

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

JULY 29, 2003 (JULY 28, 2003)

CHESAPEAKE ENERGY CORPORATION

(Exact name of Registrant as specified in its Charter)

OKLAHOMA

1-13726

73-1395733

(State or other jurisdiction
of incorporation)

(Commission File No.)

(IRS Employer
Identification No.)

6100 NORTH WESTERN AVENUE, OKLAHOMA CITY, OKLAHOMA

73118

(Address of principal executive offices)

(Zip Code)

(405) 848-8000

(Registrant's telephone number, including area code)

INFORMATION TO BE INCLUDED IN THE REPORT

ITEM 12. DISCLOSURE OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We issued a press release on July 28, 2003, which includes information regarding our consolidated results of operations and financial condition as of and for the quarterly period ended June 30, 2003. It also includes updated information on our 2003 outlook. The text of that press release is attached to this Report as an exhibit and is incorporated by reference herein.

The press release contains information concerning financial measures that we use that may be considered "non-GAAP financial measures" under Securities and Exchange Commission rules. Specifically, the press release contains information concerning operating cash flow (defined as cash flow from operating activities before changes in assets and liabilities) and EBITDA, each of which is reconciled in the press release to cash from operating activities, the most directly comparable financial measure reported under generally accepted accounting principles.

With the filing of this report on Form 8-K and the issuance of the attached press release, we are also updating our future outlook, which can be found on our website at www.chkenergy.com. We caution you that our outlook is given as of July 28, 2003 based on currently available information, and that we are not undertaking any obligation to update our estimates as conditions change or other information becomes available.

This information, including the exhibit attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as may be expressly set forth by specific reference in this Report other than under Item 12 hereof.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHESAPEAKE ENERGY CORPORATION

BY: /S/ AUBREY K. MCCLENDON

AUBREY K. MCCLENDON
Chairman of the Board and
Chief Executive Officer

Dated: July 29, 2003

CHESAPEAKE ENERGY CORPORATION POSTS STRONG RESULTS FOR SECOND QUARTER 2003;
NATURAL GAS PRODUCTION SETS RECORD FOR EIGHTH CONSECUTIVE QUARTER

SECOND QUARTER 2003 NET INCOME AVAILABLE TO COMMON SHAREHOLDERS REACHES
\$76 MILLION ON REVENUE OF \$430 MILLION AND PRODUCTION OF 67 BCFE

OKLAHOMA CITY, OKLAHOMA, JULY 28, 2003 - Chesapeake Energy Corporation (NYSE:CHK) today reported its financial and operating results for the 2003 second quarter. For the quarter, Chesapeake generated net income available to common shareholders of \$76.3 million (\$0.31 per fully diluted common share), operating cash flow of \$226.1 million (defined as cash flow from operating activities before changes in assets and liabilities) and ebitda of \$266.1 million (defined as income before income taxes, interest expense, and depreciation, depletion and amortization expense) on revenue of \$429.6 million. The company's 2003 second quarter net income available to common shareholders included a \$1.9 million after-tax non-cash risk-management gain resulting from the application of SFAS 133 to the company's derivative contracts that do not qualify for hedge accounting.

During the second quarter, Chesapeake produced 67.3 billion cubic feet of natural gas equivalent (bcfe), compared to the company's most recent forecast of 64-65 bcfe. This 67.3 bcfe of production was comprised of 60.0 billion cubic feet of natural gas (bcf) (89% on an mcf equivalent basis) and 1.2 million barrels of oil (mmbbl) (11% on an mcf equivalent basis).

The 2003 second quarter oil and natural gas production increased 55% year-over-year from the 2002 second quarter and 19% sequentially from the 2003 first quarter. Of the 10.5 bcfe in sequential production growth during the second quarter, only 9.5% came from acquisitions closed during the quarter. The 2003 second quarter was Chesapeake's eighth consecutive quarter of sequential production increase. During these eight quarters, Chesapeake's production has increased 72%, for an average sequential quarterly growth rate of 7%.

Reserve growth during the 2003 second quarter was also significant as production of 67 bcfe was replaced by 201 bcfe of new proved reserves (a 300% reserve replacement rate). This growth was comprised of 112 bcfe from drilling and revisions and 96 bcfe from acquisitions, partially offset by 7 bcfe of divestitures that were sold for proceeds of \$19 million. Chesapeake's internally estimated proved reserves now total approximately 2.95 trillion cubic feet of natural gas equivalent, of which 90% are natural gas and 74% are proved developed. This marks the company's seventh consecutive quarter of growth in estimated proved reserves.

Average prices realized during the 2003 second quarter (including hedging) were \$26.24 per barrel of oil (bo) and \$4.73 per thousand cubic feet of natural gas (mcf), for a realized gas equivalent price of \$4.70 per thousand cubic feet of natural gas equivalent (mcfe). Chesapeake's realized pricing differentials to NYMEX during the quarter averaged a negative \$2.15 per bo and a negative \$0.70 per mcf and hedging activities generated a \$0.52 loss per bo and a \$0.03 gain per mcf.

