.70%
2008	100.85%
2009 and thereafter	100.00%

Any redemption pursuant to this Paragraph 6 shall be made pursuant to the provisions of Sections 3.1 through 3.6 of the Indenture.

7. Redemption at Make-Whole Price. At any time prior to March 15, 2004, the Company may, at its option, redeem all or any portion of the Securities at the Make-Whole Price plus accrued and unpaid interest to the date of redemption. Any redemption pursuant to this Paragraph 7 shall be made pursuant to the provisions of Sections 3.1 through 3.6 of the Indenture.

8. Notice of Redemption. Notice of redemption will be mailed to the Holder's registered address at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed. If less than all Securities are to be redeemed, the Trustee shall select pro

rata, by lot or, if the Securities are listed on any securities exchange, by any other method that the Trustee considers fair and appropriate and that complies with the requirements of such exchange; the Securities to be redeemed in multiples of $1,000; provided, however, that no Securities with a principal amount of $1,000 or less will be redeemed in part. Securities in denominations larger than $1,000 may be redeemed in part. On and after the redemption date, interest ceases to accrue on Securities or portions of them called for redemption (unless the Company shall default in the payment of the redemption price or accrued interest).

9. Restrictive Covenants. The Indenture imposes certain limitations on, among other things, the ability of the Company to merge or consolidate with any other Person or sell, lease or otherwise transfer all or substantially all of its properties or assets, the ability of the Company or the Restricted Subsidiaries to incur encumbrances against certain property or enter into certain sale and leaseback transactions, all subject to certain limitations described in the Indenture.

10. Denominations, Transfer, Exchange. The Securities shall be issued in global form or in accordance with Section 2.6(f) of the Indenture, in definite registered form, without coupons in denominations of $1,000 and whole multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not transfer or exchange any Securities selected for redemption. Also, it need not transfer or exchange any Securities for a period of 15 days before a selection of Securities to be redeemed.

11. Persons Deemed Owners. The registered Holder of a Security may be treated as the owner of it for all purposes and neither the Company, any Subsidiary Guarantor, the Trustee nor any Agent shall be affected by notice to the contrary.

12. Unclaimed Money. If money for the payment of principal or interest remains unclaimed for one year, the Trustee or Paying Agent will pay the money back to the Company at its request. After that, all liability of the Trustee and such Paying Agent with respect to such money shall cease.

13. Amendment, Supplement, Waiver. Subject to certain exceptions, the Indenture or the Securities may be amended or supplemented with the consent of the Holders of at least a majority of the outstanding principal amount of the Securities, and any past default or noncompliance with any provision may be waived with the consent of the Holders of a majority in principal amount of the Securities. Without the consent of any Holder, the Company may amend or supplement the Indenture or the Securities to, among other things, cure any ambiguity, defect or inconsistency or to make any change that does not adversely affect the rights of any Holder.

14. Successor Corporation. When a successor corporation assumes all the obligations of its predecessor under the Securities and the Indenture, the predecessor corporation will be released from those obligations.

15. Defaults and Remedies. An event of default generally is: default by the Company or any Subsidiary Guarantor for 30 days in payment of interest on the Securities; default by the Company or any Subsidiary Guarantor in payment of principal of, or premium, if any, on the Securities; default by the Company or any Subsidiary Guarantor in the deposit of any optional redemption payment when due and payable; defaults resulting in acceleration prior to maturity of certain other Indebtedness or resulting from payment defaults under certain other Indebtedness; failure by the Company or any Subsidiary Guarantor for 45 days after notice to comply with any of its other agreements in the Indenture; certain final judgments against the Company or Subsidiaries; a failure of any Guarantee of a Subsidiary Guarantor to be in full force and effect or denial by any Subsidiary Guarantor of its obligations with respect thereto; and certain events of bankruptcy or insolvency. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Securities may declare all the Securities to be due and payable immediately, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization relating to the Company, all outstanding Securities shall become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in principal amount of the Securities may direct the Trustee in its exercise of any trust or power. The Company must furnish an annual compliance certificate to the Trustee.

16. Trustee Dealings with Company and Subsidiary Guarantors. The Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company, the Subsidiary Guarantors or their respective Subsidiaries or Affiliates with the same rights it would have if it were not Trustee.

17. No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company, any Subsidiary Guarantor or the Trustee shall not have any liability for any obligations of the Company, any Subsidiary Guarantor or the Trustee under the Securities or the Indenture or for any claim based on, in respect of or by reason of, such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Security.

18. Authentication. This Security shall not be valid until the Trustee or an authenticating agent signs the certificate of authentication on the other side of this Security.

19. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=Custodian), and U/G/M/A (=Uniform Gifts to Minors Act).

20. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company will cause CUSIP numbers to be printed

on the Securities as a convenience to Holders of the Securities. No representation is made as to the accuracy of such numbers as printed on the Securities and reliance may be placed only on the other identification numbers printed hereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to: Chesapeake Energy Corporation, 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, Attention: Chief Financial Officer.

[Until this Temporary Regulation S Global Security is exchanged for a Permanent Regulation S Global Security, the Holder hereof shall not be entitled to receive payments of interest hereon; until so exchanged in full, this Temporary Regulation S Global Security shall in all other respects be entitled to the same benefits as other Securities under the Indenture.

This Temporary Regulation S Global Security is exchangeable in whole or in part for one or more Permanent Regulation S Global Securities or Restricted Global Securities only (i) on or after the expiration of the Restricted Period and (ii) upon presentation of certificates (accompanied by an Opinion of Counsel, if applicable) required by Article II of the Indenture. Upon exchange of this Temporary Regulation S Global Security for one or more Permanent Regulation S Global Securities or Restricted Global Securities, the Trustee shall cancel this Temporary Regulation S Global Security.

This Temporary Regulation S Global Security shall not become valid or obligatory until the certificate of authentication hereon shall have been duly manually signed by the Trustee in accordance with the Indenture. This Temporary Regulation S Global Security shall be governed by and construed in accordance with tho laws of the State of New York.

SCHEDULE OF EXCHANGES FOR GLOBAL SECURITIES

The following exchanges of a part of this Temporary Regulation S Global Security for other Global Securities have been made:

Date of Exchange	Amount of Decrease in Principal Amount of this Global Security	Amount of Increase in Principal Amount of this Global Security	Principal Amount of this Global Security Following Such Decrease (or Increase)	Signature of Authorized Officer of Trustee or Securities Custodian] (6)

- ----------

(6) Insert on the form of reverse of a Temporary Regulation S Global Security.

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to:

_____

(Insert assignee's social security or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ as agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

_____

Your Signature: _____

(Sign exactly as your name appears on the other side of this Security)

Date: _____

Signature Guarantee: _____

EXHIBIT A-1

FORM OF NOTATION ON SECURITY
RELATING TO GUARANTEE

The Subsidiary Guarantors (as defined in the Indenture), jointly and severally, have unconditionally guaranteed the due and punctual payment of the principal of, premium, if any, and interest on the Securities, and all other amounts due and payable under the Indenture and the Securities by the Company, whether at maturity, acceleration, redemption, repurchase or otherwise, including, without limitation, the due and punctual payment of interest on the overdue principal of, premium, if any, and interest on the Securities, to the extent lawful. The obligations of the Subsidiary Guarantors pursuant to the Guarantee are subject to the terms and limitations set forth in Article Ten of the Indenture, and reference is made thereto for the precise terms of the Guarantee.

CHESAPEAKE OPERATING, INC.

By:

Name: Marcus C. Rowland
Title: Vice President

CHESAPEAKE GAS DEVELOPMENT
CORPORATION

By:

Name: Marcus C. Rowland
Title: Vice President

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP

By: Chesapeake Operating, Inc.,
General Partner

By:

Name: Marcus C. Rowland
Title: Vice President

EXHIBIT B

TRANSFEREE LETTER OF REPRESENTATION

Donaldson Lufkin & Jenrette
Securities Corporation
Bear, Stearns & Co. Inc.
J.P. Morgan Securities Inc.
Lehman Brothers, Inc.

Initial Purchasers in connection with the Offering Memorandum referred to below

Chesapeake Energy Corporation
6100 North Western
Oklahoma City, Oklahoma 73118

United States Trust Company of New York
114 West 47th Street
New York, New York 10036
Attention:

Ladies and Gentlemen:

In connection with our proposed purchase of $_____ aggregate principal amount of 8 1/2% Senior Notes due 2012 (the "Notes") of Chesapeake Energy Corporation (the "Company"), we confirm that:

(i) we are an "institutional accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act") (an "Institutional Accredited Investor"), or any entity in which all of the equity owners are Institutional Accredited Investors;

(ii) any purchase of Notes by us will be for our own account or for the account of one or more other Institutional Accredited Investors as to which we exercise sole investment discretion;

(iii) in the event that we purchase any Notes, we will acquire such Notes having a minimum purchase price of at least $100,000 for our own account and for each separate account for which we exercise sole investment discretion;

(iv) we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of purchasing Notes and we

and any accounts for which we are acting are able to bear the economic risks of our or their investment;

(v) we are not acquiring the Notes with a view to any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; provided that the disposition of our property and the property of any accounts for which we are acting as shall remain at all times within our control; and

(vi) we have received a copy of the Offering Memorandum and acknowledge that we have had access to such financial and other information, and have been afforded the opportunity to ask such questions of representatives of the Company and receive answers thereto, as we deem necessary in connection with our decision to purchase Notes.

We understand that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Notes have not been registered under the Securities Act, and we agree, on our own behalf and on behalf of each account for which we acquire any Notes, that if we should sell or otherwise transfer any Notes prior to the date which is three years (or such shorter period set forth in Rule 144(k) under the Securities Act, as such provision may be amended) after the original issuance of the Notes, we will do so only (a) to the Company or any of its subsidiaries, (b) inside the United States in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined in Rule 144A under the Securities 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 Trustee, a signed letter contained certain representations and agreements relating to the restrictions on transfer of the Notes (the form of which letter can be obtained from the applicable Trustee), (d) outside the United States in accordance with 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.

We understand that the registrar will not be required to accept for registration of transfer any Notes, except upon presentation of evidence satisfactory to the Company that the foregoing restrictions on transfer have been complied with. We understand that, on any proposed resale of any Notes, we will be required to furnish to the Trustee and the Company such certification, legal opinions and other information as the Trustee and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend reflecting the substance of this paragraph. We further agree to provide to any person acquiring any of the Notes from us a notice advising such person that resales of the Notes are restricted as stated herein.

We acknowledge that you, the Company and others will rely upon our confirmation, acknowledgments and agreements set forth herein, and agree to notify you promptly in writing if any of our representations or warranties herein cease to be accurate and complete.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,

(Name of Purchaser)

By:

Name:
Title:

Date:

Upon transfer, the Notes should be registered in the name of the new beneficial owner as follows:

Name:

Address:

Taxpayer ID Number:

EXHIBIT C

[FORM OF CERTIFICATION TO BE GIVEN BY
HOLDERS OF BENEFICIAL INTEREST IN A
TEMPORARY REGULATION S GLOBAL SECURITY TO
EUROCLEAR OR CEDEL]

OWNER SECURITIES CERTIFICATION

CHESAPEAKE ENERGY CORPORATION

8 1/2% Senior Notes due 2012
CUSIP No. _____

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This is to certify that, as of the date hereof, $_____ of the above-captioned Securities (the "Securities") are beneficially owned by non-U.S. person(s). As used in this paragraph, the term "U.S. person" has the meaning given to it by Regulation S under the Securities Act of 1933, as amended.

