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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

FOR THE TRANSITION PERIOD FROM_____TO_____

COMMISSION FILE NO. 1-13726

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

At October 23, 2001, there were 164,475,498 shares of our $.01 par value common stock outstanding.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

INDEX TO FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2001

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS	DECEMBER 31, 2000	SEPTEMBER 30, 2001
	($ IN THOUSANDS)	
CURRENT ASSETS:		
Cash and cash equivalents	$ --	$ 17,042
Restricted cash	3,500	--
Accounts receivable:		
Oil and gas sales	50,109	16,449
Oil and gas marketing sales	46,953	40,346
Joint interest and other, net of allowances of $1,085,000 and $1,077,000, respectively	15,998	40,456
Related parties	4,383	9,946
Deferred income tax asset	40,819	--
Short-term derivative instruments	--	175,964
Inventory	3,167	4,728
Other	1,997	3,733
Total Current Assets	166,926	308,664
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full-cost accounting:		
Evaluated oil and gas properties	2,590,512	3,318,487
Unevaluated properties	25,685	60,686
Less: accumulated depreciation, depletion and amortization	(1,770,827)	(1,893,821)
	845,370	1,485,352
Other property and equipment	79,898	115,672
Less: accumulated depreciation and amortization	(37,034)	(40,528)
Total Property and Equipment	888,234	1,560,496
OTHER ASSETS:		
Investment in Gothic Energy Corporation	126,434	--
Deferred income tax asset	229,823	94,819
Long-term derivative instruments	--	63,066
Long-term investments, other	2,000	47,767
Other assets	27,009	15,786
Total Other Assets	385,266	221,438
TOTAL ASSETS	$ 1,440,426	$ 2,090,598

LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 836	$ 817
Accounts payable	62,940	83,286
Accrued property acquisitions	22,530	--
Accrued interest	17,537	32,989
Other accrued liabilities	21,637	34,913
Revenues and royalties due others	35,682	28,557
Income tax payable	1,539	3,354
Total Current Liabilities	162,701	183,916
LONG-TERM DEBT, NET	944,845	1,268,414
REVENUES AND ROYALTIES DUE OTHERS	7,798	12,002
DEFERRED INCOME TAX LIABILITY	11,850	9,340
OTHER LIABILITIES	--	3,943
CONTINGENCIES (NOTE 4)		
STOCKHOLDERS' EQUITY:		
Preferred Stock, $.01 par value, 10,000,000 shares authorized; 624,037 and 0 shares of 7% cumulative convertible stock issued and outstanding at December 31, 2000 and September 30, 2001, entitled in liquidation to $31.2 million and $0 million, respectively	31,202	--
Common Stock, par value of $.01, 350,000,000 shares authorized; 157,819,171 and 169,259,778 shares issued at December 31, 2000 and September 30, 2001, respectively	1,578	1,693
Paid-in capital	963,584	1,044,821
Accumulated deficit	(659,286)	(491,918)
Accumulated other comprehensive income (loss)	(3,901)	78,369
Less: treasury stock, at cost; 4,788,747 and 4,792,529 common shares at December 31, 2000 and September 30, 2001, respectively	(19,945)	(19,982)
Total Stockholders' Equity	313,232	612,983
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,440,426	$ 2,090,598

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	2001	2000	2001
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)			
REVENUES:				
Oil and gas sales	$ 123,971	$ 177,746	$ 311,485	$ 574,190
Risk management income	--	32,260	--	94,715
Oil and gas marketing sales	44,211	28,905	105,821	123,071
Total Revenues	168,182	238,911	417,306	791,976
OPERATING COSTS:				
Production expenses	11,696	19,303	36,822	55,933
Production taxes	6,198	7,063	17,131	31,349
General and administrative	3,377	3,240	9,597	10,114
Oil and gas marketing expenses	42,917	27,946	102,583	119,337
Oil and gas depreciation, depletion and amortization	25,227	46,821	74,587	124,904
Depreciation and amortization of other assets	1,849	2,164	5,551	5,954
Total Operating Costs	91,264	106,537	246,271	347,591
INCOME FROM OPERATIONS	76,918	132,374	171,035	444,385
OTHER INCOME (EXPENSE):				
Interest and other income	867	132	3,726	1,384
Interest expense	(21,680)	(24,104)	(64,357)	(72,977)
Gothic standby credit facility costs	--	--	--	(3,392)
Total Other Income (Expense)	(20,813)	(23,972)	(60,631)	(74,985)
INCOME BEFORE INCOME TAX AND EXTRAORDINARY ITEM	56,105	108,402	110,404	369,400
INCOME TAX EXPENSE	1,416	43,394	2,879	148,619
INCOME BEFORE EXTRAORDINARY ITEM	54,689	65,008	107,525	220,781
EXTRAORDINARY ITEM:				
Loss on early extinguishment of debt, net of applicable income tax	--	--	--	(46,000)
NET INCOME	54,689	65,008	107,525	174,781
Preferred stock dividends	(965)	--	(7,914)	(728)
Gain (loss) on repurchase of preferred stock	(5,321)	--	6,574	--
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ 48,403	$ 65,008	$ 106,185	$ 174,053
EARNINGS PER COMMON SHARE -- BASIC:				
Income before extraordinary item	$ 0.33	$ 0.40	$ 0.88	$ 1.36
Extraordinary item	--	--	--	(0.28)
Net income	$ 0.33	$ 0.40	$ 0.88	$ 1.08
EARNINGS PER COMMON SHARE -- ASSUMING DILUTION:				
Income before extraordinary item	$ 0.31	$ 0.38	$ 0.73	$ 1.29
Extraordinary item	--	--	--	(0.27)
Net income	$ 0.31	$ 0.38	$ 0.73	$ 1.02
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (IN THOUSANDS):				
Basic	146,593	164,440	121,089	161,603
Assuming dilution	158,847	170,384	147,428	170,937

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	2001
	($ IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 107,525	$ 174,781
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	77,434	127,987
Risk management income	--	(94,715)
Extraordinary loss on early extinguishment of debt	--	46,000
Deferred income taxes	2,879	148,619
Write-off of credit facility cost	--	3,392
Amortization of loan costs	2,704	2,871
Amortization of bond discount	63	700
Accretion of Gothic note premium	--	(750)
Loss on sale of fixed assets and other	8	48
Equity in losses of equity investees	131	1,331
Bad debt expense	256	--
Other	(47)	274
Cash provided by operating activities before changes in current assets and liabilities	190,953	410,538
Changes in current assets and liabilities	(16,239)	30,418
Cash provided by operating activities	174,714	440,956
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration and development of oil and gas properties	(127,811)	(314,452)
Purchases of oil and gas properties	(36,315)	(76,055)
Sales of oil and gas properties	1,429	1,432
Sales of non-oil and gas assets	1,134	734
Additions to buildings and other fixed assets	(5,707)	(13,049)
Additions to drilling rig equipment	--	(15,393)
Additions to long-term investments	(6,194)	(37,206)
Investment in Gothic Energy Corporation	(24,622)	--
Additions to other assets	--	(12,340)
Other	(2,482)	(174)
Cash used in investing activities	(200,568)	(466,503)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	166,000	372,000
Payments on long-term borrowings	(158,500)	(208,000)
Cash received from issuance of senior notes	--	786,664
Cash paid to purchase senior notes	--	(830,382)
Cash paid for redemption premium on senior notes	--	(75,639)
Cash received from exercise of stock options	1,005	2,929
Cash paid for preferred stock dividend	--	(1,092)
Cash payments with preferred stock swaps	(8,269)	--
Cash paid in settlement of make-whole provision related to common stock	--	(3,336)
Other	--	(10)
Cash provided by financing activities	236	43,134
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH	(313)	(545)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(25,931)	17,042
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	38,658	--
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 12,727	$ 17,042

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	2001	2000	2001
	($ IN THOUSANDS)			
Net income	$ 54,689	$ 65,008	$ 107,525	$ 174,781
Other comprehensive income (loss), net of income tax:				
Foreign currency translation adjustments	(1,165)	(2,826)	(4,118)	(3,551)
Cumulative effect of accounting change for financial derivatives	--	--	--	(53,580)
Change in derivative fair value	--	64,240	--	202,163
Reclassification of settled contacts	--	(34,786)	--	(60,844)
Ineffectiveness portion of derivatives qualifying for hedge accounting	--	(958)	--	(1,918)
Other comprehensive income	$ 53,524	$ 90,678	$ 103,407	$ 257,051

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(UNAUDITED)

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Principles of Consolidation - The accompanying unaudited consolidated financial statements of Chesapeake Energy Corporation and Subsidiaries 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 and nine months ended September 30, 2001 are not necessarily indicative of the results to be expected for the full year. This Form 10-Q relates to the three and nine months ended September 30, 2000 (the "Prior Quarter" and "Prior Period," respectively) and the three and nine months ended September 30, 2001 (the "Current Quarter" and "Current Period," respectively).

Change in Accounting Method - Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement establishes accounting and reporting guidelines for our hedging activities. It requires that all derivative instruments be recognized as assets or liabilities in the consolidated balance sheet measured at fair value. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation. For derivative instruments designated as cash flow hedges which meet the effectiveness guidelines of SFAS 133, changes in fair value are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is measured at least quarterly based on the relative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness, as defined by SFAS 133, is recognized immediately in earnings. Changes in fair value of contracts that do not meet the SFAS 133 definition of a cash flow hedge are also recognized in earnings.

Adoption of SFAS 133 at January 1, 2001 resulted in the recognition of $9.3 million of current derivative assets and $98.6 million in current derivative liabilities. The cumulative effect of the accounting change decreased accumulated other comprehensive income by $53.6 million, net of income tax, but did not have an effect on our net income or earnings per share amounts.

All of our derivative instruments have been executed in connection with our oil and natural gas hedging program. The realized derivative profit or loss is included in oil and gas sales in the period for which the underlying production was hedged.

If a derivative which qualified for cash flow hedge accounting is liquidated or sold prior to maturity, the gain or loss at the time of termination remains in accumulated other comprehensive income to be amortized into oil and gas sales over the original term of the instrument. If a derivative which does not qualify for cash flow hedge accounting is liquidated or sold prior to maturity, the gain or loss at the time of termination will be amortized into oil and gas sales over the original term of the instrument.

2. OIL AND GAS PROPERTIES

We utilize the full cost method of accounting for costs related to our oil and gas properties. Under this method, all such costs (productive and nonproductive) are capitalized and amortized on an aggregate basis over the estimated lives of the properties using the units-of-production method. These capitalized costs are subject to a ceiling test, however, which limits such pooled costs to the aggregate of the present value of future net revenues attributable to proved oil and gas reserves discounted at 10% plus the lower of cost or market value of unproved properties. The full cost ceiling is evaluated at the end of each quarter. At September 30, 2001, our unamortized costs of oil and gas properties exceeded this ceiling amount by approximately $220 million due to low gas prices in effect on that date. The market price for natural gas at Henry Hub was $1.83 on September 28, 2001. However, due to the subsequent recovery in market prices for natural gas, we were not required to record a write-down of oil and gas properties. A

decline in gas and oil prices from current levels, or other factors, without other mitigating circumstances, could cause a future write-down of capitalized costs and a non-cash charge against future earnings.

3. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Our results of operations and operating cash flows are impacted by changes in market prices for oil and gas. To mitigate a portion of this exposure to adverse market changes, we have entered into derivative instruments. All of our derivative instruments have been entered into as hedges of oil and gas price risk and not for speculative purposes.

We utilize derivative instruments to reduce exposure to unfavorable changes in oil and gas prices which are subject to significant and often volatile fluctuations. Our derivative instruments are currently comprised of swaps, collars and cap-swaps. These instruments allow us to predict with greater certainty the effective oil and gas prices to be received for our hedged production.

- For swap instruments, we receive a fixed price for the respective commodities and pay a floating market price, as defined in each instrument, to the counterparty. The fixed-price payment and the floating-price payment are netted, resulting in a net amount due to or from the counterparty.

- Collars contain a fixed floor price (put) and ceiling price (call). If the market price exceeds the call strike price or falls below the put strike price, then we receive the fixed price and pay the market price. If the market price is between the call and the put strike price, then no payments are due from either party.

- For cap-swaps, we receive a fixed price for the respective commodities and pay a floating market price. The fixed price received by Chesapeake includes a premium in exchange for a "cap" on the counterparty's exposure.

Pursuant to SFAS 133, our cap-swaps do not qualify for designation as cash flow hedges. Therefore, changes in the fair value of these instruments that occur prior to their maturity are reported in the statement of operations as risk management income (loss). Amounts recorded in risk management income (loss) do not represent cash gains or losses. Rather, these amounts are temporary valuation swings in contracts or portions of contracts that are not entitled to receive hedge accounting treatment. All amounts initially recorded in this caption are ultimately reversed within this same caption over the respective contract terms.

The estimated fair values of our derivative instruments as of September 30, 2001 are provided below. The associated carrying values of these instruments are equal to the estimated fair values.

	SEPTEMBER 30, 2001
	($ IN THOUSANDS)
Derivative assets:	
Fixed-price gas swaps	$ 121,443
Fixed-price gas cap-swaps	90,762
Fixed-price gas collars	19,954
Fixed-price crude oil swaps	4,836
Fixed-price crude oil cap-swaps	2,035
Total	$ 239,030

The fair value of our derivative instruments as of September 30, 2001 was estimated based on market prices of gas and crude oil for the periods covered by the instruments. The net differential between the prices in each instrument and market prices for future periods has been applied to the volumes stipulated in each instrument to arrive at an estimated fair value. The fair value of derivative instruments which contain options (such as collar structures) has been estimated based on remaining term, volatility and other factors.

Risk management income in the statement of operations for the following periods is comprised of the following:

	THREE MONTHS ENDED SEPTEMBER 30, 2001	NINE MONTHS ENDED SEPTEMBER 30, 2001
	($ IN THOUSANDS)	
Risk Management Income:		
Change in fair value of derivatives not qualifying for hedge accounting	$ 37,742	$ 102,793
Reclassification of settled contracts	(6,440)	(9,996)
Ineffective portion of derivatives qualifying for hedge accounting	958	1,918
	$ 32,260	$ 94,715

Although derivatives often fail to achieve 100% effectiveness for accounting purposes, our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended.

The change in fair value of our derivative instruments since December 31, 2000 has resulted from a decrease in market prices for oil and gas. The majority of this change in fair value was reflected in accumulated other comprehensive income, net of deferred income tax effects. Derivative assets reflected as current in the September 30, 2001 consolidated balance sheet represent the estimated fair value of derivative instrument settlements scheduled to occur over the subsequent twelve-month period based on market prices for oil and gas as of the balance sheet date. The derivative settlement amounts are not due and payable until the month in which the related underlying hedged transaction occurs.

We expect to transfer approximately $59.1 million of the balance in accumulated other comprehensive income, based upon the market prices at September 30, 2001, to earnings during the next 12 months when the forecasted transactions actually occur. All forecasted transactions currently being hedged are expected to occur by December 2003.

4. CONTINGENCIES

West Panhandle Field Cessation Cases. One of our subsidiaries, Chesapeake Panhandle Limited Partnership ("CP") (f/k/a MC Panhandle, Inc.), and two subsidiaries of Kinder Morgan, Inc. have been defendants in 13 lawsuits filed between June 1997 and January 1999 by royalty owners seeking the cancellation of oil and gas leases in the West Panhandle Field in Texas. MC Panhandle, Inc., which we acquired in April 1998, has owned the leases since January 1, 1997. The co-defendants are prior lessees. The plaintiffs in these cases have claimed the leases terminated upon the cessation of production for various periods, primarily during the 1960s. In addition, the plaintiffs have sought to recover conversion damages, exemplary damages, attorneys' fees and interest. The defendants have asserted that any cessation of production was excused and have pled affirmative defenses of limitations, waiver, temporary estoppel, laches and title by adverse possession. Four of the 13 cases have been tried, and there have been appellate decisions in three of them. In January 2001, we settled the claims of the principal plaintiffs in eight of ten cases tried or pending in the District Court of Moore County, Texas, 69th Judicial District. The settlement was not material to our financial condition or results of operations. In two of these cases, we have filed petitions for review in the Texas Supreme Court with respect to the claims of plaintiffs who were not covered by the settlement.

There are five related West Panhandle cessation cases which continue to be pending, two in the District Court of Moore County, Texas, 69th Judicial District, one in the District Court of Carson County, Texas, 100th Judicial

District, and two in the U.S. District Court, Northern District of Texas, Amarillo Division. In one of the Moore County cases, CP and the other defendants have appealed a January 2000 judgment notwithstanding verdict in favor of plaintiffs. In addition to quieting title to the lease (including existing gas wells and all attached equipment) in plaintiffs, the court awarded actual damages against CP in the amount of $716,400 and exemplary damages in the amount of $25,000. The court further awarded, jointly and severally from all defendants, $160,000 in attorneys' fees and interest and court costs. On March 28, 2001, the Amarillo Court of Appeals reversed and rendered judgment in favor of CP and the other defendants, finding that the subject leases had been revived as a matter of law, making all other issues moot. Plaintiffs have filed petitions requesting that the Texas Supreme Court accept the case for review. In the other Moore County, Texas case, in June 1999, the court granted plaintiffs' motion for summary judgment in part, finding that the lease had terminated due to the cessation of production, subject to the defendants' affirmative defenses. In February 2001, the court granted plaintiffs' motion for summary judgment on defendants' affirmative defenses but reversed its ruling that the lease had terminated as a matter of law. In one of the U.S. District Court cases, after a trial in May 1999, the jury found plaintiffs' claims were barred by the payment of shut-in royalties, laches and revivor. Plaintiffs have moved for a new trial. There are motions pending in the remaining two cases.

We have previously established an accrued liability we believe will be sufficient to cover the estimated costs of litigation for each of the pending cases. Because of the inconsistent verdicts reached by the juries in the four cases tried to date and because the amount of damages sought is not specified in all of the pending cases, the outcome of any future trials and the amount of damages that might ultimately be awarded could differ from management's estimates. CP and the other defendants are vigorously defending against the plaintiffs' claims.

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

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

5. NET INCOME PER SHARE

Statement of Financial Accounting Standards No. 128, Earnings Per Share, requires presentation of "basic" and "diluted" earnings per share, as defined, on the face of the statement of operations for all entities with complex capital structures. SFAS 128 requires a reconciliation of the numerators and denominators of the basic and diluted EPS computations.

A reconciliation for the Prior and Current Quarters and the Prior and Current Period is as follows (in thousands, except per share data):

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
FOR THE QUARTER ENDED SEPTEMBER 30, 2000:			
BASIC EPS			
Income available to common stockholders	$ 48,403	146,593	$ 0.33
EFFECT OF DILUTIVE SECURITIES			
Assumed conversion of 624,037 shares of preferred stock at the beginning of the period:			
Common shares assumed issued	--	4,489	
Preferred stock dividends	546	--	
Employee stock options	--	7,765	
DILUTED EPS			
Income available to common stockholders and assumed conversions	$ 48,949	158,847	$ 0.31
FOR THE QUARTER ENDED SEPTEMBER 30, 2001:			
BASIC EPS			
Income available to common stockholders	$ 65,008	164,440	$ 0.40
EFFECT OF DILUTIVE SECURITIES			
Employee stock options	--	5,937	
Warrants assumed in Gothic acquisition	--	7	
DILUTED EPS			
Income available to common stockholders and assumed conversions	$ 65,008	170,384	$ 0.38
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000:			
BASIC EPS			
Income available to common stockholders	$ 106,185	121,089	$ 0.88
EFFECT OF DILUTIVE SECURITIES			
Assumed conversion at the beginning of the period of preferred shares exchanged during the period:			
Common shares assumed issued	--	15,282	
Preferred stock dividends	6,276	--	
Gain on redemption of preferred stock	(6,574)	--	
Assumed conversion of 624,037 shares of preferred stock at beginning of period:			
Common shares assumed issued	--	4,489	
Preferred stock dividends	1,638	--	
Employee stock options	--	6,568	
DILUTED EPS			
Income available to common stockholders and assumed conversions	$ 107,525	147,428	$ 0.73
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001:			
BASIC EPS			
Income available to common stockholders	$ 174,053	161,603	$ 1.08
EFFECT OF DILUTIVE SECURITIES			
Assumed conversion at the beginning of the period of preferred shares exchanged during the period:			
Common shares assumed issued	--	1,957	
Preferred stock dividends	728	--	
Employee stock options	--	7,370	
Warrants assumed in Gothic acquisition	--	7	
DILUTED EPS			
Income available to common stockholders and assumed conversions	$ 174,781	170,937	$ 1.02

For the Prior Quarter, the Current Quarter, the Prior Period and the Current Period, outstanding options to purchase 0.3 million, 3.8 million, 0.7 million and 0.3 million shares of common stock at a weighted average exercise price of $15.65, $6.97, $10.49 and $17.25, respectively, were antidilutive because the exercise prices of the options were greater than the average market price of our common stock. For the Current Quarter and Current Period, outstanding warrants to purchase 1.1 million shares of common stock at a weighted average exercise price of $12.48 were antidilutive because the exercise prices of the warrants were greater than the average market price of our common stock.

6. SENIOR NOTES

On April 6, 2001, we issued $800 million principal amount of 8.125% senior notes due 2011, of which substantially all were subsequently exchanged on July 12, 2001 for substantially identical notes registered under the Securities Act of 1933. During April 2001, we used a portion of the offering proceeds to purchase $140.7 million principal amount of our 9.625% senior notes and $3.0 million principal amount of the 11.125% senior secured notes of Gothic Production Corporation, a Chesapeake subsidiary. On May 7, 2001, we redeemed all $120 million principal amount of our 9.125% senior notes, the remaining $359.3 million principal amount of our 9.625% senior notes and the remaining $199.3 million principal amount of Gothic Production Corporation's 11.125% senior secured notes. The purchase and redemption of these notes included payment of aggregate make-whole and redemption premiums of $75.6 million which was further adjusted by the write-off of unamortized debt costs and debt issue premiums. These costs are reflected as a $46.0 million, after tax, extraordinary loss in the Current Period.

On January 16, 2001, we acquired Gothic and its obligations under the 11.125% senior secured notes. See note 7. At March 31, 2001, there was outstanding $202.3 million principal amount of 11.125% senior secured notes due 2005 which had been issued by Gothic Production Corporation and guaranteed by Gothic Energy Corporation. The 11.125% senior secured notes were collateralized by a second priority lien on substantially all of the gas and oil properties owned by Gothic Production Corporation. The notes were redeemable at Gothic Production Corporation's option on or after May 1, 2002 at the redemption prices set forth in the indenture or prior to May 1, 2002 at the make-whole prices set forth in the indenture. In April 2001, we purchased $3.0 million of these notes for total consideration of $3.5 million, including $0.1 million in interest and $0.4 million in premium. On May 7, 2001, the remaining $199.3 million was redeemed for total consideration of $222.5 million, including $0.4 million in interest and $22.8 million in redemption premium.

On April 22, 1998, we issued $500 million principal amount of 9.625% senior notes due 2005. The 9.625% senior notes were redeemable at our option at any time on or after May 1, 2002 at the redemption prices set forth in the indenture or at the make-whole prices, as set forth in the indenture, if redeemed prior to May 1, 2002. In April 2001, we purchased $140.7 million of these notes for total consideration of $160.2 million, including a $13.6 million premium and interest of $5.9 million. On May 7, 2001, the remaining $359.3 million was redeemed for total consideration of $393.3 million, including $0.6 million of interest and $33.4 million of redemption premium.

On March 17, 1997, we issued $150 million principal amount of 7.875% senior notes due 2004. The 7.875% senior notes are redeemable at our option at any time prior to March 15, 2004 at the make-whole prices determined in accordance with the indenture.

Also on March 17, 1997, we issued $150 million principal amount of 8.5% senior notes due 2012. The 8.5% senior notes are redeemable at our option at any time prior to March 15, 2004 at the make-whole prices determined in accordance with the indenture and, on or after March 15, 2004, at the redemption prices set forth in the indenture. During the quarter ended March 31, 2001, Chesapeake purchased and subsequently retired $7.3 million of these notes for total consideration of $7.4 million, including accrued interest of $0.2 million and the write-off of $0.1 million of unamortized bond discount.

On April 9, 1996, we issued $120 million principal amount of 9.125% senior notes due 2006. The 9.125% senior notes were redeemable at our option at any time prior to April 15, 2001 at the make-whole prices determined in accordance with the indenture and, on or after April 15, 2001, at the redemption prices set forth in the indenture. On May 7, 2001, we redeemed these notes for total consideration of $126.1 million, including $0.7 million in interest and $5.4 million of redemption premium.

Chesapeake is a holding company and owns no operating assets and has no significant operations independent of its subsidiaries. Our obligations under the 8.125% senior notes, the 7.875% senior notes and the 8.5% senior notes have been fully and unconditionally guaranteed, on a joint and several basis, by each of our "Restricted Subsidiaries" (as defined in the respective indentures governing these notes) (collectively, the "guarantor subsidiaries"). Each guarantor subsidiary is a direct or indirect wholly-owned subsidiary.