1

KEY OPERATIONAL AND FINANCIAL STATISTICS FOR THE 2003 SECOND QUARTER

The table below summarizes Chesapeake's key statistics during the 2003 second quarter and compares them to the 2003 first quarter and the 2002 second quarter:

| Key Operational and Financial Statistics: | Three Months Ended: | | |
|--|---------------------|---------|---------|
| | 6/30/03 | 3/31/03 | 6/30/02 |
| Average daily production (in mmcfe) | 740 | 631 | 477 |
| Gas as % of total production | 89 | 89 | 89 |
| Natural gas production (in bcf) | 60.0 | 50.4 | 38.5 |
| Average realized gas price (\$/mcf) (a) | 4.73 | 4.51 | 3.38 |
| Oil production (in mbbbl) | 1,224 | 1,060 | 823 |
| Average realized oil price (\$/bbl) (a) | 26.24 | 27.27 | 26.55 |
| Natural gas equivalent production (in bcfe) | 67.3 | 56.8 | 43.4 |
| Gas equivalent realized price (\$/mcfe) (a) | 4.70 | 4.52 | 3.50 |
| General and administrative costs (\$/mcfe) | 0.09 | 0.10 | 0.09 |
| Production taxes (\$/mcfe) | 0.25 | 0.33 | 0.18 |
| Lease operating expenses (\$/mcfe) | 0.51 | 0.55 | 0.56 |
| Interest expense (\$/mcfe) | 0.56 | 0.62 | 0.57 |
| DD&A of oil and gas properties (\$/mcfe) | 1.36 | 1.35 | 1.17 |
| Operating cash flow (\$ in millions) (b) | 226.1 | 167.7 | 96.6 |
| Operating cash flow (\$/mcfe) | 3.36 | 2.96 | 2.23 |
| Ebitda (\$ in millions) (c) | 266.1 | 230.0 | 120.8 |
| Ebitda (\$/mcfe) | 3.95 | 4.05 | 2.78 |
| Net income available to common shareholders (\$ in millions) | 76.3 | 70.0 | 22.5 |

(a) includes the effects of hedging

(b) cash flow provided by operating activities before changes in assets and liabilities

(c) defined as income before income taxes, interest expense, and depreciation, depletion and amortization expense

CHESAPEAKE UPDATES FORECASTS AND HEDGING INFORMATION

Chesapeake's initial 2003 third quarter and updated full-year 2003 and 2004 forecasts are attached to this release in a revised Outlook dated July 28, 2003 and labeled as Schedule "A". The company's previous guidance of June 24, 2003 is provided for comparative reference only and is labeled as Schedule "B". The new Outlook reflects an increase in projected 2003 full-year production volumes to 258-262 bcfe, up from 255-260 bcfe included in the company's June 24, 2003 Outlook. This increased production forecast is attributable to Chesapeake's drilling programs generating better than previously forecasted production volumes. The company has now increased its full-year 2003 production estimate by 35% since the beginning of the year.

In addition, Chesapeake has added to its hedging positions since the June 24, 2003 update. Currently, the company has hedged the following percentages of its projected 2003-2007 oil and natural gas production:

| Quarter or Year | Oil | | Natural Gas | |
|-----------------|----------|----------|-------------|----------|
| | % Hedged | \$ NYMEX | % Hedged | \$ NYMEX |
| 3Q 2003 | 79% | \$28.07 | 62% | \$5.50 |
| 4Q 2003 | 79% | \$28.07 | 63% | \$5.72 |
| REMAINING 2003 | 79% | \$28.07 | 62% | \$5.61 |
| 2004 | 63% | \$27.85 | 26% | \$5.51 |
| 2005 | - | - | 15% | \$4.79 |
| 2006 | - | - | 9% | \$4.74 |
| 2007 | - | - | 9% | \$4.76 |

Depending on changes in oil and natural gas futures markets and the company's view of underlying supply and demand trends, the company may either increase or decrease its hedging positions in the future.

STANDARD & POOR'S RAISES CHESAPEAKE'S CREDIT RATINGS

On July 10, 2003, Standard & Poor's Rating Services raised Chesapeake's corporate credit rating to BB-. At the same time, S & P assigned its BBB- rating to the company's recently amended \$350 million secured revolving credit facility due 2007. This is the first time Chesapeake has received an investment grade rating on any of its outstanding debt and evidences Chesapeake's continuing commitment to strengthening its balance sheet.

MANAGEMENT COMMENTS

Aubrey K. McClendon, Chesapeake's Chief Executive Officer, commented, "We are pleased to announce Chesapeake's very strong second quarter earnings report, which features exceptional growth in production and proved reserves, low operating and administrative costs, high operating margins and increased production forecasts for the remainder of 2003 and for 2004. Chesapeake's value-creating financial and operating results are being driven by its distinctive Mid-Continent focus on successful deep-gas exploration and on finding, completing and quickly integrating small and medium-sized acquisitions. Because of the company's unique scale in the Mid-Continent, its technological advantages in deep gas exploration and its unrivaled Mid-Continent 3-D seismic and leasehold inventory, we believe Chesapeake's production and reserve growth trends should be sustainable and should enable the company to continue generating significant increases in shareholder value in the years ahead."

CONFERENCE CALL INFORMATION

A conference call has been scheduled for Tuesday morning, July 29, 2003 at 9:00 a.m. EDT to discuss the earnings release. The telephone number to access the conference call is 913.981.5533. For those unable to participate in the conference call, a replay will be available from 12:00 p.m. EDT on Tuesday, July 29, 2003 through midnight EDT on Friday, August 15, 2003. The number to access the conference call replay is 719.457.0820 and the passcode is 448860. The conference call will also be simulcast live on the Internet and can be accessed at www.chkenergy.com by selecting "Conference Calls" under the "Investor Relations" section. The webcast of the conference call will be available on the website for one year.