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the Securities held by you for our account in accordance with your operating procedures if any applicable statement is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceedings. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated: _____, 199__

By:

As, or as agent for, the beneficial owner(s) of the Securities to which this certificate relates.

EXHIBIT D

[FORM OF CERTIFICATION TO BE GIVEN BY THE EUROCLEAR OPERATOR OR CEDEL BANK, SOCIETE ANONYME]

DEPOSITORY SECURITIES CERTIFICATION

CHESAPEAKE ENERGY CORPORATION

8 1/2% Senior Notes due 2012
CUSIP No. _____

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This is to certify that, with respect to U.S.$_____ principal amount of the above-captioned Securities (the "Securities"), except as set forth below, we have received in writing, by tested telex or by electronic transmission, from member organizations appearing in our records as persons being entitled to a portion of the principal amount of the Securities (our "Member Organizations"), certifications with respect to such portion, substantially to the effect set forth in the Indenture. (1)

We further certify (i) that we are not making available herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) any portion of the Temporary Regulation S Global Security (as defined in the Indenture) excepted in such certifications and (ii) that as of the date hereof we have not received any notification from any of our Member Organizations to the effect that the statements made by such Member Organizations with respect to any portion of the part submitted herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) are no longer true and cannot be relied upon as of the date hereof.

We understand that this certification is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably

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(1) Unless Morgan Guaranty Trust Company of New York, London Branch is otherwise informed by the Agent, the long form certificate set out in the Operating Procedures will be deemed to meet the requirements of this sentence.

authorize you to produce this certification to any interested party in such proceedings. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated: _____, 199__

Yours faithfully,

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK, as operator of the
Euroclear System)

or

[CEDEL BANK, SOCIETE ANONYME]

By:

EXHIBIT E

[FORM OF CERTIFICATION TO BE GIVEN BY
TRANSFEREE OF BENEFICIAL INTEREST IN A
TEMPORARY REGULATION S GLOBAL SECURITY]

TRANSFEREE SECURITIES CERTIFICATION

CHESAPEAKE ENERGY CORPORATION

8 1/2% Senior Notes due 2012
CUSIP No. _____

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

For purposes of acquiring a beneficial interest in the Temporary Regulation S Global Security, the undersigned certifies that it is not a U.S. Person as defined by Regulation S under the Securities Act of 1933, as amended.

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the Securities held by you in which we intend to acquire a beneficial interest in accordance with your operating procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchaser.

Dated: _____, 199__

By:

As, or as agent for, the beneficial acquiror of the Securities to which this certificate relates.

EXHIBIT F

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF RESTRICTED GLOBAL SECURITY TO
TEMPORARY REGULATION S GLOBAL SECURITY]

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
8 1/2% Senior Notes due 2012 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S.$_____ aggregate principal amount of Securities which are held in Restricted Global Security (CUSIP No. _____) with the Depository in the name of (insert name of transferor) (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the Securities to a Person who will take delivery thereof in the form of an equal aggregate principal amount of Securities evidenced by the Temporary Regulation S Global Security (CUSIP No. _____) to be held with the Depository in the name of [Euroclear] [Cedel Bank, Societe Anonyme].

In connection with such request and in respect of such Securities, the Transferor does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Securities and pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), and accordingly the Transferor does hereby certify that:

(1) the offer of the Securities was not made to a person in the United States;

[(2) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States;] (1)

[(2) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States;] (1)

(3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable;

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(5) upon completion of the transaction, the beneficial interest being transferred as described above is to be held with the Depository in the name of [Euroclear] [Cedel Bank, Societe Anonyme].

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated:

CC: Chesapeake Energy Corporation

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(1) Insert one of these two provisions, which come from the definition offshore transaction in Regulation S.

EXHIBIT G

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF RESTRICTED GLOBAL SECURITY TO
PERMANENT REGULATION S GLOBAL SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
8 1/2% Senior Notes due 2012 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), by and among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. $_____ aggregate principal amount of Securities which are held in the form of the Restricted Global Security (CUSIP No. _____) with the Depository in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the Securities to a Person who will take delivery thereof in the form of an equal aggregate principal amount of Securities evidenced by the Permanent Regulation S Global Security (CUSIP No. _____).

In connection with such request, and in respect of such Securities, the Transferor does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Securities and,

(1) with respect to transfers made in reliance on Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), the Transferor does hereby certify that:

(A) the offer of the Securities was not made to a person in the United States;

[(B) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States;] (1)

[(B) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States;1

(C) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable; and

(D) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(2) with respect to transfers made in reliance on Rule 144 under the Securities Act, the Transferor does hereby certify that the Securities are being transferred in a transaction permitted by Rule 144 under the Securities Act.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated:

CC: Chesapeake Energy Corporation

- ---

(1) Insert one of these two provisions, which come from the definition of offshore transactions in Regulation S.

EXHIBIT H

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF TEMPORARY REGULATION S GLOBAL
SECURITY OR PERMANENT REGULATION S
GLOBAL SECURITY TO RESTRICTED GLOBAL SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
8 1/2% Senior Notes due 2012 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. $_____ principal amount of Securities which are evidenced by an aggregate [Temporary Regulation S Global Security (CUSIP No. _____)] [Permanent Regulation S Global Security (CUSIP No. _____)] and held with the Depository through [Euroclear] [Cedel] (Common Code _____) in the name of [insert name of transferor] (the "Transferor"). The Transferor has requested a transfer of such beneficial interest in the Securities to a person that will take delivery thereof in the form of an equal principal amount of Securities evidenced by a Restricted Global Security of the same series and of like tenor as the Securities (CUSIP No. _____).

In connection with such request and in respect of such Securities, the Transferor does hereby certify that such transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act and, accordingly, the Transferor does hereby further certify that the Securities are being transferred to a person that the Transferor reasonably believes is purchasing the Securities for its own account, or for one or more accounts with respect to which such person exercises sole investment discretion, and such person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated:

CC: Chesapeake Energy Corporation

EXHIBIT I-1

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF NON-GLOBAL RESTRICTED
SECURITY TO RESTRICTED GLOBAL SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
8 1/2% Senior Notes due 2012 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of Restricted Securities held in definitive form (CUSIP No. _____) by [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such Securities.

In connection with such request and in respect of such Securities, the Transferor does hereby certify that (i) such Securities are owned by the Transferor and are being exchanged without transfer or (ii) such transfer has been effected pursuant to and in accordance with Rule 144A or Rule 144 under the United States Securities Act of 1933, as amended (the "Securities Act") and accordingly the Transferor does hereby further certify that:

(1) if the transfer has been effected pursuant to Rule 144A:

(A) the Securities are being transferred to a person that the Transferor reasonably believes is purchasing the Securities for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion;

(B) such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A; and

(C) the Securities have been transferred in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States; or

(2) if the transfer has been effected pursuant to Rule 144:

(D) more than two years (or such shorter period as set forth in Rule 144(d) or any amendment thereto) has elapsed since the date of the closing of the initial placement of the Securities pursuant to the Purchase Agreement; and

(E) the Securities have been transferred in a transaction permitted by Rule 144 and made in accordance with any applicable securities laws of any state of the United States.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated:

[Insert Name of Transferor]

By:

Name:
Title:

CC: Chesapeake Energy Corporation

EXHIBIT I-2

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF NON-GLOBAL RESTRICTED
SECURITY TO PERMANENT REGULATION S GLOBAL
SECURITY OR TEMPORARY REGULATION S GLOBAL SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
8 1/2% Senior Notes due 2012 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of Restricted Securities held in definitive form (CUSIP No. _____) by [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such Securities.

In connection with such request and in respect of such Securities, the Transferor does hereby certify that (i) such Securities are owned by the Transferor and are being exchanged without transfer or (ii) such transfer has been effected pursuant to and in accordance with (a) Rule 903 or Rule 904 under the Securities Act of 1933, as amended (the "Act"), or (b) Rule 144 under the Act, and accordingly the Transferor does hereby further certify that:

(1) if the transfer has been effected pursuant to Rule 903 or Rule 904:

(A) the offer of the Securities was not made to a person in the United States;

(B) either;

(i) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States, or

(ii) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States;

(C) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable;

(D) the transaction is not part of a plan or scheme to evade the registration requirements of the Act; and

(E) if such transfer is to occur during the Restricted Period, upon completion of the transaction, the beneficial interest being transferred as described above was held with the Depository through [Euroclear] [CEDEL]; or

(2) if the transfer has been effected pursuant to Rule 144:

(A) more than two years (or such shorter period as set forth in Rule 144(d) or any amendment thereto) has elapsed since the date of the closing of the initial placement of the Securities pursuant to the Purchase Agreement; and

(B) the Securities have been transferred in a transaction permitted by Rule 144 and made in accordance with any applicable securities laws of any state of the United States.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated:

[Insert Name of Transferor]

By:

Name:
Title:

CC: Chesapeake Energy Corporation

EXHIBIT J-1

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF NON-GLOBAL PERMANENT
REGULATION S SECURITY TO RESTRICTED GLOBAL
SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
8 1/2% Senior Notes due 2012 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of Restricted Securities held in definitive form (CUSIP No. _____) by [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such Securities.

In connection with such request and in respect of such Securities, the Transferor does hereby certify that (i) such Securities are owned by the Transferor and are being exchanged without transfer or (ii) such transfer has been effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended, and accordingly the Transferor does hereby further certify that the Securities are being transferred to a person that the Transferor reasonably believes is purchasing the Securities for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably

authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated:

[Insert Name of Transferor]

By:

Name:
Title:

CC: Chesapeake Energy Corporation

EXHIBIT J-2

FORM OF CERTIFICATION FOR TRANSFER OR
EXCHANGE OF NON-GLOBAL PERMANENT
REGULATION S SECURITY TO
PERMANENT REGULATION S GLOBAL
SECURITY

United States Trust Company of New York,
as Trustee
114 West 47th Street
New York, New York 10036

Attention: Corporate Trust Administration

Re: Chesapeake Energy Corporation
8 1/2% Senior Notes due 2012 (the "Securities")

Reference is hereby made to the Indenture, dated as of March 15, 1997 (the "Indenture"), among Chesapeake Energy Corporation, as Issuer, the Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to $_____ principal amount of Restricted Securities held in definitive form (CUSIP No. _____) by [insert name of transferor] (the "Transferor"). The Transferor has requested an exchange or transfer of such Securities.

In connection with such request and in respect of such Securities, the Transferor does hereby certify that (i) such Securities are owned by the Transferor and are being exchanged without transfer or (ii) such transfer has been effected pursuant to and in accordance with (a) Rule 903 or Rule 904 under the Securities Act of 1933, as amended (the "Act"), or (b) Rule 144 under the Act, and accordingly the Transferor does hereby further certify that:

(1) if the transfer has been effected pursuant to Rule 903 or Rule 904:

(A) the offer of the Securities was not made to a person in the United States;

(B) either;

(i) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States, or

(ii) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States;

(C) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable;

(D) the transaction is not part of a plan or scheme to evade the registration requirements of the Act; and

(E) if such transfer is to occur during the Restricted Period, upon completion of the transaction, the beneficial interest being transferred as described above was held with the Depository through [Euroclear] [CEDEL]; or

(2) if the transfer has been effected pursuant to Rule 144;

(A) more than two years (or such shorter period as set forth in Rule 144(d) or any amendment thereto) has elapsed since the date of the closing of the initial placement of the Securities pursuant to the Purchase Agreement; and

(B) the Securities have been transferred in a transaction permitted by Rule 144 and made in accordance with any applicable securities laws of any state of the United States.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers.