Set forth below are condensed consolidating financial statements of the guarantor subsidiaries and our subsidiaries which are not guarantors of the senior notes. Chesapeake Energy Marketing, Inc. was a non-guarantor subsidiary for all periods presented. Carmen Acquisition Corp. was also a non-guarantor subsidiary in the Current Period. Upon the acquisition of Gothic Energy Corporation and Gothic Production Corporation on January 16, 2001, these subsidiaries were non-guarantor subsidiaries. As of May 7, 2001, all of the Gothic Production Corporation 11.125% senior secured notes were purchased or redeemed and both subsidiaries became guarantor subsidiaries on May 14, 2001. Based on these events, we have presented Gothic Energy Corporation and Gothic Production Corporation as guarantor subsidiaries for the Current Period. All of our other wholly-owned subsidiaries were guarantor subsidiaries during all periods presented.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	PARENT	ELIMINATIONS	CONSOLIDATED
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ (19,868)	$ 7,200	$ 12,668	$ --	$ --
Restricted cash	3,500	--	--	--	3,500
Accounts receivable	91,903	46,903	--	(21,363)	117,443
Deferred income tax asset	--	--	40,819	--	40,819
Inventory	3,040	127	--	--	3,167
Other	1,997	--	--	--	1,997
Total Current Assets	80,572	54,230	53,487	(21,363)	166,926
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,590,512	--	--	--	2,590,512
Unevaluated leasehold	25,685	--	--	--	25,685
Other property and equipment	30,670	23,246	25,982	--	79,898
Less: accumulated depreciation, depletion and amortization	(1,787,314)	(18,153)	(2,394)	--	(1,807,861)
Net Property and Equipment	859,553	5,093	23,588	--	888,234
OTHER ASSETS:					
Investments in subsidiaries and intercompany advances	--	--	(612,832)	612,832	--
Investment in Gothic Energy Corporation	--	9,732	116,702	--	126,434
Deferred tax asset	--	--	229,823	--	229,823
Other assets	9,890	418	89,516	(70,815)	29,009
Total Other Assets	9,890	10,150	(176,791)	542,017	385,266
TOTAL ASSETS	$ 950,015	$ 69,473	$ (99,716)	$ 520,654	$ 1,440,426
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 836	$ --	$ --	$ --	$ 836
Accounts payable and other	118,620	49,613	19,090	(25,458)	161,865
Total Current Liabilities	119,456	49,613	19,090	(25,458)	162,701
LONG-TERM DEBT	92,321	--	919,244	(66,720)	944,845
REVENUES AND ROYALTIES DUE OTHERS	7,798	--	--	--	7,798
DEFERRED INCOME TAX LIABILITY	11,850	--	--	--	11,850
INTERCOMPANY PAYABLES	1,351,144	138	(1,351,282)	--	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Common Stock	26	1	1,569	(18)	1,578
Other	(632,580)	19,721	311,663	612,850	311,654
	(632,554)	19,722	313,232	612,832	313,232
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 950,015	$ 69,473	$ (99,716)	$ 520,654	$ 1,440,426

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2001
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ (15,954)	$ (167)	$ 33,163	$ --	$ 17,042
Accounts receivable	84,600	40,296	1,116	(18,815)	107,197
Deferred income tax asset	--	--	--	--	--
Short-term derivative instruments	175,964	--	--	--	175,964
Inventory	4,187	541	--	--	4,728
Other	3,724	4	5	--	3,733
Total Current Assets	252,521	40,674	34,284	(18,815)	308,664
PROPERTY AND EQUIPMENT:					
Oil and gas properties	3,318,487	--	--	--	3,318,487
Unevaluated leasehold	60,686	--	--	--	60,686
Other property and equipment	57,822	23,495	34,355	--	115,672
Less: accumulated depreciation, depletion and amortization	(1,912,845)	(18,541)	(2,963)	--	(1,934,349)
Net Property and Equipment	1,524,150	4,954	31,392	--	1,560,496
OTHER ASSETS:					
Investments in subsidiaries and intercompany advances	--	--	(163,220)	163,220	--
Deferred income tax asset	(205,519)	(704)	301,042	--	94,819
Long-term derivative instruments	63,066	--	--	--	63,066
Long-term investments, other	--	8,561	39,206	--	47,767
Other assets	6,088	2,770	76,085	(69,157)	15,786
Total Other Assets	(136,365)	10,627	253,113	94,063	221,438
TOTAL ASSETS	$ 1,640,306	$ 56,255	$ 318,789	$ 75,248	$ 2,090,598
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 817	$ --	$ --	$ --	$ 817
Accounts payable and other	137,340	32,299	32,541	(19,081)	183,099
Total Current Liabilities	138,157	32,299	32,541	(19,081)	183,916
LONG-TERM DEBT	255,720	--	1,081,814	(69,120)	1,268,414
REVENUES AND ROYALTIES DUE OTHERS	12,002	--	--	--	12,002
DEFERRED INCOME TAXES	9,340	--	--	--	9,340
OTHER LIABILITIES	3,943	--	--	--	3,943
INTERCOMPANY PAYABLES	1,409,226	(906)	(1,408,549)	229	--
STOCKHOLDERS' EQUITY:					
Common Stock	66	1	1,683	(57)	1,693
Other	(188,148)	24,861	611,300	163,277	611,290
	(188,082)	24,862	612,983	163,220	612,983
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,640,306	$ 56,255	$ 318,789	$ 75,248	$ 2,090,598

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000:					
REVENUES:					
Oil and gas sales	$ 123,971	$ --	$ --	$ --	$ 123,971
Oil and gas marketing sales	--	98,035	--	(53,824)	44,211
Total Revenues	123,971	98,035	--	(53,824)	168,182
OPERATING COSTS:					
Production expenses and taxes	17,894	--	--	--	17,894
General and administrative	2,997	346	34	--	3,377
Oil and gas marketing expenses	--	96,741	--	(53,824)	42,917
Oil and gas depreciation, depletion and amortization	25,227	--	--	--	25,227
Other depreciation and amortization	991	20	838	--	1,849
Total Operating Costs	47,109	97,107	872	(53,824)	91,264
INCOME (LOSS) FROM OPERATIONS	76,862	928	(872)	--	76,918
OTHER INCOME (EXPENSE):					
Interest and other income	645	166	20,965	(20,909)	867
Interest expense	(21,727)	--	(20,862)	20,909	(21,680)
Equity in net earnings of subsidiaries	--	--	55,458	(55,458)	--
Total Other Income (Expense)	(21,082)	166	55,561	(55,458)	(20,813)
INCOME BEFORE INCOME TAXES	55,780	1,094	54,689	(55,458)	56,105
INCOME TAX EXPENSE	1,416	--	--	--	1,416
NET INCOME	$ 54,364	$ 1,094	$ 54,689	$ (55,458)	$ 54,689
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001:					
REVENUES:					
Oil and gas sales	$ 177,746	$ --	$ --	$ --	$ 177,746
Risk management income	32,260	--	--	--	32,260
Oil and gas marketing sales	--	94,446	--	(65,541)	28,905
Total Revenues	210,006	94,446	--	(65,541)	238,911
OPERATING COSTS:					
Production expenses and taxes	26,366	--	--	--	26,366
General and administrative	2,835	324	81	--	3,240
Oil and gas marketing expenses	--	93,487	--	(65,541)	27,946
Oil and gas depreciation, depletion and amortization	46,821	--	--	--	46,821
Other depreciation and amortization	1,606	20	538	--	2,164
Total Operating Costs	77,628	93,831	619	(65,541)	106,537
INCOME (LOSS) FROM OPERATIONS	132,378	615	(619)	--	132,374
OTHER INCOME (EXPENSE):					
Interest and other income	107	(956)	24,708	(23,727)	132
Interest expense	(25,044)	--	(22,787)	23,727	(24,104)
Gothic standby credit facility costs	--	--	--	--	--
Equity in net earnings of subsidiaries	--	--	64,227	(64,227)	--
Total Other Income (Expense)	(24,937)	(956)	66,148	(64,227)	(23,972)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	107,441	(341)	65,529	(64,227)	108,402
INCOME TAX EXPENSE (BENEFIT)	43,009	(136)	26,212	(25,691)	43,394
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	64,432	(205)	39,317	(38,536)	65,008
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	--	--	--	--	--
NET INCOME (LOSS)	$ 64,432	$ (205)	$ 39,317	$ (38,536)	$ 65,008

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000:					
REVENUES:					
Oil and gas sales	$ 311,138	$ 347	$ --	$ --	$ 311,485
Oil and gas marketing sales	--	247,133	--	(141,312)	105,821
Total Revenues	311,138	247,480	--	(141,312)	417,306
OPERATING COSTS:					
Production expenses and taxes	53,873	80	--	--	53,953
General and administrative	8,558	936	103	--	9,597
Oil and gas marketing expenses	--	243,895	--	(141,312)	102,583
Oil and gas depreciation, depletion and amortization	74,486	101	--	--	74,587
Other depreciation and amortization	3,025	60	2,466	--	5,551
Total Operating Costs	139,942	245,072	2,569	(141,312)	246,271
INCOME (LOSS) FROM OPERATIONS	171,196	2,408	(2,569)	--	171,035
OTHER INCOME (EXPENSE):					
Interest and other income	2,608	969	62,877	(62,728)	3,726
Interest expense	(64,166)	(34)	(62,885)	62,728	(64,357)
Equity in net earnings of subsidiaries	--	--	110,102	(110,102)	--
Total Other Income (Expense)	(61,558)	935	110,094	(110,102)	(60,631)
INCOME BEFORE INCOME TAXES	109,638	3,343	107,525	(110,102)	110,404
INCOME TAX EXPENSE	2,879	--	--	--	2,879
NET INCOME	$ 106,759	$ 3,343	$ 107,525	$ (110,102)	$ 107,525
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001:					
REVENUES:					
Oil and gas sales	$ 574,190	$ --	$ --	$ --	$ 574,190
Risk management income	94,715	--	--	--	94,715
Oil and gas marketing sales	--	336,959	--	(213,888)	123,071
Total Revenues	668,905	336,959	--	(213,888)	791,976
OPERATING COSTS:					
Production expenses and taxes	87,282	--	--	--	87,282
General and administrative	8,928	933	253	--	10,114
Oil and gas marketing expenses	--	333,225	--	(213,888)	119,337
Oil and gas depreciation, depletion and amortization	124,904	--	--	--	124,904
Other depreciation and amortization	3,955	60	1,939	--	5,954
Total Operating Costs	225,069	334,218	2,192	(213,888)	347,591
INCOME (LOSS) FROM OPERATIONS	443,836	2,741	(2,192)	--	444,385
OTHER INCOME (EXPENSE):					
Interest and other income	1,246	(982)	71,250	(70,130)	1,384
Interest expense	(77,059)	(1)	(66,047)	70,130	(72,977)
Gothic standby credit facility costs	--	--	(3,392)	--	(3,392)
Equity in net earnings of subsidiaries	--	--	212,839	(212,839)	--
Total Other Income (Expense)	(75,813)	(983)	214,650	(212,839)	(74,985)
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	368,023	1,758	212,458	(212,839)	369,400
INCOME TAX EXPENSE	148,067	704	84,984	(85,136)	148,619
INCOME BEFORE EXTRAORDINARY ITEM	219,956	1,054	127,474	(127,703)	220,781
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	(8,171)	--	(37,829)	--	(46,000)
NET INCOME	$ 211,785	$ 1,054	$ 89,645	$ (127,703)	$ 174,781

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 175,178	$ (15,301)	$ 14,837	$ --	$ 174,714
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties, net	(164,212)	1,515	--	--	(162,697)
Proceeds from sale of assets	1,134	--	--	--	1,134
Investment in Gothic	--	--	(24,622)	--	(24,622)
Other investments	(4,194)	--	(2,000)	--	(6,194)
Other additions	(4,172)	(46)	(3,971)	--	(8,189)
	(171,444)	1,469	(30,593)	--	(200,568)
CASH FLOWS FROM FINANCING ACTIVITIES	(9,724)	(3,009)	12,969	--	236
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH	(313)	--	--	--	(313)
NET INCREASE (DECREASE) IN CASH	(6,303)	(16,841)	(2,787)	--	(25,931)
CASH, BEGINNING OF PERIOD	(7,156)	20,409	25,405	--	38,658
CASH, END OF PERIOD	$ (13,459)	$ 3,568	$ 22,618	$ --	$ 12,727
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 409,779	$ 12,271	$ 18,906	$ --	$ 440,956
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties, net	(389,075)	--	--	--	(389,075)
Proceeds from sale of assets	734	--	--	--	734
Additions to other property and equipment	(19,819)	(250)	(8,373)	--	(28,442)
Other additions	(5,846)	--	(43,874)	--	(49,720)
	(414,006)	(250)	(52,247)	--	(466,503)
CASH FLOWS FROM FINANCING ACTIVITIES	8,686	(19,388)	53,836	--	43,134
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH	(545)	--	--	--	(545)
NET INCREASE (DECREASE) IN CASH	3,914	(7,367)	20,495	--	17,042
CASH, BEGINNING OF PERIOD	(19,868)	7,200	12,668	--	--
CASH, END OF PERIOD	$ (15,954)	$ (167)	$ 33,163	$ --	$ 17,042

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

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	PARENT	ELIMINATIONS	CONSOLIDATED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000:					
Net income (loss)	$ 54,364	$ 1,094	$ 54,689	$ (55,458)	$ 54,689
Other comprehensive income, net of income tax:					
Foreign currency translation	(1,165)	--	--	--	(1,165)
Other comprehensive income	$ 53,199	$ 1,094	$ 54,689	$ (55,458)	$ 53,524
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001:					
Net income (loss)	$ 64,432	$ (205)	$ 39,317	$ (38,536)	$ 65,008
Other comprehensive income, net of income tax:					
Foreign currency translation	(2,826)	--	--	--	(2,826)
Cumulative effect of accounting change for financial derivatives	--	--	--	--	--
Change in fair value of derivative instruments	64,240	--	--	--	64,240
Reclassification of settled contracts	(34,786)	--	--	--	(34,786)
Ineffectiveness portion of derivatives qualifying for hedge accounting	(958)	--	--	--	(958)
Other comprehensive income (loss)	$ 90,102	$ (205)	$ 39,317	$ (38,536)	$ 90,678
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000:					
Net income (loss)	$ 106,759	$ 3,343	$ 107,525	$ (110,102)	$ 107,525
Other comprehensive income, net of income tax:					
Foreign currency translation	(4,118)	--	--	--	(4,118)
Other comprehensive income	$ 102,641	$ 3,343	$ 107,525	$ (110,102)	$ 103,407
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001:					
Net income (loss)	$ 211,785	$ 1,054	$ 89,645	$ (127,703)	$ 174,781
Other comprehensive income, net of income tax:					
Foreign currency translation	(3,551)	--	--	--	(3,551)
Cumulative effect of accounting change for financial derivatives	(53,580)	--	--	--	(53,580)
Change in fair value of derivative instruments	202,163	--	--	--	202,163
Reclassification of settled contracts	(60,844)	--	--	--	(60,844)
Ineffectiveness portion of derivatives qualifying for hedge accounting	(1,918)	--	--	--	(1,918)
Other comprehensive income	$ 294,055	$ 1,054	$ 89,645	$ (127,703)	$ 257,051

7. ACQUISITION OF GOTHIC ENERGY CORPORATION

We completed the acquisition of Gothic Energy Corporation on January 16, 2001 by merging a wholly-owned subsidiary into Gothic. We issued a total of 4.0 million shares of Chesapeake common stock in the merger. Gothic shareholders (other than Chesapeake) received 0.1908 of a share of Chesapeake common stock (valued at $7.00 per share, which was based on the value of Chesapeake common stock on the day before the merger was announced) for each share of Gothic common stock. In addition, outstanding warrants and options to purchase Gothic common stock were converted to the right to purchase Chesapeake common stock (1.1 million shares as of September 30, 2001 at a weighted average exercise price of $12.48 per share) based on the merger exchange ratio. Prior to the merger, Chesapeake purchased substantially all of Gothic's 14.125% senior secured discount notes for total consideration valued at $80.8 million in cash and Chesapeake common stock. Prior to the merger, we also purchased $31.6 million principal amount of 11.125% senior secured notes due 2005 issued by Gothic's operating subsidiary and guaranteed by Gothic. The consideration for this purchase consisted of cash and Chesapeake common stock valued at $34.8 million. Subsequent to the acquisition, we redeemed all remaining 14.125% senior secured discount notes for total consideration of $243,000. In February 2001, we purchased $1.0 million principal amount of Gothic senior secured notes tendered pursuant to a change-of-control offer at a purchase price of 101%. During April and May 2001, we purchased or redeemed the remaining $202.3 million principal amount of the 11.125% senior secured notes for total consideration of $225.9 million, including premium of $23.1 million and interest of $0.5 million. Subsequently, Gothic Energy Corporation and Gothic Production Corporation became guarantor subsidiaries of Chesapeake's senior notes.

The acquisition of Gothic was accounted for using the purchase method as of January 1, 2001 because we had effective control as of that date, and the results of operations of Gothic have been included since that date.

The following unaudited pro forma information has been prepared assuming Gothic had been acquired as of January 1, 2000. The pro forma information is presented for information purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of that date. In addition, the pro forma information is not intended to be a projection of future results and does not reflect any efficiencies that may result from the integration of Gothic.

Pro Forma Information (Unaudited)
(In thousands, except per share data)

	THREE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 2000
Revenues	$186,426	$470,413
Income before income taxes	$ 59,913	$112,443
Net income	$ 56,904	$107,918
Earnings per common share - basic	$ 0.31	$ 0.77
Earnings per common share - assuming dilution	$ 0.28	$ 0.65

8. REVOLVING CREDIT FACILITY

On June 11, 2001, our credit agreement was amended and restated, and our revolving credit facility was increased to $225 million, maturing September 2003, with an initial committed borrowing base of $225 million. As of September 30, 2001, we had borrowed $189 million under the facility and $1.6 million of the facility secured various letters of credit. Borrowings under the facility are collateralized by some of our producing oil and gas properties and bear interest at either the reference rate of Union Bank of California, N.A. or London Interbank Offered Rate (LIBOR), at our option, plus a margin that varies according to total facility usage. The average interest rate on the outstanding facility at September 30, 2001 was 7.3%. Unused portions of the facility accrue an annual commitment fee of 0.50%. The credit facility contains various covenants and restrictive provisions, including financial condition covenants requiring us to maintain certain financial ratios at or above specified levels and periodic redeterminations

of the borrowing base. In addition, extensions of credit under the facility may not exceed the lesser of the maximum amount of indebtedness permitted under the 8.125% senior note indenture or 15% of adjusted consolidated net tangible assets.

9. SEGMENT INFORMATION

Chesapeake has two reportable segments under SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, consisting of exploration and production, and marketing. The reportable segment information can be derived from note 6 as Chesapeake Energy Marketing, Inc., which is our marketing segment, is the only material non-guarantor subsidiary for all income statement periods presented.

10. SUBSEQUENT EVENTS

Sale of Chesapeake Canada Corporation - On October 1, 2001, we completed the sale of our Canadian subsidiary to a large Canadian energy producer. Proceeds from the sale were approximately $143 million and were used to substantially reduce our bank debt. An estimated pre-tax gain of approximately $30 million from the sale will be reported in the fourth quarter of 2001.

Pricing of $250 Million in New Senior Notes - On October 25, 2001, Chesapeake priced a private offering of $250 million of senior notes due 2008, which will carry an interest rate coupon of 8.375%. The net proceeds are expected to be approximately $248 million. The 8.375% senior notes offered by Chesapeake will not be registered under the Securities Act of 1933, as amended, but will be subject to an agreement requiring Chesapeake to exchange the offered notes for registered senior notes of a substantially similar series or otherwise register the offered notes. The 8.375% senior notes will be redeemable by us prior to November 1, 2005 by payment of a make-whole penalty, and after November 1, 2005 at annually declining premiums. The 8.375% senior notes will be guaranteed by the same subsidiaries that guarantee our outstanding senior notes and will be subject to covenants substantially similar to those contained in the indenture for our 8.125% senior notes. The net proceeds from this offering are expected to be used for general corporate purposes, including the funding of future acquisitions. Closing of the 8.375% senior notes offering is expected to occur on November 5, 2001 and is subject to satisfaction of customary closing conditions and receipt of a bank consent.

11. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued SFAS Nos. 141 and 142. SFAS No. 141, Business Combinations, requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 142, Goodwill and Other Intangible Assets, changes the accounting for goodwill from an amortization method to an impairment-only approach and will be effective January 2002. We believe that adoption of these new standards will not have an effect on our results of operations or our financial position. In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Allocations. Management is currently assessing the impact SFAS No. 143 will have on our financial condition and results of operations, but does not believe the impact will be material.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ACQUISITION OF GOTHIC ENERGY CORPORATION

We completed the acquisition of Gothic Energy Corporation on January 16, 2001 by merging a wholly-owned subsidiary into Gothic. We issued 4.0 million shares in the merger along with additional warrants and options to purchase our common stock in exchange for outstanding Gothic warrants and options. Prior to the merger, Chesapeake purchased substantially all of Gothic's 14.125% senior secured discount notes for total consideration of $80.8 million in cash and Chesapeake common stock. We also purchased $31.6 million principal amount of 11.125% senior secured notes due 2005 issued by Gothic's operating subsidiary for total consideration of $34.8 million in cash and Chesapeake common stock. Subsequent to the acquisition, we redeemed all remaining 14.125% senior secured discount notes for total consideration of $243,000. In February 2001, we purchased $1.0 million principal amount of Gothic senior secured notes tendered pursuant to a change-of-control offer at a purchase price of 101%. Chesapeake incurred $3.4 million of costs for a standby facility which were recognized in the quarter ended March 31, 2001. During April and May 2001, we purchased or redeemed the remaining $202.3 million of 11.125% senior secured notes for total consideration of $225.9 million. On May 14, 2001, Gothic Energy Corporation and Gothic Production Corporation became guarantors of Chesapeake's senior notes.

SALE OF CHESAPEAKE CANADA CORPORATION

On October 1, 2001, we completed the sale of our Canadian subsidiary to a large Canadian energy producer. Proceeds from the sale were approximately $143 million and were used to substantially reduce our revolving credit facility. An estimated pre-tax gain of approximately $30 million from the sale will be reported in the fourth quarter of 2001.

RESULTS OF OPERATIONS - Three Months Ended September 30, 2001 ("Current Quarter") vs. September 30, 2000 ("Prior Quarter")

General. For the Current Quarter, we realized net income of $65.0 million, or $0.38 per diluted common share. This compares to net income of $54.7 million, or $0.31 per diluted common share, in the Prior Quarter. Net income in the Current Quarter included a $19.4 million non-cash risk management gain (net of tax) recorded pursuant to SFAS 133.

Oil and Gas Sales. During the Current Quarter, oil and gas sales increased 43% to $177.7 million from $124.0 million in the Prior Quarter. For the Current Quarter, we produced 40.8 billion cubic feet equivalent, consisting of 0.7 million barrels of oil and 36.5 billion cubic feet of gas, compared to 0.8 mmbo and 29.1 bcf, or 33.7 bcfe, in the Prior Quarter. The production increase is primarily the result of the Gothic acquisition. Average oil prices realized were $27.37 per barrel of oil in the Current Quarter compared to $28.25 per bo in the Prior Quarter, a decrease of 3%. Average gas prices realized were $4.34 per thousand cubic feet in the Current Quarter compared to $3.52 per mcf in the Prior Quarter, an increase of 23%.

For the Current Quarter, we realized an average price of $4.36 per thousand cubic feet equivalent, compared to $3.68 per mcfe in the Prior Quarter, including in each case the effects of hedging. Our hedging activities resulted in increased oil and gas revenues of $64.4 million, or $1.58 per mcfe, in the Current Quarter, compared to decreases in oil and gas revenues of $11.7 million, or $0.35 per mcfe, resulting from our hedging activities in the Prior Quarter.

We utilize the full cost method of accounting for costs related to our oil and gas properties. Under this method, all such costs (productive and nonproductive) are capitalized and amortized on an aggregate basis over the estimated lives of the properties using the units-of-production method. These capitalized costs are subject to a ceiling test, however, which limits such pooled costs to the aggregate of the present value of future net revenues attributable to proved oil and gas reserves discounted at 10% plus the lower of cost or market value of unproved properties. The full cost ceiling is evaluated at the end of each quarter. At September 30, 2001, our unamortized costs of oil and gas

properties exceeded the ceiling test amount by approximately $220 million due to low oil and gas prices in effect on that date. The market price for natural gas at Henry Hub was $1.83 on September 28, 2001. However, due to the subsequent recovery in market prices for natural gas we were not required to record a write-down of oil and gas properties. A decline in gas and oil prices from current levels, or other factors, without other mitigating circumstances, could cause a future write-down of capitalized costs and a non-cash charge against future earnings.

The following table shows our production by region for the Prior Quarter and the Current Quarter:

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,			
	2000		2001	
OPERATING AREAS	(MMCFE)	PERCENT	(MMCFE)	PERCENT
Mid-Continent	19,564	58%	29,159	72%
Gulf Coast	9,012	27	6,279	15
Canada	2,654	8	3,276	8
Permian Basin	1,664	5	1,155	3
Other areas	813	2	910	2
Total	33,707	100%	40,779	100%

Gas production represented approximately 90% of our total production volume on an equivalent basis in the Current Quarter, compared to 86% in the Prior Quarter.

Risk Management Income. Amounts recorded in this caption represent non-cash gains and losses created by temporary valuation swings in derivatives or portions of derivatives which are not entitled to receive hedge accounting. All amounts recorded in this caption are ultimately reversed in this caption over the respective contract terms. Risk management income for the Current Quarter was a net gain of $32.3 million, which included a $37.8 million gain attributable to the change in fair value for certain derivative instruments which did not meet the definition of cash flow hedges under SFAS 133 for the Current Quarter, $6.4 million reclassification to oil and gas sales related to the settlement of derivative contracts and a gain of $0.9 million relating to hedge ineffectiveness. Although derivatives often fail to achieve 100% effectiveness for accounting purposes, our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended.

Oil and Gas Marketing Sales. We realized $28.9 million in oil and gas marketing sales for third parties in the Current Quarter, with corresponding oil and gas marketing expenses of $27.9 million, for a margin of $1.0 million. This compares to sales of $44.2 million, expenses of $42.9 million, and a margin of $1.3 million in the Prior Quarter. The decrease in marketing sales and cost of sales was due primarily to a decrease in prices in the Current Quarter compared to the Prior Quarter.

Production Expenses. Production expenses increased to $19.3 million in the Current Quarter, a $7.6 million increase from the $11.7 million of production expenses incurred in the Prior Quarter. On a unit of production basis, production expenses were $0.47 and $0.35 per mcfe in the Current and Prior Quarters, respectively. The increase in production expenses between periods is due primarily to the additional costs associated with properties acquired since the Prior Quarter, the increase in ad valorem taxes due to higher commodity prices experienced in 2000, and the overall increase in costs for goods and services that oil and gas producers have experienced in 2001.

Production Taxes. Production taxes, which consist primarily of wellhead severance taxes, were $7.1 million and $6.2 million in the Current and Prior Quarters, respectively. On a per unit basis, production taxes were $0.17 per mcfe in the Current Quarter compared to $0.18 per mcfe in the Prior Quarter. The per unit decrease is due to lower oil and gas prices in the Current Quarter. In general, production taxes are calculated using value-based formulas that produce higher per unit costs when oil and gas prices increase.

