

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 25, 1998
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-8
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

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

OKLAHOMA
(State or other jurisdiction of
incorporation or organization)

73-1395733
(I.R.S. Employer
Identification No.)

6100 NORTH WESTERN AVENUE
OKLAHOMA CITY, OKLAHOMA 73118
(405) 848-8000
(Address, including zip code and telephone number,
including area code, of registrant's Principal Executive Offices)

REPLACEMENT OPTION AGREEMENTS*
PURSUANT TO
JAY W. DECKER NONSTATUTORY STOCK OPTION AGREEMENTS
(Full title of the plans)

AUBREY K. MCCLENDON
6100 NORTH WESTERN AVENUE
OKLAHOMA CITY, OKLAHOMA 73118
(405) 848-8000
(Name, address, including zip code, and telephone
number, including area code, of agent for service)

CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	Proposed Maximum Offering Price Per Share(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Common Stock, par value \$0.01 per share	243,750	\$6.21875	\$1,515,821	\$447.20

- (1) The number of shares of Common Stock registered herein is subject to adjustment to prevent dilution resulting from stock splits, stock dividends, or similar transactions.
- (2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(h) under the Securities Act of 1933, based upon the average of the high and low prices of the Registrant's Common Stock on the New York Stock Exchange on March 20, 1998 as reported in The Wall Street Journal on March 23, 1998.
- (* As further described herein under "Explanatory Notes."

EXPLANATORY NOTES

On March 10, 1998 (the "Effective Time"), pursuant to the Agreement and Plan of Merger, dated as of November 12, 1997, as amended by Amendment No. 1 thereto dated as of February 9, 1998 (collectively, the "Merger Agreement"), by and among Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), Chesapeake Acquisition Corp. ("Merger Sub"), an indirect wholly owned subsidiary of the Company, and Hugoton Energy Corporation ("Hugoton"), Merger Sub merged with and into Hugoton, whereby Hugoton became an indirect wholly owned subsidiary of the Company (the "Merger"). Pursuant to the Merger Agreement, each unexpired and unexercised outstanding option (each a "Hugoton Option") to purchase one share of common stock, no par value, of Hugoton ("Hugoton Common Stock") became immediately vested and exercisable and was automatically converted into an option ("Replacement Option") to purchase 1.3 shares of Common Stock at the exercise price per share of Hugoton Common Stock effective as of the Effective Time divided by 1.3. Each Replacement Option is otherwise subject to all of the other terms of the Hugoton Options to which it relates.

As of the Effective Time, the Replacement Options granted pursuant to the Replacement Option Agreements covered by this registration statement substitute all of the Hugoton Options granted and outstanding pursuant to the Jay W. Decker Nonstatutory Stock Option Agreements.

Upon exercise of such Replacement Options, Jay W. Decker will be entitled to purchase an aggregate 243,750 shares of Common Stock; 81,250 of such shares may be purchased at a per share exercise price of \$6.35 and the remaining 162,500 of such shares may be purchased at an exercise price per share of \$6.42, respectively.

PART I

INFORMATION REQUIRED IN SECTION 10(A) PROSPECTUS

The document(s) containing the information specified in Part I of Form S-8 will be sent or given to former employees and directors as specified by Rule 428(b)(1) of the Securities Act of 1933, as amended (the "Securities Act"). These documents and the documents incorporated by reference herein pursuant to Item 3 of Part II of this Registration Statement, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents filed with the Securities and Exchange Commission by the Company (File No. 1-13726) pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") are incorporated by reference in this Registration Statement:

1. Annual Report on Form 10-K for the fiscal year ended June 30, 1997;
2. Quarterly Report on Form 10-Q for the quarter ended September 30, 1997; and
3. Current Reports on Form 8-K filed September 9, 1997, October 1, 1997, October 31, 1997, November 5, 1997, November 6, 1997, November 20, 1997, December 11, 1997, December 24, 1997, January 15, 1998, January 26, 1998, February 5, 1998, February 13, 1998, March 5, 1998 (four reports), March 20, 1998 and March 23, 1998.

All documents and reports filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Registration Statement, and prior to the filing of a post-effective registration statement to this Registration Statement that indicates that all securities offered by this Registration Statement have been sold or which deregisters all such securities then remaining unsold, shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing of such documents or reports. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

The General Corporation Act of Oklahoma provides for indemnification of each of the Company's officers and directors against (a) expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any action, suit or proceeding brought by reason of his being or having been a director, officer, employee or agent of the Company, or of any other corporation, partnership, joint venture, trust or other enterprise at the request of the Company, other than an action by or in the right of the Company, provided that he acted in good faith and in a manner he reasonably

believed to be in or not opposed to the best interest of the Company, and with respect to any criminal action, he had no reasonable cause to believe that his conduct was unlawful and (b) expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of any action or suit by or in the right of the Company brought by reason of his being or having been a director, officer, employee or agent of the Company, or any other corporation, partnership, joint venture, trust or other enterprise at the request of the Company, provided that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Company, except that no indemnification shall be made in respect of any claim, issue or matter as to which he shall have been adjudged liable to the Company, unless and only to the extent that the court in which such action was decided has determined that the person is fairly and reasonably entitled to indemnity for such expenses which the court deems proper. Article VIII of the Company's Certificate of Incorporation provides for indemnification of the Company's director and officers. The Oklahoma General Corporation Act also permits the Company to purchase and maintain insurance on behalf of the Company's directors and officers against any liability arising out of their status as such, whether or not the Company would have the power to indemnify them against such liability. These provisions may be sufficiently broad to indemnify such persons for liabilities arising under the Securities Act of 1933 (the "Securities Act").

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

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

The following exhibits are filed herewith or incorporated by reference as part of this Registration Statement:

Exhibit Number -----	Description of Exhibits -----
3.1	Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to Registrant's quarterly report on Form 10-Q for the quarter ended December 31, 1996).
3.2	Amendment to Certificate of Incorporation of the Company filed December 17, 1997 (incorporated herein by reference to Exhibit 3.2 to Post-Effective Amendment No. 1 on Form S-8 to Registrant's Registration Statement on Form S-4 (No. 333-46129)
3.3	Bylaws of the Company (incorporated herein by reference to Exhibit 3.2 to Registrant's Registration Statement on Form 8-B (No. 001-137260)).
4.1	Indenture dated as of March 15, 1997 among the Registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 7 7/8% Senior Notes due 2004. Incorporated herein by reference to Exhibit No. 4.1 to Registrant's Registration Statement on Form S-4 (No. 333-24995).
4.2	Indenture dated as of March 15, 1997 among the Registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors,

and United States Trust Company of New York, as Trustee, with respect to 8 1/2% Senior Notes due 2012. Incorporated herein by reference to Exhibit No. 4.3 to Registrant's Registration Statement on Form S-4 (No. 333-24995).

- 4.3 Indenture dated as of May 15, 1995 among Chesapeake Energy Corporation, its subsidiaries signatory thereto as Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Incorporated herein by reference to Exhibit No. 4.3 to Registrant's Registration Statement on Form S-4 (No. 33-93718).
- 4.4 Indenture dated as of April 1, 1996 among Chesapeake Energy Corporation, its subsidiaries signatory thereto as Subsidiary Guarantors and United States Trust Company of New York, as Trustee. Incorporated herein by reference to Exhibit No. 4.6 to Registrant's Registration Statement on Form S-3 (No. 333-1588).
- 4.5 Stock Registration Agreement dated May 21, 1992 between Chesapeake Energy Corporation and various lenders, as amended by First Amendment thereto dated May 26, 1992. Incorporated herein by reference to Exhibits 10.26.1 and 10.26.2 to Registrant's Registration Statement on Form S-1 (No. 33-55600).
- 5.1 Opinion of Andrews & Kurth L.L.P. regarding the legality of the securities to be registered.*
- 23.1 Consent of Andrews & Kurth L.L.P. (included in the opinion filed as Exhibit 5.1 hereto).
- 23.2 Consent of Coopers & Lybrand L.L.P.*
- 23.3 Consent of Price Waterhouse LLP.*
- 23.4 Consent of Williamson Petroleum Consultants, Inc.*
- 99.1 Jay W. Decker Nonstatutory Stock Option Agreement dated September 8, 1995.*
- 99.2 Jay W. Decker Nonstatutory Stock Option Agreement dated September 8, 1996.*

* Filed herewith

Item 9. Undertakings.

(a) The undersigned registrant hereby undertakes:

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

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

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

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the registration statement.

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

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Oklahoma City, State of Oklahoma on March 24, 1998.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Aubrey K. McClendon

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

Pursuant to the requirements of the Securities Act of 1933 this registration statement has been signed by the following persons in the capacities indicated on March 24, 1998.

Name	Title
-----	-----
/s/Aubrey K. McClendon	Chairman of the Board of Directors, Chief Executive
----- Aubrey K. McClendon	Officer and Director (Principal Executive Officer)
/s/Tom L. Ward	President, Chief Operating Officer
----- Tom L. Ward	Director (Principal Executive Officer)
/s/Marcus C. Rowland	Senior Vice President-Finance and
----- Marcus C. Rowland	Chief Financial Officer (Principal Financial Officer)
/s/Ronald A. Lefaive	Controller (Principal Accounting Officer)
----- Ronald A. Lefaive	
/s/Edgar F. Heizer, Jr.	Director
----- Edgar F. Heizer, Jr.	
/s/Breene M. Kerr	Director
----- Breene M. Kerr	
/s/Shannon T. Self	Director
----- Shannon T. Self	
/s/Frederick B. Whittemore	Director
----- Frederick B. Whittemore	
/s/Walter C. Wilson	Director
----- Walter C. Wilson	

INDEX TO EXHIBITS

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5.1	Opinion of Andrews & Kurth L.L.P. regarding the legality of the securities to be registered.*
23.1	Consent of Andrews & Kurth L.L.P. (included in the opinion filed as Exhibit 5.1 hereto).
23.2	Consent of Coopers & Lybrand L.L.P.*
23.3	Consent of Price Waterhouse LLP.*
23.4	Consent of Williamson Petroleum Consultants, Inc.*
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99.2	Jay W. Decker Nonstatutory Stock Option Agreement dated September 8, 1996.*

* Filed herewith

[ANDREWS & KURTH LETTERHEAD]

March 24, 1998

Board of Directors
Chesapeake Energy Corporation
6100 North Western Avenue
Oklahoma City, Oklahoma 73118

Gentlemen:

We have acted as special counsel to Chesapeake Energy Corporation, an Oklahoma corporation ("Chesapeake"), in connection with the Registration Statement on Form S-8 relating to the registration under the Securities Act of 1933, as amended, of the issuance by Chesapeake of up to 243,750 shares (the "Shares") of common stock, par value \$0.01 per share, of Chesapeake (the "Common Stock") pursuant to the Jay W. Decker Replacement Option Agreements. The Shares are to be issued by Jay W. Decker, a former holder of Common Stock of Hugoton Energy Corporation, a Kansas corporation ("Hugoton"), in connection with the merger of Chesapeake Acquisition Corp., a Kansas corporation and an indirect wholly owned subsidiary of Chesapeake ("Merger Sub"), with and into Hugoton with Hugoton as the surviving corporation (the "Merger"). Pursuant to the Merger, all options ("Hugoton Options") issued and outstanding under the Jay W. Decker Nonstatutory Option Agreement dated September 8, 1995 and the Jay W. Decker Nonstatutory Option Agreement dated September 8, 1996, became immediately vested and exercisable and were assumed by Chesapeake pursuant to the replacement option agreements (the "Jay W. Decker Replacement Option Agreements") and the right to receive one share of common stock of Hugoton upon exercise of the Hugoton Options was converted into the right to receive 1.3 shares of Common Stock of Chesapeake.

As the basis for the opinion hereinafter expressed, we have examined such statutes, regulations, corporate records and documents, certificates of corporate and public officials and other instruments as we have deemed necessary or advisable for the purposes of this opinion. In such examination, we have assumed the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies.

Based on the foregoing and on such legal considerations as we deem relevant, we are of the opinion that the Shares have been validly authorized, and that such Shares will, when and delivered in accordance with the Jay W. Decker Replacement Option Agreements, will be validly issued, fully paid and non-assessable.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement.

Very truly yours,

Andrews & Kurth L.L.P.

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this registration statement on Form S-8 of our report dated September 30, 1997, on our audits of the consolidated financial statements of Chesapeake Energy Corporation as of June 30, 1997 and 1996 and for the years then ended. We also consent to the references to our firm under the caption "Experts".

COOPERS & LYBRAND L.L.P.

Oklahoma City, Oklahoma
March 24, 1998

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this registration statement on Form S-8 of our report dated September 20, 1995, except for the third paragraph of Note 9 which is as of October 9, 1997, appearing on Page 26 of Chesapeake Energy Corporation's Annual Report on Form 10-K/A for the year ended June 30, 1997, on our audit of the consolidated financial statements of Chesapeake Energy Corporation for the year ended June 30, 1995.

/s/ PRICE WATERHOUSE LLP

PRICE WATERHOUSE LLP

Houston, Texas
March 24, 1998

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS

As independent petroleum engineers, Williamson Petroleum Consultants, Inc. hereby consents to the incorporation by reference in this Registration Statement on Form S-8 of Chesapeake Energy Corporation (the Company) of our report entitled "Evaluation of Oil and Gas Reserves to the Interests of Chesapeake Energy Corporation in Certain Properties in Louisiana and Texas, Effective December 31, 1997, for Disclosure to the Securities and Exchange Commission, Williamson Project 7.8569" dated March 12, 1998 and to all references to our firm included in or made a part of the Company Prospectus dated February 17, 1998 relating to its common stock, which Prospectus was filed pursuant to Rule 424(b) under the Securities Act of 1933, as amended, and formed a part of the Company registration statement on Form S-4 (No. 333-46129) under the Act. This registration statement on Form S-8 is to be filed with the Securities and Exchange Commission on or about March 24, 1998.