Dated:

[Insert Name of Transferor]

By:

Name:
Title:

CC: Chesapeake Energy Corporation

EXHIBIT 4.5

$300,000,000
Chesapeake Energy Corporation
$150,000,000 7 7/8% Senior Notes due 2004
$150,000,000 8 1/2% Senior Notes due 2012

REGISTRATION RIGHTS AGREEMENT

March 12, 1997

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
BEAR, STEARNS & CO. INC.
J.P. MORGAN SECURITIES INC.
LEHMAN BROTHERS INC.
c/o Donaldson, Lufkin & Jenrette
Securities Corporation
277 Park Avenue
New York, New York 10172

Ladies and Gentlemen:

Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), and its subsidiaries listed on the signature pages hereto (the "Subsidiary Guarantors") propose to issue and sell to you (the "Initial Purchasers"), upon the terms set forth in a purchase agreement of even date herewith (the "Purchase Agreement"), $150,000,000 principal amount of the Company's 7 7/8% Senior Notes due 2004 (the "2004 Senior Notes") and $150,000,000 principal amount of the Company's 8 1/2% Senior Notes due 2012 (the "2012 Senior Notes" and, collectively with the 2004 Senior Notes, the "Senior Notes"). The 2004 Senior Notes and the 2012 Senior Notes will be issued pursuant to separate indentures, each to be dated as of March 15, 1997 (respectively, the "2004 Senior Notes Indenture" and the "2012 Senior Notes Indenture" and, collectively, the "Indentures") by and among the Company, the Subsidiary Guarantors and United States Trust Company of New York, as trustee (with respect to each of the Indentures, the "Trustee"), substantially in the forms previously furnished to you.

Capitalized terms used but not specifically defined herein are defined in the Purchase Agreement and used herein as so defined. References to each issue of Senior Notes shall include the related Guarantees (as defined in the related Indenture) of the Subsidiary Guarantors. As used herein, "Registrable Senior Notes" shall mean each Senior Note of each issue, until the earliest to occur of (a) the date on which such Senior Note is exchanged in the applicable Registered Exchange Offer for an Exchange Note (each as defined below) of such issue and entitled to be resold to the

public by the holder thereof without complying with the prospectus delivery requirements of the Securities Act of 1933, as amended (the "Securities Act"), (b) the date on which such Senior Note has been effectively registered under the Securities Act and disposed of pursuant to a Senior Notes Shelf Registration (as defined below) and (c) the date on which such Senior Note is distributed to the public pursuant to Rule 144 under the Securities Act or by a Broker-Dealer (as defined below) pursuant to the "Plan of Distribution" contemplated by the registration statement relating to the Registered Exchange Offer (including delivery of the prospectus contained therein).

In consideration of the premises, and the mutual covenants, representations, warranties and agreements herein contained, the parties hereby agree as follows:

1. Registered Exchange Offers.

(a) Promptly (and in any event not more than 60 days) following the closing date of the sale of the Senior Notes (the "Closing Date"), the Company and the Subsidiary Guarantors shall file with the Commission, with respect to each of the 2004 Senior Notes and the 2012 Senior Notes, a registration statement on an appropriate form under the Securities Act with respect to proposed offers (the "Registered Exchange Offers") to the holders of the Registrable Senior Notes of the applicable issue to issue and deliver to such holders, in exchange for the Registrable Senior Notes of such issue, a like principal amount of debt securities of the Company identical in all material respects to the Registrable Senior Notes of such issue (the "Exchange Notes"), shall use their best efforts to cause such registration statement to become effective under the Securities Act no later than 160 days after the Closing Date and, upon the effectiveness of such registration statement, shall commence each Registered Exchange Offer and shall cause the same to remain open for such period of time to be determined by the Company (but not less than 30 nor more than 60 days after the commencement of the applicable Registered Exchange Offer), and to be conducted in accordance with such procedures, as may be required by the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), it being the objective of such Registered Exchange Offers to enable each holder of Registrable Senior Notes of the applicable issue electing to exchange Registrable Senior Notes of such issue for Exchange Notes of such issue (assuming that such holder is not an affiliate of the Company within the meaning of the Securities Act, acquires the Exchange Notes in the ordinary course of such holder's business and has no arrangements with any person to participate in the distribution of the Exchange Notes) to trade such Exchange Notes from and after their receipt without any limitations or restrictions under the Securities Act, subject as to a Broker-Dealer to the provisions of Section 1(b) hereof, or the Exchange Act and without material restrictions under the securities laws of a substantial proportion of the several states of the United States.

(b) The Company shall indicate in a "Plan of Distribution" section contained in the final prospectus constituting a part of the registration statement relating to the Registered Exchange Offers that any broker or dealer registered under the Exchange Act (each a "Broker-Dealer") who holds Registrable Senior Notes that were acquired for its own account as a result of market-making activities or other trading activities (other than Registrable Senior Notes acquired

directly from the Company), may exchange such Registrable Senior Notes for Exchange Notes of the applicable issue pursuant to the applicable Registered Exchange Offer; however, such Broker-Dealer may be deemed an "underwriter" within the meaning of the Securities Act and, therefore, must deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such Exchange Notes received by it in the applicable Registered Exchange Offer, which prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of the final prospectus contained in the registration statement relating to such Registered Exchange Offer. Such "Plan of Distribution" section also shall state that the delivery by a Broker-Dealer of the final prospectus relating to the Registered Exchange Offer in connection with resales of Exchange Notes shall not be deemed to be an admission by such Broker-Dealer that it is an "underwriter" within the meaning of the Securities Act, and shall contain all other information with respect to resales of the Exchange Notes by Broker-Dealers that the Commission may require in connection therewith, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Exchange Notes held by any such Broker-Dealer except to the extent required by the Commission as a result of a change in policy after the date of this Agreement.

(c) In connection with such Registered Exchange Offers and the offer and sale of Exchange Notes by Broker-Dealers as contemplated above, the Company and the Subsidiary Guarantors shall take such other and further action, including making appropriate filings under state securities laws and delivering such number of final prospectuses relating to the Registered Exchange Offers as any Broker-Dealer proposing to deliver the same in connection with its resales of Exchange Notes may reasonably request, as may be necessary to realize the foregoing objectives. The Company and the Subsidiary Guarantors shall cause the registration statement relating to the Registered Exchange Offers to remain continuously effective for a period of one year, if required, from the date on which such registration statement is first declared effective, and shall supplement or amend the prospectus contained therein to the extent necessary to permit such prospectus (as supplemented or amended) to be delivered by Broker-Dealers in connection with their resales of Exchange Notes as aforesaid.

2. Senior Notes Shelf Registration. If, because of any change in currently prevailing interpretations of the Commission's staff, the Company is not permitted to effect a Registered Exchange Offer, as contemplated by Section 1 hereof, the following provisions shall apply with respect to each issue of Senior Notes:

(a) Promptly (and in any event not more than 60 days) following the date of closing (the "Closing Date") of the sale of the Senior Notes, the Company and the Subsidiary Guarantors shall file with the Commission, and thereafter use their best efforts to have declared effective not later than 160 days after the Closing Date, a registration statement on an appropriate form under the Securities Act relating to the offer and sale of the Registrable Senior Notes by the holders thereof, from time to time in accordance with the methods of distribution set forth in such registration statement and Rule 415 under the Securities Act (the "Senior Notes Shelf Registration").

(b) The Company and the Subsidiary Guarantors agree to use their best efforts to keep the registration statement relating to the Senior Notes Shelf Registration continuously effective in order to permit the prospectus included therein to be usable by the holders of the Registrable Senior Notes for a period of three years from the Closing Date or such shorter period (i) as may be set forth in any amendment to Rule 144(k) of the Securities Act of 1933, or any amendment thereto, when such amendment becomes effective, or (ii) that will terminate when all the Registrable Senior Notes covered by the registration statement have been sold pursuant to such registration statement; provided, that the Company and the Subsidiary Guarantors shall be deemed not to have used their best efforts to keep the registration statement effective during the requisite period if they voluntarily take any action that would result in holders of the Registrable Senior Notes covered thereby not being able to offer and sell such Registrable Senior Notes during that period, unless such action is required by applicable law, and provided, further, that the foregoing shall not apply 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 Exchange Act); provided, however, that the failure to keep the registration statement effective and usable for offers and sales of Registrable Senior Notes for such reasons shall last no longer than 60 days in any 12-month period (whereafter Senior Notes Liquidated Damages (as defined in Section 6) shall accrue and be payable), so long as the Company promptly thereafter complies with the requirements of Section 3(h) hereof, if applicable. Any such period during which the Company and the Subsidiary Guarantors fail to keep the registration statement effective and usable for offers and sales of Registrable Senior Notes is referred to as a "Suspension Period." A Suspension Period shall commence on and include the date that the Company gives notice that the registration statement is no longer effective or the prospectus included therein is no longer usable for offers and sales of Registrable Senior Notes and shall end on the date when each seller of Registrable Senior Notes covered by such registration statement either receives the copies of the supplemented or amended prospectus contemplated by Section 3(h) hereof or is advised in writing by the Company that use of the prospectus may be resumed.

(c) Notwithstanding any other provisions of this Agreement to the contrary, the Company and the Subsidiary Guarantors will cause the Senior Notes Shelf Registration 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 Securities 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 therein or necessary to make the statements therein not misleading.

3. Registration Procedures. In connection with, to the extent applicable, any Registered Exchange Offer pursuant to Section 1 hereof, or any Senior Notes Shelf Registration

pursuant to Section 2 hereof, the following provisions shall apply with respect to each issue of Senior Notes:

(a) If requested by any holder of Registrable Senior Notes or the managing underwriter, if any, with respect to the Senior Notes Shelf Registration, the Company shall furnish to each such holder of Registrable Senior Notes or such managing underwriter, prior to the filing thereof with the Commission, a copy of the applicable registration statement and each amendment thereof and each supplement, if any, to the prospectus included therein. The Company shall use its best efforts to reflect in each such document, when so filed with the Commission, such comments as such holder or managing underwriter reasonably may propose.

(b) The Company shall advise the holders of Registrable Senior Notes or the Exchange Notes, and the managing underwriter, if any, and, if requested by any such person, confirm such advice in writing:

(i) when the applicable registration statement and any amendment thereto has been filed with the Commission and when the registration statement or any post-effective amendment thereto has become effective;

(ii) of the issuance by the Commission of any stop order suspending the effectiveness of the applicable registration statement or the initiation of any proceedings for that purpose;

(iii) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Senior Notes or the Exchange Notes for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(iv) of the happening of any event that requires the making of any changes in the registration statement or the prospectus in order to make the statements therein not misleading (which advice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made).

(c) The Company will make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the registration statement at the earliest possible time.

(d) The Company will furnish to each holder of the Registrable Senior Notes or the Exchange Notes included within the coverage of the Registered Exchange Offer or the Senior Notes Shelf Registration, as appropriate, without charge, at least one copy of the registration statement in the form in which it was declared effective by the Commission and any post-effective amendment thereto, including financial statements and schedules, and, if the holder so requests in writing, all exhibits (including those incorporated by reference).

(e) The Company will deliver to each holder of the Registrable Senior Notes or the Exchange Notes included within the coverage of the Registered Exchange Offer or the Senior Notes Shelf Registration, as appropriate, without charge, as many copies of the prospectus (including each preliminary prospectus) included in the registration statement and any amendment or supplement thereto as such persons may reasonably request; the Company consents to the use of the prospectus or any amendment or supplement thereto by each of the selling holders of the Registrable Senior Notes or the Exchange Notes in connection with the offering and sale of the Registrable Senior Notes or the Exchange Notes covered by the prospectus or any amendment or supplement thereto.