Oil and Gas Depreciation, Depletion and Amortization. Depreciation, depletion and amortization of oil and gas properties for the Current Quarter was $46.8 million, compared to $25.2 million in the Prior Quarter. The DD&A rate per mcfe, which is a function of capitalized costs, future development costs and the related underlying reserves in the periods presented, increased from $0.75 in the Prior Quarter to $1.15 in the Current Quarter. This increase is a result of the Gothic acquisition and escalating drilling and equipment costs in 2001. Chesapeake's DD&A rate in the future will be a function of the results of future acquisition, exploration, development and production results.

Depreciation and Amortization of Other Assets. Depreciation and amortization of other assets was $2.2 million in the Current Quarter and $1.8 million in the Prior Quarter. We anticipate D&A will continue at current levels during the remainder of 2001.

General and Administrative. General and administrative expenses, which are net of capitalized internal costs, were $3.2 million in the Current Quarter compared to $3.4 million in the Prior Quarter. We capitalized $2.1 million of internal costs in the Current Quarter directly related to our oil and gas exploration and development efforts, compared to $1.5 million in the Prior Quarter. We anticipate that G&A costs during the remainder of 2001 will remain at approximately the same level as the Current Period.

Interest and Other Income. Interest and other income for the Current Quarter was $0.1 million compared to $0.9 million in the Prior Quarter. The decrease was primarily the result of the recognition of a $1.0 million loss, which represents our share of the net loss of RAM Energy, Inc. for the Current Quarter offset by an increase in interest income. We acquired 49.5% of the outstanding common stock of RAM on March 30, 2001. In addition, we have also made recent investments in the corporate notes of RAM and Seven Seas Petroleum Inc. The investments in these notes, which are described below under "Liquidity and Capital Resources," will cause our future interest income to increase.

Interest Expense. Interest expense increased to $24.1 million in the Current Quarter from $21.7 million in the Prior Quarter. The increase in the Current Quarter was due to interest on debt assumed as a result of the Gothic acquisition and an increase in interest expense related to the revolving credit facility. These increases were partially offset by a decrease in interest expense resulting from the refinancing of a significant portion of our senior notes in April 2001. In addition to the interest expense reported, we capitalized $1.2 million of interest during the Current Quarter compared to $0.6 million capitalized in the Prior Quarter.

Income Taxes. During the Current Quarter, we recorded income tax expense of $43.4 million, compared to income tax expense of $1.4 million in the Prior Quarter. The Prior Quarter expense related to our Canadian operations only. The Prior Quarter U.S. tax expense was offset by a corresponding reduction in the valuation allowance which had been established due to uncertainty surrounding our ability to utilize tax net operating loss carryforwards prior to their expiration. Based upon various factors, management determined that a valuation allowance was no longer required as of December 31, 2000 and as a result we have recognized income tax expense in 2001.

RESULTS OF OPERATIONS - Nine Months Ended September 30, 2001 ("Current Period") vs. September 30, 2000 ("Prior Period")

General. For the Current Period, Chesapeake realized net income of $174.8 million, or $1.02 per diluted common share. This compares to $107.5 million, or $0.73 per diluted common share in the Prior Period. Net income in the Current Period included a $56.8 million non-cash risk management gain (net of tax) recorded pursuant to SFAS 133, and a $46.0 million extraordinary loss in connection with the early retirement of debt.

Oil and Gas Sales. During the Current Period, oil and gas sales increased to $574.2 million from $311.5 million, an increase of $262.7 million, or 84%. For the Current Period, we produced 2.1 mmbo and 107.6 bcf, compared to 2.4 mmbo and 87.2 bcf in the Prior Period. The production increase is primarily the result of the Gothic acquisition. We have included Gothic's results of operations since January 1, 2001 because we had effective control as of that date. Average oil prices realized were $28.03 per barrel in the Current Period compared to $25.70 per barrel in the Prior Period, an increase of 9%. Average gas prices realized were $4.79 per mcf in the Current Period compared to $2.86 per mcf in the Prior Period, an increase of 67%.

For the Current Period, we realized an average price of $4.78 per mcfe, compared to $3.06 per mcfe in the Prior Period, including in each case the effects of hedging. Our hedging activities resulted in an increase in oil and gas revenues of $41.1 million, or $0.34 per mcfe, in the Current Period, compared to a decrease in oil and gas revenues of $24.9 million, or $0.24 per mcfe, resulting from hedging activities in the Prior Period.

The following table shows our production by region for the Current Period and the Prior Period:

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,			
	2000		2001	
OPERATING AREAS	(MMCFE)	PERCENT	(MMCFE)	PERCENT
Mid-Continent	57,268	56%	83,553	70%
Gulf Coast	27,820	27	21,205	18
Canada	9,157	9	9,074	7
Permian	4,809	5	3,827	3
Other areas	2,669	3	2,413	2
Total	101,723	100%	120,072	100%

Gas production represented approximately 90% of our total production volume on an equivalent basis in the Current Period, compared to 86% in the Prior Period.

Risk Management Income. Amounts recorded in this caption represent non-cash gains and losses created by temporary valuation swings in derivatives or portions of derivatives which are not entitled to receive hedge accounting. All amounts recorded in this caption are ultimately reversed in this caption over the respective contract terms. Risk management income for the Current Period was a net gain of $94.7 million, which included a $102.8 million gain attributable to the change in fair value for certain derivative instruments which did not meet the definition of cash flow hedges under SFAS 133 for the Current Period, $10.0 million reclassification to oil and gas sales related to the settlement of derivative contracts and a gain of $1.9 million relating to hedge ineffectiveness. Although derivatives often fail to achieve 100% effectiveness for accounting purposes, our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended.

Oil and Gas Marketing Sales. We realized $123.1 million in oil and gas marketing sales to third parties in the Current Period, with corresponding oil and gas marketing expenses of $119.3 million for a margin of $3.8 million. This compares to sales of $105.8 million and expenses of $102.6 million in the Prior Period for a margin of $3.2 million. The increase in marketing sales and cost of sales was due primarily to higher oil and gas prices in the Current Period as compared to the Prior Period.

Production Expenses. Production expenses increased to $55.9 million in the Current Period, a $19.1 million increase from $36.8 million incurred in the Prior Period. On a production unit basis, production expenses were $0.47 and $0.36 per mcfe in the Current and Prior Periods, respectively. The increase in production expenses between periods is due primarily to the additional costs associated with properties acquired since the Prior Period, the increase in ad valorem taxes due to higher commodity prices and the overall increase in costs for goods and services that oil and gas producers have experienced in 2001.

Production Taxes. Production taxes, which consist primarily of wellhead severance taxes, were $31.3 million and $17.1 million in the Current and Prior Periods, respectively. On a per unit basis, production taxes were $0.26 per mcfe in the Current Period compared to $0.17 per mcfe in the Prior Period. This per unit increase was the result of higher oil and gas prices in the Current Period. In general, production taxes are calculated using value-based formulas that produce higher per unit costs when oil and gas prices increase.

Oil and Gas Depreciation, Depletion and Amortization. DD&A for the Current Period was $124.9 million, compared to $74.6 million in the Prior Period. This increase was caused by increased production as well as an increase in the DD&A rate per mcfe from $0.73 to $1.04 in the Prior and Current Periods, respectively. This increase is a result of the Gothic acquisition and escalating drilling and equipment costs in 2001. Chesapeake's DD&A rate in the future will be a function of the results of future acquisition, exploration, development and production results.

Depreciation and Amortization of Other Assets. D&A increased to $6.0 million in the Current Period compared to $5.6 million in the Prior Period. We anticipate D&A will continue at current levels during the remainder of 2001.

General and Administrative. General and administrative expenses, which are net of capitalized internal costs, were $10.1 million in the Current Period compared to $9.6 million in the Prior Period. This increase is primarily due to

an increase in the number of employees and the general increase in overhead associated with the growth of Chesapeake. We capitalized $6.0 million of internal costs in the Current Period directly related to our oil and gas exploration and development efforts, compared to $4.9 million in the Prior Period. The increase in capitalized internal costs is primarily due to the addition of technical employees and other related costs. We anticipate that G&A costs during the remainder of 2001 will remain at approximately the same level as the Current Period.

Interest and Other Income. Interest and other income for the Current Period was $1.4 million compared to $3.7 million in the Prior Period. The decrease is primarily the result of a reduction in other miscellaneous income and the recognition of a $1.3 million loss, which represents our share of the net loss of RAM Energy, Inc. for the Current Period. We acquired 49.5% of the outstanding common stock of RAM on March 30, 2001. In addition, we have also made recent investments in the corporate notes of RAM and Seven Seas Petroleum Inc. The investments in the notes, which are described below under "Liquidity and Capital Resources," will cause our future interest income to increase.

Interest Expense. Interest expense increased to $73.0 million in the Current Period from $64.4 million in the Prior Period. The increase in the Current Period was due to interest on the debt assumed as a result of the Gothic acquisition in the Current Period partially offset by a decrease in interest expense resulting from the refinancing of a significant portion of our senior notes in April 2001. We capitalized $3.3 million of interest during the Current Period compared to $1.9 million capitalized in the Prior Period.

Income Taxes. We recorded income tax expense of $148.6 million on pre-tax income of $369.4 million for the Current Period, compared to $2.9 million on pre-tax income of $110.4 million in the Prior Period. The Prior Period expense related to our Canadian operations only. The Prior Period U.S. tax expense was offset by a corresponding reduction in the valuation allowance which had been established due to uncertainty surrounding our ability to utilize net tax operating loss carryforwards prior to their expiration. Based upon various factors, management determined that a valuation allowance was no longer required as of December 31, 2000 and as a result we recognized income tax expense in the Current Period.

Extraordinary Item. The $46.0 million extraordinary loss in the Current Period includes the payment of aggregate make-whole and redemption premiums related to debt repurchases and redemptions and the write-off of related unamortized debt costs and unamortized debt issue premium in the quarter ended June 30, 2001.

RISK MANAGEMENT ACTIVITIES

See Item 3 - "Quantitative and Qualitative Disclosures About Market Risks."

LIQUIDITY AND CAPITAL RESOURCES

Chesapeake had working capital of $124.7 million at September 30, 2001. Additionally as of September 30, 2001, we had a revolving credit facility of $225 million, maturing September 2003, with a committed borrowing base of $225 million. As of September 30, 2001, we had borrowed $189.0 million under the facility and $1.6 million of the facility secured various letters of credit. As of October 24, 2001, the amount borrowed under the facility was $42.0 million with no changes to the outstanding letters of credit. Borrowings under the facility are collateralized by some of our producing oil and gas properties and bear interest at either the reference rate of Union Bank of California, N.A., or London Interbank Offered Rate (LIBOR), at our option, plus a margin that varies according to total facility usage. The average interest rate on the outstanding facility at September 30, 2001 was 7.3%. Unused portions of the facility accrue an annual commitment fee of 0.50%. The credit facility contains various covenants and restrictive provisions including financial condition covenants requiring us to maintain certain financial ratios at or above specified levels and periodic redeterminations of the borrowing base. In addition, extensions of credit under the facility may not exceed the lesser of the maximum amount of indebtedness permitted under the 8.125% senior note indenture or 15% of adjusted consolidated net tangible assets.

Our cash provided by operating activities increased 152.4% to $441.0 million during the Current Period compared to $174.7 million during the Prior Period. The increase was due primarily to higher oil and gas prices realized during the Current Period and the acquisition of Gothic Energy Corporation in January 2001.

Cash used in investing activities increased to $466.5 million during the Current Period from $200.6 million in the Prior Period. During the Current Period we expended approximately $263.7 million to initiate drilling on 409 (197.3 net) wells and invested approximately $51.6 million in leasehold acquisitions. This compares to $103.0 million to initiate drilling on 203 (104.3 net) wells and $19.0 million to purchase leasehold in the Prior Period. During the Current Period, we had acquisitions of oil and gas properties of $53.7 million and divestitures of oil and gas properties of $1.4 million. This compares to acquisitions of $36.3 million and divestitures of $1.4 million in the Prior Period. We also acquired K. Stewart Petroleum Corporation for $22.4 million during the Current Period. This acquisition included 20 bcfe of proved reserves and more than 100 bcfe of probable and possible reserves. During the Current Period, we had additional investments in rig equipment totaling $15.4 million and investments in building and other fixed assets of $13.0 million.

There was $43.1 million of cash provided in financing activities in the Current Period, compared to $0.2 million in the Prior Period. The activity in the Current Period reflects the net increase in borrowings under our commercial bank credit facility of $164.0 million. This is primarily offset by the $786.7 million received from the issuance of the $800 million 8.125% senior notes in April 2001, the $830.4 million paid for the redemption of various senior secured notes and the $2.9 million received from the exercise of stock options.

On October 1, 2001, we closed on the sale of our Canadian subsidiary which resulted in net cash proceeds of approximately $143 million. The proceeds were used to reduce the amounts outstanding under our revolving bank credit facility.

We have budgeted approximately $350 - $375 million for capital expenditures for exploration and development activities for 2001, and $215 - $245 million for 2002. Additionally we expect to be actively acquiring oil and gas reserves. We believe we have adequate resources, including cash on hand, budgeted cash flows from operations, unused borrowing capacity on our bank facility and cash available from our hedging activities to execute our business plan. Additional acquisitions above budget may require equity and/or debt financings, which we believe would be available.

During the first quarter 2001, we purchased and subsequently retired $7.3 million of our 8.5% senior notes due 2012 for total consideration of $7.4 million, including accrued interest of $0.2 million and the write-off of $0.1 million of unamortized bond discount.

On April 6, 2001, we issued $800 million principal amount of 8.125% senior notes due 2011, of which substantially all were subsequently exchanged on July 12, 2001 for substantially identical notes registered under the Securities Act of 1933. During April 2001, we used a portion of the offering proceeds to purchase $140.7 million principal amount of our 9.625% senior notes and $3.0 million principal amount of the 11.125% senior secured notes of Gothic Production Corporation, a Chesapeake subsidiary. On May 7, 2001, we redeemed all $120 million principal amount of our 9.125% senior notes, the remaining $359.3 million principal amount of our 9.625% senior notes and the remaining $199.3 million principal amount of Gothic Production Corporation's 11.125% senior secured notes. The purchase and redemption of these notes included payment of aggregate make-whole and redemption premiums of $75.6 million which was further adjusted by the write-off of unamortized debt costs and debt issue premiums. These costs are reflected as a $46.0 million, after tax, extraordinary loss in the Current Period. The refinancing lowered the interest rate and extended the maturity of approximately 74% of our senior notes.

As of September 30, 2001, our senior notes represented $1.1 billion of our long-term debt and consisted of the following: $800 million principal amount of 8.125% senior notes due 2011, $150 million principal amount of 7.875% senior notes due 2004 and $142.7 million principal amount of 8.5% senior notes due 2012. There are no scheduled principal payments required on any of the senior notes until March 2004, when $150 million is due. Debt ratings for the senior notes are B2 by Moody's Investor Service, B+ by Standard & Poor's Ratings Services and BB- by Fitch, IBCA, Duff and Phelps as of September 30, 2001. Debt ratings for our secured bank credit facility are Ba3 by Moody's Investor Service, BB by Standard & Poor's Ratings Services and BB+ by Fitch, IBCA, Duff and Phelps.

Our senior notes are unsecured senior obligations of Chesapeake and rank equally with all of our other unsecured indebtedness. All of our wholly owned subsidiaries except Chesapeake Energy Marketing, Inc. and Carmen Acquisition Corp. guarantee the notes, including Gothic Energy Corporation and Gothic Production Corporation as

of May 14, 2001. The 7.875% senior notes and the 8.5% senior notes are redeemable at our option at any time prior to March 15, 2004 at the make-whole price determined in accordance with the indentures, and on and after March 15, 2004, we may redeem the 8.5% senior notes at the redemption price set forth in the indenture. We may redeem all or some of the 8.125% senior notes at any time after April 1, 2006 and prior to such date pursuant to make-whole provisions in the indenture. If we repurchase at least 50% of the 7.875% senior notes by August 31, 2003, the credit facility is extended until June 2005 for an amount equal to the total revolving credit facility commitment less the outstanding amount of the 7.875% notes plus $50 million.

The indenture for the 8.125% senior notes contains covenants limiting our ability and our restricted subsidiaries' ability to incur additional indebtedness; pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness; make investments and other restricted payments; create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries; incur liens; engage in transactions with affiliates; sell assets; and consolidate, merge or transfer assets. The debt incurrence covenant does not affect our ability to borrow under or expand our secured credit facility. As of September 30, 2001, we estimate that secured commercial bank indebtedness of approximately $1.2 billion could have been incurred under the indenture. The indenture covenants do not apply to Chesapeake Energy Marketing, Inc. and Carmen Acquisition Corp., both unrestricted subsidiaries.

On May 1, 2001, we redeemed all of the outstanding shares of our 7% cumulative convertible preferred stock at a redemption price of $52.45 per share, payable in 5.7 shares of common stock and cash of $2.45. Prior to redemption, the preferred stock was convertible into common stock at a conversion price of $6.95 per share.

On March 30, 2001, we issued 1.1 million shares of Chesapeake common stock in exchange for 1.3 million shares of RAM Energy, Inc. common stock, representing 49.5% of its outstanding equity securities. Our shares were valued at $8.854 each, or $9.9 million in total. We agreed to adjust the consideration for our acquisition of RAM shares by making a cash payment to the RAM shareholders equal to the shortfall if they sold the Chesapeake shares they received at a price less than $8.854 per share. In the Current Quarter, the RAM shareholders sold all their shares of Chesapeake common stock at prices below this level and we made cash payments of approximately $3.3 million to them to cover the shortfall. We also received an option granted by one of the RAM shareholders to purchase an additional 1.0% of RAM's outstanding equity securities. The option is exercisable for a year beginning in February 2002 for an aggregate exercise price of $202,000 in cash. In addition, we have also made recent investments in the corporate notes of RAM.

On July 24, 2001, we purchased $22.5 million principal amount of 12% senior secured notes due 2004 issued by Seven Seas Petroleum Inc. and detachable seven-year warrants to purchase approximately 12.6 million shares of Seven Seas common stock at an exercise price of approximately $1.78 per share. The shares issuable upon exercise of the warrants will represent 20% of Seven Seas common stock after completion of a rights offering and other transactions contemplated by Seven Seas. Seven Seas has granted us registration rights with respect to the warrant shares. Seven Seas common stock is listed for trading on the American Stock Exchange. The chairman and chief executive officer of Seven Seas has granted us an option that could require him to purchase a portion of our notes and warrants if he has not invested at least $10.0 million in Seven Seas notes after the proposed rights offering The 12% senior secured notes and $22.5 million of notes acquired by other parties are secured by a pledge of substantially all of the assets owned by Seven Seas, including all of the Seven Seas subsidiaries which hold the concessions to the company's oil and gas interests in Colombia.

On September 21, 2001, our board of directors authorized the repurchase of up to $50 million of our common stock, either through direct purchases or put options. We have not made any repurchases or written any put options to date under this program.

On October 25, 2001, Chesapeake priced a private offering of $250 million of senior notes due 2008, which will carry an interest rate coupon of 8.375%. The net proceeds are expected to be approximately $248 million. The 8.375% senior notes offered by Chesapeake will not be registered under the Securities Act of 1933, as amended, but will be subject to an agreement requiring Chesapeake to exchange the offered notes for registered senior notes of a substantially similar series or otherwise register the offered notes. The 8.375% senior notes will be redeemable by us prior to November 1, 2005 by payment of a make-whole penalty, and after November 1, 2005 at annually declining premiums. The 8.375% senior notes will be guaranteed by the same subsidiaries that guarantee our outstanding senior notes and will be subject to covenants substantially similar to those contained in the indenture for our 8.125% senior notes. Closing of the 8.375% senior notes offering is expected to occur on November 5, 2001 and is subject to satisfaction of customary closing conditions and receipt of a bank consent.

The net proceeds from the pending offering of 8.375% senior notes are expected to be used for general corporate purposes, including the funding of future acquisitions. Chesapeake is in various stages of negotiations for the purchase of over $300 million of Mid-Continent oil and gas assets in several transactions. The assets primarily consist of relatively long-lived proved producing gas reserves located in Oklahoma. We believe that many of these properties have significant development potential. If successful in some or all of these negotiations, we would acquire the assets directly through asset purchases or indirectly through the acquisition of privately-held companies. Proceeds from the senior notes offering would be used to fund these acquisitions, although there is no assurance as to the timing or magnitude of

any acquisitions or the ultimate success of any of these negotiations. Additional funding, if any, required for these acquisitions would be obtained from cash flow, borrowings under our existing credit facility, monetization of some of our hedging positions or a possible offering of equity securities by Chesapeake.

Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board issued SFAS Nos. 141 and 142. SFAS No. 141, Business Combinations, requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 142, Goodwill and Other Intangible Assets, changes the accounting for goodwill from an amortization method to an impairment-only approach and will be effective January 2002. We believe that adoption of these new standards will not have an effect on our results of operations or our financial position. In June 2001,

the FASB issued SFAS No. 143, Accounting for Asset Retirement Allocations. Management is currently assessing the impact SFAS No. 143 will have on our financial condition and results of operations, but we believe the impact will be immaterial.

FORWARD-LOOKING STATEMENTS

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give our current expectations or forecasts of future events. These statements are based on our historical operating trends, our estimate of proved reserves as of September 30, 2001 and our current derivative contract position. They include statements regarding oil and gas reserve estimates, planned capital expenditures, the drilling of oil and gas wells and future acquisitions, expected oil and gas production, cash flow and anticipated liquidity, business strategy and other plans and objectives for future operations, expected future expenses and utilization of net operating loss carryforwards. Statements concerning the fair values of 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 include oil and gas reserve impairments resulting from lower prices and other factors described under "Risk Factors" in our Form 10-K, as amended, for the year ended December 31, 2000. These factors include:

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

COMMODITY RISK MANAGEMENT ACTIVITY

Our results of operations and operating cash flows are impacted by changes in market prices for oil and gas. To mitigate a portion of this exposure to adverse market changes, we have entered into derivative instruments. All of our derivative instruments have been entered into as hedges of oil and gas price risk and not for speculative purposes.

We utilize derivative instruments to reduce exposure to unfavorable changes in oil and gas prices which are subject to significant and often volatile fluctuations. Our derivative instruments are currently comprised of swaps, collars and cap-swaps. These instruments allow us to predict with greater certainty the effective oil and gas prices to be received for our hedged production.

- For swap instruments, we receive a fixed price for the hedged commodity and pay a floating market price, as defined in each instrument, to the counterparty. The fixed-price payment and the floating-price payment are netted, resulting in a net amount due to or from the counterparty.

- Collars contain a fixed floor price (put) and ceiling price (call). If the market price exceeds the call strike price or falls below the put strike price, then we receive the fixed price and pay the market price. If the market price is between the call and the put strike price, then no payments are due from either party.

- For cap-swaps, we receive a fixed price for the hedged commodity and pay a floating market price. The fixed price received by Chesapeake includes a premium in exchange for a "cap" on the counterparty's exposure.

Pursuant to SFAS 133, our cap-swaps do not qualify for designation as cash flow hedges. Therefore, changes in the fair value of these instruments that occur prior to their maturity are reported in the statement of operations as risk management income (loss). Amounts recorded in risk management income (loss) do not represent cash gains or losses. Rather, these amounts are temporary valuation swings in contracts or portions of contracts that are not entitled to receive hedge accounting treatment. All amounts initially recorded in this caption are ultimately reversed within this same caption over the respective contract terms.

The estimated fair values of our derivative instruments as of September 30, 2001 are provided below. The associated carrying values of these instruments are equal to the estimated fair values.

	SEPTEMBER 30, 2001
	($ IN THOUSANDS)
Derivative assets:	
Fixed-price gas swaps	$ 121,443
Fixed-price gas cap-swaps	90,762
Fixed-price gas collars	19,954
Fixed-price crude oil swaps	4,836
Fixed-price crude oil cap-swaps	2,035
Total	$ 239,030

The fair value of our derivative instruments as of September 30, 2001 was estimated based on market prices of gas and crude oil for the periods covered by the instruments. The net differential between the prices in each instrument and market prices for future periods has been applied to the volumes stipulated in each instrument to arrive at an estimated fair value. The fair value of derivative instruments which contain options (such as collar structures) has been estimated based on remaining term, volatility and other factors.

Risk management income in the statement of operations for the following period is comprised of the following:

	THREE MONTHS ENDED SEPTEMBER 30, 2001	NINE MONTHS ENDED SEPTEMBER 30, 2001
	($ IN THOUSANDS)	
Risk Management Income:		
Change in fair value of derivatives not qualifying for hedge accounting	$ 37,742	$ 102,793
Reclassification of settled contracts	(6,440)	(9,996)
Ineffective portion of derivatives qualifying for hedge accounting	958	1,918
	$ 32,260	$ 94,715

Although derivatives often fail to achieve 100% effectiveness for accounting purposes, our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended.

The change in fair value of our derivative instruments since December 31, 2000 has resulted from a decrease in market prices for gas and crude oil. The majority of this change in fair value is reflected in accumulated other comprehensive income, net of deferred income tax effects, in the September 30, 2001 consolidated balance sheet. Derivative assets reflected as current in the consolidated balance sheet represent the estimated fair value of

derivative instrument settlements scheduled to occur over the subsequent twelve-month period based on market prices for oil and gas as of the balance sheet date. The derivative settlement amounts are not due and payable until the month in which the related underlying hedged transaction occurs.

We expect to transfer approximately $59.1 million of the balance in accumulated other comprehensive income, based upon the market prices at September 30, 2001, to earnings during the next 12 months when the forecasted transactions actually occur. All forecasted transactions currently being hedged are expected to occur by December 2003.