This press release and the accompanying Outlooks include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give our current expectations or forecasts of future events. They include estimates of oil and gas reserves, expected oil and gas production and future expenses, projections of future oil and gas prices, planned capital expenditures for drilling, leasehold acquisitions and seismic data, and statements concerning anticipated cash flow and liquidity, business strategy and other plans and objectives for future operations. Disclosures concerning derivative contracts and their estimated contribution to our future results of operations are based upon market information as of a specific date. These market prices are subject to significant volatility. Although we believe the expectations and forecasts reflected in these and other forward-looking statements are reasonable, we can give no assurance they will prove to have been correct. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Factors that could cause actual results to differ materially from expected results are described under "Risk Factors" in Item 1 of our 2002 Form 10-K and subsequent filings with the Securities and Exchange Commission. They include the volatility of oil and gas prices; adverse effects our substantial indebtedness could have on our operations and future growth; our ability to compete effectively against strong oil and gas companies and majors; the cost and availability of drilling and production services; possible financial losses as a result of our commodity price risk management activities; uncertainties inherent in estimating quantities of oil and gas reserves, including reserves we acquire, projecting future rates of production and the timing of development expenditures; exposure to potential liabilities of acquired properties; our ability to replace reserves; the availability of capital; changes in interest rates; and drilling and operating risks. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release, and we undertake no obligation to update this information.

Chesapeake Energy Corporation is one of the eight largest independent natural gas producers in the U.S. Headquartered in Oklahoma City, the company's operations are focused on exploratory and developmental drilling and producing property acquisitions in the Mid-Continent region of the United States. The company's Internet address is www.chkenergy.com.

CHESAPEAKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ IN 000'S, EXCEPT PER SHARE DATA)
(UNAUDITED)

| THREE MONTHS ENDED: | JUNE 30, 2003 | | JUNE 30, 2002 | |
|--|-----------------|---------------|-----------------|---------------|
| | \$ | \$/MCFE | \$ | \$/MCFE |
| REVENUES: | | | | |
| OIL AND GAS SALES | 316,172 | 4.69 | 152,009 | 3.50 |
| RISK MANAGEMENT INCOME (LOSS) | 3,084 | 0.05 | (481) | (0.01) |
| OIL AND GAS MARKETING SALES | 110,296 | 1.64 | 42,785 | 0.99 |
| TOTAL REVENUES | 429,552 | 6.38 | 194,313 | 4.48 |
| OPERATING COSTS: | | | | |
| PRODUCTION EXPENSES | 34,263 | 0.51 | 24,242 | 0.56 |
| PRODUCTION TAXES | 17,101 | 0.25 | 7,911 | 0.18 |
| GENERAL AND ADMINISTRATIVE | 6,000 | 0.09 | 3,859 | 0.09 |
| OIL AND GAS MARKETING EXPENSES | 106,857 | 1.59 | 41,181 | 0.95 |
| DEPRECIATION, DEPLETION, AND AMORTIZATION OF OIL AND GAS PROPERTIES | 91,570 | 1.36 | 50,778 | 1.17 |
| DEPRECIATION AND AMORTIZATION OF OTHER ASSETS | 4,122 | 0.06 | 3,652 | 0.08 |
| TOTAL OPERATING COSTS | 259,913 | 3.86 | 131,623 | 3.03 |
| INCOME FROM OPERATIONS | 169,639 | 2.52 | 62,690 | 1.45 |
| OTHER INCOME (EXPENSE): | | | | |
| INTEREST AND OTHER INCOME | 781 | 0.01 | 3,992 | 0.09 |
| INTEREST EXPENSE | (37,773) | (0.56) | (24,690) | (0.57) |
| LOSS ON REPURCHASES OF DEBT | - | - | (273) | (0.01) |
| TOTAL OTHER INCOME (EXPENSE) | (36,992) | (0.55) | (20,971) | (0.49) |
| INCOME BEFORE INCOME TAXES | 132,647 | 1.97 | 41,719 | 0.96 |
| INCOME TAX EXPENSE | | | | |
| CURRENT | - | - | - | - |
| DEFERRED | 50,407 | 0.75 | 16,686 | 0.38 |
| TOTAL INCOME TAX EXPENSE | 50,407 | 0.75 | 16,686 | 0.38 |
| NET INCOME | 82,240 | 1.22 | 25,033 | 0.58 |
| PREFERRED STOCK DIVIDENDS | (5,979) | (0.09) | (2,530) | (0.06) |
| NET INCOME AVAILABLE TO COMMON SHAREHOLDERS | 76,261 | 1.13 | 22,503 | 0.52 |

EARNINGS PER COMMON SHARE:

| | | |
|-------------------|---------|---------|
| BASIC | \$ 0.36 | \$ 0.14 |
| ASSUMING DILUTION | \$ 0.31 | \$ 0.13 |

**WEIGHTED AVERAGE COMMON AND COMMON
EQUIVALENT SHARES OUTSTANDING (IN 000'S):**

| | | |
|-------------------|---------|---------|
| BASIC | 214,341 | 165,963 |
| ASSUMING DILUTION | 263,919 | 191,947 |

CHESAPEAKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ IN 000'S, EXCEPT PER SHARE DATA)
(UNAUDITED)

| SIX MONTHS ENDED: | JUNE 30, 2003 | | JUNE 30, 2002 | |
|---|-----------------|---------------|-----------------|---------------|
| | \$ | \$/MCFE | \$ | \$/MCFE |
| REVENUES: | | | | |
| OIL AND GAS SALES | 572,504 | 4.61 | 293,980 | 3.45 |
| RISK MANAGEMENT INCOME (LOSS) | 30,794 | 0.25 | (79,949) | (0.94) |
| OIL AND GAS MARKETING SALES | 200,604 | 1.62 | 70,118 | 0.82 |
| TOTAL REVENUES | 803,902 | 6.48 | 284,149 | 3.33 |
| OPERATING COSTS: | | | | |
| PRODUCTION EXPENSES | 65,720 | 0.53 | 46,302 | 0.54 |
| PRODUCTION TAXES | 35,698 | 0.29 | 13,127 | 0.15 |
| GENERAL AND ADMINISTRATIVE | 11,665 | 0.09 | 8,153 | 0.10 |
| OIL AND GAS MARKETING EXPENSES | 196,215 | 1.58 | 67,688 | 0.79 |
| DEPRECIATION, DEPLETION, AND AMORTIZATION OF OIL AND GAS PROPERTIES | 168,184 | 1.36 | 99,397 | 1.17 |
| DEPRECIATION AND AMORTIZATION OF OTHER ASSETS | 7,806 | 0.06 | 6,762 | 0.08 |
| TOTAL OPERATING COSTS | 485,288 | 3.91 | 241,429 | 2.83 |
| INCOME FROM OPERATIONS | 318,614 | 2.57 | 42,720 | 0.50 |
| OTHER INCOME (EXPENSE): | | | | |
| INTEREST AND OTHER INCOME | 1,544 | 0.01 | 5,537 | 0.07 |
| INTEREST EXPENSE | (72,800) | (0.58) | (51,650) | (0.61) |
| LOSS ON REPURCHASES OF DEBT | - | - | (864) | (0.01) |
| TOTAL OTHER INCOME (EXPENSE) | (71,256) | (0.57) | (46,977) | (0.55) |
| INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 247,358 | 2.00 | (4,257) | (0.05) |
| INCOME TAX EXPENSE (BENEFIT) | | | | |
| CURRENT | - | - | - | - |
| DEFERRED | 93,998 | 0.76 | (1,704) | (0.02) |
| TOTAL INCOME TAX EXPENSE (BENEFIT) | 93,998 | 0.76 | (1,704) | (0.02) |
| NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 153,360 | 1.24 | (2,553) | (0.03) |
| CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAX | 2,389 | 0.02 | - | - |
| NET INCOME (LOSS) | 155,749 | 1.26 | (2,553) | (0.03) |
| PREFERRED STOCK DIVIDENDS | (9,505) | (0.08) | (5,062) | (0.06) |
| NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS | 146,244 | 1.18 | (7,615) | (0.09) |

EARNINGS PER COMMON SHARE:

| | | |
|---|---------|-----------|
| BASIC | | |
| INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | \$ 0.70 | \$ (0.05) |
| CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 0.01 | - |
| | ----- | ----- |
| NET INCOME (LOSS) | \$ 0.71 | \$ (0.05) |
| | ===== | ===== |

| | | |
|---|---------|-----------|
| ASSUMING DILUTION | | |
| INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | \$ 0.62 | \$ (0.05) |
| CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 0.01 | - |
| | ----- | ----- |
| NET INCOME (LOSS) | \$ 0.63 | \$ (0.05) |
| | ===== | ===== |

WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (IN 000'S):

| | | |
|-------------------|---------|---------|
| BASIC | 205,995 | 165,669 |
| | ===== | ===== |
| ASSUMING DILUTION | 247,391 | 165,669 |
| | ===== | ===== |

CHESAPEAKE ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN 000'S)
(UNAUDITED)

| | JUNE 30, 2003 | DECEMBER 31, 2002 |
|--|------------------|----------------------|
| CASH | \$ 35,909 | \$ 247,637 |
| OTHER CURRENT ASSETS | 297,558 | 187,680 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 333,467 | 435,317 |
| | ----- | ----- |
| PROPERTY AND EQUIPMENT (NET) | 3,595,166 | 2,389,884 |
| DEFERRED TAX ASSET | - | 2,071 |
| OTHER ASSETS | 84,727 | 48,336 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 4,013,360 | \$ 2,875,608 |
| | ===== | ===== |
| CURRENT LIABILITIES | \$ 415,871 | \$ 265,552 |
| LONG TERM DEBT | 1,968,447 | 1,651,198 |
| LONG TERM LIABILITIES | 73,502 | 50,983 |
| DEFERRED TAX LIABILITY | 92,068 | - |
| | ----- | ----- |
| TOTAL LIABILITIES | 2,549,888 | 1,967,733 |
| STOCKHOLDERS' EQUITY | 1,463,472 | 907,875 |
| | ----- | ----- |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY | \$ 4,013,360 | \$ 2,875,608 |
| | ===== | ===== |
| COMMON SHARES OUTSTANDING | 215,862 | 190,144 |
| | ===== | ===== |

CHESAPEAKE ENERGY CORPORATION
CONDENSED CONSOLIDATED CASH FLOW DATA
(IN 000'S)
(UNAUDITED)

| THREE MONTHS ENDED: | JUNE 30, 2003 | MARCH 31, 2003 | JUNE 30, 2002 |
|---------------------------------------|------------------|-------------------|------------------|
| CASH PROVIDED BY OPERATING ACTIVITIES | \$ 277,581 | \$ 99,052 | \$ 97,528 |
| CASH (USED IN) INVESTING ACTIVITIES | \$ (313,485) | \$ (1,002,289) | \$ (234,613) |
| CASH PROVIDED BY FINANCING ACTIVITIES | \$ 33,809 | \$ 693,604 | \$ 21,429 |