(f) Prior to any public offering of the Registrable Senior Notes or the Exchange Notes pursuant to the Registered Exchange Offer or the Senior Notes Shelf Registration, as the case may be, the Company will register or qualify, or cooperate with the holders of the Registrable Senior Notes or the Exchange Notes covered thereby and their respective counsel in connection with the registration or qualification of, such Registrable Senior Notes or Exchange Notes for offer and sale under the securities or blue sky laws of such jurisdictions as any seller reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions, of the Registrable Senior Notes or the Exchange Notes covered by the Registered Exchange Offer or the Senior Notes Shelf Registration, as the case may be; provided, that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process or to taxation in any such jurisdiction where it is not then so subject.

(g) The Company will cooperate with the holders of the Registrable Senior Notes and the Exchange Notes to facilitate the timely preparation and delivery of certificates representing the Registrable Senior Notes and the Exchange Notes to be sold in the Registered Exchange Offer or the Senior Notes Shelf Registration, as the case may be, free of any restrictive legends and in such denominations and registered in such names as the holders may request prior to sales of the Registrable Senior Notes or the Exchange Notes, pursuant to the Registered Exchange Offer or the Senior Notes Shelf Registration, as the case may be.

(h) Upon the occurrence of any event contemplated by paragraph (b)(v) above, the Company will prepare a post-effective amendment to the registration statement or a supplement to the related prospectus or file any other required document so that, as thereafter delivered to purchasers of the Registrable Senior Notes or the Exchange Notes, 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 not misleading.

(i) Not later than the effective date of the applicable registration statement, the Company will provide a CUSIP number for the Registrable Senior Notes or the Exchange Notes, as the case may be, and provide the Trustee with printed certificates for the Registrable Senior Notes or the Exchange Notes, as the case may be, in a form eligible for deposit with The Depository Trust Company.

(j) The Company will use its best efforts to comply with all applicable rules and regulations of the Commission and will make generally available to its security holders an earnings statement satisfying the provisions of Section 11(a) of the Securities Act, no later than 60 days after the end of 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of each of the Registered Exchange Offer and the Senior Notes Shelf Registration, which statements shall cover such 12-month period.

(k) The Company will cause the Indenture to be qualified under the Trust Indenture Act of 1939 upon effectiveness of the registration statement contemplated by Section 1(a) or Section 2(a).

(l) The Company may require each holder of Registrable Senior Notes to be sold pursuant to the Senior Notes Shelf Registration, to furnish to the Company such information regarding the holder and the distribution of such Registrable Senior Notes as the Company may from time to time reasonably require for inclusion in the registration statement.

4. Registration Expenses. The Company and the Subsidiary Guarantors will bear all expenses incurred in connection with the performance of their obligations under Sections 1 through 3 hereof and will bear or reimburse the holders of the Registrable Senior Notes for the reasonable fees and disbursements of one firm of counsel designated by the holders of a majority in principal amount of the Registrable Senior Notes to act as counsel for the holders of the Registrable Senior Notes in connection therewith.

5. Indemnification.

(a) Indemnification by Company and the Subsidiary Guarantors. The Company and the Subsidiary Guarantors, jointly and severally, shall indemnify and hold harmless (i) each Initial Purchaser, (ii) in the case of any Senior Notes Shelf Registration, each holder of Registrable Senior Notes, and (iii) in the case of any Registered Exchange Offer, each Broker-Dealer who holds Exchange Notes acquired for its own account pursuant to the Exchange Offer, and, in any such case, each Initial Purchaser's and such holder's officers, directors, employees and agents and each person who controls each such Initial Purchaser, now or hereafter, and each such holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being sometimes hereinafter referred to as an "Indemnified Person") from and against any and all losses, claims, damages, liabilities and judgments caused by any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus or in any amendment or supplement thereto relating to the Senior Notes Shelf Registration or the Registered Exchange Offer, as the case may be, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by any such untrue statement or omission or allegation thereof based upon information relating to such Indemnified Person furnished in writing

to the Company by such Indemnified Person expressly for use therein. The indemnity will be in addition to any liability which the Company and the Subsidiary Guarantors may otherwise have.

If any action or proceeding (including any governmental investigation or inquiry) shall be brought or asserted against an Indemnified Person in respect of which indemnity may be sought from the Company or the Subsidiary Guarantors, such Indemnified Person shall promptly notify the Company and the Subsidiary Guarantors in writing, and the Company and the Subsidiary Guarantors shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Person and the payment of all reasonable expenses. Such Indemnified Person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be the expense of such Indemnified Person unless (a) the Company and the Subsidiary Guarantors have agreed to pay such fees and expenses or (b) the Company and the Subsidiary Guarantors shall have failed to assume the defense of such action or proceeding and to employ counsel reasonably satisfactory to such Indemnified Person in any such action or proceeding within a reasonable time after notice of commencement of such action or proceeding or (c) the named parties to any such action or proceeding (including any impleaded parties) include such Indemnified Person and the Company and/or the Subsidiary Guarantors, and such Indemnified Person shall have been advised in writing by counsel that there may be one or more legal defenses available to such Indemnified Person which are different from or additional to those available to the Company and/or the Subsidiary Guarantors (in which case, if such Indemnified Person notifies the Company and the Subsidiary Guarantors in writing that it elects to employ separate counsel at the expense of the Company and the Subsidiary Guarantors, the Company and the Subsidiary Guarantors shall not have the right to assume the defense of such action or proceeding on behalf of such Indemnified Person, it being understood, however, that the Company and the Subsidiary Guarantors shall not, in connection with any one such action or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to local counsel) at any time for such Indemnified Person and any other Indemnified Persons, which firm shall be designated in writing by such Indemnified Persons (which shall be reasonably satisfactory to the Company and the Subsidiary Guarantors), and that all such fees and expenses shall be reimbursed as they are billed). The Company and the Subsidiary Guarantors shall not be liable for any settlement of any such action or proceeding effected without their written consent (not to be unreasonably withheld), but if settled with their written consent, or if there be a final, unappealable judgment for the plaintiff in any such action or proceeding, the Company and the Subsidiary Guarantors agree to indemnify and hold harmless such Indemnified Persons from and against any loss or liability by reason of such settlement or judgment. The Company and the Subsidiary Guarantors shall not, without the prior written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is a party and indemnity has been sought hereunder by such Indemnified Person; provided however, that the Company and the Subsidiary Guarantors may effect such a settlement without the consent of such Indemnified Person if such settlement includes an unconditional release of such Indemnified Person from all lability for claims that are the subject matter of such proceeding or the Company and the Subsidiary Guarantors

indemnify such Indemnified Person in writing and post a bond for an amount equal to the maximum liability for all such claims as contemplated above.

(b) Indemnification by Holders. In the event of a Senior Notes Shelf Registration, each holder of Registrable Senior Notes agrees to indemnify and hold harmless the Company and the Subsidiary Guarantors, their directors and officers, employees and agents and each person, if any, controlling the Company and the Subsidiary Guarantors 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 respect to information relating to such holder or the distribution furnished in writing by such holder expressly for use in any registration statement or prospectus or any amendment or supplement thereto or any preliminary prospectus relating to the Senior Notes Shelf Registration, provided, however, that no such holder shall be liable for any indemnity claims hereunder in excess of the amount of net proceeds received by such holder from the sale of Registrable Senior Notes pursuant to the Senior Notes Shelf Registration. If any action or proceeding shall be brought against the Company, the Subsidiary Guarantors or their directors, officers, employees or agents or any such controlling person, in respect of which indemnity may be sought against a holder of Registrable Senior Notes, such holder shall have the rights and duties given the Company and the Subsidiary Guarantors and the Company and the Subsidiary Guarantors or their directors, officers, employees or agents or such controlling person shall have the rights and duties given to each holder by Section 5(a) hereof. The Company and the Subsidiary Guarantors shall be entitled to receive indemnities from underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, to the same extent as provided above with respect to information so furnished in writing by such persons specifically for inclusion in any prospectus or registration statement or any amendment or supplement thereto.

(c) Contribution. If the indemnification provided for in this Section 5 is unavailable to an indemnified party under Section 5(a) or Section 5(b) hereof (other than by reason of exceptions provided in those Sections) in respect of any losses, claims, damages, liabilities or judgments 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, liabilities or judgments in such proportion as is appropriate to reflect not only the relative benefits but also the relative fault of the Company and the Subsidiary Guarantors on the one hand and of the Indemnified Person on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Company and the Subsidiary Guarantors on the one hand and of the Indemnified Person on the other 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 and the Subsidiary Guarantors or by the Indemnified Person and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the

limitations set forth in the second paragraph of Section 5(a), any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

The Company, the Subsidiary Guarantors and the holders of the Registrable Senior Notes and Exchange Notes agree that it would not be just and equitable if contribution pursuant to this Section 5(c) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. 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.

6. Additional Interest Under Certain Circumstances; Remedies.

If the Company and the Subsidiary Guarantors fail to file within 60 days, or cause to become effective within 160 days, the registration statement relating to the Registered Exchange Offers or the Senior Notes Shelf Registration, as applicable, or (subject to Section 2(b)) the Senior Notes Shelf Registration is declared effective but thereafter ceases to be effective in connection with resales of the Registrable Senior Notes (each such event, a "Registration Default"), then the Company agrees to pay to each holder of Registrable Senior Notes of the applicable issue, accruing from the date of the first such Registration Default, liquidated damages in an amount equal to one-half of one percent (0.5%) per annum of the principal amount of Registrable Senior Notes held by such holder during the first 160-day period immediately following the occurrence of the first such Registration Default, increasing by an additional one-half of one percent (0.5%) per annum of the principal amount of such Registrable Senior Notes during each subsequent 160-day period, up to a maximum amount of liquidated damages equal to two percent (2.0%) per annum of the principal amount of such Registrable Senior Notes ("Senior Notes Liquidated Damages"), 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 applicable registration statement. The Company shall notify the Trustee within one business day after (i) each and every Registration Default and (ii) the date the Registration Default has been so cured. Until the Trustee and the Paying Agent have received an Officers' Certificate from the Company to the effect that all Senior Notes Liquidated Damages then due have been paid in full, the Company (in respect of any payment date) shall pay Senior Notes Liquidated Damages then due by depositing with the Trustee, in trust, for the benefit of the affected holders of Registrable Senior Notes, on or before the applicable semi-annual interest payment date, immediately available funds in sums sufficient to pay the liquidated damages then due and provide to the Trustee and the Paying Agent a list of holders entitled to Senior Notes Liquidated Damages together with the amount of cash such holder is due. The Senior Notes Liquidated Damages amount due shall be payable as additional interest (from funds received pursuant to such deposit) on each interest payment date to the record holder and Registrable Senior Notes entitled to receive the interest payment to be made on such date as set forth in the Indenture.

7. Miscellaneous.

(a) Amendments and Waivers. The provisions of this Agreement 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 a majority in aggregate principal amount of the Registrable Senior Notes (insofar as such matters relate to the Registrable Senior Notes) or the Exchange Notes (insofar as such matters relate to the Exchange Notes).

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telex, telecopier, or air courier guaranteeing overnight delivery:

(1) if to a holder of Registrable Senior Notes or Exchange Notes, at the most current address given by such holder to the Company in accordance with the provisions of this Section 7(b), which address initially is, with respect to each holder, the address of such holder to which confirmation of the sale of the Senior Notes was first sent by an Initial Purchaser, with a copy in like manner to Donaldson, Lufkin & Jenrette Securities Corporation, 277 Park Avenue, New York, New York 10167, Attention: Corporate Finance Department, Bear, Stearns & Co. Inc., 245 Park Avenue, New York, New York 10167, Attention: Corporate Finance Department, J.P. Morgan Securities Inc., 60 Wall Street, New York, New York 10260, Attention: Corporate Finance Department and Lehman Brothers Inc., 200 Vesey Street, 3 World Financial Center, New York, New York 10285, Attention: Corporate Finance Department;

(2) if to an Initial Purchaser, to the addresses set forth in clause (b)(1) above; and

(3) if to the Company, initially at its address set forth in the Purchase Agreement.