As of September 30, 2001, we had the following derivative instruments designed to hedge a portion of our domestic gas production for periods after September 2001:

	SWAPS		CAP-SWAPS			COLLARS		
	VOLUME (MMBTU)	NYMEX INDEX STRIKE PRICE ($ PER MMBTU)	VOLUME (MMBTU)	NYMEX INDEX STRIKE PRICE ($ PER MMBTU)	NYMEX CAPPED LOW STRIKE PRICE ($ PER MMBTU)	VOLUME (MMBTU)	NYMEX DEFINED LOW STRIKE PRICE ($ PER MMBTU)	NYMEX DEFINED HIGH STRIKE PRICE ($ PER MMBTU)
4th Quarter 2001	21,180,000	4.21	11,020,000	5.94	4.62	5,520,000	4.00	6.08
Total 2001	21,180,000	4.21	11,020,000	5.94	4.62	5,520,000	4.00	6.08
1st Quarter 2002	12,350,000	4.15	18,900,000	5.32	4.10	1,800,000	4.00	5.75
2nd Quarter 2002	9,100,000	3.76	22,750,000	4.55	3.55	3,640,000	4.00	5.38
3rd Quarter 2002	9,200,000	3.83	23,000,000	4.57	3.57	3,680,000	4.00	5.38
4th Quarter 2002	12,860,000	3.99	18,120,000	4.49	3.49	2,460,000	4.00	5.56
Total 2002	43,510,000	3.95	82,770,000	4.72	3.67	11,580,000	4.00	5.47
1st Quarter 2003	14,090,000	4.03	12,600,000	3.79	2.79	--	--	--
2nd Quarter 2003	13,650,000	3.62	12,740,000	3.42	2.42	--	--	--
3rd Quarter 2003	13,800,000	3.72	12,880,000	3.50	2.50	--	--	--
4th Quarter 2003	13,800,000	3.89	12,880,000	3.69	2.69	--	--	--
Total 2003	55,340,000	3.82	51,100,000	3.60	2.60	--	--	--

Subsequent to September 30, 2001, we settled the gas swaps, gas cap-swaps and gas collars for October 2001. Gains in the following amounts will be recognized as price adjustments in October 2001: $21.1 million for gas swaps, $3.1 million for gas cap-swaps and $3.9 million for gas collars.

As of September 30, 2001, we had the following open derivative instruments designed to hedge a portion of our domestic crude oil production for periods after September 2001:

	SWAPS		CAP-SWAPS		
	VOLUME (MBBLS)	NYMEX INDEX STRIKE PRICE ($ PER BBL)	VOLUME (MBBLS)	NYMEX INDEX STRIKE PRICE ($ PER BBL)	NYMEX CAPPED LOW STRIKE PRICE ($ PER BBL)
4th Quarter 2001	670	28.80	--	--	--
Total 2001	670	28.80	--	--	--
1st Quarter 2002	360	25.86	270	25.64	20.64
2nd Quarter 2002	362	25.19	273	25.41	20.41
3rd Quarter 2002	62	25.00	276	25.18	20.18
4th Quarter 2002	--	--	276	24.98	19.98
Total 2002	784	25.48	1,095	25.30	20.30

Subsequent to September 30, 2001, we closed transactions designed to hedge a portion of our natural gas production in 2002 and 2003. The net unrecognized gains resulting from these transactions, $35.9 million, will be recognized as price adjustments in the months of related production. These hedging gains are set forth below ($ in thousands):

	HEDGING GAINS (LOSSES)
1st Quarter 2002	$ 6,836
2nd Quarter 2002	4,758
3rd Quarter 2002	4,605
4th Quarter 2002	4,058
Total 2002	$20,257
1st Quarter 2003	$ 5,218
2nd Quarter 2003	3,326
3rd Quarter 2003	3,645
4th Quarter 2003	3,487
Total 2003	$15,676

INTEREST RATE RISK

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

	SEPTEMBER 30, 2001							
	YEARS OF MATURITY							
	2001	2002	2003	2004	2005	THEREAFTER	TOTAL	FAIR VALUE
	($ IN MILLIONS)							
LIABILITIES:								
Long-term debt, including current portion -- fixed rate	$ 0.8	$ --	$ --	$ 150.0	$ --	$ 942.7	$1,093.5	$1,032.5
Average interest rate	9.1%	--	--	7.9%	--	8.2%	8.1%	--
Long-term debt -- variable rate	$ --	$ --	$ 189.0	$ --	$ --	$ --	$ 189.0	$ 189.0
Average interest rate	--	--	7.3%	--	--	--	7.3%	--

Changes in interest rates affect the amount of interest we earn on our cash, cash equivalents and short-term investments and the interest rate we pay on borrowings under our revolving credit facility. We are not presently using any interest rate derivative instruments to manage exposure to interest rate changes. All of our other long-term indebtedness is fixed rate and therefore does not expose us to the risk of earnings or cash flow loss due to changes in market interest rates.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to ordinary routine litigation incidental to our business none of which are expected to have a material adverse effect on Chesapeake. In addition, Chesapeake is a defendant in other pending actions which are described in Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2000.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

-- Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES OR DIVIDEND ARREARAGES

-- Not applicable

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

-- Not applicable

ITEM 5. OTHER INFORMATION

-- Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed as a part of this report:

Exhibit No.

4.1.1 Sixth Supplemental Indenture, dated as of December 31, 1999, to Indenture dated as of March 15, 1997 among Chesapeake Energy Corporation, as Issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and Bank of New York, as Trustee, with respect to 7-7/8% Senior Notes due 2004.

4.1.2 Seventh Supplemental Indenture, dated as of September 12, 2001, to Indenture dated as of March 15, 1997 among Chesapeake Energy Corporation, as Issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and Bank of New York, as Trustee, with respect to 7-7/8% Senior Notes due 2004.

4.1.3 Eighth Supplemental Indenture, dated as of October 1, 2001, to Indenture dated as of March 15, 1997 among Chesapeake Energy Corporation, as Issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 7-7/8% Senior Notes due 2004.

4.2.1 Sixth Supplemental Indenture, dated as of December 31, 1999, to Indenture dated as of March 15, 1997 among Chesapeake Energy Corporation, as Issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and Bank of New York, as Trustee, with respect to 8-1/2% Senior Notes due 2012.

4.2.2 Seventh Supplemental Indenture, dated as of September 12, 2001, to Indenture dated as of March 15, 1997 among Chesapeake Energy Corporation, as Issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and Bank of New York, as Trustee, with respect to 8-1/2% Senior Notes due 2012.

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4.3.1 Second Supplemental Indenture, dated as of September 12, 2001, to Indenture dated as of April 6, 2001 among Chesapeake Energy Corporation, as Issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and Bank of New York, as Trustee, with respect to 8-1/8% Senior Notes due 2011.

4.3.2 Third Supplemental Indenture, dated as of October 1, 2001, to Indenture dated as of April 6, 2001 among Chesapeake Energy Corporation, as Issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York, as Trustee, with respect to 8-1/8% Senior Notes due 2011.

4.6.1 Consent and waiver letter dated September 10, 2001 with respect to Second Amended and Restated Credit Agreement, dated as of June 11, 2001, among Chesapeake Energy Corporation, Chesapeake Exploration Limited Partnership, as Borrower, Bear Stearns Corporate Lending Inc., as Syndication Agent, Union Bank of California, N.A., as Administrative Agent and Collateral Agent, and other lenders party thereto.

4.6.2 Consent and waiver letter dated October 5, 2001 with respect to Second Amended and Restated Credit Agreement, dated as of June 11, 2001, among Chesapeake Energy Corporation, Chesapeake Exploration Limited Partnership, as Borrower, Bear Stearns Corporate Lending Inc., as Syndication Agent, Union Bank of California, N.A., as Administrative Agent and Collateral Agent, and other lenders party thereto.

4.7 Second Amended and Restated Employment Agreement dated as of July 1, 2001, between Aubrey K. McClendon and Chesapeake Energy Corporation.

4.8 Second Amended and Restated Employment Agreement dated as of July 1, 2001, between Tom L. Ward and Chesapeake Energy Corporation.

12 Computation of ratios of earnings to fixed charges.

(b) Reports on Form 8-K

During the quarter ended September 30, 2001, we filed the following current reports on Form 8-K:

On July 17, 2001, we filed a current report on Form 8-K reporting under Item 5 that we had issued a press release on July 13, 2001 announcing the schedule for our second quarter 2001 earnings release and providing information for accessing the related conference call.

On July 27, 2001, we filed a current report on Form 8-K reporting under Item 9 the posting on our web site of operating assumptions and projections for the third quarter of 2001 and full years 2001 and 2002.

On July 27, 2001, we filed a current report on Form 8-K reporting under Item 5 that we had issued a press release on July 26, 2001 announcing our earnings for the second quarter of 2001, our hedges of 2001-2003 natural gas production, the anticipated sale of our Canadian subsidiary, the reduction of our drilling cap-ex budget, updated 2001 and 2002 forecasts, and recent investments we have made.

On August 13, 2001, we filed a current report on Form 8-K containing in Item 5 a description of our capital stock. It amended and superseded the description of capital stock in our registration statement on Form 8-B, as amended by our filing on Form 8-K on December 18, 2000.

SIGNATURES

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
(Registrant)

By: /s/ Aubrey K. McClendon

Aubrey K. McClendon
Chairman and Chief Executive Officer

October 26, 2001

Date

By: /s/ Marcus C. Rowland

Marcus C. Rowland
Executive Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
4.1.1	Sixth Supplemental Indenture, dated as of December 31, 1999, to Indenture dated as of March 15, 1997 among Chesapeake Energy Corporation, as Issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and Bank of New York, as Trustee, with respect to 7-7/8% Senior Notes due 2004.
4.1.2	Seventh Supplemental Indenture, dated as of September 12, 2001, to Indenture dated as of March 15, 1997 among Chesapeake Energy Corporation, as Issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and Bank of New York, as Trustee, with respect to 7-7/8% Senior Notes due 2004.
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12	Computation of ratios of earnings to fixed charges.

SIXTH SUPPLEMENTAL INDENTURE
TO INDENTURE DATED MARCH 15, 1997 (7 7/8% SECURITIES)

SIXTH SUPPLEMENTAL INDENTURE dated as of December 31, 1999, 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 to the Indenture (the "Trustee").

WHEREAS, Chesapeake Mid-Continent Corp., an Oklahoma corporation ("CMCC"), is a Restricted Subsidiary of the Company and a Subsidiary Guarantor under the Indenture, and CMCC has directly merged with and into Chesapeake Exploration Limited Partnership, an Oklahoma limited partnership ("CELP"), and CELP is the surviving entity, a Restricted Subsidiary of the Company and a Subsidiary Guarantor under the Indenture;

WHEREAS, Section 10.2(a) of the Indenture provides, among other things, that no Subsidiary Guarantor may consolidate or merge with or into another corporation, entity or Person unless (i) the entity or Person formed by or surviving 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 the Indenture and (ii) immediately after such transaction, no Default or Event of Default exists;

WHEREAS, no Default or Event of Default exists immediately after the merger of CMCC into CELP;

WHEREAS, the form and substance of this Sixth Supplemental Indenture are satisfactory to the Trustee;

WHEREAS, contemporaneously herewith, there are being delivered to the Trustee executed opinions of counsel and officers' certificate's proper in form and substance;

WHEREAS, Section 9.1 of the Indenture provides, among other things, that the Trustee, the Subsidiary Guarantors and the Company may amend or supplement the Indenture without notice to or consent of any Holder to reflect the addition or release of any Subsidiary Guarantor, as provided for by the Indenture; and

WHEREAS, the execution and delivery of this Sixth Supplemental Indenture have been duly authorized by the Company and the Subsidiary Guarantors and all actions necessary to make this Sixth Supplemental Indenture a valid and binding instrument according to its terms and the terms of the Original Indenture have been performed.

NOW, THEREFORE, BY THIS SIXTH SUPPLEMENTAL INDENTURE, for and in consideration of the premises and of the mutual covenants herein contained and for other

valuable considerations, the receipt whereof is hereby acknowledged, the Company and the Subsidiary Guarantors covenant and agree with the Trustee, for the equal benefit of all present and future Holders of the Securities, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 The definitions set forth in or incorporated by reference in Article I of the Indenture shall be applicable to this Sixth Supplemental Indenture, as fully and to the same extent as if set forth herein, except as otherwise expressly provided herein. As used in this Sixth Supplemental Indenture, the following terms shall have the following meanings:

"Indenture" means the Original Indenture, as amended by this Sixth Supplemental Indenture, relating to the Securities.

"Original Indenture" means the Indenture dated as of March 15, 1997, among the Company, the Subsidiary Guarantors listed as signatories thereto and the Trustee, relating to the Securities, as amended by: (i) that certain First Supplemental Indenture dated as of December 17, 1997, (ii) that certain Second Supplemental Indenture dated as of February 16, 1998, (iii) that certain Third Supplemental Indenture dated as of April 22, 1998, (iv) that certain Fourth Supplemental Indenture dated as of July 1, 1998, and (v) that certain Fifth Supplemental Indenture dated as of November 19, 1999.

ARTICLE II

RELEASE OF SUBSIDIARY GUARANTOR

SECTION 2.1 As a result of the direct merger with CELP, which constitutes a merger with a Subsidiary Guarantor under Section 10.2(a) of the Indenture, CMCC shall for all purposes be released as a Subsidiary Guarantor from all of its Guarantee and related obligations in the Indenture, pursuant to Section 10.4(b) of the Indenture.

SECTION 2.2 The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of CMCC and the signature of an Officer on behalf of CMCC.

ARTICLE III

ASSUMPTION OF OBLIGATIONS

SECTION 3.1 As the surviving entity in its merger with CMCC and as a Subsidiary Guarantor, CELP hereby agrees to assume all the obligations of CMCC.

ARTICLE IV

MISCELLANEOUS

SECTION 4.1 This Sixth Supplemental Indenture is a supplemental indenture pursuant to Section 9.1 of the Indenture. Upon execution and delivery of this Sixth Supplemental Indenture, the terms and conditions of this Sixth Supplemental Indenture will be part of the terms and conditions of the Indenture for any and all purposes, and all the terms and conditions of both shall be read together as though they constitute one instrument, except that in case of conflict, the provisions of this Sixth Supplemental Indenture will control.

SECTION 4.2 Except as they have been modified in this Sixth Supplemental Indenture, each and every term and provision of the Indenture shall remain in full force and effect.

SECTION 4.3 This Sixth Supplemental Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 4.4 This Sixth Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York without giving effect to applicable principals of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Sixth Supplemental Indenture to be duly executed as of the date first written above.

CHESAPEAKE ENERGY CORPORATION, an
Oklahoma corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

UNITED STATES TRUST COMPANY OF NEW
YORK, a New York corporation, as Trustee

By /s/ LOUIS P. YOUNG

Name: Louis P. Young

Title: Authorized Signer

SUBSIDIARY GUARANTORS

CHESAPEAKE OPERATING, INC., an Oklahoma corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP, an Oklahoma limited partnership

By Chesapeake Operating, Inc., an Oklahoma corporation, Sole General Partner

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon,
Chief Executive Officer

CHESAPEAKE ACQUISITION CORPORATION, an Oklahoma corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, President

CHESAPEAKE ROYALTY COMPANY, an Oklahoma corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP, an Oklahoma limited partnership

By Chesapeake Operating, Inc., an Oklahoma corporation, Sole General Partner

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, President

CHESAPEAKE ENERGY LOUISIANA
CORPORATION, an Oklahoma corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

CHESAPEAKE CANADA CORPORATION, an
Alberta, Canada corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

CHESAPEAKE LOUISIANA, L.P., an Oklahoma
limited partnership

By Chesapeake Operating, Inc., an Oklahoma corporation, Sole General Partner

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon,
Chief Executive Officer

THE AMES COMPANY, INC., an Oklahoma
corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

SEVENTH SUPPLEMENTAL INDENTURE
TO INDENTURE DATED MARCH 15, 1997 (7 7/8% SECURITIES)

SEVENTH SUPPLEMENTAL INDENTURE dated as of September 12, 2001, among CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), the SUBSIDIARY GUARANTORS listed as signatories hereto, BANK OF NEW YORK, successor to United States Trust Company of New York, as Trustee to the Indenture (the "Trustee"), GOTHIC ENERGY CORPORATION, an Oklahoma corporation ("GEC"), GOTHIC PRODUCTION CORPORATION, an Oklahoma corporation ("GPC"), NOMAC DRILLING CORPORATION, an Oklahoma corporation ("NDC"), ARKOMA PITTSBURG HOLDING CORPORATION, an Oklahoma corporation ("APHC"), CHESAPEAKE-STAGHORN ACQUISITION L.P., an Oklahoma limited partnership ("CSALP"), and CHESAPEAKE MOUNTAIN FRONT CORP., an Oklahoma corporation ("CMFC").

WHEREAS, the Board of Directors of the Company has adopted resolutions designating GEC, GPC, NDC, APHC, CSALP and CMFC as Restricted Subsidiaries;

WHEREAS, contemporaneously herewith, there are being delivered to the Trustee an Opinion of Counsel and Officers' Certificate proper in form and substance;

WHEREAS, Section 9.1 of the Indenture provides, among other things, that the Trustee, the Subsidiary Guarantors and the Company may amend or supplement the Indenture without notice to or consent of any Holder to reflect the addition of any Subsidiary Guarantor, as provided for by the Indenture; and

WHEREAS, the execution and delivery of this Seventh Supplemental Indenture have been duly authorized by the Company, the Subsidiary Guarantors, GEC, GPC, NDC, APHC, CSALP and CMFC and all actions necessary to make this Seventh Supplemental Indenture a valid and binding instrument according to its terms and the terms of the Original Indenture have been performed.

NOW, THEREFORE, BY THIS SEVENTH SUPPLEMENTAL INDENTURE, for and in consideration of the premises and of the mutual covenants herein contained and for other valuable considerations, the receipt whereof is hereby acknowledged, the Company, the Subsidiary Guarantors, GEC, GPC, NDC, APHC, CSALP and CMFC covenant and agree with the Trustee, for the equal benefit of all present and future Holders of the Securities, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 The definitions set forth in or incorporated by reference in Article I of the Indenture shall be applicable to this Seventh Supplemental Indenture, as fully and to

the same extent as if set forth herein, except as otherwise expressly provided herein. As used in this Seventh Supplemental Indenture, the following terms shall have the following meanings:

"Indenture" means the Original Indenture, as amended by this Seventh Supplemental Indenture, relating to the Securities.

"Original Indenture" means the Indenture dated as of March 15, 1997, among the Company, the Subsidiary Guarantors listed as signatories thereto and the Trustee, relating to the Securities, as amended by: (i) that certain First Supplemental Indenture dated as of December 17, 1997, (ii) that certain Second Supplemental Indenture dated as of February 16, 1998, (iii) that certain Third Supplemental Indenture dated as of April 22, 1998, (iv) that certain Fourth Supplemental Indenture dated as of July 1, 1998, (v) that certain Fifth Supplemental Indenture dated as of November 19, 1999, and (vi) that certain Sixth Supplemental Indenture dated as of December 31, 1999.

ARTICLE II

ADDITION OF SUBSIDIARY GUARANTORS

SECTION 2.1 As a Subsidiary Guarantor, GEC, GPC, NDC, APHC, CSALP and CMFC hereby: (a) unconditionally 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 the 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 and subject to the limitations of the Indenture as if GEC, GPC, NDC, APHC, CSALP and CMFC had been an original party thereto; and (b) subject GEC, GPC, NDC, APHC, CSALP and CMFC to the provisions (including the representations and warranties) of the Indenture as a Subsidiary Guarantor.

ARTICLE III

MISCELLANEOUS

SECTION 3.1 This Seventh Supplemental Indenture is a supplemental indenture pursuant to Section 9.01 of the Indenture. Upon execution and delivery of this Seventh Supplemental Indenture, the terms and conditions of this Seventh Supplemental Indenture will be part of the terms and conditions of the Indenture for any and all purposes, and all the terms and conditions of both shall be read together as though they constitute one instrument, except that in case of conflict, the provisions of this Seventh Supplemental Indenture will control.

SECTION 3.2 Except as they have been modified in this Seventh Supplemental Indenture, each and every term and provision of the Indenture shall remain in full force and effect.

SECTION 3.3 This Seventh Supplemental Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 3.4 This Seventh Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York without giving effect to applicable principals of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Seventh Supplemental Indenture to be duly executed as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

GUARANTORS:

THE AMES COMPANY, INC.
CHESAPEAKE ACQUISITION CORPORATION
CHESAPEAKE ROYALTY COMPANY
NOMAC DRILLING CORPORATION
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE CANADA CORPORATION
CHESAPEAKE OPERATING, INC.
CHESAPEAKE MOUNTAIN FRONT CORP.
GOTHIC ENERGY CORPORATION
GOTHIC PRODUCTION CORPORATION

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED
PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.

By: Chesapeake Operating, Inc., as general
partner of each representative entity

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon,
Chief Executive Officer

ARKOMA PITTSBURG HOLDING CORPORATION

By /s/ HENRY J. HOOD

Henry J. Hood, President

TRUSTEE:

BANK OF NEW YORK, successor to United States
Trust Company of New York, as Trustee

By /s/ LOUIS P. YOUNG

Name: Louis P. Young

Title: Authorized Signer

EXHIBIT 4.1.3

==========

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

---

7 7/8% SENIOR NOTES DUE 2004

EIGHTH SUPPLEMENTAL INDENTURE

DATED AS OF October 1, 2001

THE BANK OF NEW YORK

as successor Trustee to

United States Trust Company of New York

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THIS EIGHTH SUPPLEMENTAL INDENTURE, dated as of October 1, 2001, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the "Subsidiary Guarantors") and The Bank of New York, as successor to United States Trust Company of New York, as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of March 15, 1997, as supplemented prior to the date hereof (the "Indenture"), pursuant to which the Company has originally issued $150,000,000 in principal amount of 7 7/8% Senior Notes due 2004 (the "Notes"); and

WHEREAS, Section 9.1(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor, as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.4 of the Indenture, of Chesapeake Canada Corporation, an Alberta, Canada corporation ("Chesapeake Canada"), as a Subsidiary Guarantor; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Eighth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Eighth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Eighth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Chesapeake Canada shall for all purposes be released as a Subsidiary Guarantor from all of its Guarantee and related obligations in the Indenture, pursuant to Section 10.4 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Chesapeake Canada and the signature of an Officer of Chesapeake Canada on its behalf.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (mutatis mutandis) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Eighth Supplemental Indenture. This Eighth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS EIGHTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Eighth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Eighth Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ AUBREY K. MCCLENDON
Name: Aubrey K. McClendon
Title: Chief Executive Officer

SUBSIDIARY GUARANTORS:

THE AMES COMPANY, INC.
CHESAPEAKE ACQUISITION CORPORATION
CHESAPEAKE ROYALTY COMPANY
NOMAC DRILLING CORPORATION
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE OPERATING, INC.
CHESAPEAKE MOUNTAIN FRONT CORP.
GOTHIC ENERGY CORPORATION
GOTHIC PRODUCTION CORPORATION

By /s/ AUBREY K. MCCLENDON
Name: Aubrey K. McClendon
Title: Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.

By: Chesapeake Operating, Inc. as general partner of each representative entity

By /s/ AUBREY K. MCCLENDON
Name: Aubrey K. McClendon
Title: Chief Executive Officer

ARKOMA PITTSBURG HOLDING
CORPORATION

By /s/ HENRY J. HOOD

Name: Henry J. Hood

Title: President

TRUSTEE:

THE BANK OF NEW YORK, as successor to
United States Trust Company of New York,
as Trustee

By /s/ LOUIS P. YOUNG

Name: Louis P. Young

Title: Authorized Signer

SIXTH SUPPLEMENTAL INDENTURE
TO INDENTURE DATED MARCH 15, 1997 (8 1/2% SECURITIES)

SIXTH SUPPLEMENTAL INDENTURE dated as of December 31, 1999, 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 to the Indenture (the "Trustee").

WHEREAS, Chesapeake Mid-Continent Corp., an Oklahoma corporation ("CMCC"), is a Restricted Subsidiary of the Company and a Subsidiary Guarantor under the Indenture, and CMCC has directly merged with and into Chesapeake Exploration Limited Partnership, an Oklahoma limited partnership ("CELP"), and CELP is the surviving entity, a Restricted Subsidiary of the Company and a Subsidiary Guarantor under the Indenture;

WHEREAS, Section 10.2(a) of the Indenture provides, among other things, that no Subsidiary Guarantor may consolidate or merge with or into another corporation, entity or Person unless (i) the entity or Person formed by or surviving 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 the Indenture and (ii) immediately after such transaction, no Default or Event of Default exists;

WHEREAS, no Default or Event of Default exists immediately after the merger of CMCC into CELP;

WHEREAS, the form and substance of this Sixth Supplemental Indenture are satisfactory to the Trustee;

WHEREAS, contemporaneously herewith, there are being delivered to the Trustee executed opinions of counsel and officers' certificate's proper in form and substance;

WHEREAS, Section 9.1 of the Indenture provides, among other things, that the Trustee, the Subsidiary Guarantors and the Company may amend or supplement the Indenture without notice to or consent of any Holder to reflect the addition or release of any Subsidiary Guarantor, as provided for by the Indenture; and

WHEREAS, the execution and delivery of this Sixth Supplemental Indenture have been duly authorized by the Company and the Subsidiary Guarantors and all actions necessary to make this Sixth Supplemental Indenture a valid and binding instrument according to its terms and the terms of the Original Indenture have been performed.

NOW, THEREFORE, BY THIS SIXTH SUPPLEMENTAL INDENTURE, for and in consideration of the premises and of the mutual covenants herein contained and for other

valuable considerations, the receipt whereof is hereby acknowledged, the Company and the Subsidiary Guarantors covenant and agree with the Trustee, for the equal benefit of all present and future Holders of the Securities, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 The definitions set forth in or incorporated by reference in Article I of the Indenture shall be applicable to this Sixth Supplemental Indenture, as fully and to the same extent as if set forth herein, except as otherwise expressly provided herein. As used in this Sixth Supplemental Indenture, the following terms shall have the following meanings:

"Indenture" means the Original Indenture, as amended by this Sixth Supplemental Indenture, relating to the Securities.

"Original Indenture" means the Indenture dated as of March 15, 1997, among the Company, the Subsidiary Guarantors listed as signatories thereto and the Trustee, relating to the Securities, as amended by: (i) that certain First Supplemental Indenture dated as of December 17, 1997, (ii) that certain Second Supplemental Indenture dated as of February 16, 1998, (iii) that certain Third Supplemental Indenture dated as of April 22, 1998, (iv) that certain Fourth Supplemental Indenture dated as of July 1, 1998, and (v) that certain Fifth Supplemental Indenture dated as of November 19, 1999.

ARTICLE II

RELEASE OF SUBSIDIARY GUARANTOR

SECTION 2.1 As a result of the direct merger with CELP, which constitutes a merger with a Subsidiary Guarantor under Section 10.2(a) of the Indenture, CMCC shall for all purposes be released as a Subsidiary Guarantor from all of its Guarantee and related obligations in the Indenture, pursuant to Section 10.4(b) of the Indenture.

SECTION 2.2 The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of CMCC and the signature of an Officer on behalf of CMCC.

ARTICLE III

ASSUMPTION OF OBLIGATIONS

SECTION 3.1 As the surviving entity in its merger with CMCC and as a Subsidiary Guarantor, CELP hereby agrees to assume all the obligations of CMCC.

ARTICLE IV

MISCELLANEOUS

SECTION 4.1 This Sixth Supplemental Indenture is a supplemental indenture pursuant to Section 9.1 of the Indenture. Upon execution and delivery of this Sixth Supplemental Indenture, the terms and conditions of this Sixth Supplemental Indenture will be part of the terms and conditions of the Indenture for any and all purposes, and all the terms and conditions of both shall be read together as though they constitute one instrument, except that in case of conflict, the provisions of this Sixth Supplemental Indenture will control.

SECTION 4.2 Except as they have been modified in this Sixth Supplemental Indenture, each and every term and provision of the Indenture shall remain in full force and effect.

SECTION 4.3 This Sixth Supplemental Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 4.4 This Sixth Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York without giving effect to applicable principals of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Sixth Supplemental Indenture to be duly executed as of the date first written above.

CHESAPEAKE ENERGY CORPORATION, an
Oklahoma corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

UNITED STATES TRUST COMPANY OF NEW
YORK, a New York corporation, as Trustee

By /s/ LOUIS P. YOUNG

Name: Louis P. Young

Title: Authorized Signer

SUBSIDIARY GUARANTORS

CHESAPEAKE OPERATING, INC., an Oklahoma corporation

By /s/ AUBREY K. MCCLENDON
Aubrey K. McClendon, Chief Executive Officer

CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP, an Oklahoma limited partnership

By Chesapeake Operating, Inc., an Oklahoma corporation, Sole General Partner

By /s/ AUBREY K. MCCLENDON
Aubrey K. McClendon,
Chief Executive Officer

CHESAPEAKE ACQUISITION CORPORATION, an Oklahoma corporation

By /s/ AUBREY K. MCCLENDON
Aubrey K. McClendon, President

CHESAPEAKE ROYALTY COMPANY, an Oklahoma corporation

By /s/ AUBREY K. MCCLENDON
Aubrey K. McClendon, Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP, an Oklahoma limited partnership

By Chesapeake Operating, Inc., an Oklahoma corporation, Sole General Partner

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon,
Chief Executive Officer

CHESAPEAKE ENERGY LOUISIANA
CORPORATION, an Oklahoma corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

CHESAPEAKE CANADA CORPORATION, an
Alberta, Canada corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

CHESAPEAKE LOUISIANA, L.P., an Oklahoma
limited partnership

By Chesapeake Operating, Inc., an Oklahoma corporation, Sole General Partner

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon,
Chief Executive Officer

THE AMES COMPANY, INC., an Oklahoma
corporation

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

SEVENTH SUPPLEMENTAL INDENTURE
TO INDENTURE DATED MARCH 15, 1997 (8 1/2% SECURITIES)

SEVENTH SUPPLEMENTAL INDENTURE dated as of September 12, 2001, among CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), the SUBSIDIARY GUARANTORS listed as signatories hereto, BANK OF NEW YORK, successor to United States Trust Company of New York, as Trustee to the Indenture (the "Trustee"), GOTHIC ENERGY CORPORATION, an Oklahoma corporation ("GEC"), GOTHIC PRODUCTION CORPORATION, an Oklahoma corporation ("GPC"), NOMAC DRILLING CORPORATION, an Oklahoma corporation ("NDC"), ARKOMA PITTSBURG HOLDING CORPORATION, an Oklahoma corporation ("APHC"), CHESAPEAKE-STAGHORN ACQUISITION L.P., an Oklahoma limited partnership ("CSALP"), and CHESAPEAKE MOUNTAIN FRONT CORP., an Oklahoma corporation ("CMFC").

WHEREAS, the Board of Directors of the Company has adopted resolutions designating GEC, GPC, NDC, APHC, CSALP and CMFC as Restricted Subsidiaries;

WHEREAS, contemporaneously herewith, there are being delivered to the Trustee an Opinion of Counsel and Officers' Certificate proper in form and substance;

WHEREAS, Section 9.1 of the Indenture provides, among other things, that the Trustee, the Subsidiary Guarantors and the Company may amend or supplement the Indenture without notice to or consent of any Holder to reflect the addition of any Subsidiary Guarantor, as provided for by the Indenture; and

WHEREAS, the execution and delivery of this Seventh Supplemental Indenture have been duly authorized by the Company, the Subsidiary Guarantors, GEC, GPC, NDC, APHC, CSALP and CMFC and all actions necessary to make this Seventh Supplemental Indenture a valid and binding instrument according to its terms and the terms of the Original Indenture have been performed.

NOW, THEREFORE, BY THIS SEVENTH SUPPLEMENTAL INDENTURE, for and in consideration of the premises and of the mutual covenants herein contained and for other valuable considerations, the receipt whereof is hereby acknowledged, the Company, the Subsidiary Guarantors, GEC, GPC, NDC, APHC, CSALP and CMFC covenant and agree with the Trustee, for the equal benefit of all present and future Holders of the Securities, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 The definitions set forth in or incorporated by reference in Article I of the Indenture shall be applicable to this Seventh Supplemental Indenture, as fully and to

the same extent as if set forth herein, except as otherwise expressly provided herein. As used in this Seventh Supplemental Indenture, the following terms shall have the following meanings:

"Indenture" means the Original Indenture, as amended by this Seventh Supplemental Indenture, relating to the Securities.

"Original Indenture" means the Indenture dated as of March 15, 1997, among the Company, the Subsidiary Guarantors listed as signatories thereto and the Trustee, relating to the Securities, as amended by: (i) that certain First Supplemental Indenture dated as of December 17, 1997, (ii) that certain Second Supplemental Indenture dated as of February 16, 1998, (iii) that certain Third Supplemental Indenture dated as of April 22, 1998, (iv) that certain Fourth Supplemental Indenture dated as of July 1, 1998, (v) that certain Fifth Supplemental Indenture dated as of November 19, 1999, and (vi) that certain Sixth Supplemental Indenture dated as of December 31, 1999.

ARTICLE II

ADDITION OF SUBSIDIARY GUARANTORS

SECTION 2.1 As a Subsidiary Guarantor, GEC, GPC, NDC, APHC, CSALP and CMFC hereby: (a) unconditionally 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 the 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 and subject to the limitations of the Indenture as if GEC, GPC, NDC, APHC, CSALP and CMFC had been an original party thereto; and (b) subject GEC, GPC, NDC, APHC, CSALP and CMFC to the provisions (including the representations and warranties) of the Indenture as a Subsidiary Guarantor.

ARTICLE III

MISCELLANEOUS

SECTION 3.1 This Seventh Supplemental Indenture is a supplemental indenture pursuant to Section 9.01 of the Indenture. Upon execution and delivery of this Seventh Supplemental Indenture, the terms and conditions of this Seventh Supplemental Indenture will be part of the terms and conditions of the Indenture for any and all purposes, and all the terms and conditions of both shall be read together as though they constitute one instrument, except that in case of conflict, the provisions of this Seventh Supplemental Indenture will control.

SECTION 3.2 Except as they have been modified in this Seventh Supplemental Indenture, each and every term and provision of the Indenture shall remain in full force and effect.

SECTION 3.3 This Seventh Supplemental Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 3.4 This Seventh Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York without giving effect to applicable principals of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Seventh Supplemental Indenture to be duly executed as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

GUARANTORS:

THE AMES COMPANY, INC.
CHESAPEAKE ACQUISITION CORPORATION
CHESAPEAKE ROYALTY COMPANY
NOMAC DRILLING CORPORATION
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE CANADA CORPORATION
CHESAPEAKE OPERATING, INC.
CHESAPEAKE MOUNTAIN FRONT CORP.
GOTHIC ENERGY CORPORATION
GOTHIC PRODUCTION CORPORATION

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon, Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED
PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.

By: Chesapeake Operating, Inc., as general
partner of each representative entity

By /s/ AUBREY K. MCCLENDON

Aubrey K. McClendon,
Chief Executive Officer

ARKOMA PITTSBURG HOLDING CORPORATION

By /s/ HENRY J. HOOD

Henry J. Hood, President

TRUSTEE:

BANK OF NEW YORK, successor to United States
Trust Company of New York, as Trustee

By /s/ LOUIS P. YOUNG

Name: Louis P. Young

Title: Authorized Signer

EXHIBIT 4.2.3

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

8 1/2% SENIOR NOTES DUE 2012

EIGHTH SUPPLEMENTAL INDENTURE

DATED AS OF October 1, 2001

THE BANK OF NEW YORK

as successor Trustee to

United States Trust Company of New York

THIS EIGHTH SUPPLEMENTAL INDENTURE, dated as of October 1, 2001, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the "Subsidiary Guarantors") and The Bank of New York, as successor to United States Trust Company of New York, as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of March 15, 1997, as supplemented prior to the date hereof (the "Indenture"), pursuant to which the Company has originally issued $150,000,000 in principal amount of 8 1/2% Senior Notes due 2012 (the "Notes"); and

WHEREAS, Section 9.1(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor, as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.4 of the Indenture, of Chesapeake Canada Corporation, an Alberta, Canada corporation ("Chesapeake Canada"), as a Subsidiary Guarantor; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Eighth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Eighth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Eighth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Chesapeake Canada shall for all purposes be released as a Subsidiary Guarantor from all of its Guarantee and related obligations in the Indenture, pursuant to Section 10.4 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Chesapeake Canada and the signature of an Officer of Chesapeake Canada on its behalf.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (mutatis mutandis) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Eighth Supplemental Indenture. This Eighth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS EIGHTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Eighth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Eighth Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ AUBREY K. MCCLENDON
Name: Aubrey K. McClendon
Title: Chief Executive Officer

SUBSIDIARY GUARANTORS:

THE AMES COMPANY, INC.
CHESAPEAKE ACQUISITION CORPORATION
CHESAPEAKE ROYALTY COMPANY
NOMAC DRILLING CORPORATION
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE OPERATING, INC.
CHESAPEAKE MOUNTAIN FRONT CORP.
GOTHIC ENERGY CORPORATION
GOTHIC PRODUCTION CORPORATION

By /s/ AUBREY K. MCCLENDON
Name: Aubrey K. McClendon
Title: Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.

By: Chesapeake Operating, Inc. as general partner of each representative entity

By /s/ AUBREY K. MCCLENDON
Name: Aubrey K. McClendon
Title: Chief Executive Officer

ARKOMA PITTSBURG HOLDING
CORPORATION

By /s/ HENRY J. HOOD

Name: Henry J. Hood

Title: President

TRUSTEE:

THE BANK OF NEW YORK, as successor to
United States Trust Company of New York,
as Trustee

By /s/ LOUIS P. YOUNG

Name: Louis P. Young

Title: Authorized Signer

EXHIBIT 4.3.1

CHESAPEAKE ENERGY CORPORATION

and

the Guarantors named herein

---

8 1/8% SENIOR NOTES DUE 2011

SECOND SUPPLEMENTAL INDENTURE

DATED AS OF September 12, 2001

BANK OF NEW YORK

Trustee

THIS SECOND SUPPLEMENTAL INDENTURE, dated as of September 12, 2001, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), each of the parties identified under the caption "Guarantors" on the signature page hereto (the "Guarantors") and Bank of New York, successor to United States Trust Company of New York, as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of April 6, 2001, as supplemented by that certain Supplemental Indenture dated May 14, 2001 (the "Indenture"), pursuant to which the Company has originally issued $800,000,000 in principal amount of 8 1/8% Senior Notes due 2011 (the "Notes"); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture in order to execute and deliver a guarantee to comply with Section 10.03 thereof without the consent of the Holders of the Notes; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Guarantors and of the Trustee necessary to make this Second Supplemental Indenture a valid instrument legally binding on the Company, the Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Second Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Second Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Guarantors and the Trustee.

ARTICLE 2

From this date, in accordance with Section 10.03 and by executing this Second Supplemental Indenture, each of Chesapeake Mountain Front Corp., an Oklahoma corporation, and Chesapeake- Staghorn Acquisition L.P., an Oklahoma limited partnership, are subject to the provisions of the Indenture as Subsidiary Guarantors to the extent provided for in Article 10 thereunder.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (mutatis mutandis) and shall remain in full force and effect in

accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Second Supplemental Indenture. This Second Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. The Company hereby notifies the Trustee that each of Chesapeake Mountain Front Corp. and Chesapeake-Staghorn Acquisition L.P. have been designated by the Board of Directors of the Company as Restricted Subsidiaries pursuant to Section 10.03 (a) of the Indenture.

Section 3.04. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS SECOND SUPPLEMENTAL INDENTURE.

Section 3.05. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ AUBREY K. MCCLENDON
Name: Aubrey K. McClendon
Title: Chief Executive Officer

GUARANTORS:

THE AMES COMPANY, INC.
CHESAPEAKE ACQUISITION CORPORATION
CHESAPEAKE ROYALTY COMPANY
NOMAC DRILLING CORPORATION
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE CANADA CORPORATION
CHESAPEAKE OPERATING, INC.
CHESAPEAKE MOUNTAIN FRONT CORP.
GOTHIC ENERGY CORPORATION
GOTHIC PRODUCTION CORPORATION

By /s/ AUBREY K. MCCLENDON
Name: Aubrey K. McClendon
Title: Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.

By: Chesapeake Operating, Inc. as general partner of each representative entity

By /s/ AUBREY K. MCCLENDON
Name: Aubrey K. McClendon
Title: Chief Executive Officer

ARKOMA PITTSBURG HOLDING
CORPORATION

By /s/ HENRY J. HOOD

Name: Henry J. Hood

Title: President

TRUSTEE:

BANK OF NEW YORK, successor to United States
Trust Company of New York, as Trustee

By /s/ LOUIS P. YOUNG

Name: Louis P. Young

Title: Authorized Signer

EXHIBIT 4.3.2

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

---

8 1/8% SENIOR NOTES DUE 2011

THIRD SUPPLEMENTAL INDENTURE

DATED AS OF October 1, 2001

THE BANK OF NEW YORK

as successor Trustee to

United States Trust Company of New York

THIS THIRD SUPPLEMENTAL INDENTURE, dated as of October 1, 2001, is among Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the "Subsidiary Guarantors") and The Bank of New York, as successor to United States Trust Company of New York, as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of April 6, 2001, as supplemented by that certain Supplemental Indenture dated May 14, 2001, and that certain Second Supplemental Indenture dated September 12, 2001 (the "Indenture"), pursuant to which the Company has originally issued $800,000,000 in principal amount of 8 1/8% Senior Notes due 2011 (the "Notes"); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor, as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of Chesapeake Canada Corporation, an Alberta, Canada corporation ("Chesapeake Canada"), as a Subsidiary Guarantor; and

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Third Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Third Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Third Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Chesapeake Canada shall for all purposes be released as a Subsidiary Guarantor from all of its Guarantee and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture.

The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Chesapeake Canada and the signature of an Officer of Chesapeake Canada on its behalf.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (mutatis mutandis) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Third Supplemental Indenture. This Third Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS THIRD SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Third Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed, all as of the date first written above.

COMPANY:

CHESAPEAKE ENERGY CORPORATION

By /s/ Aubrey K. McClendon
Name: Aubrey K. McClendon
Title: Chief Executive Officer

SUBSIDIARY GUARANTORS:

THE AMES COMPANY, INC.
CHESAPEAKE ACQUISITION CORPORATION
CHESAPEAKE ROYALTY COMPANY
NOMAC DRILLING CORPORATION
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE OPERATING, INC.
CHESAPEAKE MOUNTAIN FRONT CORP.
GOTHIC ENERGY CORPORATION
GOTHIC PRODUCTION CORPORATION

By /s/ AUBREY K. MCCLENDON
Name: Aubrey K. McClendon
Title: Chief Executive Officer

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE PANHANDLE LIMITED PARTNERSHIP
CHESAPEAKE-STAGHORN ACQUISITION L.P.

By: Chesapeake Operating, Inc. as general partner of each representative entity

By /s/ AUBREY K. MCCLENDON
Name: Aubrey K. McClendon
Title: Chief Executive Officer

ARKOMA PITTSBURG HOLDING
CORPORATION

By /s/ HENRY J. HOOD

Name: Henry J. Hood

Title: President

TRUSTEE:

THE BANK OF NEW YORK, as successor to
United States Trust Company of New York,
as Trustee

By /s/ LOUIS P. YOUNG

Name: Louis P. Young

Title: Authorized Signer

EXHIBIT 4.6.1

UNION BANK OF CALIFORNIA, N.A.
4200 LINCOLN PLAZA
500 NORTH AKARD
DALLAS, TEXAS 75201

September 10, 2001

Chesapeake Energy Corporation
Chesapeake Exploration Limited Partnership
6100 North Western Avenue
Oklahoma City, Oklahoma 73118

Re: Second Amended and Restated Credit Agreement dated as of June 11, 2001 (as amended, supplemented or restated, the "Credit Agreement"), by and among Chesapeake Exploration Limited Partnership, an Oklahoma limited partnership ("Borrower"), Chesapeake Energy Corporation, an Oklahoma corporation ("Company"), Bear Stearns Corporate Lending Inc., as syndication agent ("Syndication Agent"), Union Bank of California, N.A., as administrative agent and collateral agent ("Administrative Agent"), and the several banks and other financial institutions or entities from time to time parties thereto ("Lenders")

Ladies and Gentlemen:

Reference is hereby made to the Credit Agreement. Terms which are defined in the Credit Agreement and not otherwise defined herein are used herein with the meanings given them in the Credit Agreement.

Borrower and Company have requested that Administrative Agent and Lenders consent to the purchase by Company of a portion of the outstanding 11 1/2% Senior Notes due 2008 issued by RAM Energy, Inc. from the holders thereof for cash (the "Note Purchases"). In addition, Borrower and Company have requested that Administrative Agent and Lenders consent to the sale by Company of all of the outstanding capital stock of Chesapeake Canada Corporation to a Person that is not an Affiliate of Company for a sales price of approximately C $232,000,000 (the "Canadian Sale").

Subject to the terms and provisions hereof, Administrative Agent and Lenders hereby:

(a) (i) consent to the Note Purchases, (ii) waive any violations of the Credit Agreement resulting therefrom, and (iii) agree that such Note Purchases shall be permitted

in addition to the Investments otherwise permitted pursuant to Section 7.7 of the Credit Agreement; provided that (1) at the time of each Note Purchase, no Default or Event of Default (excluding any occurring pursuant to a Note Purchase) has occurred which is continuing, (2) the Note Purchases shall be approved by the Board of Directors of Company, (3) the aggregate cash purchase price for all Note Purchases paid to the holders thereof pursuant to this Letter Agreement shall not exceed $50,000,000, (4) the Canadian Sale shall have consummated prior to the commencement of such Note Purchases, and (5) nothing in this Letter Agreement shall allow any Person to make any other new Investments not allowed pursuant to Section 7.7 of the Credit Agreement; and

(b) (i) consent to the Canadian Sale, (ii) waive any violations of the Credit Agreement resulting therefrom, and (iii) agree that the Canadian Sale shall be in addition to the asset dispositions otherwise permitted pursuant to Section 7.5 of the Credit Agreement; provided that (1) at the time of the Canadian Sale, no Default or Event of Default (excluding any occurring pursuant to the Canadian Sale) has occurred which is continuing, (2) the Canadian Sale shall be approved by the Board of Directors of Company, (3) the net cash proceeds from the Canadian Sale shall be paid to the Administrative Agent, for the benefit of the Lenders, for application to the Revolving Loans pursuant to the provisions of the Credit Agreement (and such payment shall not be deemed to constitute a reduction in the Borrowing Base or otherwise affect Borrower's ability to request Revolving Loans pursuant to the terms of the Credit Agreement), (4) the Canadian Sale shall be consummated on or before December 31, 2001, and (5) nothing in this Letter Agreement shall allow any Person to make any other asset dispositions not allowed pursuant to Section 7.5 of the Credit Agreement.

The limitations set forth in clause (a) above shall not be deemed to restrict Investments otherwise allowed under clause (n) of Section 7.7 of the Credit Agreement, including without limitation, additional Note Purchases under such clause.

The Credit Agreement is hereby ratified and confirmed in all respects. Except as expressly set forth above, the execution, delivery and effectiveness of this Letter Agreement shall not operate as a waiver of any right, power or remedy of Administrative Agent or Lenders under the Credit Agreement, the Notes, or any other Loan Document, nor constitute a waiver of any provision of the Credit Agreement, the Notes, or any other Loan Document.

By its execution below, each Guarantor hereby (i) consents to the provisions of this Letter Agreement and the transactions contemplated herein, (ii) ratifies and confirms the Guarantee Agreement dated as of June 11, 2001 made by it for the benefit of Administrative Agent and Lenders and the other Loan Documents executed pursuant to the Credit Agreement, (iii) agrees that all of its respective obligations and covenants thereunder shall remain unimpaired by the execution and delivery of this Letter Agreement and the other documents and instruments executed in connection herewith, and (iv) agrees that the Guarantee Agreement and such other Loan Documents shall remain in full force and effect.

This Letter Agreement is a "Loan Document" as defined and described in the Credit Agreement and all of the terms and provisions of the Credit Agreement relating to Loan Documents shall apply hereto. This Letter Agreement may be executed in multiple counterparts, all of which shall constitute one Letter Agreement. This Letter Agreement may be validly executed by facsimile or other electronic transmission.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

Please execute a copy of this Letter Agreement in the space provided below to evidence your agreement to and acknowledgment of the foregoing.

Very truly yours,

UNION BANK OF CALIFORNIA, N.A.
Administrative Agent, Collateral Agent
and Lender

By: /s/ RANDALL OSTERBERG

Name: Randall Osterberg

Title: Senior Vice President

By: /s/ SEAN MURPHY

Name: Sean Murphy

Title: Assistant Vice President

ACKNOWLEDGED AND AGREED
to as of the date first written above:

By: Chesapeake Operating, Inc., its general partner

By: /s/ MARTHA A. BURGER

Name:
Title:

GUARANTORS:

CHESAPEAKE ENERGY CORPORATION

By: /s/ MARTHA A. BURGER

Name:

Title:

THE AMES COMPANY, INC.

By: /s/ MARTHA A. BURGER

Name:
Title:

ARKOMA PITTSBURG HOLDING CORPORATION

By: /s/ MARTHA A. BURGER

Name:
Title:

CHESAPEAKE ACQUISITION CORPORATION

By: /s/ MARTHA A. BURGER

Name:
Title:

CHESAPEAKE ENERGY LOUISIANA CORPORATION

By: /s/ MARTHA A. BURGER

Name:
Title:

CHESAPEAKE OPERATING, INC.

By: /s/ MARTHA A. BURGER

Name:
Title:

CHESAPEAKE OPERATING, INC., as General Partner of
Chesapeake Panhandle Limited Partnership

By: /s/ MARTHA A. BURGER

Name:
Title:

CHESAPEAKE ROYALTY COMPANY

By: /s/ MARTHA A. BURGER

Name:
Title:

CHESAPEAKE OPERATING, INC., as General Partner of
Chesapeake-Staghorn Acquisition L.P.

By: /s/ MARTHA A. BURGER

Name:
Title:

CHESAPEAKE OPERATING, INC., as General Partner of
Chesapeake Louisiana, L.P.

By: /s/ MARTHA A. BURGER

Name:
Title:

CHESAPEAKE OPERATING, INC., as General Partner of
Chesapeake Exploration Limited Partnership

By: /s/ MARTHA A. BURGER

Name:
Title:

GOTHIC ENERGY CORPORATION

By: /s/ MARTHA A. BURGER

Name:
Title:

GOTHIC PRODUCTION CORPORATION

By: /s/ MARTHA A. BURGER

Name:
Title:

NOMAC DRILLING CORPORATION

By: /s/ MARTHA A. BURGER

Name:
Title:

LENDERS:

BANK OF OKLAHOMA. N.A.

By: /s/ JOHN N. HUFF

Name: John N. Huff
Title: Vice President

BANK OF SCOTLAND

By: /s/ JOSEPH FRATUS

Name: Joseph Fratus
Title: Vice President

BEAR STEARNS CORPORATE LENDING INC.

By: /s/ VICTOR F. BULZACCHELLI

Name: Victor F. Bulzacchelli
Managing Director

Title:

BNP PARIBAS

By: /s/ A. DAVID DODD /s/ LARRY ROBINSON

Name: A. David Dodd Larry Robinson
Title: Vice President Vice President

COMERICA BANK - TEXAS

By: /s/ PETER L. SEFZIK

Name: Peter L. Sefzik
Title: Corporate Banking Officer

COMPASS BANK

By: /s/ KATHLEEN J. BOWEN

Name: Kathleen J. Bowen
Title: Vice President

CREDIT AGRICOLE INDOSUEZ

/s/ PATRICK COCQUEREL

Patrick Cocquerel
FVP, Managing Director

By: /s/ BRIAN D. KNEZEAL

Name: Brian D. Knezeal
Title: First Vice President

NATEXIS BANQUES POPULAIRES

/s/ LOUIS P. LAVILLE, III

Louis P. Laville, III
Vice President and
Group Manager

By: /s/ DONOVAN C. BROUSSARD

Name: Donovan C. Broussard
Title: Vice President

NATIONAL BANK OF CANADA, NEW YORK
BRANCH

By: /s/ RANDALL K. WILHOIT

Name: Randall K. Wilhoit
Title: Vice President

By: /s/ DOUG CLARK

Name: Doug Clark
Title: Vice President

RZB FINANCE LLC

By: /s/ DIETER BEINTREXLER

Name: Dieter Beintrexler
Title: President

By: /s/ FRANK J. YAUTZ

Name: Frank J. Yautz
Title: First Vice President

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ DAVID A. BUCK

Name: David A. Buck
Title: Senior Vice President

TORONTO DOMINION (TEXAS), INC.

By: /s/ JIM BRIDWELL

Name: Jim Bridwell
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By: /s/ SEAN MURPHY

Name: Sean Murphy
Title: Assistant Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ M. WARD POLZIN

Name: M. Ward Polzin
Title: Vice President

WASHINGTON MUTUAL BANK, FA

By: /s/ MARK M. ISENSEE

Name: Mark M. Isensee
Title: Manager

EXHIBIT 4.6.2

UNION BANK OF CALIFORNIA, N.A.
4200 LINCOLN PLAZA
500 NORTH AKARD
DALLAS, TEXAS 75201

October 5, 2001

Chesapeake Energy Corporation
Chesapeake Exploration Limited Partnership
6100 North Western Avenue
Oklahoma City, Oklahoma 73118

Re: Second Amended and Restated Credit Agreement dated as of June 11, 2001 (as amended, supplemented or restated, the "Credit Agreement"), by and among Chesapeake Exploration Limited Partnership, an Oklahoma limited partnership ("Borrower"), Chesapeake Energy Corporation, an Oklahoma corporation ("Company"), Bear Stearns Corporate Lending Inc., as syndication agent ("Syndication Agent"), Union Bank of California, N.A., as administrative agent and collateral agent ("Administrative Agent"), and the several banks and other financial institutions or entities from time to time parties thereto ("Lenders")

Ladies and Gentlemen:

Reference is hereby made to the Credit Agreement. Terms which are defined in the Credit Agreement and not otherwise defined herein are used herein with the meanings given them in the Credit Agreement.

By letter dated September 10, 2001, Administrative Agent and Lenders consented to the sale by Company of all of the outstanding capital stock of Chesapeake Canada Corporation to a Person that is not an Affiliate of Company for a sales price of approximately C $232,000,000 (the "Canadian Sale") pursuant to the terms and conditions set forth therein. Upon consummation of the Canadian Sale, Borrower and Company have requested that Administrative Agent and Lenders consent (a) to the purchase, redemption, or other acquisition by Company of shares of its common stock (the "Common Stock"), from the holders thereof (to the extent entered into after the date hereof, the "Stock Repurchases"), and (b) to the sale by Company of put options or other derivatives relating to its Common Stock ("Option Contracts") whereby Company would become obligated to purchase shares of Common Stock from the holder thereof (to the extent entered into after the date hereof, the "Derivative Sales").

Subject to the terms and provisions hereof, Administrative Agent and Lenders hereby (a) consent to the Stock Repurchases and the Derivative Sales, (b) waive any violations of the Credit Agreement resulting therefrom, and (c) agree that such Stock Repurchases and Derivative Sales shall be permitted in addition to the Restricted Payments otherwise permitted pursuant to Section 7.6 of the Credit Agreement; provided that:

(i) at the time of each Stock Repurchase and each Derivative Sale, no Default or Event of Default has occurred which is continuing,

(ii) the Stock Repurchases and the Derivative Sales shall be approved by the Board of Directors of Company,

(iii) without duplication, the aggregate amount paid by Company for all Stock Repurchases or paid in connection with any Option Contract (including, but not limited to, amounts paid upon an exercise by the holder thereof and amounts paid to close out an Option Contract prior to its expiration), plus the maximum amounts which Company might be called upon to pay under or in connection with all Option Contracts then outstanding, minus the aggregate amount of cash consideration received by Company for entering into Derivative Sales shall not exceed the amount of $50,000,000 at any time,

(iv) no Stock Repurchases may occur after June 30, 2002 and all obligations of Company to purchase shares of Common Stock under Option Contracts must expire on or prior to June 30, 2002,

(v) the Canadian Sale shall have been consummated prior to the commencement of such Stock Repurchases and Derivative Sales,

(vi) each Stock Repurchase shall be made in compliance with Regulation U promulgated by the Board of Governors of the Federal Reserve System, and

(vii) nothing in this Letter Agreement shall allow any Person to make any other new Restricted Payments not allowed pursuant to Section 7.6 of the Credit Agreement.

In consideration of this Letter Agreement, provided that Majority Lenders are signatory to this Letter Agreement on or before 2:00 p.m., Dallas, Texas time on the date hereof, Borrower will pay to Administrative Agent, for the account of the Lenders signatory to this Letter Agreement on or before such time, an amendment fee determined by multiplying .05% times such Lender's Revolving Commitment, which shall be due and payable on the date hereof.

The Credit Agreement is hereby ratified and confirmed in all respects. Except as expressly set forth above, the execution, delivery and effectiveness of this Letter Agreement shall not operate as a waiver of any right, power or remedy of Administrative Agent or Lenders under the

Credit Agreement, the Notes, or any other Loan Document, nor constitute a waiver of any provision of the Credit Agreement, the Notes, or any other Loan Document.

By its execution below, each Guarantor hereby (i) consents to the provisions of this Letter Agreement and the transactions contemplated herein, (ii) ratifies and confirms the Guarantee Agreement dated as of June 11, 2001 made by it for the benefit of Administrative Agent and Lenders and the other Loan Documents executed pursuant to the Credit Agreement, (iii) agrees that all of its respective obligations and covenants thereunder shall remain unimpaired by the execution and delivery of this Letter Agreement and the other documents and instruments executed in connection herewith, and (iv) agrees that the Guarantee Agreement and such other Loan Documents shall remain in full force and effect.

This Letter Agreement is a "Loan Document" as defined and described in the Credit Agreement and all of the terms and provisions of the Credit Agreement relating to Loan Documents shall apply hereto. This Letter Agreement may be executed in multiple counterparts, all of which shall constitute one Letter Agreement. This Letter Agreement may be validly executed by facsimile or other electronic transmission.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

Please execute a copy of this Letter Agreement in the space provided below to evidence your agreement to and acknowledgment of the foregoing.

Very truly yours,

UNION BANK OF CALIFORNIA, N.A.
Administrative Agent, Collateral Agent
and Lender

By: /s/ RANDALL OSTERBERG

Name: Randall Osterberg
Title: Senior Vice President

By: /s/ SEAN MURPHY

Name: Sean Murphy
Title: Assistant Vice President

ACKNOWLEDGED AND AGREED
to as of the date first written above:

BORROWER:

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP

By: Chesapeake Operating, Inc., its general partner

By: /s/ MARTHA A. BURGER

Name: Martha A. Burger
Title: Treasurer

GUARANTORS:

CHESAPEAKE ENERGY CORPORATION

By: /s/ MARTHA A. BURGER

    Name: Martha A. Burger
    Title: Treasurer

THE AMES COMPANY, INC.

By: /s/ MARTHA A. BURGER

    Name: Martha A. Burger
    Title: Treasurer

ARKOMA PITTSBURG HOLDING CORPORATION

By: /s/ MARTHA A. BURGER

    Name: Martha A. Burger
    Title: Treasurer

CHESAPEAKE ACQUISITION CORPORATION

By: /s/ MARTHA A. BURGER

    Name: Martha A. Burger
    Title: Treasurer

CHESAPEAKE ENERGY LOUISIANA CORPORATION

By: /s/ MARTHA A. BURGER

    Name: Martha A. Burger
    Title: Treasurer

CHESAPEAKE OPERATING, INC.

By: /s/ MARTHA A. BURGER

Name: Martha A. Burger
Title: Treasurer

CHESAPEAKE OPERATING, INC., as General Partner of
Chesapeake Panhandle Limited Partnership

By: /s/ MARTHA A. BURGER

Name: Martha A. Burger
Title: Treasurer

CHESAPEAKE ROYALTY COMPANY

By: /s/ MARTHA A. BURGER

Name: Martha A. Burger
Title: Treasurer

CHESAPEAKE OPERATING, INC., as General Partner of
Chesapeake-Staghorn Acquisition L.P.

By: /s/ MARTHA A. BURGER

Name: Martha A. Burger
Title: Treasurer

CHESAPEAKE OPERATING, INC., as General Partner of
Chesapeake Louisiana, L.P.

By: /s/ MARTHA A. BURGER

Name: Martha A. Burger
Title: Treasurer

CHESAPEAKE OPERATING, INC., as General Partner of
Chesapeake Exploration Limited Partnership

By: /s/ MARTHA A. BURGER

Name: Martha A. Burger
Title: Treasurer

GOTHIC ENERGY CORPORATION

By: /s/ MARTHA A. BURGER

Name: Martha A. Burger
Title: Treasurer

GOTHIC PRODUCTION CORPORATION

By: /s/ MARTHA A. BURGER

Name: Martha A. Burger
Title: Treasurer

NOMAC DRILLING CORPORATION

By: /s/ MARTHA A. BURGER

Name: Martha A. Burger
Title: Treasurer

LENDERS:

BANK OF OKLAHOMA, N.A.

By: /s/ JOHN N. HUFF

Name: JOHN N. HUFF
Title: Vice President

BANK OF SCOTLAND

By: /s/ JOSEPH FRATUS

Name: Joseph Fratus
Title: Vice President

BEAR STEARNS CORPORATE LENDING INC.

By: /s/ KEITH C. BARNISH

Name: KEITH C. BARNISH
Title: Senior Vice President

BNP PARIBAS

By: /s/ BRIAN M. MALONE

Name: Brian M. Malone
Title: Managing Director

COMERICA BANK - TEXAS

By: /s/ PETER L. SEFZIK

Name: Peter L. Sefzik
Title: Corporate Banking Officer

COMPASS BANK

By: /s/ KATHLEEN J. BOWEN

Name: Kathleen J. Bowen
Title: Vice President

CREDIT AGRICOLE INDOSUEZ

By: /s/ MICHAEL R. QUIRAY

Name: Michael R. Quiray
Title: VP, Sr. Manager

By: /s/ MICHAEL D. WILLIS

Name: Michael D. Willis
Title: VP, Credit Analysis

NATEXIS BANQUES POPULAIRES

By: /s/ RENAUD J. D'HERBES

Name: Renaud J. d'Herbes
Title: Senior Vice President and Regional Manager

By: /s/ DONOVAN C. BROUSSARD

Name: Donovan C. Broussard
Title: Vice President

NATIONAL BANK OF CANADA, NEW YORK BRANCH

By: /s/ RANDALL K. WILHOIT

Name: Randall K. Wilhoit
Title: Vice President

By: /s/ DOUG CLARK

Name: Doug Clark
Title: Vice President

RZB FINANCE LLC

By: /s/ F. DEITER BEINTREXLER

Name: F. Deiter Beintrexler
Title: President

By: /s/ JOHN A. VALISKA

Name: John A. Valiska
Title: Vice President

SUMITOMO MITSUI BANKING CORPORATION

By:

Name:
Title:

TORONTO DOMINION (TEXAS), INC.

By: /s/ JIM BRIDWELL

Name: Jim Bridwell
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ M. WARD POLZIN

Name: M. WARD POLZIN
Title: Vice President

WASHINGTON MUTUAL BANK, FA

By: /s/ MARK M. ISENSEE

Name: Mark M. Isensee
Title: Manager

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ BERNARD WEYMULLER

Name: Bernard Weymuller
Title: Senior Vice President

EXHIBIT 4.7

SECOND AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective July 1, 2001, between CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), and AUBREY K. McCLENDON, an individual (the "Executive").

WITNESSETH:

WHEREAS, the Company and the Executive entered into that certain Amended and Restated Employment Agreement dated effective July 1, 1998 as amended by the First Amendment to Amended and Restated Employment Agreement dated December 31, 1998 (together the "Prior Agreement");

WHEREAS, the Company and the Executive desire to amend and restate the Prior Agreement in its entirety.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company and the Executive agree as follows:

1. Employment. The Company hereby employs the Executive and the Executive hereby accepts such employment subject to the terms and conditions contained in this Agreement. The Executive is engaged as an employee of the Company and the Executive and the Company do not intend to create a joint venture, partnership or other relationship which might impose a fiduciary obligation on the Executive or the Company in the performance of this Agreement.

2. Executive's Duties. The Executive is employed on a full-time basis. Throughout the term of this Agreement, the Executive will use the Executive's best efforts and due diligence to assist the Company in achieving the most profitable operation of the Company and the Company's affiliated entities consistent with developing and maintaining a quality business operation.

2.1 Specific Duties. The Executive will serve as Chairman of the Board and Chief Executive Officer for the Company. From time to time, the Executive may be appointed as an officer of one (1) or more of the Company's subsidiaries. During the term of this Agreement, the Executive will be nominated for election or appointed to serve as a director of the Company and one (1) or more of the Company's subsidiaries. The Executive will use the Executive's best efforts to perform all of the services required to fully and faithfully execute the offices and positions to which the Executive is appointed and such other services as may be reasonably directed by the board of directors of the Company in accordance with this Agreement.

2.2 Modifications. The precise duties to be performed by the Executive may be extended or curtailed in the discretion of the board of directors of the

Company. However, except for termination for Cause (as hereinafter defined) under paragraph 6.1.2 of this Agreement, the failure of the Executive to be elected, be reelected or serve as a director of the Company during the term of this Agreement, the removal of the Executive as a member of the board of directors of the Company, the withdrawal of the designation of the Executive as Chairman of the Board and Chief Executive Officer of the Company, or the assignment of the performance of duties incumbent on the foregoing offices to other persons without the prior written consent of the Executive will constitute termination without Cause by the Company.

2.3 Rules and Regulations. The Company currently has an Employment Policies Manual which addresses frequently asked questions regarding the Company. The Executive agrees to comply with the Employment Policies Manual except to the extent inconsistent with this Agreement. The Employment Policies Manual is subject to change without notice in the sole discretion of the Company at any time. In the event of a conflict between the Employment Policies Manual and this Agreement, this Agreement will control over the terms of the Employment Policies Manual.

2.4 Stock Investment. During the term of this Agreement, the Executive agrees to hold shares of the Company's common stock having an aggregate Investment Value (as hereafter defined) equal to five hundred percent (500%) of the compensation paid to the Executive under paragraphs 4.1 and 4.2 of this Agreement during such calendar year. Any shares of common stock acquired by the Executive prior to the date of this Agreement and still owned by the Executive during the term of this Agreement may be used to satisfy the requirement to own common stock. For purposes of this paragraph, the "Investment Value" of each share of stock will be as follows: (a) for shares purchased in the open market the price paid by the Executive for such shares; (b) for shares acquired through the exercise of stock options, the fair market value of the common stock on the date the option was exercised; (c) for shares acquired after the IPO other than through open market purchases or the exercise of options, the fair market value of the Company's common stock on the date of the acquisition of such common stock; and (d) for shares acquired prior to the Company's initial public offering, the price obtained for stock in the IPO adjusted for subsequent stock splits. This paragraph will become null and void if the Company's common stock ceases to be listed on the New York Stock Exchange, the National Association of Securities Dealers Automated Quotation System or other national exchange. The Company has no obligation to sell or to purchase from the Executive any of the Company's stock in connection with this paragraph 2.4 and has made no representations or warranties regarding the Company's stock, operations or financial condition.

3. Other Activities. Except for the activities (the "Permitted Activities") expressly permitted by paragraphs 3.1 and 3.2 of this Agreement or approved by the board of directors of the Company, the Executive will not: (a) engage in business independent of the Executive's employment by the Company which requires any substantial portion of the Executive's time; (b) serve as an officer or director of any public corporation, partnership, company, or firm; (c) except for passive investments that do not violate this Agreement and require a minimal portion of the Executive's time, serve as a general partner or member of any corporation, partnership, company or firm; or (d) directly or indirectly invest in, participate in or acquire an interest in any oil and gas business, including, without limitation, (i) producing oil and gas, (ii) drilling, owning or operating oil and gas leases or wells, (iii) providing services or materials to the oil and gas industry, (iv) marketing or refining oil or gas, or (v) owning any interest in any corporation, partnership, company or entity which conducts any of the foregoing activities. The limitations in this paragraph 3 will not prohibit an investment by the Executive in publicly traded securities. Notwithstanding the foregoing, the Executive will be permitted to participate in the following activities which will be deemed to be approved by the Company, if such activities are undertaken in strict compliance with this Agreement.

3.1 Existing Interests. The Executive has in the past conducted oil and gas activities individually and through Chesapeake Investments and other entities owned or controlled by the Executive (collectively, the "Executive Affiliates"). The Executive will be permitted to continue to conduct oil and gas activities (including participation in new wells) directly or through the Executive Affiliates, but only to the extent such activities are conducted on oil and gas leases or interests which the Executive or Executive Affiliates owned or had the right to acquire as of July 1, 2001, or which the Executive or the Executive Affiliates acquired from the Company under this Agreement or prior agreements with the Company (collectively, the "Prior Interests"). To the extent that the oil and gas interests or activities covered by this paragraph 3.1 are operated by the Company the ownership and participation will be subject to the payment and revenue adjustment provisions set forth in this paragraph 3.

3.2 Company's Activities. The Executive or the designated Executive Affiliate will be permitted to acquire on the terms and conditions set forth herein an interest in the governmental, spacing or production unit for each of the wells (the "Program Wells") spudded by any of the Company Entities (as hereafter defined) in any Calendar Quarter (as hereafter defined) during the Participation Term (as hereafter defined). The Program Wells include any well spudded during such Calendar Quarter in which the Company Entities participate as a nonoperator. Program Wells will include grass-roots wells or re-entries of existing wells.

3.2.1 Election. On or before the date which is thirty (30) days before the first (1st) day of each Calendar Quarter, the Executive will provide

notice to the compensation committee of the Company's board of directors of the Executive's intent to participate in Program Wells during the succeeding Calendar Quarter and the minimum percentage working interest which the Executive proposes to participate with during such Calendar Quarter (the "Acquisition Percentage"). The Executive's elected Acquisition Percentage for any Calendar Quarter will not exceed two and one-half percent (2.5%) on an eight-eighths (8/8ths) basis. If prior to the date specified herein, the Executive fails to provide notice of the Executive's intent to participate or of the Acquisition Percentage for a Calendar Quarter, the amount of the Acquisition Percentage for the Calendar Quarter will be deemed to be equal to the Acquisition Percentage for the immediately preceding Calendar Quarter.

3.2.2 Amount of Participation. On election to participate and the designation of the Acquisition Percentage for a Calendar Quarter, the Executive will be deemed to have elected to participate in each Program Well spudded during such Calendar Quarter with a working interest equal to the greater of the following determined on a well-by-well basis (the "Minimum Participation"): (a) the Acquisition Percentage for such Program Well (as adjusted for any well under paragraph 3.2.3); or (b) the Prior Interest of the Executive or the Executive Affiliates in the drilling unit for such Program Well. If the foregoing clause (a) is applicable to a Program Well, then the Company will assign or allocate to the Executive or the designated Executive Affiliate a unit working interest in the Program Well sufficient to cause the Executive and the Executive Affiliates' combined interest in such Program Well to equal the Acquisition Percentage (including in such computation any Prior Interests). The interest to be assigned or allocated under this paragraph to cause the Executive's participation to be equal to the Acquisition Percentage will be derived proportionately from all the interests owned by the Company in the Program Wells (including nonconsenting interests, back-in interests, royalty interests, overriding royalty interests or other similar interests) so that the interests assigned or allocated to the Executive are substantially similar to the interests retained by the Company. If the Executive elects not to participate in Program Wells during a Calendar Quarter, then the Executive can elect to participate or not participate with any Prior Interests under the existing agreements related to such Prior Interests.

3.2.3 Minor Company Interests. If the combined interests in a specific Program Well to be assigned or allocated by the Company to the Executive and Mr. Tom L. Ward under their respective employment agreements causes the Company's working interest (determined

after consideration of any carried or reversionary interests) on the spud date for such Program Well to be less than twelve and one-half percent (12.5%) on an eight-eighths (8/8ths) basis, then the Acquisition Percentage for that Program Well will be equal to zero for purposes of paragraph 3.2.2 of this Agreement. If this paragraph 3.2.3 prohibits the Executive's participation in a Program Well, then Mr. Ward will also not be entitled to participate in such Program Well under his employment agreement.

3.3 Conditions of Participation. The Participation by the Executive in each Program Well will be on no better terms than the terms agreed to by unaffiliated third party participants in connection with the participation in such Program Well or similar wells operated by the Company Entities. The Acquisition Percentage cannot be changed during any Calendar Quarter without the prior approval of the members of the compensation committee of the Company's board of directors. Any participation by the Executive under paragraph 3.2 is also conditioned on the Executive's participation in each Program Well spudded during such Calendar Quarter in an amount equal to the Minimum Participation. The Executive hereby agrees to execute and deliver any documents reasonably requested by the Company and hereby appoints the Company as the Executive's agent and attorney-in-fact to execute and deliver such documents if the Executive fails or refuses to execute such documents. The Executive further agrees to pay all joint interest billings within ninety (90) days after the month of receipt. Any amount not paid within the designated time period will accrue interest at the per annum rate of ten percent (10%).

3.4 Revenue Timing. The Executive may request an advance (the "Revenue Advance") from the Company up to an amount (the "RA Amount") equal to: (a) the revenue disbursed by the Company to the Executive during the prior six (6) months for all Program Wells and Prior Interests for which the Company disburses revenue to the Executive, divided by (b) six (6). The Revenue Advance will be recalculated at the end of each Calendar Quarter. The Executive agrees to promptly pay any amount by which the Revenue Advance and any amounts advanced to the Executive in connection with revenue from the Executive's oil and gas wells exceed, in the aggregate, the RA Amount calculated under this paragraph 3.4 and any amount not so paid will accrue interest at the per annum rate of ten percent (10%). The Revenue Advance represents oil and gas revenue received by the Company with respect to the Executive's interest in various oil and gas wells for which the Company markets production but has not yet disbursed to the Executive or other participants in such wells and as such will not accrue interest except as provided in this paragraph 3.4.

3.5. Definitions. For purposes of this Agreement, the term: (a) "Calendar Quarter" means the three (3) month periods commencing on the first (1st) day of January, April, July and October; (b) the term "Company Entities" means the Company, any affiliate or successor to the Company, any entity which controls, subsequently owns or is under common control with the Company and any subsidiary corporation, partnership, limited liability company or other entity owned by, controlled by or under common control with any of the foregoing (whether direct or indirect); and (c) "Participation Term" means the term of this Agreement plus five (5) years after a termination under paragraphs 6.1.1 or 6.3 of this Agreement.

4. Executive's Compensation. The Company agrees to compensate the Executive as follows:

4.1 Base Salary. A base salary (the "Base Salary"), in an annual rate of not less than Five Hundred Seventy-Five Thousand Dollars ($575,000.00), will be paid to the Executive in equal semi-monthly installments beginning July 15, 2001 during the term of this Agreement.

4.2 Bonus. In addition to the Base Salary described at paragraph 4.1 of this Agreement, the Company may periodically pay bonus compensation to the Executive. Any bonus compensation will be at the absolute discretion of the Company in such amounts and at such times as the board of directors of the Company may determine.

4.3 Stock Options. In addition to the compensation set forth in paragraphs 4.1 and 4.2 of this Agreement, the Executive may periodically receive grants of stock options from the Company's various stock option plans, subject to the terms and conditions thereof.

4.4 Benefits. The Company will provide the Executive such retirement benefits, reimbursement of reasonable expenditures for dues, travel and entertainment and other benefits on terms customarily provided by the Company from time to time. The Company will also provide the Executive the opportunity to apply for coverage under the Company's medical, life and disability plans, if any. If the Executive is accepted for coverage under such plans, the Company will provide such coverage on the same terms as is customarily provided by the Company to the plan participants as modified from time to time. The following specific benefits will also be provided to the Executive at the expense of the Company:

4.4.1 Vacation. The Executive will be entitled to take up to four (4) weeks of paid vacation each calendar year during the term of this Agreement. No additional compensation will be paid for failure to take

vacation and no vacation may be carried forward from one calendar year to another.

4.4.2 Membership Dues. The Company will reimburse the Executive for: (a) the monthly dues necessary to maintain a full membership in (1) golf and/or country club in the Oklahoma City area selected by the Executive; and (b) the reasonable cost of any qualified business entertainment at such country club. All other costs, including, without implied limitation, any initiation costs, initial membership costs, personal use and business entertainment unrelated to the Company will be the sole obligation of the Executive and the Company will have no liability with respect to such amounts.

4.4.3 Allowances. The Executive will receive a monthly cash allowance in the amount of Two Thousand Dollars ($2,000.00) to defer a portion of the Executive's cost of acquiring, operating and maintaining an automobile for use in the Executive's employment. Additionally, the Executive will be entitled to utilize any aircraft owned or leased by the Company (whether in whole or in part) for personal use and will not be required to reimburse the Company for any cost related to such use or pay any cost or charge with respect to such use except for variable costs of such use in excess of the aircraft allowance. For purposes of this Agreement the variable cost of using the Company's aircraft means the variable costs directly identifiable with each use (including fuel, pilot charges, landing fees, hourly charges under co-ownership arrangements and other such costs) but specifically excluding any fixed costs of the aircraft (including acquisition costs and depreciation). The aircraft allowance will be equal to $6,250 of the variable cost of using the Company's aircraft for each month during the term of this Agreement. If the Executive's unreimbursed variable costs attributable to the Executive's use of the Company's aircraft during any twenty-four month period exceeds the aircraft allowance for that period, the Executive will be required to reimburse the Company for such excess.

4.4.4 Accounting Support. The Executive will be permitted to utilize the Company's office space, computer facilities and the equivalent of one (1) full-time accounting employee of the Company to maintain books and records for the Executive and the Executive's Permitted Activities. The Executive will not be required to pay any amount to the Company in connection with such accounting services.

4.5 Gross-Up Payment. In the event it is determined that any payment or distribution by the Company or the Company Entities to or for the benefit of the Executive (whether paid or payable or distributed or distributable

pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this paragraph 4.5) (a "Payment") is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (the "Code") or any interest or penalties related to such excise tax (collectively, the "Excise Tax"), the Executive will be entitled to receive an additional payment (a "Gross-Up Payment") from the Company. The Gross-Up Payment will be equal to the amount, such that after payment by the Executive of all taxes (including the Excise Tax, income taxes, interest and penalties imposed with respect to such taxes) on the Gross-Up Payment, the Executive will retain an amount of the Gross-Up Payment equal to the Excise Tax imposed on the Payment.

4.5.1 Determination. Subject to the provisions of paragraph 4.5.2 all determinations required to be made under this paragraph 4.5 (including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized) will be made by a nationally recognized certified public accounting firm designated by the Executive (the "Accounting Firm"). The Accounting Firm will provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is reasonably requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a Change of Control (as hereinafter defined), the Executive will be entitled to appoint another nationally recognized accounting firm to make the determinations required under this paragraph (which accounting firm will then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm will be paid by the Company. Any Gross-Up Payment required to be paid under this paragraph 4.5 will be paid by the Company to the Executive within five (5) days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm will be binding on the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm, the Gross-Up Payment made by the Company may be less than actually required (an "Underpayment") consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to paragraph 4.5.2 below and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm will determine the amount of the Underpayment that has occurred and any such Underpayment will be promptly paid by the Company to or for the benefit of the Executive.

4.5.2 Contest of Claims. The Executive will notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification will be given as soon as practicable but no later than ten (10) business days after the Executive is informed in writing of such claim and will apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive will not pay such claim prior to the expiration of the thirty (30) day period following the date on which the Executive notifies the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such thirty (30) day period that the Company desires to contest such claim, the Executive will: (a) provide to the Company any information reasonably requested by the Company relating to such claim; (b) take such action in connection with contesting such claim as the Company reasonably requests in writing including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (c) cooperate with the Company in good faith as necessary to effectively contest such claim; and (d) permit the Company to participate in any proceedings relating to such claim. The Company will bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with the contest of the claim and agrees to indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such protest (including payment of costs and expenses as provided hereunder). Without limitation on the foregoing provisions, the Company will control all proceedings related to such contested claim, may at its sole option pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may at its sole option either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner. The Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company reasonably determines. If the Company directs the Executive to pay a claim and sue for a refund, the Company will be required to advance the amount of such payment to the Executive on an interest-free basis and agrees to indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance, provided that any extension of the statute of limitations relating to payment of taxes for the taxable

year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

4.5.3 Refunds. If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph 4.5.2, the Executive becomes entitled to receive any refund with respect to such claim the Executive will (subject to the Company's complying with the requirements of paragraph 4.5.2) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph 4.5.2, a determination is made that the Executive will not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of (30) days after such determination, then the advance will be forgiven and will not be required to be repaid and the amount of such advance will offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

4.6 Compensation Review. The compensation of the Executive will be reviewed not less frequently than annually by the board of directors of the Company. The compensation of the Executive prescribed in paragraph 4 of this Agreement (including benefits) may be increased at the discretion of the Company, but may not be reduced without the prior written consent of the Executive.

5. Term. In the absence of termination as set forth in paragraph 6 below, this Agreement will extend for a term of five (5) years commencing on July 1, 2001, and ending on June 30, 2006 (the "Expiration Date") as extended from time to time. Unless the Company provides thirty (30) days prior written notice of nonextension to the Executive, on each June 30 during the term of this Agreement, the term and the Expiration Date will be automatically extended for one (1) additional year so that the remaining term on this Agreement will be not less than four (4) and not more than five (5) years.

6. Termination. This Agreement will continue in effect until the expiration of the term set forth in paragraph 5 of this Agreement unless earlier terminated pursuant to this paragraph 6.

6.1 Termination by Company. The Company will have the following rights to terminate this Agreement:

6.1.1 Termination without Cause. The Company may terminate this Agreement without Cause at any time by the service of written notice of termination to the Executive specifying an effective date of such termination not sooner than ninety (90) business days after the date of such notice (the "Termination Date"). In the event the Executive is terminated without Cause (other than a CC Termination under paragraph 6.3 of this Agreement), the Executive will receive as termination compensation: (a) Base Compensation (as hereafter defined) during the remaining term of this Agreement, but in any event through the Expiration Date; (b) any benefits provided by operation of paragraph 4.4 of this Agreement during the remaining term of this Agreement, but in any event through the Expiration Date (including, without implied limitation, suitable office space, secretarial and accounting support at the levels presently provided by the Company to the Executive); and (c) any vacation pay accrued through the Termination Date. For purposes of this Agreement the term "Base Compensation" means the Executive's current Base Salary under paragraph 4.1 on the Termination Date plus the bonus compensation received by the Executive during the twelve (12) month period preceding the Termination Date.

6.1.2 Termination for Cause. The Company may terminate this Agreement for Cause. For purposes of this Agreement, "Cause" means: (a) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of the Company Entities (other than a failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the board of directors which specifically identifies the manner in which the board of directors believes that the Executive has not substantially performed the Executive's duties; or (b) the willful engaging by the Executive in illegal conduct, gross misconduct or a clearly established violation of the Company's code of conduct, in each case which is materially and demonstrably injurious to the Company. For purposes of this provision, an act or failure to act, on the part of the Executive, will not be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based on authority given pursuant to a resolution duly adopted by the board of directors or based on the advice of counsel for the Company will be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. In the event this Agreement is terminated for Cause, the Company will not have any obligation to provide any further

payments or benefits to the Executive after the effective date of such termination. This Agreement will not be deemed to have terminated for Cause unless a written determination specifying the reasons for such termination is made, approved by a majority of the disinterested members of the board of directors of the Company and delivered to the Executive. Thereafter, the Executive will have the right for a period of thirty (30) days to request a board of directors meeting to be held at a mutually agreeable time and location within the following thirty (30) days, at which meeting the Executive will have an opportunity to be heard. Failing such determination and opportunity for hearing, any termination of this Agreement will be deemed to have occurred without Cause.

6.2 Termination by Executive. The Executive may voluntarily terminate this Agreement with or without Cause by the service of written notice of such termination to the Company specifying an effective date of such termination ninety (90) days after the date of such notice, during which time Executive may use remaining accrued vacation days, or at the Company's option, be paid for such days. In the event this Agreement is terminated by the Executive, neither the Company nor the Executive will have any further obligations hereunder including, without limitation, any obligation of the Company to provide any further payments or benefits to the Executive after the effective date of such termination.

6.3 Termination After Change in Control. If during the term of this Agreement there is a "Change of Control" and within three (3) years thereafter there is a CC Termination (as hereafter defined), then the Executive will be entitled to a severance payment (in addition to any other rights and other amounts payable to the Executive under this Agreement or otherwise) in an amount equal to the sum of the following: (a) five (5) times the Executive's Base Compensation; plus (b) five (5) times the value of any benefits provided by operation of paragraph 4.4 of this Agreement during the preceding twelve (12) months; plus (c) any applicable Gross-Up Payment. If the foregoing amount is not paid within ten (10) days after the CC Termination, the unpaid amount will bear interest at the per annum rate of 12%. In addition, for a period of twelve (12) months after a CC Termination, the Company will provide at no cost to the Executive suitable office space and secretarial and accounting support at the levels presently provided by the Company.

6.3.1 Change of Control. For the purpose of this Agreement, a "Change of Control" means the occurrence of any of the following:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of

beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"). For purposes of this paragraph (a) the following acquisitions by a Person will not constitute a Change of Control: (i) any acquisition directly from the Company; (ii) any acquisition by the Company; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (c) of this paragraph 6.3.1.

(b) The individuals who, as of the date hereof, constitute the board of directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the board of directors. Any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board as of the date hereof, but any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board will not be deemed a member of the Incumbent Board as of the date hereof.

(c) The consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), unless following such Business Combination: (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such

Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

(d) The approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

6.3.2 CC Termination. The term "CC Termination" means any of the following: (a) this Agreement expires in accordance with its terms; (b) this Agreement is not extended under paragraph 5 of this Agreement and the Executive resigns within one (1) year after such nonextension; (c) the Executive is terminated by the Company other than under paragraphs 6.1.2, 6.4 or 6.5 based on adequate grounds; (d) the Executive resigns as a result of a change in the Executive's duties or title, a reduction in the Executive's then current compensation, a required relocation more than 25 miles from the Executive's then current place of employment or a default by the Company under this Agreement; (e) the failure by the Company after a Change of Control to obtain the assumption of this Agreement, without limitation or reduction, by any successor to the Company or any parent corporation of the Company; or (f) after a Change of Control has occurred, the Executive agrees to remain employed by the Company for a period of three (3) months to assist in the transition and thereafter resigns.

6.4 Incapacity of Executive. If the Executive suffers from a physical or mental condition which in the reasonable judgment of the Company's board of directors prevents the Executive in whole or in part from performing the duties specified herein for a period of four (4) consecutive months, the Executive may be terminated. Although the termination will be deemed as a termination with Cause, any compensation payable under paragraph 4 of this Agreement will be continued through the remaining term of this Agreement, but in any event through the Expiration Date. Notwithstanding the foregoing, the Executive's Base Salary specified in paragraph 4.1 of this

Agreement will be reduced by any benefits payable under any disability plans provided by the Company under paragraph 4.4 of this Agreement.

6.5 Death of Executive. If the Executive dies during the term of this Agreement, the Company may thereafter terminate this Agreement without compensation to the Executive's estate except: (a) the obligation to continue the Base Salary payments under paragraph 4.1 of this Agreement for twelve (12) months after the effective date of such termination, and (b) the benefits described in paragraph 4.4 of this Agreement accrued through the effective date of such termination.

6.6 Effect of Termination. The termination of this Agreement will terminate all obligations of the Executive to render services on behalf of the Company, provided that the Executive will maintain the confidentiality of all information acquired by the Executive during the term of his employment in accordance with paragraph 7 of this Agreement. In the event of a termination under paragraphs 6.1.1 or 6.3 of this Agreement, the Executive's right to participate in Program Wells will continue in accordance with paragraph 3 of this Agreement through the Expiration Date as extended under this Agreement. Except as otherwise provided in this paragraph 6, no accrued bonus, severance pay or other form of compensation will be payable by the Company to the Executive by reason of the termination of this Agreement. In the event that payments are required to be made by the Company under this paragraph 6, the Executive will not be required to seek other employment as a means of mitigating the Company's obligations hereunder resulting from termination of the Executive's employment and the Company's obligations hereunder (including payment of severance benefits) will not be terminated, reduced or modified as a result of the Executive's earnings from other employment or self-employment. All keys, entry cards, credit cards, files, records, financial information, furniture, furnishings, equipment, supplies and other items relating to the Company will remain the property of the Company. The Executive will have the right to retain and remove all personal property and effects which are owned by the Executive and located in the offices of the Company. All such personal items will be removed from such offices no later than ten (10) days after the effective date of termination, and the Company is hereby authorized to discard any items remaining and to reassign the Executive's office space after such date. Prior to the effective date of termination, the Executive will cooperate with the Company to provide for the orderly termination of the Executive's employment.

7. Confidentiality. The Executive recognizes that the nature of the Executive's services are such that the Executive will have access to information which constitutes trade secrets, is of a confidential nature, is of great value to the Company or is the foundation on which the business of the Company is predicated. The Executive agrees not to disclose to any person other than the Company's employees or the Company's legal counsel nor use for

any purpose, other than the performance of this Agreement, any confidential information ("Confidential Information"). Confidential Information includes data or material (regardless of form) which is: (a) a trade secret; (b) provided, disclosed or delivered to Executive by the Company, any officer, director, employee, agent, attorney, accountant, consultant, or other person or entity employed by the Company in any capacity, any customer, borrower or business associate of the Company or any public authority having jurisdiction over the Company of any business activity conducted by the Company; or (c) produced, developed, obtained or prepared by or on behalf of Executive or the Company (whether or not such information was developed in the performance of this Agreement) with respect to the Company or any assets oil and gas prospects, business activities, officers, directors, employees, borrowers or customers of the foregoing. However, Confidential Information will not include any information, data or material which at the time of disclosure or use was generally available to the public other than by a breach of this Agreement, was available to the party to whom disclosed on a non-confidential basis by disclosure or access provided by the Company or a third party, or was otherwise developed or obtained independently by the person to whom disclosed without a breach of this Agreement. On request by the Company, the Company will be entitled to a copy of any Confidential Information in the possession of the Executive. The Executive also agrees that the provisions of this paragraph 7 will survive the termination, expiration or cancellation of this Agreement for a period of one (1) year. The Executive will deliver to the Company all originals and copies of the documents or materials containing Confidential Information. For purposes of paragraphs 7, 8, and 9 of this Agreement, the Company expressly includes any of the Company Entities.

8. Noncompetition. For a period of twelve (12) months after Executive is no longer employed by the Company as a result of either the resignation by the Executive pursuant to paragraph 6.2 above or termination for Cause pursuant to paragraph 6.1.2 above, the Executive will not: (a) acquire, attempt to acquire or aid another in the acquisition or attempted acquisition of an interest in oil and gas assets, oil and gas production, oil and gas leases, mineral interests, oil and gas wells or other such oil and gas exploration, development or production activities within two (2) miles of any operations or ownership interests of the Company or its subsidiary corporations, partnerships or entities (but excluding operations or ownership interests acquired by the Company from a successor entity through a Change of Control as described in paragraph 6.3); and (b) solicit, induce, entice or attempt to entice any employee (except the Executive's personal secretary and accountant), contractor, customer, vendor or subcontractor to terminate or breach any relationship with the Company or the Company's affiliates for the Executive's own account or for the benefit of another party. The Executive further agrees that the Executive will not circumvent or attempt to circumvent the foregoing agreements by any future arrangement or through the actions of a third party.

9. Proprietary Matters. The Executive expressly understands and agrees that any and all improvements, inventions, discoveries, processes or know-how that are generated or conceived by the Executive during the term of this Agreement, whether generated or conceived during the Executive's regular working hours or otherwise, will be the sole and

exclusive property of the Company. Whenever requested by the Company (either during the term of this Agreement or thereafter), the Executive will assign or execute any and all applications, assignments and or other instruments and do all things which the Company deems necessary or appropriate in order to permit the Company to: (a) assign and convey or otherwise make available to the Company the sole and exclusive right, title, and interest in and to said improvements, inventions, discoveries, processes, know-how, applications, patents, copyrights, trade names or trademarks; or (b) apply for, obtain, maintain, enforce and defend patents, copyrights, trade names, or trademarks of the United States or of foreign countries for said improvements, inventions, discoveries, processes or know-how. However, the improvements, inventions, discoveries, processes or know-how generated or conceived by the Executive and referred to above (except as they may be included in the patents, copyrights or registered trade names or trademarks of the Company, or corporations, partnerships or other entities which may be affiliated with the Company) will not be exclusive property of the Company at any time after having been disclosed or revealed or have otherwise become available to the public or to a third party on a non-confidential basis other than by a breach of this Agreement, or after they have been independently developed or discussed without a breach of this Agreement by a third party who has no obligation to the Company or the Company Entities.

10. Arbitration. The parties will attempt to promptly resolve any dispute or controversy arising out of or relating to this Agreement or termination of the Executive by the Company. Any negotiations pursuant to this paragraph 10 are confidential and will be treated as compromise and settlement negotiations for all purposes. If the parties are unable to reach a settlement amicably, the dispute will be submitted to binding arbitration before a single arbitrator in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association. The arbitrator will be instructed and empowered to take reasonable steps to expedite the arbitration and the arbitrator's judgment will be final and binding upon the parties subject solely to challenge on the grounds of fraud or gross misconduct. Except for damages arising out of a breach of paragraphs 6, 7, 8 or 9 of this Agreement, the arbitrator is not empowered to award total damages (including compensatory damages) which exceed 300% of compensatory damages and each party hereby irrevocably waives any damages in excess of that amount. The arbitration will be held in Oklahoma County, Oklahoma. Judgment upon any verdict in arbitration may be entered in any court of competent jurisdiction and the parties hereby consent to the jurisdiction of, and proper venue in, the federal and state courts located in Oklahoma County, Oklahoma. The Company will pay the costs and expenses of the arbitration including, without implied limitation, the fees for the arbitrators. Unless otherwise expressly set forth in this Agreement, the procedures specified in this paragraph 10 will be the sole and exclusive procedures for the resolution of disputes and controversies between the parties arising out of or relating to this Agreement. Notwithstanding the foregoing, a party may seek a preliminary injunction or other provisional judicial relief if in such party's judgment such action is necessary to avoid irreparable damage or to preserve the status quo.

11. Miscellaneous. The parties further agree as follows:

11.1 Time. Time is of the essence of each provision of this Agreement.

11.2 Notices. Any notice, payment, demand or communication required or permitted to be given by any provision of this Agreement will be in writing and will be deemed to have been given when delivered personally or by telefacsimile to the party designated to receive such notice, or on the date following the day sent by overnight courier, or on the third (3rd) business day after the same is sent by certified mail, postage and charges prepaid, directed to the following address or to such other or additional addresses as any party might designate by written notice to the other party:

To the Company: Chesapeake Energy Corporation
Post Office Box 18496
Oklahoma City, OK 73154-0496
Attn: Tom L. Ward

To the Executive: Mr. Aubrey K. McClendon
6902 Avondale
Oklahoma City, Oklahoma 73116

11.3 Assignment. Neither this Agreement nor any of the parties' rights or obligations hereunder can be transferred or assigned without the prior written consent of the other parties to this Agreement.

11.4 Construction. If any provision of this Agreement or the application thereof to any person or circumstances is determined, to any extent, to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which the same is held invalid or unenforceable, will not be affected thereby, and each term and provision of this Agreement will be valid and enforceable to the fullest extent permitted by law. This Agreement is intended to be interpreted, construed and enforced in accordance with the laws of the State of Oklahoma.

11.5 Entire Agreement. Except as provided in paragraph 2.3 of this Agreement, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter herein contained, and no modification hereof will be effective unless made by a supplemental written agreement executed by all of the parties hereto.

11.6 Binding Effect. This Agreement will be binding on the parties and their respective successors, legal representatives and permitted assigns. In the event of a merger, consolidation, combination, dissolution or liquidation of the Company, the performance of this Agreement will be assumed by any

entity which succeeds to or is transferred the business of the Company as a result thereof.

11.7 Attorneys' Fees. If any party institutes an action, proceeding or arbitration against any other party relating to the provisions of this Agreement or any default hereunder, the Company will be responsible for paying the Company's legal fees and expenses and the Company will be required to reimburse the Executive for reasonable expenses and legal fees incurred by the Executive in connection with the resolution of such action or proceeding, including any costs of appeal.

11.8 Supercession. This Agreement is the final, complete and exclusive expression of the agreement between the Company and the Executive and supersedes and replaces in all respects any prior employment agreements (including the Prior Agreement). On execution of this Agreement by the Company and the Executive, the relationship between the Company and the Executive after the effective date of this Agreement will be governed by the terms of this Agreement and not by any other agreements, oral or otherwise.

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective the date first above written.

CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation

By

Tom L. Ward, Chief Operating Officer

(the "Company")

Aubrey K. McClendon, individually

(the "Executive")

EXHIBIT 4.8

SECOND AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective July 1, 2001, between CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), and TOM L. WARD, an individual (the "Executive").

WITNESSETH:

WHEREAS, the Company and the Executive entered into that certain Amended and Restated Employment Agreement dated effective July 1, 1998 as amended by the First Amendment to Amended and Restated Employment Agreement dated December 31, 1998 (together the "Prior Agreement");

WHEREAS, the Company and the Executive desire to amend and restate the Prior Agreement in its entirety.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company and the Executive agree as follows:

1. Employment. The Company hereby employs the Executive and the Executive hereby accepts such employment subject to the terms and conditions contained in this Agreement. The Executive is engaged as an employee of the Company and the Executive and the Company do not intend to create a joint venture, partnership or other relationship which might impose a fiduciary obligation on the Executive or the Company in the performance of this Agreement.

2. Executive's Duties. The Executive is employed on a full-time basis. Throughout the term of this Agreement, the Executive will use the Executive's best efforts and due diligence to assist the Company in achieving the most profitable operation of the Company and the Company's affiliated entities consistent with developing and maintaining a quality business operation.

2.1 Specific Duties. The Executive will serve as President and Chief Operating Officer for the Company. From time to time, the Executive may be appointed as an officer of one (1) or more of the Company's subsidiaries. During the term of this Agreement, the Executive will be nominated for election or appointed to serve as a director of the Company and one (1) or more of the Company's subsidiaries. The Executive will use the Executive's best efforts to perform all of the services required to fully and faithfully execute the offices and positions to which the Executive is appointed and such other services as may be reasonably directed by the board of directors of the Company in accordance with this Agreement.

2.2 Modifications. The precise duties to be performed by the Executive may be extended or curtailed in the discretion of the board of directors of the

Company. However, except for termination for Cause (as hereinafter defined) under paragraph 6.1.2 of this Agreement, the failure of the Executive to be elected, be reelected or serve as a director of the Company during the term of this Agreement, the removal of the Executive as a member of the board of directors of the Company, the withdrawal of the designation of the Executive as President or Chief Operating Officer of the Company, or the assignment of the performance of duties incumbent on the foregoing offices to other persons without the prior written consent of the Executive will constitute termination without Cause by the Company.

2.3 Rules and Regulations. The Company currently has an Employment Policies Manual which addresses frequently asked questions regarding the Company. The Executive agrees to comply with the Employment Policies Manual except to the extent inconsistent with this Agreement. The Employment Policies Manual is subject to change without notice in the sole discretion of the Company at any time. In the event of a conflict between the Employment Policies Manual and this Agreement, this Agreement will control over the terms of the Employment Policies Manual.

2.4 Stock Investment. During the term of this Agreement, the Executive agrees to hold shares of the Company's common stock having an aggregate Investment Value (as hereafter defined) equal to five hundred percent (500%) of the compensation paid to the Executive under paragraphs 4.1 and 4.2 of this Agreement during such calendar year. Any shares of common stock acquired by the Executive prior to the date of this Agreement and still owned by the Executive during the term of this Agreement may be used to satisfy the requirement to own common stock. For purposes of this paragraph, the "Investment Value" of each share of stock will be as follows: (a) for shares purchased in the open market the price paid by the Executive for such shares; (b) for shares acquired through the exercise of stock options, the fair market value of the common stock on the date the option was exercised; (c) for shares acquired after the IPO other than through open market purchases or the exercise of options, the fair market value of the Company's common stock on the date of the acquisition of such common stock; and (d) for shares acquired prior to the Company's initial public offering, the price obtained for stock in the IPO adjusted for subsequent stock splits. This paragraph will become null and void if the Company's common stock ceases to be listed on the New York Stock Exchange, the National Association of Securities Dealers Automated Quotation System or other national exchange. The Company has no obligation to sell or to purchase from the Executive any of the Company's stock in connection with this paragraph 2.4 and has made no representations or warranties regarding the Company's stock, operations or financial condition.

3. Other Activities. Except for the activities (the "Permitted Activities") expressly permitted by paragraphs 3.1 and 3.2 of this Agreement or approved by the board of directors of the Company, the Executive will not: (a) engage in business independent of the Executive's employment by the Company which requires any substantial portion of the Executive's time; (b) serve as an officer or director of any public corporation, partnership, company, or firm; (c) except for passive investments that do not violate this Agreement and require a minimal portion of the Executive's time, serve as a general partner or member of any corporation, partnership, company or firm; or (d) directly or indirectly invest in, participate in or acquire an interest in any oil and gas business, including, without limitation, (i) producing oil and gas, (ii) drilling, owning or operating oil and gas leases or wells, (iii) providing services or materials to the oil and gas industry, (iv) marketing or refining oil or gas, or (v) owning any interest in any corporation, partnership, company or entity which conducts any of the foregoing activities. The limitations in this paragraph 3 will not prohibit an investment by the Executive in publicly traded securities. Notwithstanding the foregoing, the Executive will be permitted to participate in the following activities which will be deemed to be approved by the Company, if such activities are undertaken in strict compliance with this Agreement.

3.1 Existing Interests. The Executive has in the past conducted oil and gas activities individually and through TLW Investments Inc., TLW Production Company and other entities owned or controlled by the Executive (collectively, the "Executive Affiliates"). The Executive will be permitted to continue to conduct oil and gas activities (including participation in new wells) directly or through the Executive Affiliates, but only to the extent such activities are conducted on oil and gas leases or interests which the Executive or Executive Affiliates owned or had the right to acquire as of July 1, 2001, or which the Executive or the Executive Affiliates acquired from the Company under this Agreement or prior agreements with the Company (collectively, the "Prior Interests"). To the extent that the oil and gas interests or activities covered by this paragraph 3.1 are operated by the Company the ownership and participation will be subject to the payment and revenue adjustment provisions set forth in this paragraph 3.

3.2 Company's Activities. The Executive or the designated Executive Affiliate will be permitted to acquire on the terms and conditions set forth herein an interest in the governmental spacing or production unit for each of the wells (the "Program Wells") spudded by any of the Company Entities (as hereafter defined) in any Calendar Quarter (as hereafter defined) during the Participation Term (as hereafter defined). The Program Wells include any well spudded during such Calendar Quarter in which the Company Entities participate as a nonoperator. Program Wells will include grass-roots wells or re-entries of existing wells.

3.2.1 Election. On or before the date which is thirty (30) days before the first (1st) day of each Calendar Quarter, the Executive will provide

notice to the compensation committee of the Company's board of directors of the Executive's intent to participate in Program Wells during the succeeding Calendar Quarter and the minimum percentage working interest which the Executive proposes to participate with during such Calendar Quarter (the "Acquisition Percentage"). The Executive's elected Acquisition Percentage for any Calendar Quarter will not exceed two and one-half percent (2.5%) on an eight-eighths (8/8ths) basis. If prior to the date specified herein, the Executive fails to provide notice of the Executive's intent to participate or of the Acquisition Percentage for a Calendar Quarter, the amount of the Acquisition Percentage for the Calendar Quarter will be deemed to be equal to the Acquisition Percentage for the immediately preceding Calendar Quarter.

3.2.2 Amount of Participation. On election to participate and the designation of the Acquisition Percentage for a Calendar Quarter, the Executive will be deemed to have elected to participate in each Program Well spudded during such Calendar Quarter with a working interest equal to the greater of the following determined on a well-by-well basis (the "Minimum Participation"): (a) the Acquisition Percentage for such Program Well (as adjusted for any well under paragraph 3.2.3); or (b) the Prior Interest of the Executive or the Executive Affiliates in the drilling unit for such Program Well. If the foregoing clause (a) is applicable to a Program Well, then the Company will assign or allocate to the Executive or the designated Executive Affiliate a unit working interest in the Program Well sufficient to cause the Executive and the Executive Affiliates' combined interest in such Program Well to equal the Acquisition Percentage (including in such computation any Prior Interests). The interest to be assigned or allocated under this paragraph to cause the Executive's participation to be equal to the Acquisition Percentage will be derived proportionately from all the interests owned by the Company in the Program Wells (including nonconsenting interests, back-in interests, royalty interests, overriding royalty interests or other similar interests) so that the interests assigned or allocated to the Executive are substantially similar to the interests retained by the Company. If the Executive elects not to participate in Program Wells during a Calendar Quarter, then the Executive can elect to participate or not participate with any Prior Interests under the existing agreements related to such Prior Interests.

3.2.3 Minor Company Interests. If the combined interests in a specific Program Well to be assigned or allocated by the Company to the Executive and Mr. Aubrey K. McClendon under their respective employment agreements causes the Company's working interest

(determined after consideration of any carried or reversionary interests) on the spud date for such Program Well to be less than twelve and one-half percent (12.5%) on an eight-eighths (8/8ths) basis, then the Acquisition Percentage for that Program Well will be equal to zero for purposes of paragraph 3.2.2 of this Agreement. If this paragraph 3.2.3 prohibits the Executive's participation in a Program Well, then Mr. McClendon will also not be entitled to participate in such Program Well under his employment agreement.

3.3 Conditions of Participation. The Participation by the Executive in each Program Well will be on no better terms than the terms agreed to by unaffiliated third party participants in connection with the participation in such Program Well or similar wells operated by the Company Entities. The Acquisition Percentage cannot be changed during any Calendar Quarter without the prior approval of the members of the compensation committee of the Company's board of directors. Any participation by the Executive under paragraph 3.2 is also conditioned on the Executive's participation in each Program Well spudded during such Calendar Quarter in an amount equal to the Minimum Participation. The Executive hereby agrees to execute and deliver any documents reasonably requested by the Company and hereby appoints the Company as the Executive's agent and attorney-in-fact to execute and deliver such documents if the Executive fails or refuses to execute such documents. The Executive further agrees to pay all joint interest billings within ninety (90) days after the month of receipt. Any amount not paid within the designated time period will accrue interest at the per annum rate of ten percent (10%).

3.4 Revenue Timing. The Executive may request an advance (the "Revenue Advance") from the Company up to an amount (the "RA Amount") equal to: (a) the revenue disbursed by the Company to the Executive during the prior six (6) months for all Program Wells and Prior Interests for which the Company disburses revenue to the Executive, divided by (b) six (6). The Revenue Advance will be recalculated at the end of each Calendar Quarter. The Executive agrees to promptly pay any amount by which the Revenue Advance and any amounts advanced to the Executive in connection with revenue from the Executive's oil and gas wells exceed, in the aggregate, the RA Amount calculated under this paragraph 3.4 and any amount not so paid will accrue interest at the per annum rate of ten percent (10%). The Revenue Advance represents oil and gas revenue received by the Company with respect to the Executive's interest in various oil and gas wells for which the Company markets production but has not yet disbursed to the Executive or other participants in such wells and as such will not accrue interest except as provided in this paragraph 3.4.

3.5. Definitions. For purposes of this Agreement, the term: (a) "Calendar Quarter" means the three (3) month periods commencing on the first (1st) day of January, April, July and October; (b) the term "Company Entities" means the Company, any affiliate or successor to the Company, any entity which controls, subsequently owns or is under common control with the Company and any subsidiary corporation, partnership, limited liability company or other entity owned by, controlled by or under common control with any of the foregoing (whether direct or indirect); and (c) "Participation Term" means the term of this Agreement plus five (5) years after a termination under paragraphs 6.1.1 or 6.3 of this Agreement.

4. Executive's Compensation. The Company agrees to compensate the Executive as follows:

4.1 Base Salary. A base salary (the "Base Salary"), in an annual rate of not less than Five Hundred Seventy-Five Thousand Dollars ($575,000.00), will be paid to the Executive in equal semi-monthly installments beginning July 15, 2001 during the term of this Agreement.

4.2 Bonus. In addition to the Base Salary described at paragraph 4.1 of this Agreement, the Company may periodically pay bonus compensation to the Executive. Any bonus compensation will be at the absolute discretion of the Company in such amounts and at such times as the board of directors of the Company may determine.

4.3 Stock Options. In addition to the compensation set forth in paragraphs 4.1 and 4.2 of this Agreement, the Executive may periodically receive grants of stock options from the Company's various stock option plans, subject to the terms and conditions thereof.

4.4 Benefits. The Company will provide the Executive such retirement benefits, reimbursement of reasonable expenditures for dues, travel and entertainment and other benefits on terms customarily provided by the Company from time to time. The Company will also provide the Executive the opportunity to apply for coverage under the Company's medical, life and disability plans, if any. If the Executive is accepted for coverage under such plans, the Company will provide such coverage on the same terms as is customarily provided by the Company to the plan participants as modified from time to time. The following specific benefits will also be provided to the Executive at the expense of the Company:

4.4.1 Vacation. The Executive will be entitled to take up to four (4) weeks of paid vacation each calendar year during the term of this Agreement. No additional compensation will be paid for failure to take

vacation and no vacation may be carried forward from one calendar year to another.

4.4.2 Membership Dues. The Company will reimburse the Executive for: (a) the monthly dues necessary to maintain a full membership in (1) golf and/or country club in the Oklahoma City area selected by the Executive; and (b) the reasonable cost of any qualified business entertainment at such country club. All other costs, including, without implied limitation, any initiation costs, initial membership costs, personal use and business entertainment unrelated to the Company will be the sole obligation of the Executive and the Company will have no liability with respect to such amounts.

4.4.3 Allowances. The Executive will receive a monthly cash allowance in the amount of Two Thousand Dollars ($2,000.00) to defer a portion of the Executive's cost of acquiring, operating and maintaining an automobile for use in the Executive's employment. Additionally, the Executive will be entitled to utilize any aircraft owned or leased by the Company (whether in whole or in part) for personal use and will not be required to reimburse the Company for any cost related to such use or pay any cost or charge with respect to such use except for variable costs of such use in excess of the aircraft allowance. For purposes of this Agreement the variable cost of using the Company's aircraft means the variable costs directly identifiable with each use (including fuel, pilot charges, landing fees, hourly charges under co-ownership arrangements and other such costs) but specifically excluding any fixed costs of the aircraft (including acquisition costs and depreciation). The aircraft allowance will be equal to $6,250 of the variable cost of using the Company's aircraft for each month during the term of this Agreement. If the Executive's unreimbursed variable costs attributable to the Executive's use of the Company's aircraft during any twenty-four month period exceeds the aircraft allowance for that period, the Executive will be required to reimburse the Company for such excess.

4.4.4 Accounting Support. The Executive will be permitted to utilize the Company's office space, computer facilities and the equivalent of one (1) full-time accounting employee of the Company to maintain books and records for the Executive and the Executive's Permitted Activities. The Executive will not be required to pay any amount to the Company in connection with such accounting services.

4.5 Gross-Up Payment. In the event it is determined that any payment or distribution by the Company or the Company Entities to or for the benefit of the Executive (whether paid or payable or distributed or distributable

pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this paragraph 4.5) (a "Payment") is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (the "Code") or any interest or penalties related to such excise tax (collectively, the "Excise Tax"), the Executive will be entitled to receive an additional payment (a "Gross-Up Payment") from the Company. The Gross-Up Payment will be equal to the amount, such that after payment by the Executive of all taxes (including the Excise Tax, income taxes, interest and penalties imposed with respect to such taxes) on the Gross-Up Payment, the Executive will retain an amount of the Gross-Up Payment equal to the Excise Tax imposed on the Payment.

4.5.1 Determination. Subject to the provisions of paragraph 4.5.2 all determinations required to be made under this paragraph 4.5 (including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized) will be made by a nationally recognized certified public accounting firm designated by the Executive (the "Accounting Firm"). The Accounting Firm will provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is reasonably requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a Change of Control (as hereinafter defined), the Executive will be entitled to appoint another nationally recognized accounting firm to make the determinations required under this paragraph (which accounting firm will then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm will be paid by the Company. Any Gross-Up Payment required to be paid under this paragraph 4.5 will be paid by the Company to the Executive within five (5) days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm will be binding on the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm, the Gross-Up Payment made by the Company may be less than actually required (an "Underpayment") consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to paragraph 4.5.2 below and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm will determine the amount of the Underpayment that has occurred and any such Underpayment will be promptly paid by the Company to or for the benefit of the Executive.

4.5.2 Contest of Claims. The Executive will notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification will be given as soon as practicable but no later than ten (10) business days after the Executive is informed in writing of such claim and will apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive will not pay such claim prior to the expiration of the thirty (30) day period following the date on which the Executive notifies the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such thirty (30) day period that the Company desires to contest such claim, the Executive will: (a) provide to the Company any information reasonably requested by the Company relating to such claim; (b) take such action in connection with contesting such claim as the Company reasonably requests in writing including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (c) cooperate with the Company in good faith as necessary to effectively contest such claim; and (d) permit the Company to participate in any proceedings relating to such claim. The Company will bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with the contest of the claim and agrees to indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such protest (including payment of costs and expenses as provided hereunder). Without limitation on the foregoing provisions, the Company will control all proceedings related to such contested claim, may at its sole option pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may at its sole option either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner. The Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company reasonably determines. If the Company directs the Executive to pay a claim and sue for a refund, the Company will be required to advance the amount of such payment to the Executive on an interest-free basis and agrees to indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance, provided that any extension of the statute of limitations relating to payment of taxes for the taxable

year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

4.5.3 Refunds. If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph 4.5.2, the Executive becomes entitled to receive any refund with respect to such claim the Executive will (subject to the Company's complying with the requirements of paragraph 4.5.2) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph 4.5.2, a determination is made that the Executive will not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of (30) days after such determination, then the advance will be forgiven and will not be required to be repaid and the amount of such advance will offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

4.6 Compensation Review. The compensation of the Executive will be reviewed not less frequently than annually by the board of directors of the Company. The compensation of the Executive prescribed in paragraph 4 of this Agreement (including benefits) may be increased at the discretion of the Company, but may not be reduced without the prior written consent of the Executive.

5. Term. In the absence of termination as set forth in paragraph 6 below, this Agreement will extend for a term of five (5) years commencing on July 1, 2001, and ending on June 30, 2006 (the "Expiration Date") as extended from time to time. Unless the Company provides thirty (30) days prior written notice of nonextension to the Executive, on each June 30 during the term of this Agreement, the term and the Expiration Date will be automatically extended for one (1) additional year so that the remaining term on this Agreement will be not less than four (4) and not more than five (5) years.

6. Termination. This Agreement will continue in effect until the expiration of the term set forth in paragraph 5 of this Agreement unless earlier terminated pursuant to this paragraph 6.

6.1 Termination by Company. The Company will have the following rights to terminate this Agreement:

6.1.1 Termination without Cause. The Company may terminate this Agreement without Cause at any time by the service of written notice of termination to the Executive specifying an effective date of such termination not sooner than ninety (90) business days after the date of such notice (the "Termination Date"). In the event the Executive is terminated without Cause (other than a CC Termination under paragraph 6.3 of this Agreement), the Executive will receive as termination compensation: (a) Base Compensation (as hereafter defined) during the remaining term of this Agreement, but in any event through the Expiration Date; (b) any benefits provided by operation of paragraph 4.4 of this Agreement during the remaining term of this Agreement, but in any event through the Expiration Date (including, without implied limitation, suitable office space, secretarial and accounting support at the levels presently provided by the Company to the Executive); and (c) any vacation pay accrued through the Termination Date. For purposes of this Agreement the term "Base Compensation" means the Executive's current Base Salary under paragraph 4.1 on the Termination Date plus the bonus compensation received by the Executive during the twelve (12) month period preceding the Termination Date.

6.1.2 Termination for Cause. The Company may terminate this Agreement for Cause. For purposes of this Agreement, "Cause" means: (a) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of the Company Entities (other than a failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the board of directors which specifically identifies the manner in which the board of directors believes that the Executive has not substantially performed the Executive's duties; or (b) the willful engaging by the Executive in illegal conduct, gross misconduct or a clearly established violation of the Company's code of conduct, in each case which is materially and demonstrably injurious to the Company. For purposes of this provision, an act or failure to act, on the part of the Executive, will not be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based on authority given pursuant to a resolution duly adopted by the board of directors or based on the advice of counsel for the Company will be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. In the event this Agreement is terminated for Cause, the Company will not have any obligation to provide any further payments or benefits to the Executive after the effective date of such

termination. This Agreement will not be deemed to have terminated for Cause unless a written determination specifying the reasons for such termination is made, approved by a majority of the disinterested members of the board of directors of the Company and delivered to the Executive. Thereafter, the Executive will have the right for a period of thirty (30) days to request a board of directors meeting to be held at a mutually agreeable time and location within the following thirty (30) days, at which meeting the Executive will have an opportunity to be heard. Failing such determination and opportunity for hearing, any termination of this Agreement will be deemed to have occurred without Cause.

6.2 Termination by Executive. The Executive may voluntarily terminate this Agreement with or without Cause by the service of written notice of such termination to the Company specifying an effective date of such termination ninety (90) days after the date of such notice, during which time Executive may use remaining accrued vacation days, or at the Company's option, be paid for such days. In the event this Agreement is terminated by the Executive, neither the Company nor the Executive will have any further obligations hereunder including, without limitation, any obligation of the Company to provide any further payments or benefits to the Executive after the effective date of such termination.

6.3 Termination After Change in Control. If during the term of this Agreement there is a "Change of Control" and within three (3) years thereafter there is a CC Termination (as hereafter defined), then the Executive will be entitled to a severance payment (in addition to any other rights and other amounts payable to the Executive under this Agreement or otherwise) in an amount equal to the sum of the following: (a) five (5) times the Executive's Base Compensation; plus (b) five (5) times the value of any benefits provided by operation of paragraph 4.4 of this Agreement during the preceding twelve (12) months; plus (c) any applicable Gross-Up Payment. If the foregoing amount is not paid within ten (10) days after the CC Termination, the unpaid amount will bear interest at the per annum rate of 12%. In addition, for a period of twelve (12) months after a CC Termination, the Company will provide at no cost to the Executive suitable office space and secretarial and accounting support at the levels presently provided by the Company.

6.3.1 Change of Control. For the purpose of this Agreement, a "Change of Control" means the occurrence of any of the following:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated

under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"). For purposes of this paragraph (a) the following acquisitions by a Person will not constitute a Change of Control: (i) any acquisition directly from the Company; (ii) any acquisition by the Company; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (c) of this paragraph 6.3.1.

(b) The individuals who, as of the date hereof, constitute the board of directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the board of directors. Any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board as of the date hereof, but any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board will not be deemed a member of the Incumbent Board as of the date hereof.

(c) The consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), unless following such Business Combination: (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock

and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

(d) The approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

6.3.2 CC Termination. The term "CC Termination" means any of the following: (a) this Agreement expires in accordance with its terms; (b) this Agreement is not extended under paragraph 5 of this Agreement and the Executive resigns within one (1) year after such nonextension; (c) the Executive is terminated by the Company other than under paragraphs 6.1.2, 6.4 or 6.5 based on adequate grounds; (d) the Executive resigns as a result of a change in the Executive's duties or title, a reduction in the Executive's then current compensation, a required relocation more than 25 miles from the Executive's then current place of employment or a default by the Company under this Agreement; (e) the failure by the Company after a Change of Control to obtain the assumption of this Agreement, without limitation or reduction, by any successor to the Company or any parent corporation of the Company; or (f) after a Change of Control has occurred, the Executive agrees to remain employed by the Company for a period of three (3) months to assist in the transition and thereafter resigns.

6.4 Incapacity of Executive. If the Executive suffers from a physical or mental condition which in the reasonable judgment of the Company's board of directors prevents the Executive in whole or in part from performing the duties specified herein for a period of four (4) consecutive months, the Executive may be terminated. Although the termination will be deemed as a termination with Cause, any compensation payable under paragraph 4 of this Agreement will be continued through the remaining term of this Agreement, but in any event through the Expiration Date. Notwithstanding the foregoing, the Executive's Base Salary specified in paragraph 4.1 of this

Agreement will be reduced by any benefits payable under any disability plans provided by the Company under paragraph 4.4 of this Agreement.

6.5 Death of Executive. If the Executive dies during the term of this Agreement, the Company may thereafter terminate this Agreement without compensation to the Executive's estate except: (a) the obligation to continue the Base Salary payments under paragraph 4.1 of this Agreement for twelve (12) months after the effective date of such termination, and (b) the benefits described in paragraph 4.4 of this Agreement accrued through the effective date of such termination.

6.6 Effect of Termination. The termination of this Agreement will terminate all obligations of the Executive to render services on behalf of the Company, provided that the Executive will maintain the confidentiality of all information acquired by the Executive during the term of his employment in accordance with paragraph 7 of this Agreement. In the event of a termination under paragraphs 6.1.1 or 6.3 of this Agreement, the Executive's right to participate in Program Wells will continue in accordance with paragraph 3 of this Agreement through the Expiration Date as extended under this Agreement. Except as otherwise provided in this paragraph 6, no accrued bonus, severance pay or other form of compensation will be payable by the Company to the Executive by reason of the termination of this Agreement. In the event that payments are required to be made by the Company under this paragraph 6, the Executive will not be required to seek other employment as a means of mitigating the Company's obligations hereunder resulting from termination of the Executive's employment and the Company's obligations hereunder (including payment of severance benefits) will not be terminated, reduced or modified as a result of the Executive's earnings from other employment or self-employment. All keys, entry cards, credit cards, files, records, financial information, furniture, furnishings, equipment, supplies and other items relating to the Company will remain the property of the Company. The Executive will have the right to retain and remove all personal property and effects which are owned by the Executive and located in the offices of the Company. All such personal items will be removed from such offices no later than ten (10) days after the effective date of termination, and the Company is hereby authorized to discard any items remaining and to reassign the Executive's office space after such date. Prior to the effective date of termination, the Executive will cooperate with the Company to provide for the orderly termination of the Executive's employment.

7. Confidentiality. The Executive recognizes that the nature of the Executive's services are such that the Executive will have access to information which constitutes trade secrets, is of a confidential nature, is of great value to the Company or is the foundation on which the business of the Company is predicated. The Executive agrees not to disclose to any person other than the Company's employees or the Company's legal counsel nor use for

any purpose, other than the performance of this Agreement, any confidential information ("Confidential Information"). Confidential Information includes data or material (regardless of form) which is: (a) a trade secret; (b) provided, disclosed or delivered to Executive by the Company, any officer, director, employee, agent, attorney, accountant, consultant, or other person or entity employed by the Company in any capacity, any customer, borrower or business associate of the Company or any public authority having jurisdiction over the Company of any business activity conducted by the Company; or (c) produced, developed, obtained or prepared by or on behalf of Executive or the Company (whether or not such information was developed in the performance of this Agreement) with respect to the Company or any assets oil and gas prospects, business activities, officers, directors, employees, borrowers or customers of the foregoing. However, Confidential Information will not include any information, data or material which at the time of disclosure or use was generally available to the public other than by a breach of this Agreement, was available to the party to whom disclosed on a non-confidential basis by disclosure or access provided by the Company or a third party, or was otherwise developed or obtained independently by the person to whom disclosed without a breach of this Agreement. On request by the Company, the Company will be entitled to a copy of any Confidential Information in the possession of the Executive. The Executive also agrees that the provisions of this paragraph 7 will survive the termination, expiration or cancellation of this Agreement for a period of one (1) year. The Executive will deliver to the Company all originals and copies of the documents or materials containing Confidential Information. For purposes of paragraphs 7, 8, and 9 of this Agreement, the Company expressly includes any of the Company Entities.

8. Noncompetition. For a period of twelve (12) months after Executive is no longer employed by the Company as a result of either the resignation by the Executive pursuant to paragraph 6.2 above or termination for Cause pursuant to paragraph 6.1.2 above, the Executive will not: (a) acquire, attempt to acquire or aid another in the acquisition or attempted acquisition of an interest in oil and gas assets, oil and gas production, oil and gas leases, mineral interests, oil and gas wells or other such oil and gas exploration, development or production activities within two (2) miles of any operations or ownership interests of the Company or its subsidiary corporations, partnerships or entities (but excluding operations or ownership interests acquired by the Company from a successor entity through a Change of Control as described in paragraph 6.3); and (b) solicit, induce, entice or attempt to entice any employee (except the Executive's personal secretary and accountant), contractor, customer, vendor or subcontractor to terminate or breach any relationship with the Company or the Company's affiliates for the Executive's own account or for the benefit of another party. The Executive further agrees that the Executive will not circumvent or attempt to circumvent the foregoing agreements by any future arrangement or through the actions of a third party.

9. Proprietary Matters. The Executive expressly understands and agrees that any and all improvements, inventions, discoveries, processes or know-how that are generated or conceived by the Executive during the term of this Agreement, whether generated or conceived during the Executive's regular working hours or otherwise, will be the sole and

exclusive property of the Company. Whenever requested by the Company (either during the term of this Agreement or thereafter), the Executive will assign or execute any and all applications, assignments and or other instruments and do all things which the Company deems necessary or appropriate in order to permit the Company to: (a) assign and convey or otherwise make available to the Company the sole and exclusive right, title, and interest in and to said improvements, inventions, discoveries, processes, know-how, applications, patents, copyrights, trade names or trademarks; or (b) apply for, obtain, maintain, enforce and defend patents, copyrights, trade names, or trademarks of the United States or of foreign countries for said improvements, inventions, discoveries, processes or know-how. However, the improvements, inventions, discoveries, processes or know-how generated or conceived by the Executive and referred to above (except as they may be included in the patents, copyrights or registered trade names or trademarks of the Company, or corporations, partnerships or other entities which may be affiliated with the Company) will not be exclusive property of the Company at any time after having been disclosed or revealed or have otherwise become available to the public or to a third party on a non-confidential basis other than by a breach of this Agreement, or after they have been independently developed or discussed without a breach of this Agreement by a third party who has no obligation to the Company the Company Entities.

10. Arbitration. The parties will attempt to promptly resolve any dispute or controversy arising out of or relating to this Agreement or termination of the Executive by the Company. Any negotiations pursuant to this paragraph 10 are confidential and will be treated as compromise and settlement negotiations for all purposes. If the parties are unable to reach a settlement amicably, the dispute will be submitted to binding arbitration before a single arbitrator in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association. The arbitrator will be instructed and empowered to take reasonable steps to expedite the arbitration and the arbitrator's judgment will be final and binding upon the parties subject solely to challenge on the grounds of fraud or gross misconduct. Except for damages arising out of a breach of paragraphs 6, 7, 8 or 9 of this Agreement, the arbitrator is not empowered to award total damages (including compensatory damages) which exceed 300% of compensatory damages and each party hereby irrevocably waives any damages in excess of that amount. The arbitration will be held in Oklahoma County, Oklahoma. Judgment upon any verdict in arbitration may be entered in any court of competent jurisdiction and the parties hereby consent to the jurisdiction of, and proper venue in, the federal and state courts located in Oklahoma County, Oklahoma. The Company will pay the costs and expenses of the arbitration including, without implied limitation, the fees for the arbitrators. Unless otherwise expressly set forth in this Agreement, the procedures specified in this paragraph 10 will be the sole and exclusive procedures for the resolution of disputes and controversies between the parties arising out of or relating to this Agreement. Notwithstanding the foregoing, a party may seek a preliminary injunction or other provisional judicial relief if in such party's judgment such action is necessary to avoid irreparable damage or to preserve the status quo.

11. Miscellaneous. The parties further agree as follows:

11.1.1 Time. Time is of the essence of each provision of this Agreement.

11.2 Notices. Any notice, payment, demand or communication required or permitted to be given by any provision of this Agreement will be in writing and will be deemed to have been given when delivered personally or by telefacsimile to the party designated to receive such notice, or on the date following the day sent by overnight courier, or on the third (3rd) business day after the same is sent by certified mail, postage and charges prepaid, directed to the following address or to such other or additional addresses as any party might designate by written notice to the other party:

To the Company: Chesapeake Energy Corporation
Post Office Box 18496
Oklahoma City, OK 73154-0496
Attn: Aubrey K. McClendon

To the Executive: Mr. Tom L. Ward
19200 North Rockwell Avenue
Edmond, Oklahoma 73003-9200

11.3 Assignment. Neither this Agreement nor any of the parties' rights or obligations hereunder can be transferred or assigned without the prior written consent of the other parties to this Agreement.

11.4 Construction. If any provision of this Agreement or the application thereof to any person or circumstances is determined, to any extent, to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which the same is held invalid or unenforceable, will not be affected thereby, and each term and provision of this Agreement will be valid and enforceable to the fullest extent permitted by law. This Agreement is intended to be interpreted, construed and enforced in accordance with the laws of the State of Oklahoma.

11.5 Entire Agreement. Except as provided in paragraph 2.3 of this Agreement, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter herein contained, and no modification hereof will be effective unless made by a supplemental written agreement executed by all of the parties hereto.

11.6 Binding Effect. This Agreement will be binding on the parties and their respective successors, legal representatives and permitted assigns. In the event of a merger, consolidation, combination, dissolution or liquidation of the Company, the performance of this Agreement will be assumed by any

entity which succeeds to or is transferred the business of the Company as a result thereof.

11.7 Attorneys' Fees. If any party institutes an action, proceeding or arbitration against any other party relating to the provisions of this Agreement or any default hereunder, the Company will be responsible for paying the Company's legal fees and expenses and the Company will be required to reimburse the Executive for reasonable expenses and legal fees incurred by the Executive in connection with the resolution of such action or proceeding, including any costs of appeal.

11.8 Supercession. This Agreement is the final, complete and exclusive expression of the agreement between the Company and the Executive and supersedes and replaces in all respects any prior employment agreements (including the Prior Agreement). On execution of this Agreement by the Company and the Executive, the relationship between the Company and the Executive after the effective date of this Agreement will be governed by the terms of this Agreement and not by any other agreements, oral or otherwise.

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective the date first above written.

CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation

By

Aubrey K. McClendon, Chief Executive Officer

(the "Company")

Tom L. Ward, individually

(the "Executive")

EXHIBIT 12

CHESAPEAKE ENERGY CORPORATION

	Qtr. Ended March 31, 2001	Qtr. Ended June 30, 2001	Qtr. Ended Sept. 30, 2001
EBITDA			
Income before income taxes and extraordinary item	117,984	143,014	108,402
Interest	25,889	22,984	24,104
Writedown of oil and gas property	--	--	--
Writedown of other assets	--	--	--
Risk Management Income	--	(62,455)	(32,260)
DD&A	40,126	41,747	48,985
EBITDA	183,999	145,290	149,231
RATIO OF EARNINGS TO FIXED CHGS			
Income before income taxes and extraordinary item	117,984	143,014	108,402
Interest	25,889	22,984	24,104
Preferred Stock Dividends	--	--	--
Amortization of capitalized interest	310	310	310
Less: interest capitalized during year	--	--	--
Bond discount amortization (a)	--	--	--
Loan cost amortization	1,010	775	1,086
Earnings	145,193	167,083	133,902
Interest expense	25,889	22,984	24,104
Capitalized interest	871	1,250	1,169
Preferred Stock Dividends	--	--	--
Bond discount amortization (a)	--	--	--
Loan cost amortization	1,010	775	1,086
Fixed Charges	27,770	25,009	26,359
Ratio	5.2	6.7	5.1
(a) Bond discount excluded since its included in interest expense			
Insufficient coverage	--	--	--