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF CERTAIN FINANCIAL MEASURES
(IN 000'S)
(UNAUDITED)

| THREE MONTHS ENDED: | JUNE 30, 2003 | MARCH 31, 2003 | JUNE 30, 2002 |
|---------------------------------------|------------------|-------------------|------------------|
| CASH PROVIDED BY OPERATING ACTIVITIES | \$ 277,581 | \$ 99,052 | \$ 97,528 |
| ADJUSTMENTS: | | | |
| CHANGES IN ASSETS AND LIABILITIES | (51,512) | 68,661 | (910) |
| OPERATING CASH FLOW* | \$ 226,069 | \$ 167,713 | \$ 96,618 |

* Operating cash flow represents net cash provided by operating activities before changes in assets and liabilities. Operating cash flow is presented because management believes it is a useful adjunct to net cash provided by operating activities under accounting principles generally accepted in the United States (GAAP). Operating cash flow is widely accepted as a financial indicator of an oil and gas company's ability to generate cash which is used to internally fund exploration and development activities and to service debt. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies within the oil and gas exploration and production industry. Operating cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing, or financing activities as an indicator of cash flows, or as a measure of liquidity.

| THREE MONTHS ENDED: | JUNE 30, 2003 | MARCH 31, 2003 | JUNE 30, 2002 |
|--|------------------|-------------------|------------------|
| NET INCOME | \$ 82,240 | \$ 71,120 | \$ 25,033 |
| DEFERRED INCOME TAX EXPENSE | 50,407 | 43,591 | 16,686 |
| INTEREST EXPENSE | 37,773 | 35,027 | 24,690 |
| DEPRECIATION AND AMORTIZATION OF OTHER ASSETS | 4,122 | 3,684 | 3,652 |
| DEPRECIATION, DEPLETION AND AMORTIZATION OF OIL AND GAS PROPERTIES | 91,570 | 76,614 | 50,778 |
| EBITDA** | \$ 266,112 | \$ 230,036 | \$ 120,839 |

**Ebitda represents net income (loss) before cumulative effect of accounting change, income tax expense (benefit), interest expense, and depreciation, depletion and amortization expense. Ebitda is presented as a supplemental financial measurement in the evaluation of our business. We believe that it provides additional information regarding our ability to meet our future debt service, capital expenditures and working capital requirements. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Ebitda is also a financial measurement that, with certain negotiated adjustments, is reported to our banks under our bank credit facilities and is used in our financial covenants under our bank credit facilities and our indentures governing our senior notes. Ebitda is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income, income from operations, or cash flow provided by operating activities prepared in accordance with GAAP. Ebitda is reconciled to cash provided by operating activities as follows:

| THREE MONTHS ENDED: | JUNE 30, 2003 | MARCH 31, 2003 | JUNE 30, 2002 |
|---------------------------------------|------------------|-------------------|------------------|
| CASH PROVIDED BY OPERATING ACTIVITIES | \$ 277,581 | \$ 99,052 | \$ 97,528 |
| CHANGES IN ASSETS AND LIABILITIES | (51,512) | 68,661 | (910) |
| INTEREST EXPENSE | 37,773 | 35,027 | 24,690 |
| RISK MANAGEMENT INCOME (LOSS) | 3,084 | 27,710 | (481) |
| OTHER NON-CASH ITEMS | (814) | (414) | 12 |
| EBITDA | \$ 266,112 | \$ 230,036 | \$ 120,839 |

SCHEDULE "A"

CHESAPEAKE'S OUTLOOK

AS OF JULY 28, 2003

QUARTER ENDING SEPTEMBER 30, 2003; YEAR ENDING DECEMBER 31, 2003; YEAR ENDING DECEMBER 31, 2004. We have adopted a policy of periodically providing investors with guidance on certain factors that affect our future financial performance. As of July 28, 2003, we are using the following key operating assumptions in our projections for the third quarter of 2003, full year 2003, and full year 2004.

The primary changes from our June 24, 2003 guidance are in italicized bold and are explained as follows:

- 1) We have updated the projected effects from changes in our hedging positions.
- 2) We have included our expectations for future NYMEX oil and gas prices to illustrate hedging effects only, they are not a forecast of our expectations for 2003 oil and natural gas prices.
- 3) We have increased our projected oil and natural gas production for the full year 2003 and 2004.
- 4) We have included third quarter 2003 projections for the first time.

| | Quarter Ending September 30, 2003 ----- | Year Ending December 31, 2003 ----- | Year Ending December 31, 2004 ----- |
|---|---|---|---|
| ESTIMATED PRODUCTION | | | |
| Oil - Mbo | 1,200 | 4,700 | 4,700 |
| Gas - Bcf | 60.5 - 61.0 | 230 - 234 | 249 - 253 |
| Gas Equivalent - Bcfe | 67.5 - 68.0 | 258 - 262 | 277 - 281 |
| Daily gas equivalent midpoint - in Mmcfe | 735 | 710 | 765 |
| NYMEX PRICES (FOR CALCULATION OF HEDGING EFFECTS ONLY) | | | |
| Oil - \$/Bo | \$25.00 | \$28.19 | \$24.00 |
| Gas - \$/Mcf | \$5.43 | \$5.79 | \$4.50 |
| ESTIMATED DIFFERENTIALS TO NYMEX PRICES | | | |
| Oil - \$/Bo | -\$2.50 | -\$2.23 | -\$2.00 |
| Gas - \$/Mcf | -\$0.50 | -\$0.50 | -\$0.50 |
| ESTIMATED HEDGING EFFECTS (BASED ON EXPECTED NYMEX PRICES ABOVE) | | | |
| Oil - \$/Bo | +\$2.64 | -\$0.24 | +\$2.43 |
| Gas - \$/Mcf | +\$0.24 | -\$0.25 | +\$0.29 |
| OPERATING COSTS PER MCFE | | | |
| Production expense | \$0.53 - 0.57 | \$0.53 - 0.57 | \$0.57 - 0.60 |
| Production taxes (generally 6% of O&G revenues) | \$0.31 - 0.33 | \$0.31 - 0.33 | \$0.27 - 0.30 |
| General and administrative | \$0.09 - 0.10 | \$0.09 - 0.10 | \$0.09 - 0.10 |
| DD&A - oil and gas | \$1.35 - 1.40 | \$1.35 - 1.40 | \$1.37 - 1.42 |
| Depreciation of other assets | \$0.08 - 0.10 | \$0.08 - 0.10 | \$0.08 - 0.10 |
| Interest expense | \$0.60 - 0.65 | \$0.60 - 0.65 | \$0.55 - 0.60 |
| OTHER INCOME AND EXPENSE PER MCFE (a) | | | |
| Marketing and Other income | \$0.02 - 0.04 | \$0.02 - 0.04 | \$0.02 - 0.04 |
| BOOK TAX RATE - ALL DEFERRED | | | |
| | 38% | 38% | 38% |
| EQUIVALENT SHARES OUTSTANDING | | | |
| Basic | 216,000 m | 214,000 m | 218,000 m |
| Diluted | 266,000 m | 258,000 m | 268,000 m |
| CAPITAL EXPENDITURES: | | | |
| Drilling, Land and Seismic | \$150 - \$155 mm | \$600 - \$650 mm | \$600 - \$650 mm |

(a) Does not include non-cash risk management income or loss (SFAS 133) or the cumulative effect of the adoption of SFAS 143.

COMMODITY HEDGING ACTIVITIES

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

- (i) swap arrangements that establish an index-related price above which the Company pays the counterparty and below which the Company is paid by the counterparty,
- (ii) the purchase of index-related puts that provide for a "floor" price below which the counterparty pays the Company the amount by which the price of the commodity is below the contracted floor,
- (iii) the sale of index-related calls that provide for a "ceiling" price above which the Company pays the counterparty the amount by which the price of the commodity is above the contracted ceiling,
- (iv) basis protection swaps, which are arrangements that guarantee the price differential of oil or gas from a specified delivery point or points, and
- (v) collar arrangements that establish an index-related price below which the counterparty pays the Company and a separate index-related price above which the Company pays the counterparty.

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

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

The Company currently has in place the following natural gas hedging arrangements:

| | | | | | % Hedged | |
|----------------|------------------------|--|------------------------------|---|---|---|
| | Open Swaps in Bcf's | Avg. NYMEX Strike Price of Open Swaps | Gain from Locked Swaps | Avg. NYMEX Price Including Open and Locked Positions | Assuming Gas Production in Bcf's of: | Open Swap Positions as a % of Estimated Total Gas Production |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| 2003: | | | | | | |
| ----- | | | | | | |
| 3rd Qtr | 37.7 | \$5.45 | \$0.05 | \$5.50 | 60.8 | 62% |
| 4th Qtr | 38.3 | \$5.65 | \$0.07 | \$5.72 | 60.9 | 63% |
| ----- | | | | | | |
| Remaining 2003 | 76.0 | \$5.55 | \$0.06 | \$5.61 | 121.7 | 62% |
| ----- | | | | | | |

| | Open Swaps in Bcf's | Avg. NYMEX Strike Price of Open Swaps | Gain from Locked Swaps | Avg. NYMEX Price Including Open and Locked Positions | % Hedged Assuming Gas Production in Bcf's of: | Open Swap Positions as a % of Estimated Total Gas Production |
|------------|---------------------|---------------------------------------|------------------------|--|--|--|
| 2004: | | | | | | |
| 1st Qtr | 26.4 | \$6.12 | \$0.08 | \$6.20 | 61.4 | 43% |
| 2nd Qtr | 17.0 | \$5.06 | \$0.00 | \$5.06 | 62.3 | 27% |
| 3rd Qtr | 11.0 | \$4.92 | \$0.00 | \$4.92 | 63.5 | 17% |
| 4th Qtr | 11.0 | \$5.13 | \$0.00 | \$5.13 | 63.8 | 17% |
| Total 2004 | 65.4 | \$5.48 | \$0.03 | \$5.51 | 251.0 | 26% |
| Total 2005 | 40.2 | \$4.79 | \$0.00 | \$4.79 | 260.0 | 15% |
| Total 2006 | 25.6 | \$4.74 | \$0.00 | \$4.74 | 270.0 | 9% |
| Total 2007 | 25.6 | \$4.76 | \$0.00 | \$4.76 | 280.0 | 9% |