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 acknowledged by recipient's telecopy operator, if telecopied; and on the day delivered, if sent by overnight air courier guaranteeing next day delivery.

(a) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent holders of the Registrable Senior Notes.

(b) Counterparts. This Agreement may be executed in any number of 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.

(c) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(d) Governing Law. This 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 the application of the law of another jurisdiction would be required thereby.

(e) Severability. If 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.

REGISTRATION RIGHTS AGREEMENT SIGNATURE PAGE

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

Very truly yours,

CHESAPEAKE ENERGY CORPORATION

By: /s/ AUBREY K. MCCLENDON

Name: Aubrey K. McClendon
Title: Chairman and CEO

SUBSIDIARY GUARANTORS:

CHESAPEAKE OPERATING, INC.
CHESAPEAKE GAS DEVELOPMENT CORPORATION

For each of the above:

By: /s/ AUBREY K. MCCLENDON

Name: Aubrey K. McClendon
Title: Chairman and CEO

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP

By: Chesapeake Operating, Inc.,
General Partner

By: /s/ AUBREY K. MCCLENDON

Name: Aubrey K. McClendon
Title: Chairman and CEO

REGISTRATION RIGHTS AGREEMENT SIGNATURE PAGE

Accepted and agreed to as of
the first date written above

DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION

By: /s/ RALPH EADS

Name: Ralph Eads
Title: Managing Director

BEAR, STEARNS & CO. INC.

By: /s/ J. ANDREW BUGAS

Name: J. Andrew Bugas
Title: Senior Managing Director

J.P. MORGAN SECURITIES INC.

By: /s/ SETH BERNSTEIN

Name: Seth Bernstein
Title: Managing Director

LEHMAN BROTHERS INC.

By: /s/ H. E. MCGEE III

Name: H. E. McGee III
Title: Managing Director

EXHIBIT 5

LAW OFFICES
MCAFEE & TAFT
A PROFESSIONAL CORPORATION
TENTH FLOOR, TWO LEADERSHIP SQUARE
211 NORTH ROBINSON
OKLAHOMA CITY, OKLAHOMA 73102-7101
(405) 235-9621
FAX (405) 235-0439

April 10, 1997

Chesapeake Energy Corporation
6100 North Western Avenue
Oklahoma City, Oklahoma 73118

Re: Registration Statement on Form S-4

Ladies and Gentlemen:

Reference is made to the above-captioned registration statement (the "Registration Statement") to be filed with the Securities and Exchange Commission by Chesapeake Energy Corporation (the "Company") and its subsidiaries Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership (the "Subsidiary Guarantors") with respect to (a) $150 million principal amount of 7 7/8% Series B Senior Notes due 2004 ("New Notes due 2004") of the Company to be offered in exchange for $150 million principal amount of its outstanding 7 7/8% Series A Senior Notes due 2004 ("Old Notes due 2004") and (b) $150 million principal amount of 8 1/2% Series B Senior Notes due 2012 ("New Notes due 2012") of the Company to be offered in exchange for $150 million principal amount of its outstanding 8 1/2% Series A Senior Notes due 2012 ("Old Notes due 2012"). The Old Notes due 2004 were, and the New Notes due 2004 will be, issued pursuant to the Indenture dated as of March 15, 1997 among the Company, as issuer, the Subsidiary Guarantors, as guarantors, and United States Trust Company of New York ("U.S. Trust"), as trustee (the "Notes due 2004 Indenture"), which will be filed as Exhibit 4.1 to the Registration Statement. The Old Notes due 2012 were, and the New Notes due 2012 will be, issued pursuant to the Indenture dated as of March 15, 1997 among the Company, as issuer, the Subsidiary Guarantors, as guarantors, and U.S. Trust, as trustee (the "Notes due 2012 Indenture"), which will be filed as Exhibit 4.3 to the Registration Statement. The New Notes due 2004 and the New Notes due 2012 are referred to, collectively, as the "New Notes," and the Notes due 2004 Indenture and the Notes due 2012 Indenture are referred to, together, as the "Indentures."

We have examined the Indentures, the forms of certificate which will evidence the New Notes (the "Certificates"), and certain corporate records of the Company, and we have made such other

investigations as we have deemed appropriate in order to express the opinion set forth herein.

Based upon the foregoing, we are of the opinion that:

1. The Company is a corporation duly organized and validly existing under the laws of the State of Oklahoma; and

2. The Indentures, the New Notes, and the guarantees of the New Notes by the Subsidiary Guarantors (the "Guarantees") have been duly and validly authorized, and the New Notes and Guarantees, when issued in accordance with the terms of the respective Indentures, will constitute binding obligations of the Company and the Subsidiary Guarantors, enforceable against the Company and the Subsidiary Guarantors in accordance with the terms of the Indentures and the Certificates, subject to (a) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws relating to creditors' rights and remedies generally and (b) general principles of equity (whether enforcement is sought in a proceeding at law or in equity).

While each of the Indentures provides that it will be governed by the substantive laws of the State of New York, we have assumed, for purposes of our opinion, that the Indentures will be governed by the laws of the State of Oklahoma.

We hereby consent to the inclusion of this opinion as an exhibit to the Registration Statement and to the reference to our firm under the caption "Legal Matters" in the Prospectus which is a part of the Registration Statement.

Very truly yours,

McAFEE & TAFT A PROFESSIONAL CORPORATION

EXHIBIT 12

CHESAPEAKE ENERGY CORPORATION
DEBT OFFERING - $300 MILLION SR. NOTES
CALCULATION OF RATIOS

	Years Ended June 30,				
	1992	1993	1994	1995	1996
EBITDA					
Income before income taxes and extraordinary item	2,727	(464)	5,155	17,960	36,209
Interest	2,577	2,282	2,676	6,627	13,679
Provision for legal settlements and other	-	1,286	-	-	-
DD&A	3,884	4,741	10,012	27,175	54,056
EBITDA	9,188	7,845	17,843	51,762	103,944
RATIO OF EARNINGS TO FIXED CHARGES					
Income before income taxes and extraordinary item	2,727	(464)	5,155	17,960	36,209
Interest	2,577	2,282	2,676	6,627	13,679
Bond discount amortization (a)	-	-	-	-	-
Loan cost amortization	-	127	557	548	1,288
Earnings	5,304	1,945	8,388	25,135	51,176
Interest expense	2,577	2,282	2,676	6,627	13,679
Capitalized interest	-	192	356	1,574	6,428
Bond discount amortization (a)	-	-	-	-	-
Loan cost amortization	-	127	557	548	1,288
Fixed Charges	2,577	2,601	3,589	8,749	21,395
Ratio	2.1	n/a	2.3	2.9	2.4
(A) Bond discount excluded since it's included in interest expense					
RATIO OF EBITDA TO INTEREST EXPENSE AND PREFERRED STOCK DIVIDENDS					
EBITDA	9,188	7,845	17,843	51,762	103,944
Dividends on preferred stock		385			
Interest expense	2,577	2,282	2,676	6,627	13,679
Ratio	3.6	2.9	6.7	7.8	7.6

	Year Ended Dec. 31, 1996	Six Months Ended Dec. 31, 1995	Six Months Ended Dec. 31, 1996
EBITDA			
Income before income taxes and extraordinary item	62,471	12,984	39,246
Interest	13,351	6,544	6,216
Provision for legal settlements and other	-	-	-
DD&A	68,517	23,618	38,079
EBITDA	144,339	43,146	83,541
RATIO OF EARNINGS TO FIXED CHARGES			
Income before income taxes and extraordinary item	62,471	12,984	39,246
Interest	13,351	6,544	6,216
Bond discount amortization (a)	-	-	-
Loan cost amortization	1,476	574	762
Earnings	77,298	20,102	46,224
Interest expense	13,351	6,544	6,216
Capitalized interest	12,102	1,941	7,607
Bond discount amortization (a)	-	-	-
Loan cost amortization	1,476	574	762
Fixed Charges	26,929	9,059	14,585
Ratio	2.9	2.2	3.2
(A) Bond discount excluded since it's included in interest expense			
RATIO OF EBITDA TO INTEREST EXPENSE AND PREFERRED STOCK DIVIDENDS			
EBITDA	144,339	43,146	83,541
Dividends		-	-
Interest expense	13,351	6,544	6,216
Ratio	10.8	6.6	13.4

CHESAPEAKE ENERGY CORPORATION
DEBT OFFERING-$300 MILLION SR. NOTES
CALCULATION OF RATIOS

	Year Ended June 30, 1996	Year Ended December 31, 1996	Six Months Ended December 31, 1995	Six Months Ended December 31, 1996
PRO FORM FINANCIAL DATA (Restr. Subs. Only)				
EBITDA	102,842	141,968		82,272
Interest expense before	12,968	12,769		5,989
Interest expense added	24,563	24,563		12,281
Total interest expense	37,531	37,331		18,270
Ratio	2.7	3.8		4.5
PRO FORMA RATIO OF EARNINGS TO FIXED CHARGES (RESTR. SUBS. ONLY)				
Income before income taxes and extraordinary item	10,594	35,627		25,736
Interest	37,531	37,331		18,270
Bond discount amortization (A)	--	--		--
Loan cost amortization	1,958	2,125		1,078
Earnings	50,083	75,083		45,084
Interest expense	37,531	37,331		18,270
Capitalized interest	6,428	12,102		7,607
Bond discount amortization (A)	--	--		--
Loan cost amortization	1,958	2,125		1,078
Fixed Charges	45,917	51,558		26,955
Ratio	1.1	1.5		1.7

(A) Bond discount excluded since it's included in interest expense

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-4 of Chesapeake Energy Corporation (the "Company") of (a) our report dated September 20, 1995, except for the first and fourth paragraphs of Note 9 which are as of March 7, 1997, relating to the consolidated financial statements of the Company and (b) our report dated September 20, 1995 relating to the financial statements of Chesapeake Exploration Limited Partnership, each of which appear in such Prospectus. We also consent to the reference to us under the heading "Experts" in such Prospectus.

PRICE WATERHOUSE LLP

Houston, Texas
April 10, 1997

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the inclusion in the Prospectus constituting part of this Registration Statement on Form S-4 of (a) our report dated September 13, 1996, except for the first paragraph of Note 9 which is as of March 7, 1997, on the consolidated financial statements of Chesapeake Energy Corporation for the year ended June 30, 1996 and (b) our report dated September 13, 1996 on the financial statements of Chesapeake Exploration Limited Partnership for the year ended June 30, 1996. We also consent to the reference to us under the heading "Experts" in such Prospectus.

COOPERS & LYBRAND L.L.P.

Oklahoma City, Oklahoma
April 10, 1997

EXHIBIT 23.3

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS

As independent petroleum engineers, Williamson Petroleum Consultants, Inc. (Williamson) whereby consents to the incorporation by reference in this Registration Statement on Form S-4 of Chesapeake Energy Corporation (the Company) of all references to our report entitled "Evaluation of Oil and Gas Reserves to the Interests of Chesapeake Energy Corporation in Certain Properties, Effective June 30, 1996, for Disclosure to the Securities and Exchange Commission, Williamson Project 6.8400" dated September 12, 1996 and our firm included in or made part of the Company annual report on Form 10-K for the year ended June 30, 1996 to be filed with the Securities and Exchange Commission on or about April 4, 1997.