/s/ WILLIAMSON PETROLEUM CONSULTANTS, INC.

WILLIAMSON PETROLEUM CONSULTANTS, INC.

Houston, Texas
March 24, 1998

NONSTATUTORY STOCK OPTION AGREEMENT

This Nonstatutory Stock Option Agreement (the "Agreement") is made and entered into on this 8th day of September, 1995, by and between HUGOTON ENERGY CORPORATION, a Kansas corporation (the "Company"), and JAY W. DECKER ("Employee").

In consideration of the mutual agreements and other matters set forth herein, the Company and Employee hereby agree as follows:

1. Grant or Option. The Company hereby irrevocably grants to Employee the right and option ("Option") to purchase all or any part of an aggregate of 125,000 shares of common stock of the Company ("Stock"), on the terms and conditions set forth herein. Exercise of this Option is subject to, and contingent upon, approval of this Agreement by the stockholders of the Company on or before twelve (12) months after the date this Agreement is approved by the Board of Directors of the Company (the "Board"). This Option shall not be treated as an incentive stock option within the meaning of section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price. The purchase price of Stock purchased pursuant to the exercise of this Option shall be \$8.25 per share.

3. Vesting and Exercise of Option. The Option granted hereunder shall vest as follows:

- (a) the option to purchase 25% of the shares covered herein shall vest immediately;
- (b) the option to purchase 25% of the shares covered herein shall vest twelve (12) months after the date of this Agreement;
- (c) the option to purchase 25% of the shares covered herein shall vest twenty-four (24) months after the date of this Agreement; and
- (d) the option to purchase 25% of the shares covered herein shall vest thirty-six (36) months after the date of this Agreement.

Subject to the earlier expiration of this Option as herein provided, this Option may be exercised by written notice to the Company at its principal executive office addressed to the attention of its Chief Executive Officer. The options granted hereunder must be exercised within thirty-six (36) months after the date they become vested or they will expire worthless.

This Option is not transferable by Employee otherwise than by will or the laws of descent and distribution, and may be exercised only by Employee during Employee's lifetime. This option may be exercised only while Employee remains an employee of the Company and will

terminate and cease to be exercisable upon Employee's termination of employment with the Company, except that:

(a) If Employee's employment with the Company terminates by reason of disability (within the meaning of section 22(e)(3) of the Code), this Option may be exercised in full (whether or not the option is fully vested) by Employee (or Employee's estate or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee) at any time during the period of one (1) year following such termination.

(b) If Employee dies while in the employ of the Company, Employee's estate, or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee, may exercise this Option in full (whether or not the option is fully vested) at any time during the period of one (1) year following the date of Employee's death.

(c) If Employee's employment with the Company terminates for any reason other than as described in (a) or (b) above, unless Employee voluntarily terminates without the written consent of the Company or is terminated for cause, this Option may be exercised by Employee at any time during the period of three (3) months following such termination, or by Employee's estate (or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee) during a period of one (1) year following Employee's death if Employee dies during such three-month period, but in each case only to the extent the Option was vested and only as to the number of shares Employee was entitled to purchase hereunder as of the date Employee's employment so terminates. For purposes of this Agreement, "cause" shall mean the inability of Employee, through sickness or other incapacity, to perform his duties under this employment agreement for a period of six (6) months, dishonesty, theft, conviction of a crime involving moral turpitude or commission of a material act of fraud against the Company or its subsidiaries, failure of Employee to observe or perform his material duties and obligations as an employee of the Company or a material breach of his employment agreement.

The purchase price of shares as to which this Option is exercised shall be paid in full at the time of exercise (a) in cash (including check, bank draft or money order payable to the order of the Company), or (b) by delivering to the Company shares of Stock having a fair market value equal to the purchase price, or (c) a combination of cash and Stock. No fraction of a share of Stock shall be issued by the Company upon exercise of an Option or accepted by the Company in payment of the exercise price thereof, rather Employee shall provide a cash payment for such amount as is necessary to effect the issuance and acceptance of only whole shares of Stock. Unless and until a certificate or certificates representing such shares shall have been issued by the Company to Employee, Employee (or the person permitted to exercise this Option in the event of Employee's death) shall not be or have any of the rights or privileges of a stockholder of the

Company with respect to shares acquired upon an exercise of this Option.