Chesapeake has also entered into the following natural gas basis protection swaps:

| | Annual Volume in Bcf's | NYMEX less: | Assuming Gas Production in Bcf's of: | % Hedged |
|----------------|------------------------|-------------|--------------------------------------|----------|
| 2003 Remaining | 82.8 | \$ 0.188 | 121.7 | 68% |
| 2004 | 157.4 | 0.173 | 251.0 | 63% |
| 2005 | 109.5 | 0.156 | 260.0 | 42% |
| 2006 | 47.5 | 0.155 | 270.0 | 18% |
| 2007 | 63.9 | 0.166 | 280.0 | 23% |
| 2008 | 64.0 | 0.166 | 290.0 | 22% |
| 2009 | 37.0 | 0.160 | 300.0 | 12% |
| | 562.1 | \$ 0.169* | 1,772.7 | 32% |

* weighted average

The Company has entered into the following crude oil hedging arrangements:

| | % HEDGED | | | |
|----------------|----------------------|-------------------------|---------------------------------------|--|
| | Open Swaps in Mmbo's | Avg. NYMEX Strike Price | Assuming Oil Production in Mmbo's of: | Open Swap Positions as % of Total Estimated Production |
| Q3 - 2003* | 948 | \$28.07 | 1,200 | 79% |
| Q4 - 2003* | 948 | \$28.07 | 1,200 | 79% |
| Remaining 2003 | 1,896 | \$28.07 | 2,400 | 79% |
| Q1 - 2004* | 877 | \$27.76 | 1,175 | 75% |
| Q2 - 2004* | 797 | \$27.81 | 1,175 | 68% |
| Q3 - 2004* | 644 | \$27.94 | 1,175 | 55% |
| Q4 - 2004* | 644 | \$27.94 | 1,175 | 55% |
| TOTAL 2004 | 2,962 | \$27.85 | 4,700 | 63% |

*Swaps with a knockout provision for days in which NYMEX closes below \$21.00.

SCHEDULE "B"

CHESAPEAKE'S PREVIOUS OUTLOOK AS OF JUNE 24, 2003
(PROVIDED FOR REFERENCE ONLY)

NOW SUPERSEDED BY OUTLOOK AS OF JULY 28, 2003

QUARTER ENDING JUNE 30, 2003; YEAR ENDING DECEMBER 31, 2003; YEAR ENDING DECEMBER 31, 2004.

We have adopted a policy of periodically providing investors with guidance on certain factors that affect our future financial performance. As of June 24, 2003, we are using the following key operating assumptions in our projections for the second quarter of 2003, full year 2003, and full year 2004.

The primary changes from our April 28, 2003 guidance are in italicized bold and are explained as follows:

- 1) We have updated the projected effects from changes in our hedging positions.
- 2) We have included our expectations for future NYMEX oil and gas prices to illustrate hedging effects only, they are not a forecast of our expectations for 2003 oil and natural gas prices.
- 3) We have increased our projected oil and natural gas production for the second quarter 2003 and full year 2003.
- 4) We have included 2004 projections for the first time.

| | Quarter Ending June 30, 2003 ----- | Year Ending December 31, 2003 ----- | Year Ending December 31, 2004 ----- |
|---|--|---|---|
| ESTIMATED PRODUCTION | | | |
| Oil - Mbo | 1,150 | 4,500 | 4,500 |
| Gas - Bcf | 57 - 58 | 228 - 233 | 248 - 253 |
| Gas Equivalent - Bcfe | 64 - 65 | 255 - 260 | 275 - 280 |
| Daily gas equivalent midpoint - in Mmcfe | 710 | 705 | 760 |
| NYMEX PRICES (FOR CALCULATION OF HEDGING EFFECTS ONLY) | | | |
| Oil - \$/Bo | \$27.40 | \$27.82 | \$24.00 |
| Gas - \$/Mcf | \$5.40 | \$5.81 | \$4.50 |
| ESTIMATED DIFFERENTIALS TO NYMEX PRICES | | | |
| Oil - \$/Bo | -\$2.00 | -\$1.92 | -\$2.00 |
| Gas - \$/Mcf | -\$0.50 - \$0.60 | -\$0.50 - \$0.60 | -\$0.50 - \$0.60 |
| ESTIMATED HEDGING EFFECTS (BASED ON EXPECTED NYMEX PRICES ABOVE) | | | |
| Oil - \$/Bo | +\$0.50 | +\$0.03 | +\$0.29 |
| Gas - \$/Mcf | +\$0.06 | -\$0.25 | +\$0.18 |
| OPERATING COSTS PER MCFE | | | |
| Production expense | \$0.53 - 0.57 | \$0.53 - 0.57 | \$0.57 - 0.60 |
| Production taxes (generally 7% of O&G revenues) | \$0.31 - 0.33 | \$0.31 - 0.33 | \$0.27 - 0.30 |
| General and administrative | \$0.09 - 0.10 | \$0.09 - 0.10 | \$0.09 - 0.10 |
| DD&A - oil and gas | \$1.32 - 1.37 | \$1.32 - 1.37 | \$1.37 - 1.42 |
| Depreciation of other assets | \$0.08 - 0.10 | \$0.08 - 0.10 | \$0.08 - 0.10 |
| Interest expense | \$0.60 - 0.65 | \$0.60 - 0.65 | \$0.55 - 0.60 |
| OTHER INCOME AND EXPENSE PER MCFE (a) | | | |
| Marketing and Other income | \$0.02 - 0.04 | \$0.02 - 0.04 | \$0.02 - 0.04 |
| BOOK TAX RATE - ALL DEFERRED | | | |
| | 38% | 38% | 38% |
| EQUIVALENT SHARES OUTSTANDING | | | |
| Basic | 215,000 m | 212,000 m | 216,000 m |
| Diluted | 262,000 m | 255,000 m | 264,000 m |
| CAPITAL EXPENDITURES: | | | |
| Drilling, Land and Seismic | \$150 - \$155 mm | \$600 - \$650 mm | \$600 mm |

(a) Does not include non-cash risk management income or loss (SFAS 133) or the cumulative effect of the adoption of SFAS 143.

COMMODITY HEDGING ACTIVITIES

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

- (i) swap arrangements that establish an index-related price above which the Company pays the counterparty and below which the Company is paid by the counterparty,
- (ii) the purchase of index-related puts that provide for a "floor" price below which the counterparty pays the Company the amount by which the price of the commodity is below the contracted floor,
- (iii) the sale of index-related calls that provide for a "ceiling" price above which the Company pays the counterparty the amount by which the price of the commodity is above the contracted ceiling,
- (iv) basis protection swaps, which are arrangements that guarantee the price differential of oil or gas from a specified delivery point or points, and
- (v) collar arrangements that establish an index-related price below which the counterparty pays the Company and a separate index-related price above which the Company pays the counterparty.

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

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

The Company has entered into the following natural gas hedging arrangements:

| | | | | | % Hedged | |
|----------------|------------------------|--|------------------------------|---|---|---|
| | Open Swaps in Bcf's | Avg. NYMEX Strike Price of Open Swaps | Gain from Locked Swaps | Avg. NYMEX Price Including Open and Locked Positions | Assuming Gas Production in Bcf's of: | Open Swap Positions as a % of Estimated Total Gas Production |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| 2003: | | | | | | |
| - - - - - | | | | | | |
| 2nd Qtr | 23.0 | \$4.92 | \$0.18 | \$5.10 | 57.5 | 40% |
| 3rd Qtr | 32.2 | \$5.46 | \$0.03 | \$5.49 | 61.0 | 53% |
| 4th Qtr | 30.1 | \$5.67 | \$0.06 | \$5.73 | 61.6 | 49% |
| ----- | | | | | | |
| Remaining 2003 | 85.3 | \$5.39 | \$0.08 | \$5.47 | 180.1 | 47% |
| ----- | | | | | | |

| | | | | | % Hedged | |
|------------|---------------------|---------------------------------------|------------------------|--|--------------------------------------|--|
| | Open Swaps in Bcf's | Avg. NYMEX Strike Price of Open Swaps | Gain from Locked Swaps | Avg. NYMEX Price Including Open and Locked Positions | Assuming Gas Production in Bcf's of: | Open Swap Positions as a % of Estimated Total Gas Production |
| 2004: | | | | | | |
| 1st Qtr | 16.4 | \$6.34 | \$0.05 | \$6.39 | 62.0 | 26% |
| 2nd Qtr | 7.6 | \$5.22 | \$0.00 | \$5.22 | 62.3 | 12% |
| 3rd Qtr | 2.8 | \$5.11 | \$0.00 | \$5.11 | 62.7 | 4% |
| 4th Qtr | 2.8 | \$5.29 | \$0.00 | \$5.29 | 63.0 | 4% |
| Total 2004 | 29.6 | \$5.84 | \$0.03 | \$5.87 | 250.0 | 12% |
| Total 2005 | 7.3 | \$4.99 | \$0.00 | \$4.99 | 260.0 | 3% |
| Total 2006 | 7.3 | \$4.84 | \$0.00 | \$4.84 | 270.0 | 3% |
| Total 2007 | 7.3 | \$4.84 | \$0.00 | \$4.84 | 280.0 | 3% |

Chesapeake has also entered into the following natural gas basis protection swaps:

| | Annual Volume in Bcf's | NYMEX less: | Assuming Gas Production in Bcf's of: | % Hedged |
|----------------|------------------------|-------------|--------------------------------------|----------|
| 2003 Remaining | 120.0 | \$ 0.188 | 180.1 | 67% |
| 2004 | 157.4 | 0.173 | 250.0 | 63% |
| 2005 | 109.5 | 0.156 | 260.0 | 42% |
| 2006 | 47.5 | 0.155 | 270.0 | 18% |
| 2007 | 63.9 | 0.166 | 280.0 | 23% |
| 2008 | 64.0 | 0.166 | 290.0 | 22% |
| 2009 | 37.0 | 0.160 | 300.0 | 12% |
| | 599.3 | \$ 0.169* | 1,830.1 | 33% |

* weighted average

The Company has entered into the following crude oil hedging arrangements:

| | Open Swaps in Mmbo's | Avg. NYMEX Strike Price | % Hedged | |
|----------------|----------------------|-------------------------|---------------------------------------|--|
| | | | Assuming Oil Production in Mmbo's of: | Open Swap Positions as % of Estimated Production |
| Q3 - 2003* | 948 | \$28.07 | 1,145 | 83% |
| Q4 - 2003* | 948 | \$28.07 | 1,145 | 83% |
| Remaining 2003 | 2,715 | \$28.08 | 3,440 | 79% |
| Q1 - 2004* | 240 | \$27.30 | 1,125 | 21% |
| Q2 - 2004* | 160 | \$27.30 | 1,125 | 14% |
| Q3 - 2004* | 0 | \$0.00 | 1,125 | 0% |
| Q4 - 2004* | 0 | \$0.00 | 1,125 | 0% |
| TOTAL 2004 | 400 | \$27.30 | 4,500 | 9% |

*Swaps with a knockout provision for days in which NYMEX closes below \$21.00.