WILLIAMSON PETROLEUM CONSULTANTS, INC.

Houston, Texas
April 4, 1997

EXHIBIT 24

POWER OF ATTORNEY
(SENIOR NOTES)

We, the undersigned officers and directors of Chesapeake Energy Corporation (hereinafter, the "Company"), hereby severally constitute Aubrey K. McClendon, Tom L. Ward and Marcus C. Rowland, and each of them, severally, our true and lawful attorneys-in-fact with full power to them and each of them to sign for us, and in our names as officers or directors, or both, of the Company, one or more Registration Statements on Form S-4, and any amendments thereto (including post-effective amendments), for the purpose of registering under the Securities Act of 1933 senior debt securities of the Company, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and to perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

DATED this 10th day of April, 1997.

/s/ AUBREY K. MCCLENDON
- ----------
Aubrey K. McClendon, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)

/s/ TOM L. WARD

Tom L. Ward, President and Director

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

/s/ RONALD A. LEFAIVE

Ronald A. Lefaive, Controller (Principal Accounting Officer)

/s/ E.F. HEIZER, JR.
- ----------
E.F. Heizer, Jr., Director

/s/ BREENE M. KERR

Breene M. Kerr, Director

/s/ SHANNON SELF
- ----------
Shannon Self, Director

/s/ FREDERICK B. WHITTEMORE

Frederick B. Whittemore, Director

/s/ WALTER C. WILSON
- ----------
Walter C. Wilson, Director

EXHIBIT 25.1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF
A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2)

UNITED STATES TRUST COMPANY OF NEW YORK
(Exact name of trustee as specified in its charter)

New York	13-3818954
(Jurisdiction of incorporation if not a U. S. national bank)	(I. R. S. Employer Identification No.)
114 West 47th Street New York, New York (Address of principal executive offices)	10036 (Zip Code)

Chesapeake Energy Corporation
(Exact name of OBLIGOR 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)

Chesapeake Operating, Inc.
(Exact name of REGISTRANT as specified in its charter)

Oklahoma	73-1343196
(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)

Chesapeake Gas Development Corporation
(Exact name of REGISTRANT as specified in its charter)

Oklahoma	73-1461228
(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)

Chesapeake Exploration Limited Partnership
(Exact name of REGISTRANT as specified in its charter)

Oklahoma	73-1384282
(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)

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7 7/8% Series B Senior Notes due 2004
(Title of the indenture securities)

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GENERAL

1. General Information

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Federal Reserve Bank of New York (2nd District), New York, New York (Board of Governors of the Federal Reserve System).
Federal Deposit Insurance Corporation, Washington, D. C.
New York State Banking Department, Albany, New York

(b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

2. Affiliations with the Obligor

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

3,4,5,6,7,8,9,10,11,12,13,14 and 15.

Chesapeake Energy Corporation, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation, Chesapeake Exploration Limited Partnership is currently not in default under any of its outstanding securities for which United States Trust Company of New York is Trustee. Accordingly, responses to Items 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 of Form T-1 are not required under General Instruction B.

16. List of Exhibits

T-1.1 -- Organization Certificate, as amended, issued by the State of New York Banking Department to transact business as a Trust Company, is incorporated by reference to Exhibit T-1.1 to Form T-1 filed on September 15, 1995 with the Commission pursuant to the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990 (Registration No. 33-97056).

16. List of Exhibits
(cont'd)

T-1.2 -- Included in Exhibit T-1.1.

T-1.3 -- Included in Exhibit T-1.1.

T-1.4 -- The By-Laws of United States Trust Company of New York, as amended, is incorporated by reference to Exhibit T-1.4 to Form T-1 filed on September 15, 1995 with the Commission pursuant to the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990 (Registration No. 33-97056).

T-1.6 -- The consent of the trustee required by Section 321(b) of the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990.

T-1.7 -- A copy of the latest report of condition of the trustee pursuant to law or the requirements of its supervising or examining authority.

NOTE

As of March 28, 1997, the trustee had 2,999,020 shares of Common Stock outstanding, all of which are owned by its parent company, U. S. Trust Corporation. The term "trustee" in Item 2, refers to each of United States Trust Company of New York and its parent company, U. S. Trust Corporation.

In answering Item 2 in this statement of eligibility, as to matters peculiarly within the knowledge of the obligor or its directors, the trustee has relied upon information furnished to it by the obligor and will rely on information to be furnished by the obligor and the trustee disclaims responsibility for the accuracy or completeness of such information.

Pursuant to the requirements of the Trust Indenture Act of 1939, the trustee, United States Trust Company of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York, and State of New York, on the 31st day of March, 1997.

UNITED STATES TRUST COMPANY OF
NEW YORK, Trustee

By: /s/ GERARD F. GANEY

Gerard F. Ganey
Senior Vice President

RFL/pg

EXHIBIT T-1.6

The consent of the trustee required by Section 321(b) of the Act.

United States Trust Company of New York
114 West 47th Street
New York, NY 10036

September 1, 1995

Securities and Exchange Commission
450 5th Street, N.W.
Washington, DC 20549

Gentlemen:

Pursuant to the provisions of Section 321(b) of the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, and subject to the limitations set forth therein, United States Trust Company of New York ("U.S. Trust") hereby consents that reports of examinations of U.S. Trust by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon request therefor.

Very truly yours,

UNITED STATES TRUST COMPANY
OF NEW YORK

By: /s/ Gerard F. Ganey

Senior Vice President

EXHIBIT T-1.7

UNITED STATES TRUST COMPANY OF NEW YORK
CONSOLIDATED STATEMENT OF CONDITION
SEPTEMBER 30, 1996
(IN THOUSANDS)

ASSETS	
Cash and Due from Banks	$ 38,257
Short-Term Investments	82,377
Securities, Available for Sale	861,975
Loans	1,404,930
Less: Allowance for Credit Losses	13,048
Net Loans	1,391,882
Premises and Equipment	60,012
Other Assets	133,673
TOTAL ASSETS	$ 2,568,176
LIABILITIES	
Deposits:	
Non-Interest Bearing	$ 466,849
Interest Bearing	1,433,894
Total Deposits	1,900,743
Short-Term Credit Facilities	369,045
Accounts Payable and Accrued Liabilities	143,604
TOTAL LIABILITIES	$ 2,413,392
STOCKHOLDER'S EQUITY	
Common Stock 14,995	
Capital Surplus	42,394
Retained Earnings	98,402
Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	(1,007)
TOTAL STOCKHOLDER'S EQUITY	154,784
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 2,568,176

I, Richard E. Brinkmann, Senior Vice President & Comptroller of the named bank do hereby declare that this Statement of Condition has been prepared in conformance with the instructions issued by the appropriate regulatory authority and is true to the best of my knowledge and belief.

Richard E. Brinkmann, SVP & Controller

October 24, 1996

EXHIBIT 25.2

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF
A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2) ____

UNITED STATES TRUST COMPANY OF NEW YORK
(Exact name of trustee as specified in its charter)

New York (Jurisdiction of incorporation if not a U. S. national bank)	13-3818954 (I. R. S. Employer Identification No.)
114 West 47th Street New York, New York (Address of principal executive offices)	10036 (Zip Code)

Chesapeake Energy Corporation
(Exact name of OBLIGOR as specified in its charter)

Oklahoma (State or other jurisdiction of incorporation or organization)	73-1395733 (I. R. S. Employer Identification No.)
6100 North Western Avenue Oklahoma City, Oklahoma (Address of principal executive offices)	73118 (Zip code)

Chesapeake Operating, Inc.
(Exact name of REGISTRANT as specified in its charter)

Oklahoma	73-1343196
(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)

Chesapeake Gas Development Corporation

(Exact name of REGISTRANT as specified in its charter)

Oklahoma	73-1461228
(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)

Chesapeake Exploration Limited Partnership
(Exact name of REGISTRANT as specified in its charter)

Oklahoma	73-1384282
(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)

---

8 1/2% Series B Senior Notes due 2012
(Title of the indenture securities)

GENERAL

1. General Information

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Federal Reserve Bank of New York (2nd District), New York, New York (Board of Governors of the Federal Reserve System).
Federal Deposit Insurance Corporation, Washington, D. C.
New York State Banking Department, Albany, New York

(b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

2. Affiliations with the Obligor

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

3,4,5,6,7,8,9,10,11,12,13,14 and 15.

Chesapeake Energy Corporation, Chesapeake Operating Inc., Chesapeake Gas Development Corporation, Chesapeake Exploration Limited Partnership is currently not in default under any of its outstanding securities for which United States Trust Company of New York is Trustee. Accordingly, responses to Items 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 of Form T-1 are not required under General Instruction B.

16. List of Exhibits

T-1.1 -- Organization Certificate, as amended, issued by the State of New York Banking Department to transact business as a Trust Company, is incorporated by reference to Exhibit T-1.1 to Form T-1 filed on September 15, 1995 with the Commission pursuant to the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990 (Registration No. 33-97056).

16. List of Exhibits
(cont'd)

T-1.2 -- Included in Exhibit T-1.1.

T-1.3 -- Included in Exhibit T-1.1.

T-1.4 -- The By-Laws of United States Trust Company of New York, as amended, is incorporated by reference to Exhibit T-1.4 to Form T-1 filed on September 15, 1995 with the Commission pursuant to the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990 (Registration No. 33-97056).

T-1.6 -- The consent of the trustee required by Section 321(b) of the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990.

T-1.7 -- A copy of the latest report of condition of the trustee pursuant to law or the requirements of its supervising or examining authority.

NOTE

As of March 28, 1997, the trustee had 2,999,020 shares of Common Stock outstanding, all of which are owned by its parent company, U. S. Trust Corporation. The term "trustee" in Item 2, refers to each of United States Trust Company of New York and its parent company, U. S. Trust Corporation.

In answering Item 2 in this statement of eligibility, as to matters peculiarly within the knowledge of the obligor or its directors, the trustee has relied upon information furnished to it by the obligor and will rely on information to be furnished by the obligor and the trustee disclaims responsibility for the accuracy or completeness of such information.

Pursuant to the requirements of the Trust Indenture Act of 1939, the trustee, United States Trust Company of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York, and State of New York, on the 31st day of March, 1997.

UNITED STATES TRUST COMPANY OF
NEW YORK, Trustee

By: /s/ GERARD F. GANEY

Gerard F. Ganey
Senior Vice President

RFL/pg

EXHIBIT T-1.6

The consent of the trustee required by Section 321(b) of the Act.

United States Trust Company of New York
114 West 47th Street
New York, NY 10036

September 1, 1995

Securities and Exchange Commission
450 5th Street, N.W.
Washington, DC 20549

Gentlemen:

Pursuant to the provisions of Section 321(b) of the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, and subject to the limitations set forth therein, United States Trust Company of New York ("U.S. Trust") hereby consents that reports of examinations of U.S. Trust by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon request therefor.