4. Recapitalization.

(a) The shares with respect to which this Option is granted are shares of Stock as presently constituted but if, and whenever, prior to the expiration of this Option, the Company shall effect a subdivision or consolidation of shares of Stock or the payment of a stock dividend on Stock without receipt of consideration by the Company, the number of shares of Stock with respect to which this Option may thereafter be exercised (a) in the event of an increase in the number of outstanding shares shall be proportionately increased, and the purchase price per share shall be proportionately reduced and (b) in the event of a reduction in the number of outstanding shares shall be proportionately reduced and the purchase price per share shall be proportionately increased. If the Company recapitalizes or otherwise changes its capital structure, thereafter upon any exercise hereunder, Employee shall be entitled to purchase, in lieu of the number of shares of Stock as to which this Option shall be exercisable, the number and class of shares of stock and securities to which he would have been entitled pursuant to the terms of the recapitalization if immediately prior to such recapitalization, he had been the holder of record of the number of shares of Stock as to which this Option is then exercisable.

The existence of the Options granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) If the Company recapitalizes, reclassifies its capital stock, or otherwise changes its capital structure (a "recapitalization"), the number and class of shares of Stock covered by this Option shall be adjusted so that such Option shall thereafter cover the number and class of shares of stock and securities to which Employee would have been entitled pursuant to the terms of the recapitalization if, immediately prior to the recapitalization, Employee had been the holder of record of the number of shares of Stock then covered by this Option. If (i) the Company shall not be the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity other than a previously wholly-owned subsidiary of the Company, (ii) the Company sells, leases or exchanges substantially all of its assets to any other person or entity (other than a wholly-owned subsidiary of the Company), (iii) the Company is to be dissolved and liquidated, (iv) any person or entity, including a "group" as contemplated by Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, acquires or gains ownership or control (including, without limitation, power to vote) of more than 50% of the outstanding shares of the Company's voting stock (based upon voting power), or (v) as a result of or in connection with a contested election of directors, the persons who were directors of the Company before such

election shall cease to constitute a majority of the Board (each such event is referred to herein as a "Corporate Change"), no later than (a) ten (10) days after the approval by the stockholders of the Company of such merger, consolidation, reorganization, sale, lease or exchange of assets or dissolution or such election of directors or (b) thirty (30) days after a change of control of the type described in clause (iv) the Board, acting in its sole discretion without the consent or approval of Employee shall act to effect one or more of the following alternatives, which may vary: (1) accelerate the time at which this Option may be exercised so that this Option may be exercised in full for a limited period of time on or before a specified date (before or after such Corporate Change) fixed by the Board, after which specified date all unexercised portions of this Option and all rights of Employee thereunder shall terminate, (2) require that mandatory surrender to the Company by Employee of this Option (irrespective of whether this Option is then exercisable) as of a date, before or after such Corporate Change, specified by the Board, in which event the Board shall thereupon cancel this Option and the Company shall pay to Employee an amount of cash per share equal to the excess, if any, of the amount calculated in subparagraph (d) below (the "Change of Control Value") of the shares subject to this Option over the exercise price(s) under this Option for such shares, (3) make such adjustments to this Option as the Board deems appropriate to reflect such Corporate Change (provided, however, that the Board may determine in its sole discretion that no adjustment is necessary to this Option) or (4) provide that the number and class of shares of Stock covered by this Option shall be adjusted so that this Option shall thereafter cover the number and class of shares of stock or other securities or property (including, without limitation, cash) to which Employee would have been entitled pursuant to the terms of the agreement of merger, consolidation or sale of assets and dissolution if, immediately prior to such merger, consolidation or sale of assets and dissolution Employee had been the holder of record of the number of shares of Stock then covered by this Option.

(c) For the purposes of clause (2) in subparagraph (b) above, the "Change of Control Value" shall equal the amount determined in clause (i), (ii) or (iii), whichever is applicable, as follows: (i) the per share price offered to stockholders of the Company in any such merger, consolidation, reorganization, sale of assets or dissolution transaction, (ii) the price per share offered to stockholders of the Company in any tender offer or exchange offer whereby a Corporate Change takes place, or (iii) if such Corporate Change occurs other than pursuant to a tender or exchange offer, the fair market value per share of the shares into which this Option, if being surrendered are exercisable, as determined by the Board as of the date determined by the Board to be the date of cancellation and surrender of this Option. In the event that the consideration offered to stockholders of the Company in any transaction described in this subparagraph (c) or subparagraph (b) above consists of anything other than cash, the Board shall determine the fair cash equivalent of the portion of the consideration offered which is other than cash.

(d) Any adjustment provided for in subparagraph (a) or (b) above shall be subject to any required stockholder action.

(e) Except as hereinbefore expressly provided, the issuance by the Company of shares

of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefore or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect and no adjustment by reason therefore shall be made with respect to, the number of shares of Stock subject to this Option or the purchase price per share.

5. Withholding of Tax. To the extent that the exercise of this Option or the disposition of shares of Stock acquired by exercise of this Option results in compensation income to Employee for federal or state income tax purposes, Employee shall deliver to the Company at the time of such exercise or disposition such amount of money or shares of Stock as the Company may require to meet its obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or Stock remuneration then or thereafter payable to Employee any tax required to be withheld by reason of such resulting compensation income. Upon an exercise of this Option, the Company is further authorized in its discretion to satisfy any such withholding requirement out of any cash or shares of Stock distributable to Employee upon such exercise.

6. Status of Stock. Following approval of this Agreement by the stockholders of the Company, the Company intends to register for issuance under the Securities Act of 1933, as amended (the "Act") the shares of Stock acquirable upon exercise of this Option, and to keep such registration effective throughout the period this Option is exercisable. In the absence of such effective registration or an available exemption from registration under the Act, issuance of shares of Stock acquirable upon exercise of this Option will be delayed until registration of such shares is effective or an exemption from registration under the Act is available. In the event exemption from registration under the Act is available upon an exercise of this Option, Employee (or the person permitted to exercise this Option in the event of Employee's death or incapacity), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

Employee agrees that the shares of Stock which Employee may acquire by exercising this Option will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable securities law, whether federal or state. Employee also agrees (i) that the certificates representing the shares of Stock purchased under this Option may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws, and (ii) that the Company may refuse to register the transfer of the shares of Stock purchased under this Option on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities laws and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the shares of Stock purchased under this Option.

7. Employment Relationship. For purposes of this Agreement, Employee shall be

considered to be in the employment of the Company as long as Employee remains an employee of either the Company, a parent or subsidiary corporation (as defined in section 424 of the Code) of the Company, or a corporation or a parent or subsidiary of such corporation assuming or substituting a new option for this Option. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Board and its determination shall be final.

8. Plan. This Agreement is intended to constitute an employee benefit plan within the meaning of Rule 405 of the Act.

9. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Kansas.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed, by its officer thereunto duly authorized, and Employee has executed this Agreement, all as of the day and year first above written.

HUGHTON ENERGY CORPORATION

By: /s/ W. MARK WOMBLE

Name: W. Mark Womble

Title: Executive Vice President and
Chief Financial Officer

/s/ JAY W. DECKER

JAY W. DECKER
"Employee"

NONSTATUTORY STOCK OPTION AGREEMENT

This Nonstatutory Stock Option Agreement (the "Agreement") is made and entered into on this 8th day of September, 1996, by and between HUGOTON ENERGY CORPORATION, a Kansas corporation (the "Company"), and JAY W. DECKER ("Employee").

In consideration of the mutual agreements and other matters set forth herein, the Company and Employee hereby agree as follows:

1. Grant or Option. The Company hereby irrevocably grants to Employee the right and option ("Option") to purchase all or any part of an aggregate of 125,000 shares of common stock of the Company ("Stock"), on the terms and conditions set forth herein. Exercise of this Option is subject to, and contingent upon, approval of this Agreement by the stockholders of the Company on or before twelve (12) months after the date this Agreement is approved by the Board of Directors of the Company (the "Board"). This Option shall not be treated as an incentive stock option within the meaning of section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code").

2. Purchase Price. The purchase price of Stock purchased pursuant to the exercise of this Option shall be \$8.34 per share, which has been determined to be the fair market value of the Stock at the date of grant of this Option.

3. Vesting and Exercise of Option. The Option granted hereunder shall vest as follows:

- (a) the option to purchase 25% of the shares covered herein shall vest immediately;
- (b) the option to purchase 25% of the shares covered herein shall vest twelve (12) months after the date of this Agreement;
- (c) the option to purchase 25% of the shares covered herein shall vest twenty-four (24) months after the date of this Agreement; and
- (d) the option to purchase 25% of the shares covered herein shall vest thirty-six (36) months after the date of this Agreement.

Subject to the earlier expiration of this Option as herein provided, this Option may be exercised by written notice to the Company at its principal executive office addressed to the attention of its Chief Executive Officer. The options granted hereunder must be exercised within thirty-six (36) months after the date they become vested or they will expire worthless.

This Option is not transferable by Employee otherwise than by will or the laws of descent and distribution, and may be exercised only by Employee during Employee's lifetime. This option may be exercised only while Employee remains an employee of the Company and will terminate and cease to be exercisable upon Employee's termination of employment with the Company, except that:

(a) If Employee's employment with the Company terminates by reason of disability (within the meaning of section 22(c)(3) of the Code), this Option may be exercised in full (whether or not the option is fully vested) by Employee (or Employee's estate or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee) at any time during the period of one (1) year following such termination.

(b) If Employee dies while in the employ of the Company, Employee's estate, or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee, may exercise this Option in full (whether or not the option is fully vested) at any time during, the period of one (1) year following the date of Employee's death.

(c) If Employee's employment with the Company terminates for any reason other than as described in (a) or (b) above, unless Employee voluntarily terminates without the written consent of the Company or is terminated for cause, this Option may be exercised by Employee at any time during the period of three (3) months following such termination, or by Employee's estate (or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee) during a period of one (1) year following Employee's death if Employee dies during such three-month period, but in each case only to the extent the Option was vested and only as to the number of shares Employee was entitled to purchase hereunder as of the date Employee's employment so terminates. For purposes of this Agreement, "cause" shall mean the inability of Employee, through sickness or other incapacity, to perform his duties under his employment agreement for a period of six (6) months, dishonesty, theft, conviction of a crime involving moral turpitude or commission of a material act of fraud against the Company or its subsidiaries, failure of Employee to observe or perform his material duties and obligations as an employee of the Company or a material breach of his employment agreement.

The purchase price of shares as to which this Option is exercised shall be paid in full at the time of exercise (a) in cash (including check, bank draft or money order payable to the order of the Company), or (b) by delivering to the Company shares of Stock having a fair market value equal to the purchase price, or (c) a combination of cash and Stock. No fraction of a share of Stock shall be issued by the Company upon exercise of an Option or accepted by the Company in payment of the exercise price thereof, rather, Employee shall provide a cash payment for such amount as is necessary to effect the issuance and acceptance of only whole shares of Stock. Unless and until a certificate or certificates representing such shares shall have been issued by the Company to Employee, Employee (or the person permitted to exercise this Option in the event of Employee's death) shall not be or have any of the rights or privileges of a stockholder of the Company with respect to shares acquirable upon an exercise of this Option.

4. Recapitalization.

(a) The shares with respect to which this Option granted are shares of Stock as presently constituted but if, and whenever, prior to the expiration of this Option, the Company shall effect a subdivision or consolidation of shares of Stock or the payment of a stock dividend on Stock

without receipt of consideration by the Company, the number of shares of Stock with respect to which this Option may thereafter be exercised (a) in the event of an increase in the number of outstanding shares shall be proportionately increased, and the purchase price per share shall be proportionately reduced and (b) in the event of a reduction in the number of outstanding shares shall be proportionately reduced and the purchase price per share shall be proportionately increased. If the Company recapitalizes or otherwise changes its capital structure, thereafter upon any exercise hereunder, Employee shall be entitled to purchase, in lieu of the number of shares of Stock as to which this Option shall be exercisable, the number and class of shares of stock and securities to which he would have been entitled pursuant to the terms of the recapitalization if, immediately prior to such recapitalization, he had been the holder of record of the number of shares of Stock as to which this Option is then exercisable.

The existence of the Options granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) If the Company recapitalizes, reclassifies its capital stock, or otherwise changes its capital structure (a "recapitalization"), the number and class of shares of Stock covered by this Option shall be adjusted so that such Option shall thereafter cover the number and class of shares of stock, and securities to which Employee would have been entitled pursuant to the terms of the recapitalization if, immediately prior to the recapitalization, Employee had been the holder of record of the number of shares of Stock then covered by this Option. If (i) the Company shall not be the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity other than a previously wholly-owned subsidiary of the Company), (ii) the Company sells, leases or exchanges substantially all of its assets to any other person or entity (other than a wholly-owned subsidiary of the Company), (iii) the Company is to be dissolved and liquidated, (iv) any person or entity, including a "group" as contemplated by Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, acquires or gains ownership or control (including, without limitation, power to vote) of more than 50% of the outstanding shares of the Company's voting stock (based upon voting power), or (v) as a result of or in connection with a contested election of directors, the persons who were directors of the Company before such election shall cease to constitute a majority of the Board (each such event is referred to herein as a "Corporate Change"), no later than (a) ten (10) days after the approval by the stockholders of the Company of such merger, consolidation, reorganization, sale, lease or exchange of assets or dissolution or such election of directors or (b) thirty (30) days after a change of control of the type described in clause (iv) the Board, acting in its sole discretion without the consent or approval of Employee, shall act to effect one or more of the following alternatives, which may vary: (1) accelerate the time at which this Option may be exercised so that this Option may be exercised in full for a limited period of time on or before a specified date (before or after such Corporate Change) fixed by the Board, after which specified date all unexercised portions of this Option and all rights of Employee thereunder shall

terminate, (2) require that mandatory surrender to the Company by Employee of this option (irrespective of whether this Option is then exercisable) as of a date, before or after such Corporate Change, specified by the Board, in which event the Board shall thereupon cancel this Option and the Company shall pay to Employee an amount of cash per share equal to the excess, if any, of the amount calculated in subparagraph (d) below (the "Change of Control Value") of the shares subject to this Option over the exercise price(s) under this Option for such shares, (3) make such adjustments to this Option as the Board deems appropriate to reflect such Corporate Change (provided, however, that the Board may determine in its sole discretion that no adjustment is necessary to this Option) or (4) provide that the number and class of shares of Stock covered by this Option shall be adjusted so that this Option shall thereafter cover the number and class of shares of stock or other securities or property (including, without limitation, cash) to which Employee would have been entitled pursuant to the terms of the agreement of merger, consolidation or sale of assets and dissolution if, immediately prior to such merger, consolidation or sale of assets and dissolution Employee had been the holder of record of the number of shares of Stock then covered by this Option.

(c) For the purposes of clause (2) in subparagraph (b) above, the "Change of Control Value" shall equal the amount determined in clause (i), (ii) or (iii), whichever is applicable, as follows: (i) the per share price offered to stockholders of the Company in any such merger, consolidation, reorganization, sale of assets or dissolution transaction, (ii) the price per share offered to stockholders of the Company in any tender offer or exchange offer whereby a Corporate Change takes place, or (iii) if such Corporate Change occurs other than pursuant to a tender or exchange offer, the fair market value per share of the shares into which this Option, if being surrendered are exercisable, as determined by the Board as of the date determined by the Board to be the date of cancellation and surrender of this Option. In the event that the consideration offered to stockholders of the Company in any transaction described in this subparagraph (c) or subparagraph (b) above consists of anything other than cash, the Board shall determine the fair cash equivalent of the portion of the consideration offered which is other than cash.

(d) Any adjustment provided for in subparagraph (a) or (b) above shall be subject to any required stockholder action.

(e) Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock, of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason therefor shall be made with respect to, the number of shares of Stock subject to this Option or the purchase price per share.

5. Withholding of Tax. To the extent that the exercise of this Option or the disposition of shares of Stock acquired by exercise of this Option results in compensation income to Employee for federal or state income tax purposes, Employee shall deliver to the Company at the time of such exercise or disposition such amount of money or shares of Stock as the Company may require it to

meet its obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or Stock remuneration then or thereafter payable to Employee any tax required to be withheld by reason of such resulting compensation income. Upon an exercise of this Option, the Company is further authorized in its discretion to satisfy any such withholding requirement out of any cash or shares of Stock distributable to Employee upon such exercise.

6. Status of Stock. Following approval of this Agreement by the stockholders of the Company, the Company intends to register for issuance under the Securities Act of 1933, as amended (the "Act") the shares of Stock acquirable upon exercise of this Option, and to keep such registration effective throughout the period this Option is exercisable. In the absence of such effective registration or an available exemption from registration under the Act, issuance of shares of Stock acquirable upon exercise of this Option will be delayed until registration of such shares is effective or an exemption from registration under the Act is available. In the event exemption from registration under the Act is available upon an exercise of this Option, Employee (or the person permitted to exercise this Option in the event of Employee's death or incapacity), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

Employee agrees that the shares of Stock which Employee may acquire by exercising this Option will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable securities laws, whether federal or state. Employee also agrees (i) that the certificates representing the shares of Stock purchased under this Option may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws, and (ii) that the Company may refuse to register the transfer of the shares of Stock purchased under this Option on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities laws and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the shares of Stock purchased under this Option.

7. Employment Relationship. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company, a parent or subsidiary corporation (as defined in section 424 of the Code) of the Company, or a corporation or a parent or subsidiary of such corporation assuming or substituting a new option for this Option. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Board and its determination shall be final.

8. Plan. This Agreement is intended to constitute an employee benefit plan within the meaning of Rule 405 of the Act.

9. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Kansas.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed, by its officer thereunto duly authorized, and Employee has executed this Agreement, all as of the day and year first above written.

HUGOTON ENERGY CORPORATION

By: /s/ W. MARK WOMBLE

Name: W. Mark Womble
Title: Executive Vice President and CFO

/s/ JAY W. DECKER

JAY W. DECKER
"Employee"