Very truly yours,

UNITED STATES TRUST COMPANY
OF NEW YORK

By: /s/ Gerard F. Ganey

Senior Vice President

EXHIBIT T-1.7

UNITED STATES TRUST COMPANY OF NEW YORK
CONSOLIDATED STATEMENT OF CONDITION
SEPTEMBER 30, 1996
(IN THOUSANDS)

ASSETS	
Cash and Due from Banks	$ 38,257
Short-Term Investments	82,377
Securities, Available for Sale	861,975
Loans	1,404,930
Less: Allowance for Credit Losses	13,048
Net Loans	1,391,882
Premises and Equipment	60,012
Other Assets	133,673
TOTAL ASSETS	$ 2,568,176
LIABILITIES	
Deposits:	
Non-Interest Bearing	$ 466,849
Interest Bearing	1,433,894
Total Deposits	1,900,743
Short-Term Credit Facilities	369,045
Accounts Payable and Accrued Liabilities	143,604
TOTAL LIABILITIES	$ 2,413,392
STOCKHOLDER'S EQUITY	
Common Stock 14,995	
Capital Surplus	42,394
Retained Earnings	98,402
Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	(1,007)
TOTAL STOCKHOLDER'S EQUITY	154,784
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 2,568,176

I, Richard E. Brinkmann, Senior Vice President & Comptroller of the named bank do hereby declare that this Statement of Condition has been prepared in conformance with the instructions issued by the appropriate regulatory authority and is true to the best of my knowledge and belief.

Richard E. Brinkmann, SVP & Controller

October 24, 1996

EXHIBIT 99.1

LETTER OF TRANSMITTAL
FOR
TENDER OF ALL OUTSTANDING
[7 7/8% SERIES A SENIOR NOTES DUE 2004][8 1/2% SERIES A SENIOR NOTES DUE 2012]
IN EXCHANGE FOR
[7 7/8% SERIES B SENIOR NOTES DUE 2004][8 1/2% SERIES B SENIOR NOTES DUE 2012]
OF
CHESAPEAKE ENERGY CORPORATION

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON , 1997 (THE "EXPIRATION DATE"),
UNLESS EXTENDED BY CHESAPEAKE ENERGY CORPORATION

The Exchange Agent for the Exchange Offer is:

UNITED STATES TRUST COMPANY OF NEW YORK

By Mail:	By Overnight Courier:	By Hand:	By Facsimile:
United States Trust Company of New York P.O. Box 844 Cooper Station New York, NY 10276-0844 (registered or certified mail recommended)	United States Trust Company of New York Corporate Trust Operations Department 770 Broadway-13th Floor New York, NY 10003	United States Trust Company of New York 111 Broadway Lower Level New York, NY 10006 Attention: Corporate Trust Services	(212) 420-6152 (For Eligible Institutions Only) Confirm by telephone: (800) 548-6565

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

The undersigned acknowledges receipt of the Prospectus dated , 1997 (the "Prospectus") of Chesapeake Energy Corporation ("Chesapeake") which, together with this Letter of Transmittal (the "Letter of Transmittal"), constitutes Chesapeake's offer (the "Exchange Offer") to exchange $1,000 in principal amount of a new series of [7 7/8% Series B Senior Notes Due 2004][8 1/2% Series B Senior Notes Due 2012] (the "New Notes") of Chesapeake for each $1,000 in principal amount of outstanding [7 7/8% Series A Senior Notes Due 2004][8 1/2% Series A Senior Notes Due 2012] (the "Old Notes") of Chesapeake. The terms of the New Notes are identical in all material respects (including principal amount, interest rate and maturity) to the terms of the Old Notes for which they may be exchanged pursuant to the Exchange Offer, except that the New Notes will have been registered under the Securities Act of 1933, as amended, and, therefore, will not bear legends restricting the transfer thereof.

The Exchange Offer is being made pursuant to the Registration Rights Agreement dated as of March 12, 1997 (the "Registration Rights Agreement"), and all Old Notes validly tendered will be accepted for exchange. Any Old Notes not tendered will remain outstanding and continue to accrue interest, but will not retain any rights under the Registration Rights Agreement. Holders electing to have Old Notes exchanged pursuant to the Exchange Offer will be required to surrender such Old Notes,

together with the Letter of Transmittal, to the Exchange Agent at the address specified herein prior to the close of business on the Expiration Date. Holders will be entitled to withdraw their election, at any time prior to 5:00 p.m., New York City time on the Expiration Date, by sending to the Exchange Agent at the address specified herein a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Old Notes delivered for exchange and a statement that such Holder is withdrawing this election to have such Old Notes exchanged.

The undersigned has checked the appropriate boxes below and signed this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer.

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL AND THE PROSPECTUS CAREFULLY BEFORE CHECKING ANY BOX BELOW.

THE INSTRUCTIONS INCLUDED WITH THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE PROSPECTUS AND THIS LETTER OF TRANSMITTAL MAY BE DIRECTED TO THE EXCHANGE AGENT.

List below the Old Notes to which this Letter of Transmittal relates. If the space provided below is inadequate, the Certificate Numbers and Principal Amounts should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF OLD NOTES TENDERED HEREWITH			
Name(s) and Address(es) of Registered Holder(s) (Please fill in)	Certificate Number(s)	Aggregate Principal Amount Represented by Notes	Principal Amount Tendered*
Total			

* Unless otherwise indicated, the holder will be deemed to have tendered the full aggregate principal amount represented by Old Notes. See Instruction 2.

This Letter of Transmittal is to be used if certificates for Old Notes are to be forwarded herewith.

Unless the context requires otherwise, the term "Holder" for purposes of this Letter of Transmittal means any person in whose name Old Notes are registered or any other person who has obtained a properly completed bond power from the registered holder.

Holders whose Old Notes are not immediately available or who cannot deliver their Old Notes and all other documents required hereby to the Exchange Agent on or prior to the Expiration Date may

tender their Old Notes according to the guaranteed delivery procedure set forth in the Prospectus under the captions "The Exchange Offer -- Terms of the Exchange Offer -- Procedures for Tendering Old Notes" and "The Exchange Offer - -- Terms of the Exchange Offer -- Guaranteed Delivery Procedures."

[ ] CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY AND COMPLETE THE FOLLOWING:

Name of Registered Holder(s):

Name of Eligible Institution that Guaranteed Delivery:

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name:

Address:

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to Chesapeake the above-described principal amount of Old Notes. Subject to, and effective upon, the acceptance for exchange of the Old Notes tendered herewith, the undersigned hereby exchanges, assigns and transfers to, or upon the order of, Chesapeake all right, title and interest in and to such Old Notes. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that said Exchange Agent acts as the agent of the undersigned in connection with the Exchange Offer) to cause the Old Notes to be assigned, transferred and exchanged. The undersigned represents and warrants that it has full power and authority to tender, exchange, assign and transfer the Old Notes and to acquire New Notes issuable upon the exchange of such tendered Old Notes, and that, when the same are accepted for exchange, Chesapeake will acquire good and unencumbered title to the tendered Old Notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The undersigned also warrants that it will, upon request, execute and deliver any additional documents deemed by Chesapeake to be necessary or desirable to complete the exchange, assignment and transfer of tendered Old Notes or to transfer ownership of such Old Notes on the account books maintained by The Depository Trust Company.

The Exchange Offer is subject to certain conditions as set forth in the Prospectus under the caption "The Exchange Offer -- Conditions of the Exchange Offer." The undersigned recognizes that as a result of these conditions (which may be waived, in whole or in part, by Chesapeake) as more particularly set forth in the Prospectus, Chesapeake may not be required to exchange any of the Old Notes tendered hereby and, in such event, the Old Notes not exchanged will be returned to the undersigned at the address shown below the signature of the undersigned.

By tendering, each Holder of Old Notes represents to Chesapeake that (i) the New Notes acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the person receiving such New Notes, whether or not such person is such Holder, (ii) neither the Holder of Old Notes nor any such other person has an arrangement or understanding with any person to participate in the distribution of such New Notes, (iii) if the Holder is not a broker- dealer or is a broker-dealer but will not receive New Notes for its own account in exchange for Old Notes, neither the Holder nor any such other person is engaged in or intends to participate in a distribution of the New Notes and (iv) neither the Holder nor any such other person is an "affiliate" of Chesapeake within the meaning of Rule 405 under the Securities Act of 1933, as amended (the "Securities Act") or, if such Holder is an "affiliate," that such Holder will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable. If the tendering Holder is a broker-dealer (whether or not it is also an "affiliate" of Chesapeake within the meaning of Rule 405 under the Securities Act) that will receive New Notes for its own account in exchange for Old Notes, it acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Notes. By acknowledging that it will deliver and by delivering a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Notes, the undersigned is not deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

All authority herein conferred or agreed to be conferred shall survive the death, bankruptcy or incapacity of the undersigned and every obligation of the undersigned hereunder shall be binding upon

the heirs, personal representatives, executors, administrators, successors, assigns, trustees in bankruptcy and other legal representatives of the undersigned. Tendered Old Notes may be withdrawn at any time prior to 5:00 p.m., New York City Time on the Expiration Date.

Certificates for all New Notes delivered in exchange for tendered Old Notes and any Old Notes delivered herewith but not exchanged, in each case registered in the name of the undersigned, shall be delivered to the undersigned at the address shown below the signature of the undersigned.

TENDERING HOLDER(S) SIGN HERE

- ---

- ---
Signature(s) of Holder(s)

Date: , 1997

(Must be signed by registered Holder(s) exactly as name(s) appear(s) on certificate(s) for Old Notes or by any person(s) authorized to become registered Holder(s) by endorsements and documents transmitted herewith. If signature by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth the full title of such person.) See Instruction 3.

Name(s):

- ---
(Please Print)

Capacity (full title):

Address:

- ---
(Including Zip Code)

Area Code and Telephone No.:

Tax Identification No.:

GUARANTEE OF SIGNATURE(S)
(IF REQUIRED -- SEE INSTRUCTION 3)

Authorized Signature:

Name:

Title:

Address:

Name of Firm:

Area Code and Telephone No.:

Dated: , 1997

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS
OF THE EXCHANGE OFFER

1. DELIVERY OF THIS LETTER OF TRANSMITTAL AND CERTIFICATES. Certificates for all physically delivered Old Notes, as well as a properly completed and duly executed copy of this Letter of Transmittal or facsimile thereof, and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at any of its addresses set forth herein on or prior to the Expiration Date.

THE METHOD OF DELIVERY OF OLD NOTES, THIS LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDER AND, EXCEPT AS OTHERWISE PROVIDED BELOW, THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT HOLDERS USE AN OVERNIGHT OR HAND DELIVERY SERVICE.

Holders whose Old Notes are not immediately available or who cannot deliver their Old Notes and all other required documents to the Exchange Agent on or prior to the Expiration Date may tender their Old Notes pursuant to the guaranteed delivery procedure set forth in the Prospectus under "The Exchange Offer -- Terms of the Exchange Offer -- Guaranteed Delivery Procedures." Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution (as defined in the Prospectus); (ii) on or prior to the Expiration Date, the Exchange Agent must have received from such Eligible Institution a letter, telegram or facsimile transmission setting forth the name and address of the tendering Holder, the name(s) in which such Old Notes are registered, and the certificate number(s) of the Old Notes to be tendered; and (iii) all tendered Old Notes as well as this Letter of Transmittal and all other documents required by this Letter of Transmittal must be received by the Exchange Agent within three New York Stock Exchange trading days after the date of execution of such letter, telex, telegram or facsimile transmission, all as provided in the Prospectus under the caption "The Exchange Offer -- Terms of the Exchange Offer -- Guaranteed Delivery Procedures."

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering Holders, by execution of this Letter of Transmittal (or facsimile thereof), shall waive any right to receive notice of the acceptance of the Old Notes for exchange.

2. PARTIAL TENDERS; WITHDRAWALS. Tenders of Old Notes will be accepted in denominations of $1,000 and integral multiples in excess thereof. If less than the entire principal amount of Old Notes evidenced by a submitted certificate is tendered, the tendering Holder must fill in the principal amount tendered in the column entitled "Principal Amount Tendered." A newly issued certificate for the principal amount of Old Notes submitted but not tendered will be sent to such Holder as soon as practicable after the Expiration Date. All Old Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated. To withdraw a tender of Old Notes in the Exchange Offer, a written or facsimile transmission notice of withdrawal must be received by the Exchange Agent at its address set forth herein prior to 5:00 p.m., New York City time, on the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having deposited the Old Notes to be withdrawn (the "Depositor"), (ii) identify the Old Notes to be withdrawn (including the certificate number or numbers and principal amount of such Old Notes), (iii) contain a statement that such holder is withdrawing its election to have such Old Notes exchanged, (iv) be signed by the Holder in the same manner as the original signature on the Letter of Transmittal by which such Old Notes were tendered (including any required signature

guarantees) or be accompanied by documents of transfer sufficient to have the Trustee with respect to the Old Notes register the transfer of such Old Notes in the name of the person withdrawing the tender and (v) specify the name in which any such Old Notes are to be registered, if different from that of the Depositor. If Old Notes have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at the book-entry transfer facility. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by Chesapeake, whose determination shall be final and binding on all parties. Any Old Notes so withdrawn will be deemed not to have been validly tendered for purposes of the Exchange Offer and no New Notes will be issued with respect thereto unless the Old Notes so withdrawn are validly retendered. Any Old Notes which have been tendered but which are not accepted for exchange will be returned to the Holder thereof without cost to such Holder as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described herein at any time prior to the business day prior to the Expiration Date.

3. SIGNATURE ON THIS LETTER OF TRANSMITTAL; WRITTEN INSTRUMENTS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES. If this Letter of Transmittal is signed by the registered Holder(s) of the Old Notes tendered hereby, the signature must correspond with the name(s) as written on the face of certificates without alteration, enlargement or any change whatsoever.

If tendered Old Notes are registered in the name of the signer of the Letter of Transmittal and the New Notes to be issued in exchange therefor are to be issued (and any untendered Old Notes are to be reissued) in the name of the registered holder (including any participant in The Depository Trust Company (also referred to as a book-entry facility) whose name appears on a security listing as the owner of Old Notes), the signature of such signer need not be guaranteed. In any other case, the tendered Old Notes must be endorsed or accompanied by written instruments of transfer in form satisfactory to Chesapeake and duly executed by the registered holder and the signature on the endorsement or instrument of transfer must be guaranteed by an eligible guarantor institution which is a member of one of the following recognized signature guarantee programs (an "Eligible Institution"): (i) The Securities Transfer Agents Medallion Program (STAMP), (ii) The New York Stock Exchange Medallion Signature Program (MSF), or (iii) The Stock Exchange Medallion Program (SEMP).

If the New Notes or Old Notes not exchanged are to be delivered to an address other than that of the registered holder appearing on the note register for the Old Notes, the signature in the Letter of Transmittal must be guaranteed by an Eligible Institution.

Endorsements on certificates or signatures on separate written instruments of transfer or exchange required by this Instruction 3 must be guaranteed by an Eligible Institution.

If any of the Old Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If a number of Old Notes registered in different names are tendered, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of Old Notes.

When this Letter of Transmittal is signed by the registered Holder or Holders of Old Notes listed and tendered hereby, no endorsements of certificates or separate written instruments of transfer or exchange are required.

If this Letter of Transmittal is signed by a person other than the registered Holder or Holders of the Old Notes listed, such Old Notes must be endorsed or accompanied by separate written instruments of transfer or exchange in form satisfactory to Chesapeake and duly executed by the registered Holder or Holders, in either case signed exactly as the name or names of the registered Holder or Holders appear(s) on the Old Notes.

If this Letter of Transmittal, any certificates or separate written instruments of transfer or exchange are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by Chesapeake, proper evidence satisfactory to Chesapeake of their authority so to act must be submitted.

4. TRANSFER TAXES. Chesapeake shall pay all transfer taxes, if any, applicable to the exchange of Old Notes pursuant to the Exchange Offer. If, however, certificates representing New Notes, or Old Notes for principal amounts not tendered or accepted for exchange, are to be delivered to, or are to be issued in the name of, any person other than the registered Holder of the Old Notes tendered hereby, or if a transfer tax is imposed for any reason other than the exchange of Old Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered Holder or any other person) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering Holder.

Except as provided in this Instruction 4, it will not be necessary for transfer tax stamps to be affixed to the Old Notes listed in this Letter of Transmittal.

5. WAIVER OF CONDITIONS. Chesapeake reserves the absolute right to waive, in whole or in part, any of the conditions to the Exchange Offer set forth in the Prospectus.

6. MUTILATED, LOST, STOLEN OR DESTROYED NOTES. Any Holder whose Old Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

7. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions relating to the procedure for tendering and other questions relating to the Exchange Offer, as well as requests for assistance or additional copies of the Prospectus and this Letter of Transmittal, may be directed to the Exchange Agent at the address and telephone number set forth above and in the Prospectus.

8. IRREGULARITIES. All questions as to the validity, form, eligibility (including time of receipt), and acceptance of Letters of Transmittal or Old Notes will be resolved by Chesapeake, whose determination will be final and binding. Chesapeake reserves the absolute right to reject any or all Letters of Transmittal or tenders that are not in proper form or the acceptance of which would, in the opinion of Chesapeake's counsel, be unlawful. Chesapeake also reserves the right to waive any irregularities or conditions of tender as to the particular Old Notes covered by any Letter of Transmittal or tendered pursuant to such Letter of Transmittal. None of Chesapeake, the Exchange Agent or any other person will be under any duty to

give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Chesapeake's interpretation of the terms and conditions of the Exchange Offer shall be final and binding.

9. DEFINITIONS. Capitalized terms used in this Letter of Transmittal and not otherwise defined have the meanings given in the Prospectus.

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A FACSIMILE THEREOF (TOGETHER WITH CERTIFICATES FOR OLD NOTES AND ALL OTHER REQUIRED DOCUMENTS) OR A NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE EXCHANGE AGENT ON OR PRIOR TO THE EXPIRATION DATE.

EXHIBIT 99.2

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF ALL OUTSTANDING
[7 7/8% SERIES A SENIOR NOTES DUE 2004][8 1/2% SERIES A SENIOR NOTES DUE 2012]
IN EXCHANGE FOR
[7 7/8% SERIES B SENIOR NOTES DUE 2004][8 1/2% SERIES B SENIOR NOTES DUE 2012]
OF
CHESAPEAKE ENERGY CORPORATION

Registered holders of outstanding [7 7/8% Series A Senior Notes Due 2004] [8 1/2% Series A Senior Notes Due 2012](the "Old Notes") of Chesapeake Energy Corporation ("Chesapeake") who wish to tender their Old Notes in exchange for a like principal amount of [7 7/8% Series B Senior Notes Due 2004] [8 1/2% Series B Senior Notes Due 2012] (the "New Notes") of Chesapeake and, in each case, whose Old Notes are not immediately available or who cannot deliver their Old Notes and Letter of Transmittal (and any other documents required by the Letter of Transmittal) to United States Trust Company of New York (the "Exchange Agent"), prior to the Expiration Date, may use this Notice of Guaranteed Delivery or one substantially equivalent hereto. This Notice of Guaranteed Delivery may be delivered by hand or sent by facsimile transmission (receipt confirmed by telephone and an original delivered by guaranteed overnight delivery) or mail to the Exchange Agent. See "The Exchange Offer -- Terms of the Exchange Offer -- Guaranteed Delivery Procedures" in the Prospectus.

The Exchange Agent for the Exchange Offer is:

UNITED STATES TRUST COMPANY OF NEW YORK

By Mail:	By Overnight Courier:	By Hand:	By Facsimile:
United States Trust Company of New York P.O. Box 844 Cooper Station New York, NY 10276-0844 (registered or certified mail recommended)	United States Trust Company of New York Corporate Trust Operations Department 770 Broadway-13th Floor New York, NY 10003	United States Trust Company of New York 111 Broadway Lower Level New York, NY 10006 Attention: Corporate Trust Services	(212) 420-6152 (For Eligible Institutions Only) Confirm by telephone: (800) 548-6565

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

This Notice of Guaranteed Delivery is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an Eligible Institution, such signature guarantee must appear in the applicable space provided on the Letter of Transmittal for Guarantee of Signatures.

Ladies & Gentlemen:

The undersigned hereby tender(s) to Chesapeake upon the terms and subject to the conditions set forth in the Exchange Offer and the Letter of Transmittal, receipt of which is hereby acknowledged, the aggregate principal amount of Old Notes set forth below pursuant to the guaranteed delivery procedures set forth in the Prospectus.

The undersigned understands that tenders of Old Notes will be accepted only in principal amounts equal to $1,000 or integral multiples thereof. The undersigned understands that tenders of Old Notes pursuant to the Exchange Offer may not be withdrawn after 5:00 p.m., New York City time on the Expiration Date. Tenders of Old Notes may also be withdrawn if the Exchange Offer is terminated without any such Old Notes being exchanged thereunder or as otherwise provided in the Prospectus.

All authority herein conferred or agreed to be conferred by this Notice of Guaranteed Delivery shall survive the death, bankruptcy or incapacity of the undersigned and every obligation of the undersigned under this Notice of Guaranteed Delivery shall be binding upon the heirs, personal representatives, executors, administrators, successors, assigns, trustees in bankruptcy and other legal representatives of the undersigned.

PLEASE SIGN AND COMPLETE

Signature(s) of Registered Owner(s) or Authorized Signatory:

Principal Amount of Old Notes Tendered:

Certificate No(s). of Old Notes (if available):

Name(s) of Registered Holder(s):

Address:

Area Code and Telephone No.:

Date:

This Notice of Guaranteed Delivery must be signed by the registered holder(s) of Old Notes exactly as its (their) name(s) appear on certificates for Old Notes or on a security position listing the owners of Old Notes, or by person(s) authorized to become registered Holder(s) by endorsements and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must provide the following information.

PLEASE PRINT NAME(S) AND ADDRESS(ES)

Name(s):

Capacity:

Address(es):

DO NOT SEND OLD NOTES WITH THIS FORM. OLD NOTES SHOULD BE SENT TO THE EXCHANGE AGENT TOGETHER WITH A PROPERLY COMPLETED AND DULY EXECUTED LETTER OF TRANSMITTAL.

GUARANTEE
(Not to be used for signature guarantee)

The undersigned, an eligible guarantor institution which is a member of one of the following signature guarantee programs (an "Eligible Institution"): (i) The Securities Transfer Agents Medallion Program (STAMP), (ii) The New York Stock Exchange Medallion Signature Program (MSF), or (iii) The Stock Exchange Medallion Program (SEMP), hereby (a) represents that each holder of Old Notes on whose behalf this tender is being made "own(s)" the Old Notes covered hereby within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended, (b) represents that such tender of Old Notes complies with such Rule 14e-4, and (c) guarantees that, within three New York Stock Exchange trading days from the date of this Notice of Guaranteed Delivery, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), together with certificates representing the Old Notes covered hereby in proper form for transfer and required documents will be deposited by the undersigned with the Exchange Agent.

THE UNDERSIGNED ACKNOWLEDGES THAT IT MUST DELIVER THE LETTER OF TRANSMITTAL AND OLD NOTES TENDERED HEREBY TO THE EXCHANGE AGENT WITHIN THE TIME SET FORTH ABOVE AND THAT FAILURE TO DO SO COULD RESULT IN FINANCIAL LOSS TO THE UNDERSIGNED.

Name of Firm:

Address:

Area Code and Telephone No.:

Authorized Signature:

Name:

Title:

Date:
