FORM 10-Q

CHESAPEAKE ENERGY CORP - CHK

Filed: November 10, 2008 (period: September 30, 2008)

Quarterly report which provides a continuing view of a company's financial position

Table of Contents

EX-4.14.1 (FOURTH SUPPLEMENTAL INDENTURE TO THE 6.25% SENIOR NOTES DUE 2017)

EX-4.15.1 (THIRD SUPPLEMENTAL INDENTURE)

EX-4.16.1 (FIRST SUPPLEMENTAL INDENTURE TO THE 7.25% SENIOR NOTES DUE 2018)

EX-4.17.1 (FIRST SUPPLEMENTAL INDENTURE)

EX-12 (RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS)

EX-31.1 (SECTION 302 CHAIRMAN AND CEO CERTIFICATION)

EX-31.2 (SECTION 302 EVP AND CFO CERTIFICATION)

EX-32.1 (SECTION 906 CHAIRMAN AND CEO CERTIFICATION)

EX-32.2 (SECTION 906 EVP AND CFO CERTIFICATION)

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

FORM 10-Q

☒ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2008

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange 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 **(State or other jurisdiction of incorporation or organization)**	**73-1395733** **(I.R.S. Employer Identification No.)**
6100 North Western Avenue **Oklahoma City, Oklahoma** **(Address of principal executive offices)**	**73118** **(Zip Code)**

(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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 6, 2008, there were 600,951,146 shares of our $0.01 par value common stock outstanding.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
INDEX TO FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2008

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2008	December 31, 2007
	($ in millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,964	$ 1
Accounts receivable	1,330	1,074
Short-term derivative instruments	463	203
Inventory	292	87
Other	62	31
Total Current Assets	4,111	1,396
PROPERTY AND EQUIPMENT:		
Natural gas and oil properties, at cost based on full-cost accounting:		
Evaluated natural gas and oil properties	28,498	27,656
Unevaluated properties	11,135	5,641
Less: accumulated depreciation, depletion and amortization of natural gas and oil properties	(8,618)	(7,112)
Total natural gas and oil properties, at cost based on full-cost accounting	31,015	26,185
Other property and equipment:		
Natural gas gathering systems and treating plants	2,043	1,135
Buildings and land	1,393	816
Drilling rigs and equipment	246	106
Natural gas compressors	136	63
Other	426	327
Less: accumulated depreciation and amortization of other property and equipment	(414)	(295)
Total Other Property and Equipment	3,830	2,152
Total Property and Equipment	34,845	28,337
OTHER ASSETS:		
Investments	603	612
Long-term derivative instruments	157	4
Other assets	302	385
Total Other Assets	1,062	1,001
TOTAL ASSETS	$ 40,018	$ 30,734

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS — (Continued)
(Unaudited)

	September 30, 2008	December 31, 2007
	($ in millions)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,564	$ 1,262
Accrued liabilities	846	712
Short-term derivative instruments	123	174
Revenues and royalties due others	647	433
Income taxes payable	171	5
Deferred income tax liability	99	—
Accrued interest	151	175
Total Current Liabilities	3,601	2,761
LONG-TERM LIABILITIES:		
Long-term debt, net	14,345	10,950
Deferred income tax liability	4,690	3,966
Asset retirement obligation	260	236
Long-term derivative instruments	570	408
Revenues and royalties due others	41	42
Other liabilities	104	241
Total Long-Term Liabilities	20,010	15,843
CONTINGENCIES AND COMMITMENTS (Note 3)		
STOCKHOLDERS' EQUITY:		
Preferred Stock, $.01 par value, 20,000,000 shares authorized:		
4.50% cumulative convertible preferred stock, 2,558,900 and 3,450,000 shares issued and outstanding as of September 30, 2008 and December 31, 2007, entitled in liquidation to $256 million and $345 million, respectively	256	345
5.00% cumulative convertible preferred stock (series 2005B), 2,095,615 and 5,750,000 shares issued and outstanding as of September 30, 2008 and December 31, 2007, respectively, entitled in liquidation to $209 million and $575 million, respectively	209	575
6.25% mandatory convertible preferred stock, 143,768 shares issued and outstanding as of September 30, 2008 and December 31, 2007, entitled in liquidation to $36 million	36	36
4.125% cumulative convertible preferred stock, 3,033 and 3,062 shares issued and outstanding as of September 30, 2008 and December 31, 2007, respectively, entitled in liquidation to $3 million	3	3
5.00% cumulative convertible preferred stock (series 2005), 5,000 shares issued and outstanding as of September 30, 2008 and December 31, 2007, entitled in liquidation to $1 million	1	1
Common Stock, $.01 par value, 750,000,000 shares authorized, 581,895,542 and 511,648,217 shares issued at September 30, 2008 and December 31, 2007, respectively	6	5
Paid-in capital	10,257	7,032
Retained earnings	5,604	4,150
Accumulated other comprehensive income (loss), net of tax of ($26) million and $6 million, respectively	44	(11)
Less: treasury stock, at cost; 586,779 and 500,821 common shares as of September 30, 2008 and December 31, 2007, respectively	(9)	(6)
Total Stockholders' Equity	16,407	12,130
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 40,018	$ 30,734

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	($ in millions except per share data)			
REVENUES:				
Natural gas and oil sales	$ 6,408	$ 1,492	$ 5,587	$ 4,164
Natural gas and oil marketing sales	1,038	501	2,934	1,446
Service operations revenue	45	34	127	101
Total Revenues	7,491	2,027	8,648	5,711
OPERATING COSTS:				
Production expenses	239	165	658	461
Production taxes	87	56	250	151
General and administrative expenses	108	62	288	168
Natural gas and oil marketing expenses	1,014	483	2,864	1,394
Service operations expense	37	23	104	67
Natural gas and oil depreciation, depletion and amortization	480	479	1,518	1,314
Depreciation and amortization of other assets	48	44	125	120
Total Operating Costs	2,013	1,312	5,807	3,675
INCOME FROM OPERATIONS	5,478	715	2,841	2,036
OTHER INCOME (EXPENSE):				
Interest and other income (expense)	(2)	1	(13)	12
Interest expense	(48)	(116)	(212)	(279)
Loss on repurchase of Chesapeake debt	(31)	—	(31)	—
Consent solicitation fees	(10)	—	(10)	—
Gain on sale of investments	—	—	—	83
Total Other Income (Expense)	(91)	(115)	(266)	(184)
INCOME BEFORE INCOME TAXES	5,387	600	2,575	1,852
INCOME TAX EXPENSE:				
Current	193	9	196	19
Deferred	1,881	219	795	685
Total Income Tax Expense	2,074	228	991	704
NET INCOME	3,313	372	1,584	1,148
PREFERRED STOCK DIVIDENDS	(6)	(26)	(27)	(77)
LOSS ON CONVERSION/EXCHANGE OF PREFERRED STOCK	(25)	—	(67)	—
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ 3,282	$ 346	$ 1,490	$ 1,071
EARNINGS PER COMMON SHARE:				
Basic	$ 5.93	$ 0.76	$ 2.85	$ 2.37
Assuming dilution	$ 5.61	$ 0.72	$ 2.73	$ 2.23
CASH DIVIDEND DECLARED PER COMMON SHARE	$ 0.075	$ 0.0675	$ 0.2175	$ 0.195
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (in millions):				
Basic	554	454	523	452
Assuming dilution	588	517	557	516

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
	($ in millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	$ 1,584	$ 1,148
ADJUSTMENTS TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation, depletion and amortization	1,643	1,434
Deferred income taxes	795	685
Unrealized (gains) losses on derivatives	(89)	126
Realized (gains) losses on financing derivatives	59	(76)
Stock-based compensation	100	59
Loss from equity investments	34	—
Loss on repurchase of Chesapeake debt	31	—
Gain on sale of investment	—	(83)
Other	6	6
Change in assets and liabilities	142	90
Cash provided by operating activities	4,305	3,389
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration and development of natural gas and oil properties	(4,641)	(3,770)
Acquisitions of natural gas and oil companies, proved and unproved properties and leasehold, net of cash acquired	(7,589)	(2,331)
Proceeds from sale of volumetric production payment	1,210	—
Divestitures of proved and unproved properties and leasehold	4,666	—
Additions to other property and equipment	(1,969)	(1,005)
Additions to investments	(61)	(7)
Proceeds from sale of drilling rigs and equipment	46	322
Proceeds from sale of compressors	114	147
Sale of other assets	21	32
Proceeds from sale of investments	2	124
Cash used in investing activities	(8,201)	(6,488)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from credit facility borrowings	12,831	5,949
Payments on credit facility borrowings	(11,307)	(4,177)
Proceeds from issuance of senior notes, net of offering costs	2,136	1,607
Proceeds from issuance of common stock, net of offering costs	2,598	—
Cash paid to repurchase Chesapeake debt	(312)	—
Cash paid for common stock dividends	(106)	(85)
Cash paid for preferred stock dividends	(29)	(78)
Derivative settlements	(146)	(65)
Net increase (decrease) in outstanding payments in excess of cash balance	210	(54)
Excess tax benefit from stock-based compensation	42	13
Cash received from exercise of stock options	8	8
Other financing costs	(66)	(20)
Cash provided by financing activities	5,859	3,098
Net increase (decrease) in cash and cash equivalents	1,963	(1)
Cash and cash equivalents, beginning of period	1	3
Cash and cash equivalents, end of period	$ 1,964	$ 2

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
	($ in millions)	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION OF CASH PAYMENTS FOR:		
Interest, net of capitalized interest	$ 215	$ 274
Income taxes, net of refunds received	$ 5	$ 33

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

As of September 30, 2008 and 2007, dividends payable on our common and preferred stock were $48 million and $56 million, respectively.

For the nine months ended September 30, 2008 and 2007, natural gas and oil properties were adjusted by $13 million and $130 million, respectively, for income tax liabilities related to acquisitions.

For the nine months ended September 30, 2008 and 2007, natural gas and oil properties were adjusted by ($3) million and $103 million, respectively, as a result of an increase (decrease) in accrued exploration and development costs.

For the nine months ended September 30, 2008 and 2007, other property and equipment were adjusted by $88 million and ($6) million, respectively, as a result of an increase (decrease) in accrued costs.

We recorded non-cash asset additions to natural gas and oil properties of $6 million and $15 million for the nine months ended September 30, 2008 and 2007, respectively, for asset retirement obligations.

We recorded non-cash asset additions to natural gas gathering systems of $6 million and $0 for the nine months ended September 30, 2008 and 2007, respectively, for asset retirement obligations.

For the nine months ended September 30, 2008, a holder of our 4.5% cumulative convertible preferred stock exchanged 891,100 shares for 2,227,750 shares of common stock in a privately negotiated exchange.

For the nine months ended September 30, 2008, holders of our 5.0% (Series 2005B) cumulative convertible preferred stock exchanged 3,654,385 shares for 10,443,642 shares of common stock in privately negotiated exchanges.

For the nine months ended September 30, 2008, holders of our 4.125% cumulative convertible preferred stock converted 29 shares into 1,743 shares of common stock, and for the nine months ended September 30, 2007, a holder of our 4.125% cumulative convertible preferred stock converted 3 shares into 180 shares of common stock.

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
	($ in millions)	
PREFERRED STOCK:		
Balance, beginning of period	$ 960	$ 1,958
Exchange of common stock for 3,654,385 shares of 5.00% preferred stock (series 2005B)	(366)	—
Exchange of common stock for 891,100 shares of 4.50% preferred stock	(89)	—
Exchange of common stock for 29 shares and 3 shares of 4.125% preferred stock	—	—
Balance, end of period	505	1,958
COMMON STOCK:		
Balance, beginning of period	5	5
Issuance of 23,000,000 and 28,750,000 shares of common stock in 2008	1	—
Exchange of 12,673,135 and 180 shares of common stock for preferred stock	—	—
Balance, end of period	6	5
PAID-IN CAPITAL:		
Balance, beginning of period	7,032	5,873
Issuance of 23,000,000 shares of common stock	1,052	—
Issuance of 28,750,000 shares of common stock	1,646	—
Stock-based compensation	124	82
Exercise of stock options	8	8
Offering expenses	(101)	—
Exchange of 12,673,135 and 180 shares of common stock for preferred stock	454	—
Tax benefit from exercise of stock options and restricted stock	42	13
Balance, end of period	10,257	5,976
RETAINED EARNINGS:		
Balance, beginning of period	4,150	2,913
Net income	1,584	1,148
Dividends on common stock	(115)	(88)
Dividends on preferred stock	(15)	(77)
Adoption of FIN 48	—	(4)
Balance, end of period	5,604	3,892
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):		
Balance, beginning of period	(11)	528
Hedging activity	54	(334)
Marketable securities activity	1	(15)
Balance, end of period	44	179
TREASURY STOCK – COMMON:		
Balance, beginning of period	(6)	(26)
Purchase of 87,056 shares for company benefit plans	(3)	—
Release of 1,098 and 665,673 shares for company benefit plans	—	20
Balance, end of period	(9)	(6)
TOTAL STOCKHOLDERS' EQUITY	$ 16,407	$ 12,004

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	($ in millions)			
Net income	$ 3,313	$ 372	$ 1,584	$ 1,148
Other comprehensive income (loss), net of income tax:				
Change in fair value of derivative instruments, net of income taxes of $728 million, $68 million, ($105) million and $3 million	1,187	110	(170)	6
Reclassification of (gain) loss on settled contracts, net of income taxes of $65 million, ($65) million, $117 million and ($243) million	104	(106)	189	(398)
Ineffective portion of derivatives qualifying for cash flow hedge accounting, net of income taxes of ($29) million, $11 million, $20 million and $35 million	(46)	17	34	57
Unrealized (gain) loss on marketable securities, net of income taxes of ($16) million, ($8) million, $1 million and ($9) million	(27)	(13)	1	(15)
Comprehensive income	$ 4,531	$ 380	$ 1,638	$ 798

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of Chesapeake Energy Corporation and its subsidiaries have been prepared in accordance with the instructions to Form 10-Q as prescribed by the Securities and Exchange Commission. Chesapeake's annual report on Form 10-K for the year ended December 31, 2007 ("2007 Form 10-K") includes certain definitions and a summary of significant accounting policies and should be read in conjunction with this Form 10-Q. All material adjustments (consisting solely of normal recurring adjustments) which, in the opinion of management, are necessary for a fair statement of the results for the interim periods have been reflected. The results for the three and nine months ended September 30, 2008 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, 2008 (the "Current Quarter" and the "Current Period", respectively) and the three and nine months ended September 30, 2007 (the "Prior Quarter" and the "Prior Period", respectively).

Income Taxes

Chesapeake adopted the provisions of FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* on January 1, 2007. As of September 30, 2008, the company estimates we have uncertain tax positions which could result in AMT liabilities of $140 million. If the outcome of these uncertain tax positions results in AMT liabilities, they can be utilized as credits against future regular tax liabilities; therefore, we are only required to establish an interest accrual associated with these liabilities. The uncertain tax positions identified would not have an effect on the effective tax rate. At September 30, 2008, we had a liability of $11 million for interest related to these same uncertain tax positions. Chesapeake recognizes interest related to uncertain tax positions in interest expense. Penalties, if any, related to uncertain tax positions would be recorded in other expenses.

Critical Accounting Policies

We consider accounting policies related to hedging, natural gas and oil properties, income taxes and business combinations to be critical policies. These policies are summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2007 Form 10-K.

2. Financial Instruments and Hedging Activities

Natural Gas and Oil Hedging Activities

Our results of operations and operating cash flows are impacted by changes in market prices for natural gas and oil. To mitigate a portion of the exposure to adverse market changes, we have entered into various derivative instruments. As of September 30, 2008, our natural gas and oil derivative instruments were comprised of swaps, basis protection swaps, knockout swaps, cap-swaps, call options, put options and collars. These instruments allow us to predict with greater certainty the effective natural gas and oil prices to be received for our hedged production. Although derivatives often fail to achieve 100% effectiveness for accounting purposes, we believe our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended.

- For swap instruments, Chesapeake receives a fixed price for the hedged commodity and pays a floating market price 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.

- Basis protection swaps are arrangements that guarantee a price differential for natural gas or oil from a specified delivery point. For Mid-Continent basis protection swaps, which typically have negative differentials to NYMEX, Chesapeake receives a payment from the counterparty if the price differential is greater than the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract. For Appalachian Basin basis protection swaps, which typically have positive differentials to NYMEX, Chesapeake receives a payment from the counterparty if the price differential is less than the stated terms of the contract and pays the counterparty if the price differential is greater than the stated terms of the contract.

- For knockout swaps, Chesapeake receives a fixed price and pays a floating market price. The fixed price received by Chesapeake includes a premium in exchange for the possibility to reduce the counterparty's exposure to zero, in any given month, if the floating market price is lower than certain pre-determined knockout prices.

- For cap-swaps, Chesapeake receives a fixed price and pays a floating market price. The fixed price received by Chesapeake includes a premium in exchange for a "cap" limiting the counterparty's exposure. In other words, there is no limit to Chesapeake's exposure but there is a limit to the downside exposure of the counterparty.

- For call options, Chesapeake receives a premium from the counterparty in exchange for the sale of a call option. If the market price exceeds the fixed price of the call option, Chesapeake pays the counterparty such excess. If the market price settles below the fixed price of the call option, no payment is due from Chesapeake.

- For put options, Chesapeake receives a premium from the counterparty in exchange for the sale of a put option. If the market price falls below the fixed price of the put option, Chesapeake pays the counterparty such shortfall. If the market price settles above the fixed price of the put option, no payment is due from Chesapeake.

- 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, Chesapeake receives the fixed price and pays the market price. If the market price is between the call and the put strike price, no payments are due from either party.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Chesapeake enters into counter-swaps from time to time for the purpose of locking-in the value of a swap. Under the counter-swap, Chesapeake receives a floating price for the hedged commodity and pays a fixed price to the counterparty. The counter-swap is 100% effective in locking-in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter-swap. We refer to this locked-in value as a locked swap. Generally, at the time Chesapeake enters into a counter-swap, Chesapeake removes the original swap's designation as a cash flow hedge and classifies the original swap as a non-qualifying hedge under SFAS 133. The reason for this new designation is that collectively the swap and the counter-swap no longer hedge the exposure to variability in expected future cash flows. Instead, the swap and counter-swap effectively lock-in a specific gain or loss that will be unaffected by subsequent variability in natural gas and oil prices. Any locked-in gain or loss is recorded in accumulated other comprehensive income and reclassified to natural gas and oil sales in the month of related production.

In accordance with FASB Interpretation No. 39, to the extent that a legal right of set-off exists, Chesapeake nets the value of its derivative arrangements with the same counterparty in the accompanying condensed consolidated balance sheets.

Gains or losses from certain derivative transactions are reflected as adjustments to natural gas and oil sales on the condensed consolidated statements of operations. Realized gains (losses) are included in natural gas and oil sales in the month of related production. Pursuant to SFAS 133, certain derivatives do not qualify for designation as cash flow hedges. Changes in the fair value of these non-qualifying derivatives that occur prior to their maturity (i.e., temporary fluctuations in value) are reported currently in the condensed consolidated statements of operations as unrealized gains (losses) within natural gas and oil sales. Following provisions of SFAS 133, changes in the fair value of derivative instruments designated as cash flow hedges, to the extent they are effective in offsetting cash flows attributable to the hedged risk, are recorded in other comprehensive income until the hedged item is recognized in earnings. Any change in fair value resulting from ineffectiveness is currently recognized in natural gas and oil sales as unrealized gains (losses). The components of natural gas and oil sales for the Current Quarter, the Prior Quarter, the Current Period and the Prior Period are presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	($ in millions)			
Natural gas and oil sales	$ 2,036	$ 1,161	$ 5,961	$ 3,361
Realized gains (losses) on natural gas and oil derivatives	(246)	286	(454)	916
Unrealized gains (losses) on non-qualifying natural gas and oil derivatives	4,543	73	134	(21)
Unrealized gains (losses) on ineffectiveness of cash flow hedges	75	(28)	(54)	(92)
Total natural gas and oil sales	$ 6,408	$ 1,492	$ 5,587	$ 4,164

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The estimated fair values of our natural gas and oil derivative instruments as of September 30, 2008 and December 31, 2007 are provided below. The associated carrying values of these instruments are equal to the estimated fair values.

	Nine Months Ended	
	September 30, 2008	December 31, 2007
	($ in millions)	
Derivative assets (liabilities)[(a)]:		
Fixed-price natural gas swaps	$ 412	$ (54)
Natural gas basis protection swaps	127	151
Fixed-price natural gas knockout swaps	409	108
Natural gas call options	(303)	(230)
Natural gas put options	(10)	—
Fixed-price natural gas collars	(49)	4
Fixed-price oil swaps	(39)	(110)
Fixed-price oil knockout swaps	(309)	(125)
Fixed-price oil cap-swaps	(6)	(17)
Oil call options	(182)	(96)
Fixed-price oil collars	(4)	—
Estimated fair value	$ 46	$ (369)

(a) See Item 3. *Quantitative and Qualitative Disclosures About Market Risk* in Part I. of this report for additional information concerning any associated premiums received, or discounts paid, in connection with certain derivative transactions.

Based upon the market prices at September 30, 2008, we expect to transfer approximately $163 million (net of income taxes) of the gain included in the balance in accumulated other comprehensive income to earnings during the next 12 months in the related month of production. All transactions hedged as of September 30, 2008 are expected to mature by December 31, 2022.

We have six secured hedging facilities, each of which permits us to enter into cash-settled natural gas and oil commodity transactions, valued by the counterparty, for up to a stated maximum value. Outstanding transactions under each facility are collateralized by certain of our natural gas and oil properties that do not secure any of our other obligations. The value of reserve collateral pledged to each facility is required to be at least 1.3 or 1.5 times the fair value of transactions outstanding under each facility. In addition, we may pledge collateral from our revolving bank credit facility, from time to time, to these facilities to meet any additional collateral coverage requirements. The hedging facilities are subject to a per annum exposure fee, which is assessed quarterly based on the average of the daily negative fair value amounts of the hedges, if any, during the quarter. The hedging facilities contain the standard representations and default provisions that are typical of such agreements. The agreements also contain various restrictive provisions which govern the aggregate natural gas and oil production volumes that we are permitted to hedge under all of our agreements at any one time. The fair value of outstanding transactions, per annum exposure fees and the scheduled maturity dates are shown below.

	Secured Hedging Facilities[(a)]					
	#1	#2	#3	#4	#5	#6
	($ in millions)					
Fair value of outstanding transactions, as of September 30, 2008	$ 88	$ (91)	$ (160)	$ (9)	$ 203	$ (195)
Per annum exposure fee	1%	1%	0.8%	0.8%	0.8%	0.8%
Scheduled maturity date	2010	2013	2020	2012	2012	2012

(a) Chesapeake Exploration, L.L.C. is the named party to the facilities numbered 1 – 3 and Chesapeake Energy Corporation is the named party to the facilities numbered 4 – 6.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Interest Rate Derivatives

We use interest rate derivatives to mitigate our exposure to the volatility in interest rates. For interest rate derivative instruments designated as fair value hedges (in accordance with SFAS 133), changes in fair value are recorded on the condensed consolidated balance sheets as assets (liabilities), and the debt's carrying value amount is adjusted by the change in the fair value of the debt subsequent to the initiation of the derivative. Changes in the fair value of non-qualifying derivatives that occur prior to their maturity (i.e., temporary fluctuations in value) are reported currently in the condensed consolidated statements of operations as unrealized gains (losses) within interest expense.

Gains or losses from certain derivative transactions are reflected as adjustments to interest expense on the condensed consolidated statements of operations. Realized gains (losses) included in interest expense were ($5) million, $1 million, ($1) million and a nominal amount in the Current Quarter, the Prior Quarter, the Current Period and the Prior Period, respectively. Unrealized gains (losses) included in interest expense were $8 million, ($19) million, $9 million and ($13) million in the Current Quarter, the Prior Quarter, the Current Period and the Prior Period, respectively.

As of September 30, 2008, the following interest rate derivatives were outstanding:

	Notional Amount ($ in millions)	Weighted Average Fixed Rate	Weighted Average Floating Rate	Weighted Average Cap/Floor Rate	Fair Value Hedge	Net Premiums ($ in millions)	Fair Value ($ in millions)
Fixed to Floating Swaps:							
January 2008 – November 2020	$ 1,400	6.81%	6 month LIBOR plus 257 basis points	—	Yes	$ —	$ (30)
January 2008 – January 2018	$ 500	6.94%	6 month LIBOR plus 290 basis points	—	No	2	(6)
Floating to Fixed Swaps:							
August 2007 – August 2010	$ 825	4.74%	1 - 3 month LIBOR	—	No	—	(14)
Swaption:							
July 2008 – October 2008	$ 250	6.50%	—	—	No	4	(6)
Call Options:							
January 2008 – July 2010	$ 1,000	6.63%	—	—	No	9	(18)
Collars:							
August 2007 – August 2010	$ 800	—	—	5.37% – 4.52%	No	—	(19)
						$ 15	$ (93)

In the Current Period, we sold call options on five of our interest rate swaps and received $12 million in premiums. Three call options were exercised in the Current Period resulting in the termination of three interest rate swaps and one call option expired unexercised. Additionally, we sold two swaptions in the Current Period and received $6 million in net premiums. One swaption was exercised during the Current Period and resulted in a new interest rate swap.

In the Current Period, we closed 32 interest rate swaps for gains totaling $72 million. These interest rate swaps were designated as fair value hedges and the settlement amounts received will be amortized as a reduction to interest expense over the remaining term of the related senior notes.

Foreign Currency Derivatives

On December 6, 2006, we issued €600 million of 6.25% Euro-denominated Senior Notes due 2017. Concurrent with the issuance of the euro-denominated senior notes, we entered into a cross currency swap to mitigate our exposure to fluctuations in the euro relative to the dollar over the term of the notes. Under the terms of the cross currency swap, on each semi-annual interest payment date, the counterparties pay Chesapeake €19 million and Chesapeake pays the counterparties $30 million, which yields an annual dollar-equivalent interest rate of 7.491%. Upon maturity of the notes, the counterparties will pay Chesapeake €600 million and Chesapeake will pay the counterparties $800 million. The terms of the cross currency swap were based on the dollar/euro exchange rate on the issuance date of $1.3325 to €1.00. Through the cross currency swap, we have eliminated any potential

variability in Chesapeake's expected cash flows related to changes in foreign exchange rates and therefore the swap qualifies as a cash flow hedge under SFAS 133. The euro-denominated debt is recorded in notes payable ($845 million at September 30, 2008) using an exchange rate of $1.4081 to €1.00. The fair value of the cross currency swap is recorded on the condensed consolidated balance sheet as a liability of $27 million at September 30, 2008.

Concentration of Credit Risk

A significant portion of our liquidity is concentrated in both cash and cash equivalents and derivative instruments. On September 30, 2008, our cash and cash equivalents were invested in money market funds with investment grade ratings. A significant portion of these funds was invested at the close of business on September 19, 2008, and is protected under the U.S. Treasury Department's Temporary Guarantee Program. The remaining funds were spread among several counterparties to mitigate the risk. The derivative instruments enable us to hedge a portion of our exposure to natural gas and oil price and interest rate volatility. These arrangements expose us to credit risk from our counterparties. To mitigate this risk, we enter into derivative contracts only with investment-grade rated counterparties deemed by management to be competent and competitive market makers. Recently there have been concerns about the ability of certain counterparties to continue to meet their financial obligations. On September 30, 2008, our commodity and interest rate derivative instruments were spread among 19 counterparties and no single counterparty represented a material credit risk to the company.

On September 15, 2008, Lehman Brothers Holdings Inc. ("Lehman") filed for protection under Chapter 11 of the federal Bankruptcy Code in the United States Bankruptcy Court in the Southern District of New York. Chesapeake and its subsidiaries had certain business relationships with Lehman and its subsidiaries. We believe the Lehman bankruptcy and its potential impact on subsidiaries of Lehman will not have a material adverse effect on Chesapeake or its subsidiaries individually or collectively.

Lehman Brothers Commercial Bank ("LBCB"), a subsidiary of Lehman, had $75 million (2.1%) of the $3.5 billion in commitments under our revolving bank credit facility. Although LBCB, to date, has not filed for bankruptcy (to our knowledge), LBCB has not funded approximately $11 million of its share of our borrowings under the credit facility and we have no reason to expect that LBCB will do so in the future. The loss of $11 million in borrowing capacity is not material to us.

Chesapeake was a counterparty with Lehman Brothers Commodity Services Inc. ("LBCS"), a subsidiary of Lehman, in financial transactions. Specifically, we utilized LBCS as a counterparty to hedge a portion of our natural gas and oil production. The obligations of LBCS are guaranteed by Lehman, and the Lehman bankruptcy filing resulted in an event of default under our ISDA agreement with LBCS allowing us to terminate the ISDA on September 18, 2008, and cancel the outstanding transactions. The potential loss associated with the termination of such transactions is not material to us.

Chesapeake sells natural gas to Eagle Energy Partners 1, LP ("Eagle Energy"), previously an affiliate of Lehman. Eagle Energy was not included in the Lehman bankruptcy filing. On September 26, 2008, Eagle Energy notified us that EDF Trading Limited ("EDFT"), a wholly-owned subsidiary of Électricité de France SA ("EDF"), had entered into an agreement with Lehman to acquire Eagle Energy. The acquisition of Eagle Energy by EDFT was completed on October 31, 2008. We have received cash payment for all natural gas that has been sold to Eagle Energy and are continuing to do business with it.

Chesapeake will continue to closely monitor the Lehman bankruptcy situation and will assert its rights under the various contractual relationships. We monitor the credit worthiness of all our counterparties and do not believe a failure by a counterparty would have a material negative impact on our liquidity.

Other financial instruments which potentially subject us to concentrations of credit risk consist principally of investments in equity instruments and accounts receivable. Our accounts receivable are primarily from purchasers of natural gas and oil and exploration and production companies which own interests in properties we operate. This industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that our customers may be similarly affected by changes in economic, industry or other conditions. We generally require letters of credit for receivables from customers which are judged to have sub-standard credit, unless the credit risk can otherwise be mitigated.

3. Contingencies and Commitments

Litigation

We are involved in various disputes incidental to our business operations, including claims from royalty owners regarding volume measurements, post-production costs and prices for royalty calculations. In *Tawney, et al. v. Columbia Natural Resources, Inc.* , Chesapeake's wholly-owned subsidiary Chesapeake Appalachia, L.L.C., formerly known as Columbia Natural Resources, LLC (CNR), is a defendant in a class action lawsuit filed in 2003 in the Circuit Court for Roane County, West Virginia by royalty owners. The plaintiffs allege that CNR underpaid royalties by improperly deducting post-production costs, failing to pay royalty on total volumes of natural gas produced and not paying a fair value for the natural gas produced from their leases. The plaintiff class consists of West Virginia royalty owners receiving royalties after July 31, 1990 from CNR. Chesapeake acquired CNR in November 2005, and its seller acquired CNR in 2003 from NiSource Inc. NiSource, a co-defendant in the case, has managed the litigation and indemnified Chesapeake against underpayment claims based on the use of fixed prices for natural gas production sold under certain forward sale contracts and other claims with respect to CNR's operations prior to September 2003.

On January 27, 2007, the Circuit Court jury returned a verdict against the defendants of $404 million, consisting of $134 million in compensatory damages and $270 million in punitive damages. The jury found fraudulent conduct by the defendants with respect to the sales prices used to calculate royalty payments and with respect to the failure of CNR to disclose post-production deductions. On June 28, 2007, the Circuit Court sustained the jury verdict for punitive damages, and on September 27, 2007, it denied all post-trial motions. The defendants stayed the judgment during the pendency of their appeal to the West Virginia Supreme Court of Appeals by filing an irrevocable letter of credit in the amount of $50 million. They filed their initial Petition for Appeal on January 24, 2008. On May 22, 2008, the West Virginia Supreme Court of Appeals refused to hear the appeal. NiSource and Chesapeake filed two petitions for writ of certiorari to the United States Supreme Court on August 20, 2008, asserting among other things that their constitutional rights were violated by the manner in which punitive damages were awarded, the amount of punitive damages, and the lack of meaningful state court appellate review of the punitive damages award. The U.S. Supreme Court may or may not decide to accept the appeal. The West Virginia Supreme Court of Appeals has granted a stay of the judgment until the proceedings before the U.S. Supreme Court are concluded.

On October 22, 2008, the parties in the *Tawney* matter entered into a settlement agreement providing for the establishment of a settlement fund of $380 million, and the Circuit Court for Roane County, West Virginia granted preliminary approval of the settlement on October 23, 2008. The settlement is subject to final approval by the Circuit Court, following a fairness hearing currently scheduled for November 22, 2008. Chesapeake's share of the prospective settlement fund would be approximately $41 million, which amount has previously been fully reserved. If the settlement receives final approval, NiSource and Chesapeake intend to withdraw their U.S. Supreme Court certiorari petitions. Chesapeake believes this litigation will not have a material adverse effect on its results of operations, financial condition or liquidity.

Chesapeake is subject to other legal proceedings and claims which arise in the ordinary course of business. In our opinion, the final resolution of these proceedings and claims will not have a material effect on the company.

Employment Agreements with Officers

Chesapeake has employment agreements with its chief executive officer, chief operating officer, chief financial officer and other executive officers, which provide for annual base salaries, various benefits and eligibility for bonus compensation. The agreement with the chief executive officer has a term of five years commencing January 1, 2008. The term of the agreement is automatically extended for one additional year on each December 31 unless the company provides 30 days notice of non-extension. In the event of termination of employment without cause, the chief executive officer's base compensation (defined as base salary plus bonus compensation received during the preceding 12 months) and benefits would continue during the remaining term of the agreement. The chief executive officer is entitled to receive a payment in the amount of three times his base compensation upon the happening of certain events following a change of control. The agreement further provides that any stock-based awards held by the chief executive officer and deferred compensation will immediately become 100% vested upon termination of employment without cause, incapacity, death or retirement at or after

age 55, and any unexercised stock options will not terminate as the result of termination of employment. The agreements with the chief operating officer, chief financial officer and other executive officers expire on September 30, 2009. These agreements provide for the continuation of salary for one year in the event of termination of employment without cause or death and, in the event of a change of control, a payment in the amount of two times the executive officer's base compensation. These executive officers are entitled to continue to receive compensation and benefits for 180 days following termination of employment as a result of incapacity. Any stock-based awards held by such executive officers will immediately become 100% vested upon termination of employment without cause, a change of control, death, or retirement at or after age 55.

Environmental Risk

Due to the nature of the natural gas and oil 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 conducts periodic reviews, on a company-wide basis, to identify changes in our environmental risk profile. These reviews evaluate whether there is a contingent liability, its amount, and the likelihood that the liability will be incurred. The amount of any potential liability is determined by considering, among other matters, incremental direct costs of any likely remediation and the proportionate cost of employees who are expected to devote a significant amount of time directly to any possible remediation effort. We manage our exposure to environmental liabilities on properties to be acquired by identifying existing problems and assessing the potential liability. Depending on the extent of an identified environmental problem, Chesapeake may exclude a property from the acquisition, require the seller to remediate the property to our satisfaction, or agree to assume liability for the remediation of the property. Chesapeake has historically not experienced any significant environmental liability, and is not aware of any potential material environmental issues or claims at September 30, 2008.

Rig Leases

In a series of transactions in 2006, 2007 and 2008, our drilling subsidiaries sold 81 drilling rigs and related equipment for $660 million and entered into a master lease agreement under which we agreed to lease the rigs from the buyer for initial terms of seven to ten years for lease payments of approximately $90 million annually. The lease obligations are guaranteed by Chesapeake and its other material restricted subsidiaries. These transactions were recorded as sales and operating leasebacks and any related gain or loss will be amortized to service operations expense over the lease term. Under the rig leases, we can exercise an early purchase option after six or seven years or on the expiration of the lease term for a purchase price equal to the then fair market value of the rigs. Additionally, we have the option to renew the rig lease for a negotiated renewal term at a periodic lease equal to the fair market rental value of the rigs as determined at the time of renewal. As of September 30, 2008, Chesapeake's drilling subsidiaries had contracted to acquire 24 rigs to be constructed during 2008 and 2009. The total remaining cost of the rigs is estimated to be approximately $295 million. Our intent is to sell and lease back those rigs as they are delivered. Commitments related to rig lease payments are not recorded in the accompanying condensed consolidated balance sheets. As of September 30, 2008, the minimum aggregate future rig lease payments were approximately $619 million.

Compressor Leases

In 2007 and 2008, our compression subsidiary sold a significant portion of its existing compressor fleet, consisting of 1,443 compressors, for $303 million and entered into a master lease agreement. The term of the agreement varies by buyer ranging from seven to ten years for aggregate lease payments of approximately $36 million annually. The lease obligations are guaranteed by Chesapeake and its other material restricted subsidiaries. These transactions were recorded as sales and operating leasebacks and any related gain or loss will be amortized to natural gas and oil marketing expenses over the lease term. Under the leases, we can exercise an early purchase option after six to nine years or we can purchase the compressors at expiration of the lease for the fair market value at the time. In addition, we have the option to renew the lease for negotiated new terms at the expiration of the lease. Approximately 650 new compressors are on order for approximately $300 million and our intent is to sell and lease back those compressors as they are delivered. Commitments related to compressor lease payments are not recorded in the accompanying condensed consolidated balance sheets. As of September 30, 2008, the minimum aggregate future compressor lease payments were approximately $317 million.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Transportation Contracts

Chesapeake has various firm pipeline transportation service agreements with expiration dates ranging from one to 93 years. These commitments are not recorded in the accompanying condensed consolidated balance sheets. Under the terms of these contracts, we are obligated to pay demand charges as set forth in the transporter's Federal Energy Regulatory Commission (FERC) gas tariff. In exchange, the company receives rights to flow natural gas production through pipelines located in highly competitive markets. As of September 30, 2008, the aggregate amount of such required demand payments was approximately $1.6 billion (excluding demand charges for pipeline projects that are currently seeking regulatory approval).

Drilling Contracts

Currently, Chesapeake has contracts with various drilling contractors to lease approximately 40 rigs with terms of one to three years. As of September 30, 2008, the aggregate drilling rig commitment was approximately $206 million.

Gas Purchase Obligations

Our marketing segment regularly commits to purchase natural gas from other owners in our properties and such commitments typically are short term in nature. We have also committed to purchase natural gas associated with volumetric production payment transactions. The purchase commitments extend over 11 to 15 year terms based on market prices at the time of production, and the purchased natural gas will be resold. As of September 30, 2008, we were obligated to purchase 371 bcfe under the terms of the volumetric production payments.

Other Commitments

We own a 49% interest in Mountain Drilling Company, a company that specializes in hydraulic drilling rigs which are designed for drilling in urban areas. Chesapeake has an agreement to lend Mountain Drilling Company up to $32 million through December 31, 2009. At September 30, 2008, Mountain Drilling owed Chesapeake $19 million under this agreement.

We invested in Ventura Refining and Transmission LLC in early 2007 and today own a 25% interest. There were no refineries in western Oklahoma until Ventura opened its refinery in 2006. We have an agreement to lend Ventura Refining and Transmission LLC up to $28 million through January 31, 2017. At September 30, 2008, there was $27 million outstanding under this agreement. Additionally, we have agreed to guarantee up to $70 million in commitments for Ventura to support its operating activities. As of September 30, 2008, we had guaranteed $62 million.

4. 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 statements of operations for all entities with complex capital structures. SFAS 128 requires a reconciliation of the numerator and denominator of the basic and diluted EPS computations.

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

- For the Current Quarter and the Current Period, diluted shares do not include the common stock equivalent of our 4.5% preferred stock outstanding prior to conversion (convertible into 526,477 and 1,517,305 shares, respectively) and the preferred stock adjustment to net income does not include $12 million and $14 million, respectively, of dividends and loss on conversion related to these preferred shares, as the effect on diluted earnings per share would have been antidilutive.

For the Current Quarter and the Current Period, diluted shares do not include the common stock equivalent of our 5.0% (Series 2005B) preferred stock outstanding prior to conversion (convertible into 1,019,947 and 5,229,841 shares, respectively) and the preferred stock adjustment to net income does not include $13 million and $62 million, respectively, of dividends and loss on conversion related to these preferred shares, as the effect on diluted earnings per share would have been antidilutive.

Reconciliations for the three and nine months ended September 30, 2008 and 2007 are as follows:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in millions except per share data)		
For the Three Months Ended September 30, 2008:			
Basic EPS:			
Income available to common shareholders	$ 3,282	554	$ 5.93
Effect of Dilutive Securities			
Assumed conversion as of the beginning of the period of preferred shares outstanding during the period:			
Common shares assumed issued for 4.50% convertible preferred stock	—	6	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005B)	—	5	
Common shares assumed issued for 6.25% convertible preferred stock	—	1	
Effect of contingent convertible senior notes outstanding during the period	9	13	
Employee stock options	—	2	
Restricted stock	—	7	
Preferred stock dividends	6	—	
Diluted EPS Income available to common shareholders and assumed conversions	$ 3,297	588	$ 5.61

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in millions except per share data)		
For the Three Months Ended September 30, 2007:			
Basic EPS:			
Income available to common shareholders	$ 346	454	$ 0.76
Effect of Dilutive Securities			
Assumed conversion as of the beginning of the period of preferred shares outstanding during the period:			
Common shares assumed issued for 4.50% convertible preferred stock	—	8	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005)	—	18	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005B)	—	15	
Common shares assumed issued for 6.25% convertible preferred stock	—	17	
Employee stock options	—	3	
Restricted stock	—	2	
Preferred stock dividends	26	—	
Diluted EPS Income available to common shareholders and assumed conversions	$ 372	517	$ 0.72
For the Nine Months Ended September 30, 2008:			
Basic EPS:			
Income available to common shareholders	$ 1,490	523	$ 2.85
Effect of Dilutive Securities			
Assumed conversion as of the beginning of the period of preferred shares outstanding during the period			
Common shares assumed issued for 4.50% convertible preferred stock	—	6	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005B)	—	5	
Common shares assumed issued for 6.25% convertible preferred stock	—	1	
Effect of contingent convertible senior notes outstanding during the period	12	13	
Employee stock options	—	2	
Restricted stock	—	7	
Preferred stock dividends	18	—	
Diluted EPS Income available to common shareholders and assumed conversions	$ 1,520	557	$ 2.73
For the Nine Months Ended September 30, 2007:			
Basic EPS:			
Income available to common shareholders	$ 1,071	452	$ 2.37
Effect of Dilutive Securities			
Assumed conversion as of the beginning of the period of preferred shares outstanding during the period:			
Common shares assumed issued for 4.50% convertible preferred stock	—	8	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005)	—	18	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005B)	—	15	
Common shares assumed issued for 6.25% convertible preferred stock	—	17	
Employee stock options	—	4	
Restricted stock	—	2	
Preferred stock dividends	77	—	
Diluted EPS Income available to common shareholders and assumed conversions	$ 1,148	516	$ 2.23

5. Stockholders' Equity, Restricted Stock and Stock Options

Common Shares

The following is a summary of the changes in our common shares outstanding for the nine months ended September 30, 2008 and 2007:

	2008	2007
	(in thousands)	
Shares outstanding at January 1	511,648	458,601
Common stock issuances	51,750	—
Preferred stock conversions	12,673	—
Stock option exercises	1,473	1,254
Restricted stock issuances net of terminations	4,352	14,367
Shares outstanding at September 30	581,896	474,222

In the Prior Period, we issued 9.8 million shares of restricted stock to our employees (except for our CEO and CFO, who did not participate in the stock awards) under a long-term stock incentive and retention program. These shares vest 50% in August 2009 with the remaining 50% vesting in August 2011.

Preferred Shares

The following is a summary of the changes in our preferred shares outstanding for the nine months ended September 30, 2008 and 2007:

	4.125%	5.00% (2005)	4.50%	5.00% (2005B)	6.25%
			(in thousands)		
Shares outstanding at January 1, 2008	3	5	3,450	5,750	144
Conversion/exchange of preferred for common stock	—	—	(891)	(3,654)	—
Shares outstanding at September 30, 2008	3	5	2,559	2,096	144
Shares outstanding at January 1, 2007 and September 30, 2007	3	4,600	3,450	5,750	2,300

In connection with the exchanges and conversions noted above, we recorded losses of $25 million and $67 million in the Current Quarter and the Current Period, respectively. In general, the loss is equal to the excess of the fair value of all common stock exchanged over the fair value of the common stock issuable pursuant to the original conversion terms of the preferred stock.

During the Current Period, a holder of our 4.50% cumulative convertible preferred stock exchanged 891,100 shares for 2,227,750 shares of our common stock in a privately negotiated transaction.

During the Current Period, 3,654,385 shares of our 5.0% (series 2005B) cumulative convertible preferred stock were exchanged for 10,443,642 shares of common stock in privately negotiated exchange transactions.

During the Current Period, holders of our 4.125% cumulative convertible preferred stock converted 29 shares into 1,743 shares of common stock, and during the Prior Period, a holder of our 4.125% cumulative convertible preferred stock converted 3 shares into 180 shares of common stock.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Stock-Based Compensation

Chesapeake's stock-based compensation programs consist of restricted stock and stock options issued to employees and non-employee directors. To the extent compensation cost relates to employees directly involved in natural gas and oil exploration and development activities, such amounts are capitalized to natural gas and oil properties. Amounts not capitalized are recognized as general and administrative expenses, production expenses, natural gas and oil marketing expenses or service operations expense. We recorded the following stock-based compensation during the Current Quarter, the Prior Quarter, the Current Period and the Prior Period:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	($ in millions)			
Natural gas and oil properties	$ 30	$ 23	$ 81	$ 45
General and administrative expenses	26	19	66	41
Production expenses	8	7	22	12
Natural gas and oil marketing expenses	3	2	8	3
Service operations expense	2	1	4	2
Total	$ 69	$ 52	$ 181	$ 103

Restricted Stock. Chesapeake regularly issues shares of restricted common stock to employees and to non-employee directors. The fair value of the awards issued is determined based on the fair market value of the shares on the date of grant. This value is amortized over the vesting period, which is generally four or five years from the date of grant for employees and three years for non-employee directors.

A summary of the changes in unvested shares of restricted stock during the Current Period is presented below:

	Number of Unvested Restricted Shares	Weighted Average Grant-Date Fair Value
Unvested shares as of January 1, 2008	19,688,759	$ 32.42
Granted	6,223,714	$ 53.24
Vested	(3,818,427)	$ 28.02
Forfeited	(744,276)	$ 36.95
Unvested shares as of September 30, 2008	21,349,770	$ 39.12

The aggregate intrinsic value of restricted stock vested during the Current Period was approximately $209 million based on the stock price at the time of vesting.

As of September 30, 2008, there was $713 million of total unrecognized compensation cost related to unvested restricted stock. The cost is expected to be recognized over a weighted average period of 2.82 years.

The vesting of certain restricted stock grants results in state and federal income tax benefits related to the difference between the market price of the common stock at the date of vesting and the date of grant. During the Current Quarter, the Prior Quarter, the Current Period and the Prior Period, we recognized excess tax benefits related to restricted stock of $18 million, $3 million, $27 million and $4 million, respectively, which were recorded as adjustments to additional paid-in capital and deferred income taxes.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Stock Options. Prior to 2006, we granted stock options under several stock compensation plans. Outstanding options expire ten years from the date of grant and vest over a four-year period.

The following table provides information related to stock option activity during the Current Period:

	Number of Shares Underlying Options	Weighted Average Exercise Price Per Share	Weighted Average Contract Life in Years	Aggregate Intrinsic Value[(a)] ($ in millions)
Outstanding at January 1, 2008	4,445,455	$ 7.55	4.37	$ 141
Exercised	(1,522,413)	$ 6.60		$ 64
Forfeited	(1,000)	$ 15.48		
Expired	(133)	$ 9.57		
Outstanding at September 30, 2008	2,921,909	$ 8.04	3.78	$ 81
Exercisable at September 30, 2008	2,918,784	$ 8.03	3.78	$ 81

(a) The intrinsic value of a stock option is the amount by which the current market value or the market value upon exercise of the underlying stock exceeds the exercise price of the option.

As of September 30, 2008, unrecognized compensation cost related to unvested stock options was nominal.

During the Current Quarter, the Prior Quarter, the Current Period and the Prior Period, we recognized excess tax benefits related to stock options of $3 million, $2 million, $15 million and $9 million, respectively, which were recorded as adjustments to additional paid-in capital and deferred income taxes.

6. Senior Notes and Revolving Bank Credit Facility

Our total debt consisted of the following as of September 30, 2008 and December 31, 2007:

	September 30, 2008	December 31, 2007
	($ in millions)	
7.5% Senior Notes due 2013	$ 364	$ 364
7.625% Senior Notes due 2013	500	500
7.0% Senior Notes due 2014	300	300
7.5% Senior Notes due 2014	300	300
6.375% Senior Notes due 2015	600	600
7.75% Senior Notes due 2015[a]	—	300
6.625% Senior Notes due 2016	600	600
6.875% Senior Notes due 2016	670	670
6.25% Euro-denominated Senior Notes due 2017[b]	845	876
6.5% Senior Notes due 2017	1,100	1,100
6.25% Senior Notes due 2018	600	600
7.25% Senior Notes due 2018	800	—
6.875% Senior Notes due 2020	500	500
2.75% Contingent Convertible Senior Notes due 2035[c]	690	690
2.5% Contingent Convertible Senior Notes due 2037[c]	1,650	1,650
2.25% Contingent Convertible Senior Notes due 2038[c]	1,380	—
Revolving bank credit facility	3,474	1,950
Discount on senior notes	(90)	(105)
Interest rate derivatives[d]	62	55
Total notes payable and long-term debt	$ 14,345	$ 10,950

(a) The 7.75% Senior Notes due 2015 were redeemed on July 7, 2008 in order to re-finance a portion of our long-term debt at a lower rate of interest. In connection with the transaction we recorded a $31 million loss which consisted of a $12 million premium and $19 million of discounts, interest rate derivatives and deferred charges associated with the notes.

(b) The principal amount shown is based on the dollar/euro exchange rate of $1.4081 to €1.00 and $1.4603 to €1.00 as of September 30, 2008 and December 31, 2007, respectively. See Note 2 for information on our related cross currency swap.

(c) The holders of our contingent convertible senior notes may require us to repurchase, in cash, all or a portion of their notes at 100% of the principal amount of the notes on any of four dates that are five, ten, fifteen and twenty years before the maturity date. The notes are convertible, at the holder's option, prior to maturity under certain circumstances into cash and, if applicable, shares of our common stock using a net share settlement process. One such triggering circumstance is that the price of our common stock exceeds a threshold amount during a specified period in a fiscal quarter. Convertibility based on common stock price is measured quarter by quarter. In the third quarter of 2008, the price of our common stock was below the threshold level for each series of the contingent convertible senior notes during the specified period and, as a result, the holders do not have the option to convert their notes into cash and common stock in the fourth quarter of 2008 under this provision. The notes are also convertible, at the holder's option, during specified five-day periods if the trading price of the notes is below certain levels determined by reference to the trading price of our common stock. In general, upon conversion of a contingent convertible senior note, the holder will receive cash equal to the principal amount of the note and common stock for the note's conversion value in excess of such principal amount. We will pay contingent interest on the convertible senior notes after they have been outstanding at least ten years, under certain conditions. We may redeem the convertible senior notes once they have been outstanding for ten years at a redemption price of 100% of the principal amount of the notes, payable in cash. The optional repurchase dates, the common stock price conversion threshold amounts and the ending date of the first six-month period contingent interest may be payable for the contingent convertible senior notes are as follows:

Contingent Convertible Senior Notes	Repurchase Dates	Common Stock Price Conversion Thresholds	Contingent Interest First Payable (if applicable)
2.75% due 2035	November 15, 2015, 2020, 2025, 2030	$ 48.83	May 14, 2016
2.5% due 2037	May 15, 2017, 2022, 2027, 2032	$ 64.47	November 14, 2017
2.25% due 2038	December 15, 2018, 2023, 2028, 2033	$ 107.36	June 14, 2019

(d) See Note 2 for discussion related to these instruments.

No scheduled principal payments are required under our senior notes until 2013 when $864 million is due.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Our outstanding senior notes are unsecured senior obligations of Chesapeake that rank equally in right of payment with all of our existing and future senior indebtedness and rank senior in right of payment to all of our future subordinated indebtedness. We may redeem the senior notes, other than the contingent convertible senior notes, at any time at specified make-whole or redemption prices. Senior notes issued before July 2005 are governed by indentures containing covenants that limit 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; incur liens; enter into sale/leaseback transactions; create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries; engage in transactions with affiliates; sell assets; and consolidate, merge or transfer assets. Senior notes issued after June 2005 are governed by indentures containing covenants that limit our ability and our subsidiaries' ability to incur certain secured indebtedness; enter into sale/leaseback transactions; and consolidate, merge or transfer assets.

Chesapeake is a holding company and owns no operating assets and has no significant operations independent of its subsidiaries. As of September 30, 2008, our obligations under our outstanding senior notes were fully and unconditionally guaranteed, jointly and severally, by all of our wholly-owned subsidiaries, other than minor subsidiaries, on a senior unsecured basis. In October 2008, we restructured our non-Appalachian midstream operations, as described in Note 11. As a result, certain of our wholly-owned subsidiaries having significant assets and operations do not presently guarantee our outstanding senior notes.

We have a $3.5 billion syndicated revolving bank credit facility which matures in November 2012. As of September 30, 2008, we had $3.474 billion in outstanding borrowings under our facility and utilized approximately $14 million of the facility for various letters of credit. To ensure that our revolving bank credit facility could be fully utilized in these turbulent economic times, we borrowed the remaining capacity under our facility at the end of the Current Quarter and invested the cash proceeds in short-term U.S. Treasury and other highly liquid securities. As a result, on September 30, 2008, we had cash and cash equivalents on hand of approximately $1.964 billion. All 36 lenders that participate in our revolving bank credit facility fully funded their commitment, with the exception of LBCB, a subsidiary of Lehman, which did not fund its $11 million share of the advance. See *Concentration of Credit Risk* in Note 2.

Borrowings under our facility are secured by certain producing natural gas and oil properties and bear interest at our option at either (i) the greater of the reference rate of Union Bank of California, N.A. or the federal funds effective rate plus 0.50% or (ii) the London Interbank Offered Rate (LIBOR), plus a margin that varies from 0.75% to 1.50% per annum according to our senior unsecured long-term debt ratings. The collateral value and borrowing base are determined periodically. The unused portion of the facility is subject to a commitment fee that also varies according to our senior unsecured long-term debt ratings, from 0.125% to 0.30% per annum. Currently, the commitment fee rate is 0.20% per annum. Interest is payable quarterly or, if LIBOR applies, it may be payable at more frequent intervals.

The credit facility agreement contains various covenants and restrictive provisions which limit our ability to incur additional indebtedness, make investments or loans and create liens. The credit facility agreement requires us to maintain an indebtedness to total capitalization ratio (as defined) not to exceed 0.70 to 1 and an indebtedness to EBITDA ratio (as defined) not to exceed 3.75 to 1. As defined by the credit facility agreement, our indebtedness to total capitalization ratio was 0.47 to 1 and our indebtedness to EBITDA ratio was 2.48 to 1 at September 30, 2008. If we should fail to perform our obligations under these and other covenants, the revolving credit commitment could be terminated and any outstanding borrowings under the facility could be declared immediately due and payable. Such acceleration , if involving a principal amount of $10 million ($50 million in the case of our senior notes issued after 2004), would constitute an event of default under our senior note indentures, which could in turn result in the acceleration of a significant portion of our senior note indebtedness. The credit facility agreement also has cross default provisions that apply to other indebtedness we may have with an outstanding principal amount in excess of $75 million.

Two of our subsidiaries, Chesapeake Exploration, L.L.C. and Chesapeake Appalachia, L.L.C., are the borrowers under our revolving bank credit facility. The facility is fully and unconditionally guaranteed, on a joint and several basis, by Chesapeake and all of our other wholly owned restricted subsidiaries.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

7. Segment Information

In accordance with Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information, we have two reportable operating segments. Our exploration and production operational segment and natural gas and oil marketing segment are managed separately because of the nature of their products and services. The exploration and production segment is responsible for finding and producing natural gas and oil. As of September 30, 2008, the marketing segment was responsible for gathering, processing, compressing, transporting and selling natural gas and oil primarily from Chesapeake-operated wells. We also have drilling rig and trucking operations which are responsible for providing drilling rigs primarily used on Chesapeake-operated wells and trucking services utilized in the transportation of drilling rigs on both Chesapeake-operated wells and wells operated by third parties.

Management evaluates the performance of our segments based upon income (loss) before income taxes. Revenues from the marketing segment's sale of natural gas and oil related to Chesapeake's ownership interests are reflected as exploration and production revenues. Such amounts totaled $1.591 billion, $843 million, $4.667 billion and $2.441 billion for the Current Quarter, the Prior Quarter, the Current Period and the Prior Period, respectively. The following table presents selected financial information for Chesapeake's operating segments. Our drilling rig and trucking service operations are presented in "Other Operations".

	Exploration and Production	Marketing	Other Operations	Intercompany Eliminations	Consolidated Total
			($ in millions)		
For the Three Months Ended September 30, 2008:					
Revenues	$ 6,408	$ 2,629	$ 164	$ (1,710)	$ 7,491
Intersegment revenues	—	(1,591)	(119)	1,710	—
Total revenues	$ 6,408	$ 1,038	$ 45	$ —	$ 7,491
Income (loss) before income taxes	$ 5,370	$ 19	$ 21	$ (23)	$ 5,387
For the Three Months Ended September 30, 2007:					
Revenues	$ 1,492	$ 1,344	$ 133	$ (942)	$ 2,027
Intersegment revenues	—	(843)	(99)	942	—
Total revenues	$ 1,492	$ 501	$ 34	$ —	$ 2,027
Income before income taxes	$ 586	$ 11	$ 38	$ (35)	$ 600
For the Nine Months Ended September 30, 2008:					
Revenues	$ 5,587	$ 7,601	$ 467	$ (5,007)	$ 8,648
Intersegment revenues	—	(4,667)	(340)	5,007	—
Total revenues	$ 5,587	$ 2,934	$ 127	$ —	$ 8,648
Income (loss) before income taxes	$ 2,528	$ 49	$ 67	$ (69)	$ 2,575
For the Nine Months Ended September 30, 2007:					
Revenues	$ 4,164	$ 3,887	$ 357	$ (2,697)	$ 5,711
Intersegment revenues	—	(2,441)	(256)	2,697	—
Total revenues	$ 4,164	$ 1,446	$ 101	$ —	$ 5,711
Income before income taxes	$ 1,813	$ 29	$ 104	$ (94)	$ 1,852
As of September 30, 2008:					
Total assets	$ 37,423	$ 2,926	$ 644	$ (975)	$ 40,018
As of December 31, 2007:					
Total assets	$ 29,317	$ 1,759	$ 487	$ (829)	$ 30,734

8. Natural Gas and Oil Properties

Joint Ventures

On July 1, 2008, we entered into a joint venture with Plains Exploration & Production Company to develop our Haynesville Shale leasehold in Northwest Louisiana and East Texas. Under the terms of the joint venture, Plains acquired a 20% interest in our approximately 550,000 net acres of Haynesville Shale leasehold for $1.65 billion in cash, subject to normal post-closing adjustments. Plains has also agreed to fund 50% of our 80% share of the costs associated with drilling and completing future Haynesville Shale joint venture wells over a multi-year period, up to an additional $1.65 billion. In addition, Plains has the right to a 20% participation in any additional leasehold we acquire in the Haynesville Shale. Cash proceeds from the sale were reflected as a reduction of natural gas and oil properties for accounting purposes, with no gain or loss recognized. PXP's commitment to fund 50% of our share of future drilling and completion costs (up to $1.65 billion) is expected to reduce DD&A expense by reducing the amount of capital we would invest to develop our Haynesville properties.

On September 5, 2008, we entered into a joint venture with BP America Inc. to develop our Fayetteville Shale leasehold in Arkansas. Under the terms of the joint venture, BP acquired a 25% interest in our approximately 540,000 net acres of Fayetteville Shale leasehold for $1.1 billion in cash, which was paid at closing. BP has also agreed to pay $800 million by funding 100% of Chesapeake's 75% share of drilling and completion expenditures until the $800 million obligation has been funded. In addition, BP has the right to a 25% participation in any additional leasehold we acquire in the Fayetteville Shale. Cash proceeds from the sale were reflected as a reduction of natural gas and oil properties for accounting purposes, with no gain or loss recognized. BP's commitment to fund our share of future drilling and completion costs (up to $800 million) is expected to reduce DD&A expense by reducing the amount of capital we would invest to develop our Fayetteville properties.

Volumetric Production Payments

On May 1, 2008, we sold certain long-lived producing assets in Texas, Oklahoma and Kansas in a volumetric production payment transaction for net proceeds of $616 million. These assets had estimated proved reserves of approximately 94 bcfe and current net production (at the time of sale) of approximately 47 mmcfe per day. Chesapeake retained drilling rights on the properties below currently producing intervals.

On August 1, 2008, we completed another volumetric production payment transaction with estimated proved reserves of approximately 93 bcfe and current net production (at the time of sale) of approximately 46 mmcfe per day from wells in the Anadarko Basin of Oklahoma. This transaction resulted in net proceeds to us of $594 million. For accounting purposes, these transactions were treated as sales of natural gas and oil properties with no gain or loss recognized and our proved reserves were reduced accordingly.

Divestitures

On August 8, 2008, BP America Inc. acquired all of our interests in approximately 90,000 net acres of leasehold and producing natural gas properties in the Arkoma Basin Woodford Shale play for $1.7 billion in cash. The properties were producing approximately 50 mmcfe per day (at the time of sale).

Also in the Current Period, we sold non-core natural gas and oil assets in the Rocky Mountains and in the Mid-Continent for proceeds of $243 million.

9. Fair Value Measurements

Effective January 1, 2008, we adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements for our financial assets and liabilities measured on a recurring basis. This statement establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, which delayed the effective date of SFAS No. 157 by one year for nonfinancial assets and liabilities.

SFAS 157 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-level hierarchy is used. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or a liability, into three levels. Level 1 inputs are unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the financial asset or liability and have the lowest priority. Chesapeake uses appropriate valuation techniques based on available inputs, including counterparty quotes, to measure the fair values of its assets and liabilities. Counterparty quotes are generally assessed as a Level 3 input.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2008.

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
		($ in millions)		
Financial Assets (Liabilities):				
Cash equivalents	$ 1,964	$ —	$ —	$ 1,964
Derivatives, net	$ —	$ 406	$ (480)	$ (74)
Investments	$ 44	$ —	$ —	$ 44
Other long-term assets	$ 23	$ —	$ —	$ 23
Long-term debt	$ —	$ —	$ (2,275)	$ (2,275)
Other long-term liabilities	$ (23)	$ —	$ —	$ (23)

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the table above.

Level 1 Fair Value Measurements

Cash Equivalents. The fair value of cash equivalents is based on quoted market prices.

Investments. The fair value of Chesapeake's investment in Gastar Exploration Ltd. common stock is based on a quoted market price.

Other Long-Term Assets and Liabilities. The fair value of other long-term assets and liabilities, consisting of our Deferred Compensation Plan, is based on quoted market prices.

Level 2 Fair Value Measurements

Derivatives. The fair values of our natural gas swaps are measured internally using established index prices and other sources. These values are based upon, among other things, futures prices and time to maturity.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Level 3 Fair Value Measurements

Derivatives. The fair values of our derivatives, excluding natural gas swaps, are based on estimates provided by our respective counterparties and reviewed internally using established index prices and other sources. These values are based upon, among other things, futures prices, interest rate curves and time to maturity.

Debt. The fair value of our long-term debt is based on face value of the debt along with the value of the related interest rate swaps. The interest rate swap values are based on estimates provided by our respective counterparties and reviewed internally for reasonableness using future interest rate curves and time to maturity.

A reconciliation of Chesapeake's assets and liabilities classified as Level 3 measurements is presented below.

	Derivatives	Debt	Total
		($ in millions)	
Balance of Level 3 as of January 1, 2008	$ (340)	$ (2,404)	$ (2,744)
Total gains or losses (realized/unrealized):			
Included in earnings[(a)]	409	29	438
Included in other comprehensive income (loss)	(82)	—	(82)
Purchases, issuances and settlements	(467)	100[(b)]	(367)
Transfers in and out of Level 3	—	—	—
Balance of Level 3 as of September 30, 2008	$ (480)	$ (2,275)	$ (2,755)

(a)

	Natural Gas and Oil Revenue	Interest
	($ in millions)	
Total gains and losses related to derivatives included in earnings for the period	$ 430	$ (21)
Change in unrealized gains or losses relating to assets still held at reporting date	$ 138	$ (22)

(b) Amount represents debt now recorded at fair value as a result of new interest rate swaps entered into in the Current Period.

10. Recently Issued and Proposed Accounting Standards

The FASB recently issued the following standards which were reviewed by Chesapeake to determine the potential impact on our financial statements upon adoption.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This statement expands the use of fair value measurement and applies to entities that elect the fair value option. The fair value option established by this statement permits all entities to choose to measure eligible items at fair value at specified election dates. This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2007. Since we have not elected to adopt the fair value option for eligible items, SFAS No. 159 has not had an impact on our financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51*. This statement requires an entity to separately disclose non-controlling interests as a separate component of equity in the balance sheet and clearly identify on the face of the income statement net income related to non-controlling interests. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. We are currently assessing the impact, if any, the adoption of this statement will have on our financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141 (R), *Business Combinations*. This statement requires assets acquired and liabilities assumed to be measured at fair value as of the acquisition date, acquisition-related costs incurred prior to the acquisition to be expensed and contractual contingencies to be recognized at fair value as of the acquisition date. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. We are currently assessing the impact, if any, the adoption of this statement will have on our financial position, results of operations or cash flows.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133*. This statement changes the disclosure requirements for derivative instruments and hedging activities. The statement requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently assessing the impact that adoption of this statement will have on our financial disclosures.

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*. FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon either mandatory or optional conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*. The accounting prescribed by FSP APB 14-1 would increase the amount of interest expense required to be recognized with respect to such instruments and, thus, lower reported net income and net income per share of issuers of such instruments. Issuers will have to account for the liability and equity components of the instrument separately and in a manner that reflects interest expense at the interest rate of similar nonconvertible debt. We have three debt series that will be affected by the guidance, our 2.75% Contingent Convertible Senior Notes due 2035, our 2.5% Contingent Convertible Senior Notes due 2037 and our 2.25% Contingent Convertible Senior Notes due 2038. This staff position is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008 and must be applied on a retrospective basis. We are currently assessing the impact that adoption of this staff position will have on our consolidated financial position, results of operations or cash flows.

In June 2008, the FASB issued FSP Emerging Issues Task Force (EITF) No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. FSP EITF 03-6-1 addresses whether instruments granted in share-based payments transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, *Earnings per Share*. FSP EITF No. 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. FSP EITF No. 03-6-1 is effective for fiscal years beginning after December 15, 2008; earlier application is not permitted. We are currently evaluating the impact, if any, the adoption of FSP EITF No. 03-6-1 will have on our financial position, results of operations or cash flows.

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. FSP FAS 157-3 clarifies the application of FASB statement No. 157, *Fair Value Measurements*, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP is effective upon issuance and will not have a material impact on our financial position, results of operations or cash flows.

11. Subsequent Events

In early October 2008, Chesapeake designated its midstream wholly-owned subsidiaries as unrestricted subsidiaries under each of Chesapeake's indentures and its $3.5 billion revolving bank credit agreement. On October 16, 2008, one of these unrestricted subsidiaries, Chesapeake Midstream Operating, L.L.C., entered into a $460 million syndicated revolving bank credit facility which matures in October 2013. Borrowings under the midstream revolving credit facility will be used to fund capital expenditures and working capital associated with our midstream operations.

Subsequent to September 30, 2008, holders of certain of our contingent convertible senior notes exchanged their senior notes for shares of common stock in privately negotiated exchanges as summarized below (in millions):

Contingent Convertible Senior Notes	Principal Amount	Number of Common Shares
2.75% due 2035	$ 160	5.8
2.50% due 2037	$ 262	8.1
2.25% due 2038	$ 219	5.5

The difference between the face value of the notes that were exchanged and the fair value of the common stock issued will be treated as a gain on the cancellation of indebtedness.

ITEM 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

The following table sets forth certain information regarding the production volumes, natural gas and oil sales, average sales prices received, other operating income and expenses for the three and nine months ended September 30, 2008 (the "Current Quarter" and the "Current Period") and the three and nine months ended September 30, 2007 (the "Prior Quarter" and the "Prior Period"):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net Production:				
Natural gas (mmcf)	196,657	170,325	579,423	467,197
Oil (mbbls)	2,810	2,680	8,372	7,147
Natural gas equivalent (mmcfe)	213,517	186,405	629,655	510,079
Natural Gas and Oil Sales ($ in millions):				
Natural gas sales	$ 1,717	$ 971	$ 5,046	$ 2,918
Natural gas derivatives – realized gains (losses)	(140)	290	(174)	890
Natural gas derivatives – unrealized gains (losses)	3,854	73	325	(58)
Total natural gas sales	5,431	1,334	5,197	3,750
Oil sales	319	190	915	443
Oil derivatives – realized gains (losses)	(106)	(4)	(280)	26
Oil derivatives – unrealized gains (losses)	764	(28)	(245)	(55)
Total oil sales	977	158	390	414
Total natural gas and oil sales	$ 6,408	$ 1,492	$ 5,587	$ 4,164
Average Sales Price (excluding all gains (losses) on derivatives):				
Natural gas ($ per mcf)	$ 8.73	$ 5.71	$ 8.71	$ 6.25
Oil ($ per bbl)	$ 113.53	$ 70.76	$ 109.28	$ 61.91
Natural gas equivalent ($ per mcfe)	$ 9.54	$ 6.23	$ 9.47	$ 6.59
Average Sales Price (excluding unrealized gains (losses) on derivatives):				
Natural gas ($ per mcf)	$ 8.02	$ 7.41	$ 8.41	$ 8.15
Oil ($ per bbl)	$ 75.74	$ 69.25	$ 75.82	$ 65.55
Natural gas equivalent ($ per mcfe)	$ 8.38	$ 7.76	$ 8.75	$ 8.39
Other Operating Income[(a)] ($ in millions):				
Natural gas and oil marketing	$ 24	$ 18	$ 70	$ 52
Service operations	$ 8	$ 11	$ 23	$ 34
Other Operating Income ($per mcfe):				
Natural gas and oil marketing	$ 0.11	$ 0.10	$ 0.11	$ 0.10
Service operations	$ 0.04	$ 0.06	$ 0.04	$ 0.07
Expenses ($ per mcfe):				
Production expenses	$ 1.12	$ 0.89	$ 1.04	$ 0.90
Production taxes	$ 0.41	$ 0.30	$ 0.40	$ 0.30
General and administrative expenses	$ 0.50	$ 0.33	$ 0.46	$ 0.33
Natural gas and oil depreciation, depletion and amortization	$ 2.25	$ 2.57	$ 2.41	$ 2.58
Depreciation and amortization of other assets	$ 0.23	$ 0.24	$ 0.20	$ 0.24
Interest expense[(b)]	$ 0.26	$ 0.52	$ 0.35	$ 0.52
Interest Expense ($ in millions):				
Interest expense	$ 51	$ 98	$ 220	$ 266
Interest rate derivatives – realized (gains) losses	5	(1)	1	—
Interest rate derivatives – unrealized (gains) losses	(8)	19	(9)	13
Total interest expense	$ 48	$ 116	$ 212	$ 279
Net Wells Drilled	455	529	1,388	1,480
Net Producing Wells as of the End of the Period	22,475	20,932	22,475	20,932

(a) Includes revenue and operating costs.

(b) Includes the effects of realized gains (losses) from interest rate derivatives, but excludes the effects of unrealized gains (losses) and is net of amounts capitalized.

We are the largest producer of natural gas in the United States. We own interests in approximately 40,500 producing natural gas and oil wells that are currently producing approximately 2.3 bcfe per day, 92% of which is natural gas. Our strategy is focused on discovering, acquiring and developing conventional and unconventional natural gas reserves onshore in the U.S..

Our most important operating area has historically been the *Mid-Continent* region of Oklahoma, Arkansas, southwestern Kansas and the Texas Panhandle. At September 30, 2008, 46% of our estimated proved natural gas and oil reserves were located in the Mid-Continent region. However, during the past five years, we have established a top-two position in the four major unconventional plays onshore in the U.S., including the Barnett Shale in the *Fort Worth Basin* in north-central Texas; the Haynesville Shale in the *Ark-La-Tex* area of East Texas and northern Louisiana; the Fayetteville Shale in the *Arkoma Basin* of Arkansas; and the Marcellus and Lower Huron Shales in the *Appalachian Basin* of Kentucky, West Virginia, Pennsylvania and New York. In addition, we are pursuing other unconventional plays in the *Anadarko Basin* of western Oklahoma, the *Ardmore Basin* of southern Oklahoma, the *Arkoma Basin* of eastern Oklahoma and the *Permian and Delaware Basins* of West Texas and eastern New Mexico.

During the Current Period, Chesapeake continued the industry's most active drilling program and drilled 1,435 gross (1,193 net) operated wells and participated in another 1,439 gross (195 net) wells operated by other companies. The company's drilling success rate was 99% for company-operated wells and 97% for non-operated wells. Also during the Current Period, we invested $3.852 billion in operated wells (using an average of 148 operated rigs) and $576 million in non-operated wells (using an average of 118 non-operated rigs) for total drilling, completing and equipping costs of $4.428 billion.

Chesapeake began 2008 with estimated proved reserves of 10.879 tcfe and ended the Current Period with 12.075 tcfe, an increase of 1.196 tcfe, or 11%. During the Current Period, we replaced 630 bcfe of production with an internally estimated 1.826 tcfe of new proved reserves, for a reserve replacement rate of 290%. Reserve replacement through the drillbit was 2.286 tcfe, or 363% of production, including 1.128 tcfe of positive performance revisions and 13 bcfe of positive revisions resulting from natural gas and oil price increases between December 31, 2007 and September 30, 2008. Reserve replacement through the acquisition of proved reserves was 165 bcfe. During the Current Period, we divested 638 bcfe of estimated proved reserves. Based on our current drilling schedule and budget, we expect that virtually all of the proved undeveloped reserves added in 2008 will begin producing within the next three to five years. Generally, proved developed reserves are producing at the time they are added or will begin producing within one year.

Since 2000, Chesapeake has invested $13.3 billion in new leasehold (net of divestitures) and 3-D seismic acquisitions and now owns the largest combined inventories of onshore leasehold (15.6 million net acres) and 3-D seismic (21.1 million acres) in the U.S. On this leasehold, the company has approximately 37,000 net drillsites representing more than a 10-year inventory of drilling projects.

Our net debt as a percentage of total capitalization (total capitalization is the sum of net debt and stockholders' equity) was 43% as of September 30, 2008 and 47% as of December 31, 2007. The average maturity of our long-term debt is over eight years with an average interest rate of approximately 5.4%. No scheduled principal payments are required under our senior notes until 2013 when $864 million is due.

Business Strategy

In response to a decrease in natural gas prices since June 30, 2008, the current global economic outlook and concerns about a potential over supply of natural gas in the U.S. market, we have reduced our planned capital expenditures during the second half of 2008 through year-end 2010. Our current budgeted capital expenditures for drilling, leasehold and producing property acquisitions, geophysical costs, and additions to midstream, compression and other property and equipment are $2.4 billion to $2.8 billion in the fourth quarter of 2008 and $7.0 billion to $8.3 billion in 2009. We will continue to evaluate market conditions and natural gas prices and further reduce our capital expenditures if necessary.

We anticipate that our remaining 2008 and 2009 budgeted exploration and development capital expenditures, together with other capital expenditure requirements, will exceed our cash flow from operations and our borrowing capacity under our revolving credit facilities. To create additional value from our proved and unproved properties, to provide for our anticipated cash requirements and to generate excess cash to increase our financial flexibility, we expect to continue to engage in asset monetization transactions, including sales of producing properties, undeveloped acreage and non-strategic assets, additional joint venture arrangements and the sale of volumetric production payments, and we may consider alternative sources of public or private investment in the company or its subsidiaries. Our current budgeted cash inflows for these types of transactions are $2.5 billion to $3.0 billion in the fourth quarter of 2008 and $2.3 billion to $3.3 billion in 2009. While we believe that some or all of these sources of liquidity will be available to us, as they have been in 2008 to date, we will further curtail our capital spending if we are unable to access sufficient cash to fund our presently planned levels of capital spending and operations.

Since March 31, 2008, as detailed below, we have completed significant transactions that have provided approximately $10.4 billion of new capital. In each case, we used the proceeds to temporarily repay outstanding indebtedness under our revolving bank credit facility, which we have reborrowed to fund capital expenditures, and for other general corporate purposes, including the redemption of our 7.75% Senior Notes due 2015 ($300 million principal amount). In addition, up to $2.45 billion of our future drilling and completion costs in the Haynesville Shale and Fayetteville Shale will be funded by our joint venture partners.

On April 2, 2008, we issued 23 million shares of our common stock in a public offering at a price of $45.75 per share, and on July 15, 2008, we issued 28.75 million shares of our common stock in a public offering at a price of $57.25 per share. On May 20, 2008, we completed public offerings of $800 million of our 7.25% Senior Notes due 2018 and $1.380 billion of our 2.25% Contingent Convertible Senior Notes due 2038. We received aggregate net proceeds of approximately $4.734 billion from these four offerings. The availability of any additional capital from the public or private markets is uncertain at this time.

On May 1, 2008, we completed a volumetric production payment (VPP) transaction involving approximately 94 bcfe of estimated proved reserves and current net production (at the time of sale) of approximately 47 mmcfe per day from wells in Texas, Oklahoma and Kansas. This transaction resulted in net proceeds to us of $616 million. On August 1, 2008, we completed another VPP transaction with estimated proved reserves of approximately 93 bcfe and current net production (at the time of sale) of approximately 46 mmcfe per day from wells in the Anadarko Basin in Oklahoma. This transaction resulted in net proceeds to us of $594 million. This was our third VPP transaction and we expect to raise additional capital by this means in the fourth quarter of 2008 and in 2009.

On July 1, 2008, we entered into a joint venture with Plains Exploration & Production Company to develop our Haynesville Shale leasehold in Northwest Louisiana and East Texas. Under the terms of the joint venture, Plains acquired a 20% interest in our approximately 550,000 net acres of Haynesville Shale leasehold for $1.65 billion in cash, subject to customary post-closing adjustments. Plains has also agreed to fund 50% of our 80% share of the costs associated with drilling and completing future Haynesville Shale joint venture wells over a multi-year period, up to an additional $1.65 billion. In addition, Plains will have the right to a 20% participation in any additional leasehold we acquire in the Haynesville Shale.

On September 5, 2008, we entered into a joint venture with BP America Inc. to develop our Fayetteville Shale leasehold in Arkansas. Under the terms of the joint venture, BP acquired a 25% interest in our approximately 540,000 net acres of Fayetteville Shale leasehold for $1.1 billion in cash paid at closing. BP will pay an additional $800 million by funding 100% of Chesapeake's 75% share of drilling and completion expenditures until the $800 million obligation has been funded. In addition, BP has the right to a 25% participation in any additional leasehold we acquire in the Fayetteville Shale.

We are presently in joint venture negotiations for our Marcellus Shale play on a promoted basis as well. These joint ventures allow us to generate profits from the sale of a portion of our leasehold in the joint venture areas, recover much or all of our initial leasehold investments in these plays, reduce our ongoing capital costs and minimize future risks.

On August 8, 2008, BP America Inc. acquired all of our interests in approximately 90,000 net acres of leasehold and producing natural gas properties in the Arkoma Basin Woodford Shale play for $1.7 billion in cash. The properties, which are located in Atoka, Coal, Hughes and Pittsburg counties, Oklahoma, were producing approximately 50 mmcfe per day at the time of sale.

We have resumed plans to sell either a minority interest in our non-Appalachian midstream natural gas business or specific midstream assets. Proceeds from any sale will be used to fund a portion of the costs associated with building the midstream infrastructure in various shale plays, primarily in the Haynesville Shale. On October 16, 2008, we closed a new secured revolving bank credit facility for the midstream operations. The facility matures in October 2013 and has initial availability of $460 million.

Management believes that our planned leasehold and development joint ventures and various asset monetization programs benefit the company in several ways. We will be able to improve our asset base, reduce our financial risk, decrease our DD&A rate and increase our profitability per unit of production, thereby increasing our returns on capital and advancing future value creation.

Liquidity and Capital Resources

Sources and Uses of Funds

Cash flow from operations is a significant source of liquidity used to fund operating expenses and capital expenditures. Cash provided by operating activities was $4.305 billion in the Current Period compared to $3.389 billion in the Prior Period. The $916 million increase in the Current Period was primarily due to higher natural gas and oil prices and higher volumes of natural gas and oil production. Changes in cash flow from operations are largely due to the same factors that affect our net income, excluding non-cash items such as depreciation, depletion and amortization, deferred income taxes and unrealized gains and (losses) on derivatives. See the discussion below under *Results of Operations*.

Changes in market prices for natural gas and oil directly impact the level of our cash flow from operations. While a decline in natural gas or oil prices would affect the amount of cash flow that would be generated from operations, we currently have hedged through swaps and collars 73% of our expected remaining natural gas and oil production in 2008 and 67% of our expected natural gas and oil production in 2009 at average prices of $9.09 and $8.65 per mcfe, respectively. Our natural gas and oil hedges as of September 30, 2008 are detailed in Item 3 of Part I of this report. Depending on changes in natural gas and oil futures markets and management's view of underlying natural gas and oil supply and demand trends, we may increase or decrease our current hedging positions.

As of September 30, 2008, we had a net natural gas and oil derivative asset of $46 million. We satisfy commodity derivative liabilities from a portion of the proceeds of natural gas and oil production sold at market prices during the period of contract settlement (which will occur through 2022). We have arrangements with our hedging counterparties that allow us to minimize the potential liquidity impact of significant mark-to-market fluctuations in the value of our natural gas and oil hedges by making collateral allocations from our bank credit facility or directly pledging natural gas and oil properties, rather than posting cash or letters of credit with the counterparties.

Our $3.5 billion bank credit facility and cash and cash equivalents are other sources of liquidity. At November 6, 2008, there was no borrowing capacity available under the revolving bank credit facility; however, we had approximately $800 million of cash on hand and $378 million of borrowing capacity under the midstream credit facility. We use the facilities and cash on hand to fund daily operating activities and acquisitions as needed. We borrowed $12.831 billion and repaid $11.307 billion in the Current Period, and we borrowed $5.949 billion and repaid $4.177 billion in the Prior Period.

On April 2, 2008, we issued 23 million shares of our common stock in a public offering at a price of $45.75 per share, and on July 15, 2008, we issued 28.75 million shares of common stock in a public offering at a price of $57.25 per share. On May 20, 2008 we completed public offerings of $800 million of our 7.25% Senior Notes due 2018 and $1.380 billion of our 2.25% Contingent Convertible Senior Notes due 2038. These four offerings resulted in aggregate net proceeds to us of approximately $4.734 billion, which we used to fund the redemption of our 7.75% Senior Notes due 2015 and to temporarily repay indebtedness outstanding under our revolving bank credit facility. The following table reflects the proceeds from sales of securities we issued in the Current Period and the Prior Period ($ in millions):

	For the Nine Months Ended September 30,			
	2008		2007	
	Total Proceeds	Net Proceeds	Total Proceeds	Net Proceeds
Common stock	$ 2,698	$ 2,598	$ —	$ —
Contingent convertible unsecured senior notes	1,380	1,349	1,650	1,607
Unsecured senior notes guaranteed by subsidiaries	800	787	—	—
Total	$ 4,878	$ 4,734	$ 1,650	$ 1,607

In May 2008, we sold a portion of our proved reserves in certain producing assets in Texas, Oklahoma and Kansas in a VPP transaction for proceeds of approximately $616 million, net of transaction costs. We completed another VPP transaction in August 2008, when we sold a portion of our proved reserves in certain producing assets in the Anadarko Basin of Oklahoma for proceeds of approximately $594 million, net of transaction costs.

Our primary use of funds is for capital expenditures related to exploration, development and acquisition of natural gas and oil properties. We refer you to the table under *Investing Activities* below, which sets forth the components of our natural gas and oil investing activities for the Current Period and the Prior Period. We retain a significant degree of control over the timing of our capital expenditures which permits us to defer or accelerate certain capital expenditures if necessary to address any potential liquidity issues. In addition, higher drilling and field operating costs, drilling results that alter planned development schedules, acquisitions or other factors could cause us to revise our drilling program, which is largely discretionary.

We paid dividends on our common stock of $106 million and $85 million in the Current Period and the Prior Period, respectively. The board of directors increased the quarterly dividend on common stock from $0.0675 to $0.075 per share beginning with the dividend paid in July 2008. Dividends paid on our preferred stock decreased to $29 million in the Current Period from $78 million in the Prior Period as a result of conversions and exchanges of preferred stock into common stock during the Current Period and 2007. We received $8 million from the exercise of employee and director stock options in both the Current Period and the Prior Period.

In the Current Period and Prior Period, we paid $146 million and $65 million, respectively, to settle a portion of the derivative liabilities assumed in our November 2005 acquisition of Columbia Natural Resources, LLC.

SFAS 123(R) requires tax benefits resulting from stock-based compensation deductions in excess of amounts reported for financial reporting purposes to be reported as cash flows from financing activities. In the Current Period and the Prior Period, we reported a tax benefit from stock-based compensation of $42 million and $13 million, respectively.

Outstanding payments from certain disbursement accounts in excess of funded cash balances where no legal right of set-off exists increased $210 million in the Current Period and decreased $54 million in the Prior Period. All disbursements are funded on the day they are presented to our bank using available cash on hand or draws on our revolving bank credit facility.

Credit Risk

A significant portion of our liquidity is concentrated in both cash and cash equivalents and derivative instruments. On September 30, 2008, our cash and cash equivalents were invested in money market funds with investment grade ratings. A significant portion of these funds was invested at the close of business on September 19, 2008, and is protected under the U.S. Treasury Department's Temporary Guarantee Program. The remaining funds were spread among several counterparties to mitigate the risk. Derivative instruments enable us to hedge a portion of our exposure to natural gas and oil prices and interest rate volatility. These arrangements expose us to credit risk from our counterparties. To mitigate this risk, we enter into derivative contracts only with investment grade rated counterparties deemed by management to be competent and competitive market makers and spread our instruments among multiple counterparties such that no single counterparty represents a material credit risk to the company. Recently there have been concerns about the ability of certain counterparties to continue to meet their financial obligations. We monitor the credit worthiness of all our counterparties and do not believe a failure by a counterparty would have a material negative impact on our liquidity.

Our accounts receivable are primarily from purchasers of natural gas and oil ($865 million at September 30, 2008) and exploration and production companies which own interests in properties we operate ($320 million at September 30, 2008). This industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that our customers and joint working interest owners may be similarly affected by changes in economic, industry or other conditions. We generally require letters of credit or parental guarantees for receivables from parties which are judged to have sub-standard credit, unless the credit risk can otherwise be mitigated.

Investing Activities

Cash used in investing activities increased to $8.201 billion during the Current Period, compared to $6.488 billion during the Prior Period. We have continued our active drilling program and our acquisitions are focused on leasehold and property acquisitions needed for planned natural gas and oil development. Our investing activities during the Current Period and the Prior Period reflect our increasing focus on converting our resource inventory into production, redeploying our capital by selling natural gas and oil properties with lower rates of return and increasing our investment in properties with higher return potential, and investing in drilling rigs, midstream systems, compressors and other property and equipment to support our natural gas and oil exploration, development and production activities. We have significantly decreased our budget for natural gas and oil investing activities in 2009. The following table shows our cash used in (provided by) investing activities during these periods:

	Nine Months Ended September 30,	
	2008	2007
	($ in millions)	
Natural Gas and Oil Investing Activities:		
Exploration and development of natural gas and oil properties	$ 4,407	$ 3,525
Acquisition of leasehold and unproved properties	6,932	1,703
Acquisitions of natural gas and oil companies and proved properties, net of cash acquired	368	446
Geological and geophysical costs	234	245
Interest on leasehold and unproved properties	289	182
Proceeds from sale of volumetric production payment	(1,210)	—
Divestitures of proved and unproved properties and leasehold	(4,666)	—
Total natural gas and oil investing activities	6,354	6,101
Other Investing Activities:		
Additions to other property and equipment	1,969	1,005
Proceeds from sale of drilling rigs and equipment	(46)	(322)
Proceeds from sale of compressors	(114)	(147)
Additions to (proceeds from) investments	59	(117)
Sale of other assets	(21)	(32)
Total other investing activities	1,847	387
Total cash used in investing activities	$ 8,201	$ 6,488

Bank Credit and Hedging Facilities

We have a $3.5 billion syndicated revolving bank credit facility that matures in November 2012. As of September 30, 2008, we had $3.474 billion in outstanding borrowings under this facility and had utilized approximately $14 million of the facility for various letters of credit. To ensure that our revolving credit facility could be fully utilized in these turbulent economic times, we borrowed the remaining capacity under our facility at the end of the Current Quarter and invested the cash proceeds in short-term U.S. Treasury and other highly liquid securities. As a result, on September 30, 2008, we had cash and cash equivalents on hand of approximately $1.964 billion. All 36 lenders that participate in our revolving credit facility fully funded their commitment, with the exception of Lehman Brothers Commercial Bank, a subsidiary of Lehman Brothers Holdings Inc., which has filed for bankruptcy protection. Lehman Brothers Commercial Bank did not fund its $11 million share of the advance.

Borrowings under the facility are secured by certain producing natural gas and oil properties and bear interest at our option at either (i) the greater of the reference rate of Union Bank of California, N.A., or the federal funds effective rate plus 0.50% or (ii) London Interbank Offered Rate (LIBOR), plus a margin that varies from 0.75% to 1.50% per annum according to our senior unsecured long-term debt ratings. The collateral value and borrowing base are redetermined periodically. The unused portion of the facility is subject to a commitment fee that also varies according to our senior unsecured long-term debt ratings, from 0.125% to 0.30% per annum. Currently the commitment fee is 0.20% per annum. Interest is payable quarterly or, if LIBOR applies, it may be payable at more frequent intervals. Our subsidiaries, Chesapeake Exploration, L.L.C. and Chesapeake Appalachia, L.L.C., are the borrowers under our revolving bank credit facility and Chesapeake and all its other wholly-owned restricted subsidiaries are guarantors.

The credit facility agreement contains various covenants and restrictive provisions which limit our ability to incur additional indebtedness, make investments or loans and create liens. The credit facility agreement requires us to maintain an indebtedness to total capitalization ratio (as defined) not to exceed 0.70 to 1 and an indebtedness to EBITDA ratio (as defined) not to exceed 3.75 to 1. As defined by the credit facility agreement, our indebtedness to total capitalization ratio was 0.47 to 1 and our indebtedness to EBITDA ratio was 2.48 to 1 at September 30, 2008. If we should fail to perform our obligations under these and other covenants, the revolving credit commitment could be terminated and any outstanding borrowings under the facility could be declared immediately due and payable. Such acceleration, if involving a principal amount of $10 million ($50 million in the case of our senior notes issued after 2004), would constitute an event of default under our senior note indentures, which could in turn result in the acceleration of a significant portion of our senior note indebtedness. The credit facility agreement also has cross default provisions that apply to other indebtedness of the company and its restricted subsidiaries that we may have with an outstanding principal amount in excess of $75 million.

On October 16, 2008, we closed a new secured revolving bank credit facility for our non-Appalachian midstream operations, which have recently been restructured under a new unrestricted subsidiary, Chesapeake Midstream Partners, L.P. (CMP). Twelve financial institutions are in the facility bank group. The facility matures in October 2013, has initial availability of $460 million and may be expanded up to $750 million at CMP's option, subject to additional bank participation. CMP plans to utilize the facility to fund capital expenditures associated with building additional natural gas gathering and other systems associated with our drilling program and for general corporate purposes related to our midstream operations.

The midstream credit facility agreement contains various covenants and restrictive provisions which limit the ability of CMP and its subsidiaries to incur additional indebtedness, make investments or loans and create liens. The credit facility agreement requires maintenance of an indebtedness to EBITDA ratio (as defined) not to exceed 3.50 to 1, and an EBITDA (as defined) to interest expense coverage ratio of not less than 2.50 to 1. If CMP or its subsidiaries should fail to perform their obligations under these and other covenants, the revolving credit commitment could be terminated and any outstanding borrowings under the midstream facility could be declared immediately due and payable. The midstream credit facility agreement also has cross default provisions that apply to other indebtedness CMP and its subsidiaries may have with an outstanding principal amount in excess of $15 million.

We have six secured hedging facilities, each of which permits us to enter into cash-settled natural gas and oil commodity transactions, valued by the counterparty, for up to a stated maximum value. Outstanding transactions under each facility are collateralized by certain of our natural gas and oil properties that do not secure any of our other obligations. The value of reserve collateral pledged to each facility is required to be at least 1.3 or 1.5 times the fair value of transactions outstanding under each facility. In addition, we may pledge collateral from our revolving bank credit facility, from time to time, to these facilities to meet any additional collateral coverage requirements. The hedging facilities are subject to an annual exposure fee, which is assessed quarterly based on the average of the daily negative fair value amounts of the hedges, if any, during the quarter. The hedging facilities contain the standard representations and default provisions that are typical of such agreements. The agreements also contain various restrictive provisions which govern the aggregate natural gas and oil production volumes that we are permitted to hedge under all of our agreements at any one time. The fair value of outstanding transactions, per annum exposure fees and the scheduled maturity dates are shown below.

	Secured Hedging Facilities[a]					
	#1	#2	#3	#4	#5	#6
	($ in millions)					
Fair value of outstanding transactions, as of September 30, 2008	$ 88	$ (91)	$ (160)	$ (9)	$ 203	$ (195)
Per annum exposure fee	1%	1%	0.8%	0.8%	0.8%	0.8%
Scheduled maturity date	2010	2013	2020	2012	2012	2012

(a) Chesapeake Exploration, L.L.C. is the named party to the facilities numbered 1 – 3 and Chesapeake Energy Corporation is the named party to the facilities numbered 4 – 6.

Our revolving bank credit facility, the midstream credit facility and the secured hedging facilities do not contain material adverse change or adequate assurance covenants. Although the applicable interest rates and commitment fees in our revolving bank credit facility fluctuate slightly based on our long-term senior unsecured credit ratings, neither of our credit facilities nor the secured hedging facilities contain provisions which would trigger an acceleration of amounts due under the facilities or a requirement to post additional collateral in the event of a downgrade of our credit ratings.

Senior Note Obligations

In addition to outstanding revolving bank credit facility borrowings discussed above, as of September 30, 2008, senior notes represented approximately $10.9 billion of our total debt and consisted of the following ($ in millions):

7.5% Senior Notes due 2013	$ 364
7.625% Senior Notes due 2013	500
7.0% Senior Notes due 2014	300
7.5% Senior Notes due 2014	300
6.375% Senior Notes due 2015	600
7.75% Senior Notes due 2015[(a)]	—
6.625% Senior Notes due 2016	600
6.875% Senior Notes due 2016	670
6.25% Euro-denominated Senior Notes due 2017[(b)]	845
6.5% Senior Notes due 2017	1,100
6.25% Senior Notes due 2018	600
7.25% Senior Notes due 2018	800
6.875% Senior Notes due 2020	500
2.75% Contingent Convertible Senior Notes due 2035[(c)]	690
2.5% Contingent Convertible Senior Notes due 2037[(c)]	1,650
2.25% Contingent Convertible Senior Notes due 2038[(c)]	1,380
Discount on senior notes	(90)
Interest rate derivatives[(d)]	62
Total notes payable and long-term debt	$10,871

(a) The 7.75% Senior Notes due 2015 were redeemed on July 7, 2008 in order to re-finance a portion of our long-term debt at a lower rate of interest. In connection with the transaction we recorded a $31 million loss which consisted of a $12 million premium and $19 million of discounts, interest rate derivatives and deferred charges associated with the notes.

(b) The principal amount shown is based on the dollar/euro exchange rate of $1.4081 to €1.00 as of September 30, 2008. See Note 2 of our accompanying condensed consolidated financial statements for information on our related cross currency swap.

(c) The holders of our contingent convertible senior notes may require us to repurchase, in cash, all or a portion of their notes at 100% of the principal amount of the notes on any of four dates that are five, ten, fifteen and twenty years before the maturity date. The notes are convertible, at the holder's option, prior to maturity under certain circumstances, into cash and, if applicable, shares of our common stock using a net share settlement process. One such triggering circumstance is that the price of our common stock exceeds a threshold amount during a specified period in a fiscal quarter. Convertibility based on common stock price is measured quarter by quarter. In the third quarter of 2008, the price of our common stock was below the threshold level for each series of the contingent convertible senior notes during the specified period and, as a result, the holders do not have the option to convert their notes into cash and common stock in the fourth quarter of 2008 under this provision. The notes are also convertible, at the holder's option, during specified five-day periods if the trading price of the notes is below certain levels determined by reference to the trading price of our common stock. In general, upon conversion of a contingent convertible senior note, the holder will receive cash equal to the principal amount of the note and common stock for the note's conversion value in excess of such principal amount. We will pay contingent interest on the convertible senior notes after they have been outstanding at least ten years, under certain conditions. We may redeem the convertible senior notes once they have been outstanding for ten years at a redemption price of 100% of the principal amount of the notes, payable in cash. The optional repurchase dates, the common stock price conversion threshold amounts and the ending date of the first six-month period contingent interest may be payable for the contingent convertible senior notes are as follows:

Contingent Convertible Senior Notes	Repurchase Dates	Common Stock Price Conversion Thresholds	Contingent Interest First Payable (if applicable)
2.75% due 2035	November 15, 2015, 2020, 2025, 2030	$ 48.83	May 14, 2016
2.5% due 2037	May 15, 2017, 2022, 2027, 2032	$ 64.47	November 14, 2017
2.25% due 2038	December 15, 2018, 2023, 2028, 2033	$ 107.36	June 14, 2019

(d) See Note 2 for discussion related to these instruments.

Other Contractual Obligations

Chesapeake has various financial obligations which are not recorded as liabilities in its condensed consolidated balance sheet at September 30, 2008. These include commitments related to drilling rig and compressor leases, transportation and drilling contracts and lending and guarantee agreements. These commitments are discussed in Note 3 of our condensed consolidated financial statements included in Part I of this report.

Union Contract

As a result of the CNR acquisition, we assumed a collective bargaining agreement with the United Steel Workers of America ("USWA") which expired effective December 1, 2006, covering approximately 145 of our field employees in West Virginia and Kentucky. We continued to operate under the terms of the collective bargaining agreement while negotiating with the USWA. Contract negotiations began in October 2006 and have been mediated by the Federal Mediation and Conciliation Service. On May 4, 2007, we presented the USWA leadership our "last, best and final offer". On December 7, 2007, the USWA membership voted to reject our offer. The company declared an impasse and, effective February 1, 2008, we implemented the terms of our offer with certain minor clarifications. Subsequently, the union filed three separate unfair labor practice charges. One charge was dismissed by the National Labor Relations Board, one charge was settled by mutual agreement, and the final charge is being addressed through the normal grievance process. There have been no strikes, work stoppages or slowdowns since the expiration of the contract, although no assurances can be given that such actions will not occur.

Results of Operations – Three Months Ended September 30, 2008 vs. September 30, 2007

General. For the Current Quarter, Chesapeake had a net income of $3.313 billion, or $5.61 per diluted common share, on total revenues of $7.491 billion. This compares to net income of $372 million, or $0.72 per diluted common share, on total revenues of $2.027 billion during the Prior Quarter. The Current Quarter increase is due primarily to an unrealized non-cash mark-to-market gain of $4.618 billion related to future period natural gas and oil hedges resulting primarily from lower natural gas and oil prices as of September 30, 2008 compared to June 30, 2008.

Natural Gas and Oil Sales. During the Current Quarter, natural gas and oil sales were $6.408 billion compared to $1.492 billion in the Prior Quarter. In the Current Quarter, Chesapeake produced 213.5 bcfe at a weighted average price of $8.38 per mcfe, compared to 186.4 bcfe produced in the Prior Quarter at a weighted average price of $7.76 per mcfe (weighted average prices exclude the effect of unrealized gains or (losses) on natural gas and oil derivatives of $4.618 billion and $45 million in the Current Quarter and Prior Quarter, respectively). In the Current Quarter, the increase in prices resulted in an increase in revenue of $133 million and increased production resulted in a $210 million increase, for a total increase in revenues of $343 million (excluding unrealized gains or losses on natural gas and oil derivatives). The increase in production from the Prior Quarter to the Current Quarter was primarily generated from the drillbit.

For the Current Quarter, we realized an average price per mcf of natural gas of $8.02, compared to $7.41 in the Prior Quarter (weighted average prices for both quarters discussed exclude the effect of unrealized gains or losses on derivatives). Oil prices realized per barrel (excluding unrealized gains or losses on derivatives) were $75.74 and $69.25 in the Current Quarter and Prior Quarter, respectively. Realized gains or losses from our natural gas and oil derivatives resulted in a net decrease in natural gas and oil revenues of $246 million, or $1.15 per mcfe, in the Current Quarter and an increase of $286 million, or $1.53 per mcfe, in the Prior Quarter.

Changes in natural gas and oil prices have a significant impact on our natural gas and oil revenues and cash flow. Assuming the Current Quarter production levels, a change of $0.10 per mcf of natural gas sold would have resulted in an increase or decrease in revenues and cash flow of approximately $20 million and $19 million, respectively, and a change of $1.00 per barrel of oil sold would have resulted in an increase or decrease in revenues and cash flow of approximately $3 million without considering the effect of derivative activities.

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

	For the Three Months Ended September 30,			
	2008		2007	
	Mmcfe	Percent	Mmcfe	Percent
Mid-Continent[a][b]	104,046	49%	97,775	52%
Barnett Shale	47,713	22	23,960	13
Permian and Delaware Basins	20,180	10	18,322	10
South Texas and Texas Gulf Coast	16,818	8	19,582	10
Ark-La-Tex	15,243	7	14,492	8
Appalachian Basin[c]	9,517	4	12,274	7
Total production	213,517	100%	186,405	100%

(a) The Current Quarter was impacted by the sale of 4.2 bcf and 2.9 bcf of production in VPP transactions that closed on May 1, 2008 and August 1, 2008, respectively.

(b) The Current Quarter was impacted by the sale of 3.0 bcf and 1.1 bcf of production in the BP Arkoma and BP Fayetteville divestitures, respectively.

(c) The Current Quarter was impacted by the sale of 4.6 bcf of production in a VPP transaction that closed on December 31, 2007.

Natural gas production represented approximately 92% in the Current Quarter and approximately 91% in the Prior Quarter of our total production volume on a natural gas equivalent basis.

Natural Gas and Oil Marketing Sales and Operating Expenses. Natural gas and oil marketing activities are substantially for third parties who are owners in Chesapeake-operated wells. Chesapeake realized $1.038 billion in natural gas and oil marketing sales in the Current Quarter, with corresponding natural gas and oil marketing expenses of $1.014 billion, for a net margin before depreciation of $24 million. This compares to sales of $501 million, expenses of $483 million and a net margin before depreciation of $18 million in the Prior Quarter. In the Current Quarter, Chesapeake realized an increase in natural gas and oil marketing net margin due to the increase in production on Chesapeake-operated wells and an increase in natural gas and oil prices.

Service Operations Revenue and Operating Expenses. Service operations consist of third-party revenue and operating expenses related to our drilling and oilfield trucking operations. These operations have grown as a result of assets and businesses we acquired and leased. Chesapeake recognized $45 million in service operations revenue in the Current Quarter with corresponding service operations expense of $37 million, for a net margin before depreciation of $8 million. This compares to revenue of $34 million, expenses of $23 million and a net margin before depreciation of $11 million in the Prior Quarter.

Production Expenses. Production expenses, which include lifting costs and ad valorem taxes, were $239 million in the Current Quarter compared to $165 million in the Prior Quarter. On a unit-of-production basis, production expenses were $1.12 per mcfe in the Current Quarter compared to $0.89 per mcfe in the Prior Quarter. The increase in the Current Quarter was primarily due to higher third-party field service costs, energy costs, fuel costs, ad valorem taxes and personnel costs. We expect that production expenses for the fourth quarter of 2008 will range from $1.00 to $1.15 per mcfe produced.

Production Taxes. Production taxes were $87 million in the Current Quarter compared to $56 million in the Prior Quarter. On a unit-of-production basis, production taxes were $0.41 per mcfe in the Current Quarter compared to $0.30 per mcfe in the Prior Quarter. The $31 million increase in production taxes in the Current Quarter is due to an increase in production of 27 bcfe and an increase in the realized average sales price of natural gas and oil of $3.31 per mcfe (excluding gains or losses on derivatives).

In general, production taxes are calculated using value-based formulas that produce higher per unit costs when natural gas and oil prices are higher. We expect production taxes for the fourth quarter of 2008 to range from $0.30 to $0.35 per mcfe based on NYMEX prices ranging from $6.50 to $7.50 per mcf of natural gas and oil prices of $60.00 per barrel.

General and Administrative Expenses. General and administrative expenses, including stock-based compensation but excluding internal costs capitalized to our natural gas and oil properties, were $108 million in the Current Quarter and $62 million in the Prior Quarter. General and administrative expenses were $0.50 and $0.33 per mcfe for the Current Quarter and Prior Quarter, respectively. The increase in the Current Quarter was the result of increasing labor costs due to the company's continued growth as well as increased media and advocacy expenditures. Included in general and administrative expenses is stock-based compensation of $26 million and $19 million for the Current Quarter and Prior Quarter, respectively. This increase was mainly due to an increase in the number of unvested restricted shares outstanding during the Current Quarter. We anticipate that general and administrative expenses for the fourth quarter of 2008 will be between $0.43 and $0.50 per mcfe produced (including stock-based compensation ranging from $0.10 to $0.13 per mcfe).

Our stock-based compensation for employees and non-employee directors is in the form of restricted stock. Prior to 2004, stock-based compensation awards were only in the form of stock options. Employee stock-based compensation awards generally vest over a period of four or five years. Our non-employee director awards vest over a period of three years. The discussion of stock-based compensation in Note 5 to the financial statements included in Part I of this report provides additional detail on the accounting for and reporting of our restricted stock and stock options.

Chesapeake follows the full-cost method of accounting under which all costs associated with natural gas and oil property acquisition, exploration and development activities are capitalized. We capitalize internal costs that can be directly identified with our acquisition, exploration and development activities and do not include any costs related to production, general corporate overhead or similar activities. We capitalized $101 million and $76 million of internal costs in the Current Quarter and the Prior Quarter, respectively, directly related to our natural gas and oil property acquisition, exploration and development efforts.

Natural Gas and Oil Depreciation, Depletion and Amortization. Depreciation, depletion and amortization of natural gas and oil properties was $480 million and $479 million during the Current Quarter and the Prior Quarter, respectively. The average DD&A rate per mcfe, which is a function of capitalized costs, future development costs and the related underlying reserves in the periods presented, was $2.25 and $2.57 in the Current Quarter and in the Prior Quarter, respectively. The $0.32 decrease in the average DD&A rate is due primarily to our sales of proved undeveloped leasehold at attractive prices with no corresponding decrease in proved reserves. We expect the DD&A rate for the fourth quarter of 2008 to be between $2.25 and $2.30 per mcfe produced.

Depreciation and Amortization of Other Assets. Depreciation and amortization of other assets was $48 million in the Current Quarter and $44 million in the Prior Quarter. Depreciation and amortization of other assets was $0.23 and $0.24 per mcfe for the Current Quarter and the Prior Quarter, respectively. Property and equipment costs are depreciated on a straight-line basis. Buildings are depreciated over 15 to 39 years, gathering facilities are depreciated over 20 years, drilling rigs are depreciated over 15 years and all other property and equipment are depreciated over the estimated useful lives of the assets, which range from two to seven years. To the extent company-owned drilling rigs and equipment are used to drill our wells, a substantial portion of the depreciation is capitalized in natural gas and oil properties as exploration or development costs. We expect the fourth quarter of 2008 depreciation and amortization of other assets to be between $0.20 and $0.25 per mcfe produced.

Interest and Other Income (Expense). Interest and other income (expense) was ($2) million in the Current Quarter compared to $1 million in the Prior Quarter. The Current Quarter consisted of $5 million of interest income, ($17) million related to equity investments, a $6 million gain on sale of assets and $4 million of miscellaneous income. The Prior Quarter income consisted of $2 million of interest income, ($3) million related to equity investments and $2 million of miscellaneous income.

Interest Expense. Interest expense decreased to $48 million in the Current Quarter compared to $116 million in the Prior Quarter as follows:

	Three Months Ended September 30,	
	2008	2007
	($ in millions)	
Interest expense on senior notes and revolving bank credit facility	$ 173	$ 161
Capitalized interest	(128)	(67)
Realized (gain) loss on interest rate derivatives	5	(1)
Unrealized (gain) loss on interest rate derivatives	(8)	19
Amortization of loan discount and other	6	4
Total interest expense	$ 48	$ 116
Average long-term borrowings	$ 10,929	$ 8,724

Interest expense, excluding unrealized gains or losses on derivatives and net of amounts capitalized, was $0.26 per mcfe in the Current Quarter compared to $0.52 in the Prior Quarter. The decrease in interest expense per mcfe is primarily due to increased production volumes and an increase in capitalized interest. Capitalized interest increased by $61 million as a result of a significant increase in unevaluated properties, the base on which interest is capitalized in the Current Quarter compared to the Prior Quarter. We expect interest expense for the fourth Quarter of 2008 to be between $0.30 and $0.35 per mcfe produced (before considering the effect of interest rate derivatives).

Consent Solicitation Fees. During the Current Quarter, we completed a consent solicitation to amend certain provisions contained in five of our senior note indentures. We paid each holder of the notes who delivered a valid consent prior to the expiration of the consent solicitation a cash consent fee of $3.75 for each $1,000 in principal amount of notes in respect of which such consent was delivered. As a result, we incurred consent solicitation fees of $10 million in the Current Quarter.

Loss on Repurchase of Chesapeake Senior Notes. In the Current Quarter, we repurchased $300 million of our 7.75% Senior Notes due 2015 in order to re-finance a portion of our long-term debt at a lower rate of interest. In connection with the transaction we recorded a $31 million loss which consisted of a $12 million premium and $19 million of discounts, interest rate derivatives and deferred charges associated with the notes.

Income Tax Expense. Chesapeake recorded income tax expense of $2.074 billion in the Current Quarter, compared to income tax expense of $228 million in the Prior Quarter. Of the income tax expense recorded in the Current Quarter, $193 million is reflected as current income tax expense and $1.881 billion is reflected as deferred income tax expense. The divestitures that closed during the Current Quarter are projected to generate sufficient taxable income for the year to exhaust all of our non-limited NOLs and result in a current tax liability for the tax year ended December 31, 2008. Of the $1.846 billion increase in income tax expense recorded in the Current Quarter, $1.819 billion was the result of the increase in net income before income taxes and $27 million was the result of an increase in the effective tax rate. Our effective income tax rate was 38.5% in the Current Quarter and 38% in the Prior Quarter. Our effective tax rate fluctuates as a result of the impact of state income taxes and permanent differences.

Results of Operations – Nine Months Ended September 30, 2008 vs. September 30, 2007

General. For the Current Period, Chesapeake had net income of $1.584 billion, or $2.73 per diluted common share, on total revenues of $8.648 billion. This compares to net income of $1.148 billion, or $2.23 per diluted common share, on total revenues of $5.711 billion during the Prior Period.

Natural Gas and Oil Sales. During the Current Period, natural gas and oil sales were $5.587 billion compared to $4.164 billion in the Prior Period. In the Current Period, Chesapeake produced 629.7 bcfe at a weighted average price of $8.75 per mcfe, compared to 510.1 bcfe produced in the Prior Period at a weighted average price of $8.39 per mcfe (weighted average prices exclude the effect of unrealized gains or (losses) on natural gas and oil derivatives of $80 million and ($113) million in the Current Period and Prior Period, respectively). In the Current Period, the increase in prices resulted in an increase in revenue of $227 million and increased production resulted in a $1.003 billion increase, for a total increase in revenues of $1.230 billion (excluding unrealized gains or losses on natural gas and oil derivatives). The increase in production from the Prior Period to the Current Period was primarily generated from the drillbit.

For the Current Period, we realized an average price per mcf of natural gas of $8.41, compared to $8.15 in the Prior Period (weighted average prices for both periods discussed exclude the effect of unrealized gains or losses on derivatives). Oil prices realized per barrel (excluding unrealized gains or losses on derivatives) were $75.82 and $65.55 in the Current Period and Prior Period, respectively. Realized gains or losses from our natural gas and oil derivatives resulted in a net decrease in natural gas and oil revenues of $454 million, or $0.72 per mcfe, in the Current Period and a net increase of $916 million, or $1.80 per mcfe, in the Prior Period.

Changes in natural gas and oil prices have a significant impact on our natural gas and oil revenues and cash flow. Assuming the Current Period production levels, a change of $0.10 per mcf of natural gas sold would have resulted in an increase or decrease in revenues and cash flow of approximately $58 million and $56 million, respectively, and a change of $1.00 per barrel of oil sold would have resulted in an increase or decrease in revenues and cash flow of approximately $8 million without considering the effect of derivative activities.

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

	For the Nine Months Ended September 30,			
	2008		2007	
	Mmcfe	Percent	Mmcfe	Percent
Mid-Continent[(a)(b)]	317,605	50%	270,655	53%
Barnett Shale	128,998	21	59,162	12
Permian and Delaware Basins	59,167	9	45,529	9
South Texas and Texas Gulf Coast	53,528	9	58,609	11
Ark-La-Tex	43,983	7	41,279	8
Appalachian Basin[(c)]	26,374	4	34,845	7
Total production	629,655	100%	510,079	100%

(a) The Current Period was impacted by the sale of 7.0 bcf and 2.9 bcf of production in VPP transactions that closed on May 1, 2008 and August 1, 2008, respectively.

(b) The Current Period was impacted by the sale of 3.0 bcf and 1.1 bcf of production in the BP Arkoma and BP Fayetteville divestitures, respectively.

(c) The Current Period was impacted by the sale of 13.8 bcf of production in a VPP transaction that closed on December 31, 2007.

Natural gas production represented approximately 92% of our total production volume on a natural gas equivalent basis in both the Current Period and in the Prior Period.

Natural Gas and Oil Marketing Sales and Operating Expenses. Natural gas and oil marketing activities are substantially for third parties who are owners in Chesapeake-operated wells. Chesapeake realized $2.934 billion in natural gas and oil marketing sales in the Current Period, with corresponding natural gas and oil marketing expenses of $2.864 billion, for a net margin before depreciation of $70 million. This compares to sales of $1.446 billion, expenses of $1.394 billion and a net margin before depreciation of $52 million in the Prior Period. In the Current Period, Chesapeake realized an increase in natural gas and oil marketing net margin related to the increase in production on Chesapeake-operated wells and an increase in natural gas and oil prices.

Service Operations Revenue and Operating Expenses. Service operations consist of third-party revenue and operating expenses related to our drilling and oilfield trucking operations. These operations have grown as a result of assets and businesses we acquired and leased. Chesapeake recognized $127 million in service operations revenue in the Current Period with corresponding service operations expense of $104 million, for a net margin before depreciation of $23 million. This compares to revenue of $101 million, expenses of $67 million and a net margin before depreciation of $34 million in the Prior Period.

Production Expenses. Production expenses, which include lifting costs and ad valorem taxes, were $658 million in the Current Period compared to $461 million in the Prior Period. On a unit-of-production basis, production expenses were $1.04 per mcfe in the Current Period compared to $0.90 per mcfe in the Prior Period. The increase in the Current Period was primarily due to higher third-party field service costs, energy costs, fuel costs, ad valorem taxes and personnel costs. We expect that production expenses for the fourth quarter of 2008 will range from $1.00 to $1.15 per mcfe produced.

Production Taxes. Production taxes were $250 million in the Current Period compared to $151 million in the Prior Period. On a unit-of-production basis, production taxes were $0.40 per mcfe in the Current Period compared to $0.30 per mcfe in the Prior Period. The $99 million increase in production taxes in the Current Period is due to an increase in production of 120 bcfe and an increase in the realized average sales price of natural gas and oil of $2.88 per mcfe (excluding gains or losses on derivatives).

In general, production taxes are calculated using value-based formulas that produce higher per unit costs when natural gas and oil prices are higher. We expect production taxes for the fourth quarter of 2008 to range from $0.30 to $0.35 per mcfe based on NYMEX prices ranging from $6.50 to $7.50 per mcf of natural gas and oil prices of $60.00 per barrel.

General and Administrative Expenses. General and administrative expenses, including stock-based compensation but excluding internal costs capitalized to our natural gas and oil properties, were $288 million in the Current Period and $168 million in the Prior Period. General and administrative expenses were $0.46 and $0.33 per mcfe for the Current Period and Prior Period, respectively. The increase in the Current Period was the result of increasing labor costs due to the company's continued growth as well as increased media and advocacy expenditures. Included in general and administrative expenses is stock-based compensation of $66 million and $41 million for the Current Period and Prior Period, respectively. This increase was mainly due to an increase in the number of unvested restricted shares outstanding during the Current Period. We anticipate that general and administrative expenses for the fourth quarter of 2008 will be between $0.43 and $0.50 per mcfe produced (including stock-based compensation ranging from $0.10 to $0.13 per mcfe).

Our stock-based compensation for employees and non-employee directors is in the form of restricted stock. Prior to 2004, stock-based compensation awards were only in the form of stock options. Employee stock-based compensation awards generally vest over a period of four or five years. Our non-employee director awards vest over a period of three years. The discussion of stock-based compensation in Note 5 to the financial statements included in Part I of this report provides additional detail on the accounting for and reporting of our restricted stock and stock options.

Chesapeake follows the full-cost method of accounting under which all costs associated with natural gas and oil property acquisition, exploration and development activities are capitalized. We capitalize internal costs that can be directly identified with our acquisition, exploration and development activities and do not include any costs related to production, general corporate overhead or similar activities. We capitalized $268 million and $186 million of internal costs in the Current Period and the Prior Period, respectively, directly related to our natural gas and oil property acquisition, exploration and development efforts.

Natural Gas and Oil Depreciation, Depletion and Amortization. Depreciation, depletion and amortization of natural gas and oil properties was $1.518 billion and $1.314 billion during the Current Period and the Prior Period, respectively. The average DD&A rate per mcfe, which is a function of capitalized costs, future development costs and the related underlying reserves in the periods presented, was $2.41 and $2.58 in the Current Period and in the Prior Period, respectively. The $0.17 decrease in the average DD&A rate is due primarily to our sales of proved undeveloped leasehold at attractive prices with no corresponding decrease in proved reserves. We expect the DD&A rate for the fourth quarter of 2008 to be between $2.25 and $2.30 per mcfe produced.

Depreciation and Amortization of Other Assets. Depreciation and amortization of other assets was $125 million in the Current Period and $120 million in the Prior Period. Depreciation and amortization of other assets was $0.20 and $0.24 per mcfe for the Current Period and the Prior Period, respectively. The decrease per mcfe in the Current Period was primarily due to higher production volume and sale/leaseback transactions involving drilling rigs and natural gas compressors. Property and equipment costs are depreciated on a straight-line basis. Buildings are depreciated over 15 to 39 years, gathering facilities are depreciated over 20 years, drilling rigs are depreciated over 15 years and all other property and equipment are depreciated over the estimated useful lives of the assets, which range from two to seven years. To the extent company-owned drilling rigs and equipment are used to drill our wells, a substantial portion of the depreciation is capitalized in natural gas and oil properties as exploration or development costs. We expect the fourth quarter of 2008 depreciation and amortization of other assets to be between $0.20 and $0.25 per mcfe produced.

Interest and Other Income (Expense). Interest and other income (expense) was ($13) million in the Current Period compared to $12 million in the Prior Period. The Current Period consisted of $9 million of interest income, ($34) million related to equity investments, a $7 million gain on sale of assets and $5 million of miscellaneous income. The Prior Period consisted of $6 million of interest income, $2 million related to equity investments and $4 million of miscellaneous income.

Interest Expense. Interest expense decreased to $212 million in the Current Period compared to $279 million in the Prior Period as follows:

	Nine Months Ended September 30,	
	2008	2007
	($ in millions)	
Interest expense on senior notes and revolving bank credit facility	$ 509	$ 443
Capitalized interest	(307)	(192)
Realized (gain) loss on interest rate derivatives	1	—
Unrealized (gain) loss on interest rate derivatives	(9)	13
Amortization of loan discount and other	18	15
Total interest expense	$ 212	$ 279
Average long-term borrowings	$ 9,974	$ 7,999

Interest expense, excluding unrealized gains or losses on derivatives and net of amounts capitalized, was $0.35 per mcfe in the Current Period compared to $0.52 in the Prior Period. The decrease in interest expense per mcfe is due to increased production volumes and an increase in capitalized interest. Capitalized interest increased by $115 million as a result of a significant increase in unevaluated properties, the base on which interest is capitalized in the Current Period compared to the Prior Period. We expect interest expense for the fourth quarter of 2008 to be between $0.30 and $0.35 per mcfe produced (before considering the effect of interest rate derivatives).

Loss on Repurchase of Chesapeake Senior Notes. In the Current Period, we repurchased $300 million of our 7.75% Senior Notes due 2015 in order to re-finance a portion of our long-term debt at a lower rate of interest. In connection with the transaction we recorded a $31 million loss which consisted of a $12 million premium and $19 million of discounts, interest rate derivatives and deferred charges associated with the notes.

Consent Solicitation Fees. During the Current Period, we completed a consent solicitation to amend certain provisions contained in five of our senior note indentures. We paid each holder of the notes who delivered a valid consent prior to the expiration of the consent solicitation a cash consent fee of $3.75 for each $1,000 in principal amount of notes in respect of which such consent was delivered. As a result, we incurred consent solicitation fees of $10 million in the Current Period.

Gain on Sale of Investments. In the Prior Period, we sold our 33% limited partnership interest in Eagle Energy Partners I, L.P., which we first acquired in 2003, for proceeds of $126 million and a gain of $83 million.

Income Tax Expense. Chesapeake recorded income tax expense of $991 million in the Current Period, compared to income tax expense of $704 million in the Prior Period. Of the income tax expense recorded in the Current Period, $196 million is reflected as current income tax expense and $795 million is reflected as deferred income tax expense. The divestitures that closed during the Current Period are projected to generate sufficient taxable income for the year to exhaust all of our non-limited NOLs and result in a current tax liability for the tax year ended December 31, 2008. Of the $287 million increase in income tax expense recorded in the Current Period, $274 million was the result of the increase in net income before income taxes and $13 million was the result of an increase in the effective tax rate. Our effective income tax rate was 38.5% in the Current Period and 38% in the Prior Period. Our effective tax rate fluctuates as a result of the impact of state income taxes and permanent differences.

Critical Accounting Policies

We consider accounting policies related to hedging, natural gas and oil properties, income taxes and business combinations to be critical policies. These policies are summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in our annual report on Form 10-K for the year ended December 31, 2007 ("2007 Form 10-K").

Effective January 1, 2008, we adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements for our financial assets and liabilities measured on a recurring basis. This statement establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, which delayed the effective date of SFAS No. 157 by one year for nonfinancial assets and liabilities.

SFAS 157 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-level hierarchy is used. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or a liability, into three levels. Level 1 inputs are unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the financial asset or liability and have the lowest priority. Chesapeake uses appropriate valuation techniques based on available inputs, including counterparty quotes, to measure the fair values of its assets and liabilities. Counterparty quotes are generally assessed as a Level 3 input.

As of September 30, 2008, we had a net derivative liability of $74 million, of which $480 million was based on estimates provided by our respective counterparties and reviewed internally using established indexes and other sources and, as such, are classified as a Level 3 fair value measurement. The accounting applicable to our natural gas and oil derivative contracts is discussed in Note 2 and Note 9 of our condensed consolidated financial statements included in Part I of this report.

Recently Issued and Proposed Accounting Standards

The Financial Accounting Standards Board (FASB) recently issued the following standards which were reviewed by Chesapeake to determine the potential impact on our financial statements upon adoption.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This statement expands the use of fair value measurement and applies to entities that elect the fair value option. The fair value option established by this statement permits all entities to choose to measure eligible items at fair value at specified election dates. This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2007. Since we have not elected to adopt the fair value option for eligible items, SFAS No. 159 has not had an impact on our financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51*. This statement requires an entity to separately disclose non-controlling interests as a separate component of equity in the balance sheet and clearly identify on the face of the income statement net income related to non-controlling interests. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. We are currently assessing the impact, if any, the adoption of this statement will have on our financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141 (R), *Business Combinations*. This statement requires assets acquired and liabilities assumed to be measured at fair value as of the acquisition date, acquisition-related costs incurred prior to the acquisition to be expensed and contractual contingencies to be recognized at fair value as of the acquisition date. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008. We are currently assessing the impact, if any, the adoption of this statement will have on our financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133*. This statement changes the disclosure requirements for derivative instruments and hedging activities. The statement requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently assessing the impact that adoption of this statement will have on our financial disclosures.

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*. FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon either mandatory or optional conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt issued with Stock Purchase Warrants. The accounting prescribed by FSP APB 14-1 would increase the amount of interest expense required to be recognized with respect to such instruments and, thus, lower reported net income and net income per share of issuers of such instruments. Issuers will have to account for the liability and equity components of the instrument separately and in a manner that reflects interest expense at the interest rate of similar nonconvertible debt. We have three debt series that will be affected by the guidance, our 2.75% Contingent Convertible Senior Notes due 2035, our 2.5% Contingent Convertible Senior Notes due 2037 and our 2.25% Contingent Convertible Senior Notes due 2038. This staff position is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008 and must be applied on a retrospective basis. We are currently assessing the impact that adoption of this staff position will have on our consolidated financial position, results of operations or cash flows.

In June 2008, the FASB issued FSP Emerging Issues Task Force (EITF) No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. FSP EITF 03-6-1 addresses whether instruments granted in share-based payments transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, *Earnings per Share*. FSP EITF No. 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. FSP EITF No. 03-6-1 is effective for fiscal years beginning after December 15, 2008; earlier application is not permitted. We are currently evaluating the impact, if any, the adoption of FSP EITF No. 03-6-1 will have on our financial position, results of operations or cash flows.

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. FSP FAS 157-3 clarifies the application of FASB statement No. 157, *Fair Value Measurements*, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP is effective upon issuance and will not have a material impact on our financial position, results of operations or cash flows.

Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give our current expectations or forecasts of future events. They include estimates of natural gas and oil reserves, budgeted capital expenditures, asset monetization plans, expected natural gas and oil production, cash flow and anticipated liquidity, business strategy and other plans and objectives for future operations and expected future expenses. 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 are described under “Risk Factors” in Item 1A of our 2007 Form 10-K and Item 1A of Part II of this report. They include:

- the volatility of natural gas and oil prices,
- the availability of capital on an economic basis to fund our drilling and leasehold acquisition program, including through planned asset monetization transactions,
- our ability to replace reserves and sustain production,
- our level of indebtedness,
- the risk that lenders under our revolving credit facilities will default in funding borrowings as requested,

- the ability and willingness of counterparties to our commodity derivative contracts to perform their obligations,
- the ability and willingness of our joint venture partners to fund their obligations to pay a portion of our future drilling and completion costs,
- a contraction in the demand for natural gas in the U.S. as a result of deteriorating general economic conditions,
- the strength and financial resources of our competitors,
- uncertainties inherent in estimating quantities of natural gas and oil reserves and projecting future rates of production and the timing of development expenditures,
- uncertainties in evaluating natural gas and oil reserves of acquired properties and associated potential liabilities,
- unsuccessful exploration and development drilling,
- declines in the value of our natural gas and oil properties resulting in ceiling test write-downs,
- lower prices realized on natural gas and oil sales and collateral required to secure hedging liabilities resulting from our commodity price risk management activities,
- lower natural gas and oil prices negatively affecting our ability to borrow,
- drilling and operating risks,
- adverse effects of governmental regulation, and
- losses possible from pending or future litigation.

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 report and our other filings 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 Risk***

Natural Gas and Oil Hedging Activities

Our results of operations and operating cash flows are impacted by changes in market prices for natural gas and oil. To mitigate a portion of the exposure to adverse market changes, we have entered into various derivative instruments. As of September 30, 2008, our natural gas and oil derivative instruments were comprised of swaps, basis protection swaps, knockout swaps, cap-swaps, call options, put options and collars. These instruments allow us to predict with greater certainty the effective natural gas and oil prices to be received for our hedged production. Although derivatives often fail to achieve 100% effectiveness for accounting purposes, we believe our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended.

- For swap instruments, Chesapeake receives a fixed price for the hedged commodity and pays a floating market price 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.
- Basis protection swaps are arrangements that guarantee a price differential for natural gas or oil from a specified delivery point. For Mid-Continent basis protection swaps, which typically have negative differentials to NYMEX, Chesapeake receives a payment from the counterparty if the price differential is greater than the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract. For Appalachian Basin basis protection swaps, which typically have positive differentials to NYMEX, Chesapeake receives a payment from the counterparty if the price differential is less than the stated terms of the contract and pays the counterparty if the price differential is greater than the stated terms of the contract.
- For knockout swaps, Chesapeake receives a fixed price and pays a floating market price. The fixed price received by Chesapeake includes a premium in exchange for the possibility to reduce the counterparty's exposure to zero, in any given month, if the floating market price is lower than certain pre-determined knockout prices.

- For cap-swaps, Chesapeake receives a fixed price and pays a floating market price. The fixed price received by Chesapeake includes a premium in exchange for a "cap" limiting the counterparty's exposure. In other words, there is no limit to Chesapeake's exposure but there is a limit to the downside exposure of the counterparty.

- For call options, Chesapeake receives a premium from the counterparty in exchange for the sale of a call option. If the market price exceeds the fixed price of the call option, Chesapeake pays the counterparty such excess. If the market price settles below the fixed price of the call option, no payment is due from Chesapeake.

- For put options, Chesapeake receives a premium from the counterparty in exchange for the sale of a put option. If the market price falls below the fixed price of the put option, Chesapeake pays the counterparty such shortfall. If the market price settles above the fixed price of the put option, no payment is due from Chesapeake.

- 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, Chesapeake receives the fixed price and pays the market price. If the market price is between the call and the put strike price, no payments are due from either party.

Chesapeake enters into counter-swaps from time to time for the purpose of locking-in the value of a swap. Under the counter-swap, Chesapeake receives a floating price for the hedged commodity and pays a fixed price to the counterparty. The counter-swap is 100% effective in locking-in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter-swap. We refer to this locked-in value as a locked swap. Generally, at the time Chesapeake enters into a counter-swap, Chesapeake removes the original swap's designation as a cash flow hedge and classifies the original swap as a non-qualifying hedge under SFAS 133. The reason for this new designation is that collectively the swap and the counter-swap no longer hedge the exposure to variability in expected future cash flows. Instead, the swap and counter-swap effectively lock-in a specific gain or loss that will be unaffected by subsequent variability in natural gas and oil prices. Any locked-in gain or loss is recorded in accumulated other comprehensive income and reclassified to natural gas and oil sales in the month of related production.

In accordance with FASB Interpretation No. 39, to the extent that a legal right of set-off exists, Chesapeake nets the value of its derivative arrangements with the same counterparty in the accompanying condensed consolidated balance sheets.

Gains or losses from certain derivative transactions are reflected as adjustments to natural gas and oil sales on the consolidated statements of operations. Realized gains (losses) are included in natural gas and oil sales in the month of related production. Pursuant to SFAS 133, certain derivatives do not qualify for designation as cash flow hedges. Changes in the fair value of these non-qualifying derivatives that occur prior to their maturity (i.e., temporary fluctuations in value) are reported currently in the condensed consolidated statements of operations as unrealized gains (losses) within natural gas and oil sales. Following provisions of SFAS 133, changes in the fair value of derivative instruments designated as cash flow hedges, to the extent they are effective in offsetting cash flows attributable to the hedged risk, are recorded in other comprehensive income until the hedged item is recognized in earnings. Any change in fair value resulting from ineffectiveness is currently recognized in natural gas and oil sales as unrealized gains (losses). The components of natural gas and oil sales for the Current Quarter, the Prior Quarter, the Current Period and the Prior Period are presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	($ in millions)			
Natural gas and oil sales	$ 2,036	$ 1,161	$ 5,961	$ 3,361
Realized gains (losses) on natural gas and oil derivatives	(246)	286	(454)	916
Unrealized gains (losses) on non-qualifying natural gas and oil derivatives	4,543	73	134	(21)
Unrealized gains (losses) on ineffectiveness of cash flow hedges	75	(28)	(54)	(92)
Total natural gas and oil sales	$ 6,408	$ 1,492	$ 5,587	$ 4,164

As of September 30, 2008, we had the following open natural gas and oil derivative instruments (excluding derivatives assumed through our acquisition of CNR in November 2005) designed to hedge a portion of our natural gas and oil production for periods after September 2008:

	Volume	Weighted Average Fixed Price to be Received	Weighted Average Put Fixed Price	Weighted Average Call Fixed Price	Weighted Average Differential	SFAS 133 Hedge	Net Premiums ($ in millions)	Fair Value at September 30, 2008 ($ in millions)
Natural Gas (bbtu):								
Swaps:								
Q4 2008	75,762	$ 9.08	$ —	$ —	$ —	Yes	$ —	$ 115
Q1 2009	49,519	9.67	—	—	—	Yes	—	82
Q2 2009	57,938	8.97	—	—	—	Yes	—	63
Q3 2009	58,588	9.14	—	—	—	Yes	—	57
Q4 2009	58,427	9.56	—	—	—	Yes	—	55
2010	164,844	9.44	—	—	—	Yes	—	133
2011	34,435	8.45	—	—	—	Yes	—	(3)
2012 – 2017	43,090	8.03	—	—	—	Yes	—	(14)
Other Swaps[(a)]:								
Q4 2008	4,600	8.73	—	—	—	No	—	5
Q1 2009	4,500	10.14	—	—	—	No	—	9
Q2 2009	4,550	9.86	—	—	—	No	—	3
Q3 2009	4,600	9.94	—	—	—	No	—	3
Q4 2009	4,600	10.24	—	—	—	No	—	4
2010	32,850	9.89	—	—	—	No	—	(15)
2011	4,500	8.73	—	—	—	No	—	(4)
Basis Protection Swaps (Mid-Continent):								
Q4 2008	32,094	—	—	—	(0.45)	No	—	71
Q1 2009	26,873	—	—	—	(0.47)	No	—	23
Q2 2009	16,457	—	—	—	(0.27)	No	—	10
Q3 2009	16,821	—	—	—	(0.27)	No	—	8
Q4 2009	16,953	—	—	—	(0.27)	No	—	13
2011	45,090	—	—	—	(0.64)	No	(3)	4
2012 – 2018	57,961	—	—	—	(0.62)	No	(3)	1
Basis Protection Swaps (Appalachian Basin):								
Q4 2008	5,840	—	—	—	0.33	No	—	—
Q1 2009	3,849	—	—	—	0.29	No	—	(1)
Q2 2009	4,178	—	—	—	0.28	No	—	—
Q3 2009	4,448	—	—	—	0.27	No	—	—
Q4 2009	4,438	—	—	—	0.27	No	—	—
2010	10,199	—	—	—	0.26	No	—	(1)
2011	12,086	—	—	—	0.25	No	—	(1)
2012 – 2022	134	—	—	—	0.11	No	—	—
Knockout Swaps:								
Q4 2008	69,910	9.89	6.25	—	—	No	7	128
Q1 2009	78,580	10.26	6.24	—	—	No	5	108
Q2 2009	85,230	9.24	6.09	—	—	No	6	52
Q3 2009	92,540	9.41	6.15	—	—	No	6	27
Q4 2009	99,360	9.87	6.21	—	—	No	6	19
2010	321,150	9.78	6.23	—	—	No	2	74
2011	138,600	9.74	6.31	—	—	No	—	5
2012	18,300	9.60	6.50	—	—	No	—	(4)
Call Options:								
Q4 2008	23,180	—	—	10.45	—	No	23	(2)
Q1 2009	58,050	—	—	11.47	—	No	35	(10)
Q2 2009	55,965	—	—	11.29	—	No	34	(9)
Q3 2009	56,580	—	—	11.31	—	No	35	(18)
Q4 2009	54,750	—	—	11.39	—	No	34	(29)
2010	250,025	—	—	10.78	—	No	223	(114)
2011 – 2017	197,270	—	—	10.82	—	No	210	(121)

	Volume	Weighted Average Fixed Price to be Received	Weighted Average Put Fixed Price	Weighted Average Call Fixed Price	Weighted Average Differential	SFAS 133 Hedge	Net Premiums ($ in millions)	Fair Value at September 30, 2008 ($ in millions)
Put Options:								
Q1 2009	9,000	$ —	$ 5.75	$ —	$ —	No	$ 1	$ (1)
Q2 2009	9,100	—	5.75	—	—	No	1	(1)
Q3 2009	9,200	—	5.75	—	—	No	1	(2)
Q4 2009	9,200	—	5.75	—	—	No	1	(1)
2010	36,500	—	5.75	—	—	No	3	(5)
Collars:								
Q4 2008	1,220	—	7.50	10.20	—	Yes	—	1
Other Collars:								
Q4 2008	4,610	—	8.26	10.38	—	No	4	3
Q1 2009	15,750	—	5.74/8.05	11.34	—	No	—	10
Q2 2009	15,925	—	5.74/8.05	11.10	—	No	(1)	11
Q3 2009	16,100	—	5.74/8.05	11.12	—	No	—	9
Q4 2009	16,100	—	5.74/8.05	11.16	—	No	(1)	4
2010	25,550	—	6.00/7.71	11.46	—	No	21	5
2011 – 2020	113,230	—	6.00/7.19	10.31	—	No	78	(84)
Total Natural Gas							728	675
Oil (mbbls):								
Swaps:								
Q4 2008	598	65.50	—	—	—	Yes	—	(21)
Q1 2009	135	68.02	—	—	—	Yes	—	(4)
Q2 2009	137	67.84	—	—	—	Yes	—	(4)
Q3 2009	138	67.67	—	—	—	Yes	—	(5)
Q4 2009	138	67.54	—	—	—	Yes	—	(5)
Knockout Swaps:								
Q4 2008	828	79.08	55.72	—	—	No	—	(18)
Q1 2009	1,935	83.41	58.21	—	—	No	—	(38)
Q2 2009	1,957	83.37	58.21	—	—	No	—	(43)
Q3 2009	1,978	83.32	58.21	—	—	No	—	(46)
Q4 2009	1,978	83.27	58.21	—	—	No	—	(49)
2010	4,745	90.25	60.00	—	—	No	—	(98)
2011	1,095	104.75	60.00	—	—	No	—	(11)
2012	732	109.50	60.00	—	—	No	—	(6)
Cap-Swaps:								
Q4 2008	276	77.60	55.00	—	—	No	—	(6)
Call Options:								
Q4 2008	890	—	—	86.43	—	No	3	(17)
Q1 2009	2,160	—	—	122.22	—	No	(2)	(15)
Q2 2009	2,184	—	—	122.22	—	No	(2)	(16)
Q3 2009	2,208	—	—	122.22	—	No	(2)	(17)
Q4 2009	2,208	—	—	122.22	—	No	(2)	(18)
2010	10,585	—	—	131.67	—	No	(22)	(62)
2011	3,650	—	—	185.00	—	No	36	(16)
2012	3,660	—	—	185.00	—	No	37	(21)
Other Collars:								
2010	730	—	90.00/80.00	136.40	—	No	—	(4)
Total Oil							46	(540)
Total Natural Gas and Oil							$ 774	$ 135

(a) These include options to extend existing swaps for an additional 12 months at 50,000 mmbtu/day at $8.73 mmbtu, callable by the counterparty in March 2009 and March 2010 and 40,000 mmbtu/day at $11.35/mmbtu, callable by the counterparty in December 2009.

We assumed certain liabilities related to open derivative positions in connection with our acquisition of Columbia Natural Resources, LLC in November 2005. In accordance with SFAS 141, these derivative positions were recorded at fair value in the purchase price allocation as a liability of $592 million. The recognition of the derivative liability and other assumed liabilities resulted in an increase in the total purchase price which was allocated to the assets acquired. Because of this accounting treatment, only cash settlements for changes in fair value subsequent to the acquisition date for the derivative positions assumed result in adjustments to our natural gas and oil revenues upon settlement. For example, if the fair value of the derivative positions assumed does not change, then upon the sale of the underlying production and corresponding settlement of the derivative positions, cash would be paid to the counterparties and there would be no adjustment to natural gas and oil revenues related to the derivative positions. If, however, the actual sales price is different from the price assumed in the original fair value calculation, the difference would be reflected as either a decrease or increase in natural gas and oil revenues, depending upon whether the sales price was higher or lower, respectively, than the prices assumed in the original fair value calculation. For accounting purposes, the net effect of these acquired hedges is that we hedged the production volumes at market prices on the date of our acquisition of CNR.

Pursuant to Statement of Financial Accounting Standards No. 149, *Amendment of SFAS 133 on Derivative Instruments and Hedging Activities*, the derivative instruments assumed in connection with the CNR acquisition are deemed to contain a significant financing element and all cash flows associated with these positions are reported as financing activity in the statement of cash flows for the periods in which settlement occurs.

The following details the assumed CNR derivatives remaining as of September 30, 2008:

	Volume	Weighted Average Fixed Price to be Received	Weighted Average Put Fixed Price	Weighted Average Call Fixed Price	SFAS 133 Hedge	Fair Value at September 30, 2008 ($ in millions)
Natural Gas (bbtu):						
Swaps:						
Q4 2008	9,660	$ 4.66	$ —	$ —	Yes	$ (29)
Q1 2009	4,500	5.18	—	—	Yes	(12)
Q2 2009	4,550	5.18	—	—	Yes	(12)
Q3 2009	4,600	5.18	—	—	Yes	(13)
Q4 2009	4,600	5.18	—	—	Yes	(15)
Collars:						
Q1 2009	900	—	4.50	6.00	Yes	(2)
Q2 2009	910	—	4.50	6.00	Yes	(2)
Q3 2009	920	—	4.50	6.00	Yes	(2)
Q4 2009	920	—	4.50	6.00	Yes	(2)
Total Natural Gas						$ (89)

We have established the fair value of all derivative instruments using estimates of fair value reported by our counterparties and subsequently evaluated internally using established index prices and other sources. The actual contribution to our future results of operations will be based on the market prices at the time of settlement and may be more or less than the fair value estimates used at September 30, 2008.

Based upon the market prices at September 30, 2008, we expect to transfer approximately $163 million (net of income taxes) of the gain included in the balance in accumulated other comprehensive income to earnings during the next 12 months in the related month of production. All transactions hedged as of September 30, 2008 are expected to mature by December 31, 2022.

Additional information concerning the fair value of our natural gas and oil derivative instruments, including CNR derivatives assumed, is as follows:

	2008 ($ in millions)
Fair value of contracts outstanding, as of January 1	$ (369)
Change in fair value of contracts	166
Fair value of contracts when entered into	(589)
Contracts realized or otherwise settled	454
Fair value of contracts when closed	384
Fair value of contracts outstanding, as of September 30	$ 46

The change in the fair value of our derivative instruments since January 1, 2008 resulted from new contracts entered into, the settlement of derivatives for a realized gain (loss), as well as a decrease in natural gas prices. Derivative instruments 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 natural gas and oil as of the consolidated balance sheet date. The derivative settlement amounts are not due and payable until the month in which the related underlying hedged transaction occurs.

Interest Rate Risk

The table below presents principal cash flows and related weighted average interest rates by expected maturity dates.

	Years of Maturity						
	2008	2009	2010	2011	2012	Thereafter	Total
					($ in billions)		
Liabilities:							
Long-term debt – fixed rate[(a)]	$ —	$ —	$ —	$ —	$ —	$ 10.899	$ 10.899
Average interest rate	—	—	—	—	—	5.4%	5.4%
Long-term debt – variable rate	$ —	$ —	$ —	$ —	$ 3.474	$ —	$ 3.474
Average interest rate	—	—	—	—	4.0%	—	4.0%

(a) This amount does not include the discount included in long-term debt of ($90) million and the impact of interest rate derivatives of $62 million.

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 bank credit facility. 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. However, changes in interest rates do affect the fair value of our debt.

Interest Rate Derivatives

We use interest rate derivatives to mitigate our exposure to the volatility in interest rates. For interest rate derivative instruments designated as fair value hedges (in accordance with SFAS 133), changes in fair value are recorded on the condensed consolidated balance sheets as assets (liabilities), and the debt's carrying value amount is adjusted by the change in the fair value of the debt subsequent to the initiation of the derivative. Changes in the fair value of non-qualifying derivatives that occur prior to their maturity (i.e., temporary fluctuations in value) are reported currently in the condensed consolidated statements of operations as unrealized gains (losses) within interest expense.

Gains or losses from certain derivative transactions are reflected as adjustments to interest expense on the condensed consolidated statements of operations. Realized gains (losses) included in interest expense were ($5) million, $1 million, ($1) million and a nominal amount in the Current Quarter, the Prior Quarter, the Current Period and the Prior Period, respectively. Unrealized gains (losses) included in interest expense were $8 million, ($19) million, $9 million and ($13) million in the Current Quarter, the Prior Quarter, the Current Period and the Prior Period, respectively.

As of September 30, 2008, the following interest rate derivatives were outstanding:

	Notional Amount ($ in millions)	Weighted Average Fixed Rate	Weighted Average Floating Rate	Weighted Average Cap/Floor Rate	Fair Value Hedge	Net Premiums ($ in millions)	Fair Value ($ in millions)
Fixed to Floating Swaps:							
January 2008 – November 2020	$ 1,400	6.81%	6 month LIBOR plus 257 basis points	—	Yes	$ —	$ (30)
January 2008 – January 2018	$ 500	6.94%	6 month LIBOR plus 290 basis points	—	No	2	(6)
Floating to Fixed Swaps:							
August 2007 – August 2010	$ 825	4.74%	1 – 3 month LIBOR	—	No	—	(14)
Swaption:							
July 2008 – October 2008	$ 250	6.50%	—	—	No	4	(6)
Call Options:							
January 2008 – July 2010	$ 1,000	6.63%	—	—	No	9	(18)
Collars:							
August 2007 – August 2010	$ 800	—	—	5.37% – 4.52%	No	—	(19)
						$ 15	$ (93)

In the Current Period, we sold call options on five of our interest rate swaps and received $12 million in premiums. Three options were exercised in the Current Period resulting in the termination of three interest rate swaps and one call option expired unexercised. Additionally, we sold two swaptions in the Current Period and received $6 million in net premiums. One swaption was exercised during the Current Period and resulted in a new interest swap.

In the Current Period, we closed 32 interest rate swaps for a gain totaling $72 million. These interest rate swaps were designated as fair value hedges, and the settlement amounts received will be amortized as a reduction to realized interest expense over the remaining term of the related senior notes.

Foreign Currency Derivatives

On December 6, 2006, we issued €600 million of 6.25% Euro-denominated Senior Notes due 2017. Concurrent with the issuance of the Euro-denominated senior notes, we entered into a cross currency swap to mitigate our exposure to fluctuations in the euro relative to the dollar over the term of the notes. Under the terms of the cross currency swap, on each semi-annual interest payment date, the counterparties pay Chesapeake €19 million and Chesapeake pays the counterparties $30 million, which yields an annual dollar-equivalent interest rate of 7.491%. Upon maturity of the notes, the counterparties will pay Chesapeake €600 million and Chesapeake will pay the counterparties $800 million. The terms of the cross currency swap were based on the dollar/euro exchange rate on the issuance date of $1.3325 to €1.00. Through the cross currency swap, we have eliminated any potential variability in Chesapeake's expected cash flows related to changes in foreign exchange rates and therefore the swap qualifies as a cash flow hedge under SFAS 133. The euro-denominated debt is recorded in notes payable ($845 million at September 30, 2008) using an exchange rate of $1.4081 to €1.00. The fair value of the cross currency swap is recorded on the condensed consolidated balance sheet as a liability of $27 million at September 30, 2008.

ITEM 4. *Controls and Procedures*

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed by Chesapeake in reports filed or submitted by it under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. At the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of Chesapeake management, including Chesapeake's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Chesapeake's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15(b). Based upon that evaluation our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

No changes in Chesapeake's internal control over financial reporting occurred during the Current Quarter that have materially affected, or are reasonably likely to materially affect, Chesapeake's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. *Legal Proceedings*

Chesapeake is currently involved in various disputes incidental to its business operations. Certain legal actions brought by royalty owners are discussed in Item 3 of our 2007 Form 10-K. Reference also is made to "Litigation" in Note 3 of the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q, which is incorporated herein by reference. Management is of the opinion that the final resolution of currently pending or threatened litigation is not likely to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

ITEM 1A. *Risk Factors*

Our business has many risks. Factors that could materially adversely affect our business, financial condition, operating results or liquidity and the trading price of our common stock, preferred stock or senior notes are described under "Risk Factors" in Item 1A of our 2007 Form 10-K. This information should be considered carefully, together with the additional risk factor described below and other information in this report and other reports and materials we file with the Securities and Exchange Commission.

The financial crisis may have impacts on our business and financial condition that we currently cannot predict.

The continued credit crisis and related turmoil in the global financial system may have an impact on our business and our financial condition, and we may face challenges if conditions in the financial markets do not improve. Our ability to access the capital markets may be restricted at a time when we would like, or need, to raise capital, which could have an impact on our flexibility to react to changing economic and business conditions. The economic situation could adversely affect the collectability of our trade receivables. Market conditions could cause our commodity hedging arrangements to be ineffective if our counterparties are unable to perform their obligations or seek bankruptcy protection. Additionally, the current economic situation could lead to reduced demand for natural gas and oil, or lower prices for natural gas and oil, or both, which could have a negative impact on our revenues.

ITEM 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

The following table presents information about repurchases of our common stock during the three months ended September 30, 2008:

Period	Total Number of Shares Purchased[a]	Average Price Paid Per Share [a]	Total Number Of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs[b]
July 1, 2008 through July 31, 2008	496,087	$ 66.561	—	—
August 1, 2008 through August 31, 2008	9,542	47.537	—	—
September 1, 2008 through September 30, 2008	51,764	37.707	—	—
Total	557,393	$ 63.556	—	—

(a) Includes the deemed surrender to the company of 43,076 shares of common stock to pay the exercise price in connection with the exercise of employee stock options and the surrender to the company of 514,317 shares of common stock to pay withholding taxes in connection with the vesting of employee restricted stock.

(b) We make matching contributions to our 401(k) plan and 401(k) make-up plan using Chesapeake common stock which is held in treasury or is purchased by the respective plan trustees in the open market. The plans contain no limitation on the number of shares that may be purchased for purposes of company contributions.

During the Current Quarter, a holder of our 2.75% contingent convertible senior notes due 2035 converted $2,000 in principal amount of the notes into $2,000 cash and 8 shares of common stock. The company received notice of conversion on August 4, 2008. The issuance of the shares of common stock was exempt from registration under the Securities Act of 1933 pursuant to Section 3(a)(9) under the Securities Act.

ITEM 3. *Defaults Upon Senior Securities*

Not applicable.

ITEM 4. *Submission of Matters to a Vote of Security Holders*

Not applicable.

ITEM 5. ***Other Information***

Not applicable.

ITEM 6. ***Exhibits***

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

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	SEC File Number	Exhibit	Filing Date	
3.1.1	Chesapeake's Restated Certificate of Incorporation, as amended.	10-Q	001-13726	3.1.1	08/09/2006	
3.1.3	Certificate of Designation of 4.125% Cumulative Convertible Preferred Stock, as amended.	10-Q	001-13726	3.1.3	08/11/2008	
3.1.4	Certificate of Designation of 5% Cumulative Convertible Preferred Stock (Series 2005B).					X
3.1.5	Certificate of Designation of 5% Cumulative Convertible Preferred Stock (Series 2005), as amended.	S-8	333-151762	4.1.6	06/18/2008	
3.1.6	Certificate of Designation of 4.5% Cumulative Convertible Preferred Stock.	10-Q	001-13726	3.1.6	08/11/2008	
3.1.7	Certificate of Designation of 6.25% Mandatory Convertible Preferred Stock, as amended.	10-K	001-13726	3.1.7	02/29/2008	
3.2	Chesapeake's Amended and Restated Bylaws.	8-K	001-13726	3.1	06/13/2007	
4.1.1	Thirteenth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of May 27, 2004 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 7.50% senior notes due 2014.					X
4.2.1	Thirteenth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of August 2, 2004 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 7.00% senior notes due 2014.					X
4.5.1	Sixteenth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of March 5, 2003 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 7.50% senior notes due 2013.					X
4.6.1	Fourteenth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of November 26, 2003 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 6.875% senior notes due 2016.					X
4.7.1	Twelfth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of December 8, 2004 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 6.375% senior notes due 2015.					X
4.8.1	Ninth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of April 19, 2005 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 6.625% senior notes due 2016.					X

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	SEC File Number	Exhibit	Filing Date	
4.9.1	Eighth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of June 20, 2005 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 6.25% senior notes due 2018.					X
4.10.1	Ninth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of August 16, 2005 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 6.50% senior notes due 2017.					X
4.11.1	Eighth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of November 8, 2005 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 6.875% senior notes due 2020.					X
4.12.1	Eighth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of November 8, 2005 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 2.75% contingent convertible senior notes due 2035.					X
4.13.1	Fifth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of June 30, 2006 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 7.625% senior notes due 2013.					X
4.14.1	Fourth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of December 6, 2006 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, The Bank of New York Mellon Trust Company, N.A., as Trustee, AIB/BNY Fund Management (Ireland) Limited, as Irish Paying Agent and Transfer Agent, and The Bank of New York, London Branch, as Registrar, Transfer Agent and Paying Agent, with respect to the 6.25% senior notes due 2017.					X
4.15.1	Third Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of May 15, 2007 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 2.50% contingent convertible senior notes due 2037.					X
4.16.1	First Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of May 27, 2008 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 7.25% senior notes due 2018.					X

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	SEC File Number	Exhibit	Filing Date	
4.17.1	First Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of May 27, 2008 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 2.25% Contingent Convertible Senior Notes due 2038.					X
12	Ratios of Earnings to Fixed Charges and Preferred Dividends.					X
31.1	Aubrey K. McClendon, Chairman and Chief Executive Officer, Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Marcus C. Rowland, Executive Vice President and Chief Financial Officer, Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Aubrey K. McClendon, Chairman and Chief Executive Officer, Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Marcus C. Rowland, Executive Vice President and Chief Financial Officer, Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X

SIGNATURES

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

CHESAPEAKE ENERGY CORPORATION
(Registrant)

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

By: /s/ MARCUS C. ROWLAND
Marcus C. Rowland
Executive Vice President and
Chief Financial Officer

Date: November 10, 2008

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	SEC File Number	Exhibit	Filing Date	
3.1.1	Chesapeake's Restated Certificate of Incorporation, as amended.	10-Q	001-13726	3.1.1	08/09/2006	
3.1.3	Certificate of Designation of 4.125% Cumulative Convertible Preferred Stock, as amended.	10-Q	001-13726	3.1.3	08/11/2008	
3.1.4	Certificate of Designation of 5% Cumulative Convertible Preferred Stock (Series 2005B).					X
3.1.5	Certificate of Designation of 5% Cumulative Convertible Preferred Stock (Series 2005), as amended.	S-8	333-151762	4.1.6	06/18/2008	
3.1.6	Certificate of Designation of 4.5% Cumulative Convertible Preferred Stock.	10-Q	001-13726	3.1.6	08/11/2008	
3.1.7	Certificate of Designation of 6.25% Mandatory Convertible Preferred Stock, as amended.	10-K	001-13726	3.1.7	02/29/2008	
3.2	Chesapeake's Amended and Restated Bylaws.	8-K	001-13726	3.1	06/13/2007	
4.1.1	Thirteenth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of May 27, 2004 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 7.50% senior notes due 2014.					X
4.2.1	Thirteenth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of August 2, 2004 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 7.00% senior notes due 2014.					X
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4.10.1	Ninth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of August 16, 2005 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 6.50% senior notes due 2017.					X
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4.13.1	Fifth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of June 30, 2006 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as Trustee, with respect to the 7.625% senior notes due 2013.					X
4.14.1	Fourth Supplemental Indenture dated as of October 14, 2008 to Indenture dated as of December 6, 2006 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, The Bank of New York Mellon Trust Company, N.A., as Trustee, AIB/BNY Fund Management (Ireland) Limited, as Irish Paying Agent and Transfer Agent, and The Bank of New York, London Branch, as Registrar, Transfer Agent and Paying Agent, with respect to the 6.25% senior notes due 2017.					X
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12	Ratios of Earnings to Fixed Charges and Preferred Dividends.					X
31.1	Aubrey K. McClendon, Chairman and Chief Executive Officer, Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Marcus C. Rowland, Executive Vice President and Chief Financial Officer, Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Aubrey K. McClendon, Chairman and Chief Executive Officer, Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	Marcus C. Rowland, Executive Vice President and Chief Financial Officer, Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X

CERTIFICATE OF DESIGNATION
OF
5.00% CUMULATIVE CONVERTIBLE PREFERRED STOCK (SERIES 2005B)
OF
CHESAPEAKE ENERGY CORPORATION

Pursuant to Section 1032(G) of the Oklahoma General Corporation Act

CHESAPEAKE ENERGY CORPORATION, an Oklahoma corporation (the "Company"), does hereby certify that the following resolution was duly adopted by action of the Board of Directors of the Company, with the provisions thereof fixing the number of shares of the series and the dividend rate being set by action of the Board of Directors of the Company:

RESOLVED that pursuant to the authority expressly granted to and vested in the Board of Directors of the Company by the provisions of Article IV, Section 1 of the Certificate of Incorporation of the Company, as amended from time to time (the "Certificate of Incorporation"), and pursuant to Section 1032(G) of the Oklahoma General Corporation Act, the Board of Directors hereby creates a series of preferred stock of the Company and hereby states that the voting powers, designations, preferences and relative, participating, optional or other special rights of which, and qualifications, limitations or restrictions thereof (in addition to the provisions set forth in the Certificate of Incorporation which are applicable to the preferred stock of all classes and series), shall be as follows:

1.Designation and Amount; Ranking

(a) There shall be created from the 20,000,000 shares of preferred stock, par value $0.01 per share, of the Company authorized to be issued pursuant to the Certificate of Incorporation, a series of preferred stock, designated as the "5.00% Cumulative Convertible Preferred Stock (Series 2005B)," par value $0.01 per share (the "Preferred Stock"), and the number of shares of such series shall be 5,750,000. Such number of shares may be decreased by resolution of the Board of Directors;provided that no decrease shall reduce the number of shares of Preferred Stock to a number less than that of the shares of Preferred Stock then outstanding plus the number of shares issuable upon exercise of options or rights then outstanding.

(b) The Preferred Stock will, with respect to both dividend rights and rights upon the liquidation, winding-up or dissolution of the Company, rank on a parity with the 6.00% Preferred Stock, the 5.00% Preferred Stock (Series 2003), the 4.125% Preferred Stock, the 5.00% Preferred Stock (Series 2005) and the 4.50% Preferred Stock and the Preferred Stock will, with respect to dividend rights or rights upon the liquidation, winding-up or dissolution of the Company rank (i) senior to all Junior Stock, (ii) on a parity with all other Parity Stock and (iii) junior to all Senior Stock.

2.Definitions. As used herein, the following terms shall have the following meanings:

(a) "4.125% Preferred Stock" shall mean the series of preferred stock, par value $0.01 per share, of the Company designated as the "4.125% Cumulative Convertible Preferred Stock."

(b) “4.50% Preferred Stock” shall mean the series of preferred stock, par value $0.01 per share, of the Company designated as the “4.50% Cumulative Convertible Preferred Stock.”

(c) “5.00% Preferred Stock (Series 2003)” shall mean the series of preferred stock, par value $0.01 per share, of the Company designated as the “5.00% Cumulative Convertible Preferred Stock.”

(d) “5.00% Preferred Stock (Series 2005)” shall mean the series of preferred stock, par value $0.01 per share, of the Company designated as the “5.00% Cumulative Convertible Preferred Stock (Series 2005).”

(e) “6.00% Preferred Stock” shall mean the series of preferred stock, par value $0.01 per share, of the Company designated as the “6.00% Cumulative Convertible Preferred Stock.”

(f) “Accrued Dividends” shall mean, with respect to any share of Preferred Stock, as of any date, the accrued and unpaid dividends on such share from and including the most recent Dividend Payment Date (or the Issue Date, if such date is prior to the first Dividend Payment Date) to but not including such date.

(g) “Accumulated Dividends” shall mean, with respect to any share of Preferred Stock, as of any date, the aggregate accumulated and unpaid dividends on such share from the Issue Date until the most recent Dividend Payment Date on or prior to such date. There shall be no Accumulated Dividends with respect to any share of Preferred Stock prior to the first Dividend Payment Date.

(h) “Affiliate” shall have the meaning ascribed to it, on the date hereof, under Rule 405 of the Securities Act of 1933, as amended.

(i) “Board of Directors” shall mean the Board of Directors of the Company or, with respect to any action to be taken by the Board of Directors, any committee of the Board of Directors duly authorized to take such action.

(j) “Business Day” shall mean any day other than a Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law or executive order to close.

(k) “Closing Sale Price” of the Common Stock on any date means the closing sale price per share (or if no closing sale price is reported, the average of the closing bid and ask prices or, if more than one in either case, the average of the average closing bid and the average closing ask prices) on such date as reported on the principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by Nasdaq or by the National Quotation Bureau Incorporated. In the absence of such a quotation, the Closing Sale Price will be an amount determined in good faith by the Board of Directors to be the fair value of the Common Stock.

(l) “Common Stock” shall mean the common stock, par value $0.01 per share, of the Company, or any other class of stock resulting from successive changes or reclassifications of such common stock consisting solely of changes in par value, or from par value to no par value, or as a result of a subdivision, combination, merger, consolidation or similar transaction in which the Company is a constituent corporation.

(m) “Conversion Price” shall mean $39.07, subject to adjustment as set forth in Section 7(d).

(n) “DTC” or “Depository” shall mean The Depository Trust Company.

(o) “Dividend Payment Date” shall mean February 15, May 15, August 15 and November 15 of each year, commencing February 15, 2006.

(p) “Dividend Record Date” shall mean February 1, May 1, August 1 and November 1 of each year.

(q) “Effective Date” shall mean the date on which a Fundamental Change event occurs.

(r) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(s) “Fundamental Change” shall mean any of the following events: (i) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the Company’s assets (determined on a consolidated basis) to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), other than to Permitted Holders; (ii) the adoption of a plan the consummation of which would result in the liquidation or dissolution of the Company; (iii) the acquisition, directly or indirectly, by any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act) other than Permitted Holders of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the aggregate voting power of the Voting Stock of the Company; provided,however, that the Permitted Holders beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Stock of the Company than such other Person or group and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors (for the purposes of this definition, such other Person or group shall be deemed to beneficially own any Voting Stock of a specified corporation held by a parent corporation, if such other Person or group is the beneficial owner (as defined above), directly or indirectly, of more than 35% of the voting power of the Voting Stock of such parent corporation and the Permitted Holders beneficially own (as defined in this proviso), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent corporation and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of such parent corporation; (iv) during any period of two consecutive years, individuals who at the beginning of such period comprised the Board of Directors of the Company (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was

approved by a vote of 66 $^{2}/_{3}$% of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office; or (v) the Common Stock ceases to be listed on a national securities exchange or quoted on Nasdaq or another over-the-counter market in the United States; provided,however, that a Fundamental Change will not be deemed to have occurred in the case of a merger or consolidation, if (i) at least 90% of the consideration (excluding cash payments for fractional shares and cash payments pursuant to dissenters' appraisal rights) in the merger or consolidation consists of common stock of a United States company traded on a national securities exchange or quoted on Nasdaq (or which will be so traded or quoted when issued or exchanged in connection with such transaction) and (ii) as a result of such transaction or transactions the shares of Preferred Stock become convertible solely into such common stock.

(t) "Holder" or "holder" shall mean a holder of record of the Preferred Stock.

(u) "Issue Date" shall mean November 8, 2005, the original date of issuance of the Preferred Stock.

(v) "Junior Stock" shall mean all classes of common stock of the Company and the Series A Junior Participating Convertible Preferred Stock and each other class of capital stock or series of preferred stock established after the Issue Date, by the Board of Directors, the terms of which do not expressly provide that such class or series ranks senior to or on parity with the Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Company.

(w) "Liquidation Preference" shall mean, with respect to each share of Preferred Stock, $100.00.

(x) "Make-Whole Premium" shall have the meaning set forth in Section 4A.

(y) "Market Value" shall mean the average Closing Sale Price of the Common Stock for a five consecutive Trading Day period on the NYSE (or such other national securities exchange or automated quotation system on which the Common Stock is then listed or authorized for quotation or, if the Common Stock is not so listed or authorized for quotation, an amount determined in good faith by the Board of Directors to be the fair value of the Common Stock) ending immediately prior to the date of determination.

(z) "NYSE" shall mean the New York Stock Exchange, Inc.

(aa) "Officer" shall mean the Chairman of the Board of Directors, the President, any Vice President, the Treasurer, the Secretary or any Assistant Secretary of the Company.

(bb) "Officers' Certificate" shall mean a certificate signed by two Officers.

(cc) "Opinion of Counsel" shall mean a written opinion from legal counsel who is acceptable to the Transfer Agent. The counsel may be an employee of or counsel to the Company or the Transfer Agent.

(dd) “Parity Stock” shall mean 6.00% Preferred Stock, the 5.00% Preferred Stock (Series 2003), the 5.00% Preferred Stock (Series 2005), the 4.50% Preferred Stock, the 4.125% Preferred Stock and any class of capital stock or series of preferred stock established after the Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank on parity with the Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Company.

(ee) “Permitted Holders” means Aubrey K. McClendon and Tom L. Ward and their respective Affiliates.

(ff) “Person” shall mean any individual, corporation, general partnership, limited partnership, limited liability partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

(gg) “Purchase Agreement” shall mean that certain Purchase Agreement with respect to the Preferred Stock, dated November 2, 2005, among the Company, Deutsche Bank Securities Inc., Banc of America Securities LLC, Credit Suisse First Boston LLC, Lehman Brothers Inc. and UBS Securities LLC and the other initial purchasers named therein.

(hh) “Registration Rights Agreement” means the Registration Rights Agreement to be dated November 8, 2005, among the Company, Deutsche Bank Securities Inc., Banc of America Securities LLC, Credit Suisse First Boston LLC, Lehman Brothers Inc. and UBS Securities LLC and the other initial purchasers named in the Purchase Agreement, with respect to the Preferred Stock.

(ii) “SEC” or “Commission” shall mean the Securities and Exchange Commission.

(jj) “Securities Act” shall mean the Securities Act of 1933, as amended.

(kk) “Senior Stock” shall mean each class of capital stock or series of preferred stock established after the Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank senior to the Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Company.

(ll) “Shelf Registration Statement” shall mean a shelf registration statement filed with the SEC to cover resales of Transfer Restricted Securities by holders thereof, as required by the Registration Rights Agreement.

(mm) “Trading Day” shall mean a day during which trading in securities generally occurs on the New York Stock Exchange or, if Common Stock is not listed on the New York Stock Exchange, on the principal other national or regional securities exchange on which Common Stock is then listed or, if Common Stock is not listed on a national or regional securities exchange, on Nasdaq or, if Common Stock is not quoted on Nasdaq, on the principal other market on which Common Stock is then traded.

(nn) "Transfer Agent" shall mean UMB Bank, N.A., the Company's duly appointed transfer agent, registrar and conversion and dividend disbursing agent for the Preferred Stock. The Company may, in its sole discretion, remove the Transfer Agent with 10 days' prior notice to the Transfer Agent;provided, that the Company shall appoint a successor Transfer Agent who shall accept such appointment prior to the effectiveness of such removal.

(oo) "Transfer Restricted Securities" shall mean each share of Preferred Stock (or the shares of Common Stock issued as a dividend on the Preferred Stock or into which such share of Preferred Stock is convertible) until (i) the date on which such security or its predecessor has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (ii) the date on which such security or predecessor is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act.

(pp) "Voting Rights Triggering Event" shall mean the failure of the Company to pay dividends on the Preferred Stock with respect to six or more quarterly periods (whether or not consecutive).

(qq) "Voting Stock" shall mean, with respect to any Person, securities of any class or classes of Capital Stock in such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of contingency) to vote in the election of members of the Board of Directors or other governing body of such Person. For purposes of this definition, "Capital Stock" shall mean, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of corporate stock or partnership interests and any and all warrants, options and rights with respect thereto (whether or not currently exercisable), including each class of common stock and preferred stock of such Person.

3.Dividends.

(a) The holders of shares of the outstanding Preferred Stock shall be entitled, when, as and if declared by the Board of Directors out of funds of the Company legally available therefor, to receive cumulative dividends at the rate per annum of 5.00% per share on the Liquidation Preference (equivalent to $5.00 per annum per share), payable quarterly in arrears (the "Dividend Rate"). The Dividend Rate may be increased in the circumstances described in Section 3(b) below. Dividends payable for each full dividend period will be computed by dividing the Dividend Rate by four and shall be payable in arrears on each Dividend Payment Date (commencing February 15, 2006) for the quarterly period ending immediately prior to such Dividend Payment Date, to the holders of record of Preferred Stock at the close of business on the Dividend Record Date applicable to such Dividend Payment Date. Such dividends shall be cumulative from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the Issue Date (whether or not in any dividend period or periods there shall be funds of the Company legally available for the payment of such dividends) and shall accrue on a day-to-day basis, whether or not earned or declared, from and after the Issue Date. Dividends payable for any partial dividend period, including the initial dividend period ending immediately prior to February 15, 2006, shall be computed on the basis of days elapsed over a 360-day year consisting of twelve 30-day months. Accumulations of dividends on shares of Preferred Stock shall not bear interest.

(b) If (i) by March 9, 2006, the Shelf Registration Statement has not been filed with the Commission, (ii) by July 7, 2006, the Shelf Registration Statement has not been declared effective by the Commission or (iii) after the Shelf Registration Statement has been declared effective, (A) the Shelf Registration Statement thereafter ceases to be effective or (B) the Shelf Registration Statement or the related prospectus ceases to be usable (in each case, subject to the exceptions described below) in connection with resales of Transfer Restricted Securities during the period that any Transfer Restricted Securities (other than Transfer Restricted Securities held or beneficially owned by affiliates of the Company) remain outstanding (each such event referred to in clauses (i), (ii) and (iii), a "Registration Default"), additional dividends shall accrue on the Preferred Stock at the rate of .50% per annum (resulting in a Dividend Rate of 5.50% per annum during the continuance of a Registration Default), from and including the date on which any such Registration Default shall occur to but excluding the date on which all Registration Defaults have been cured. At all other times, dividends shall accumulate on the Preferred Stock at the Dividend Rate as described in Section 3(a).

A Registration Default referred to in clause (iii) of Section 3(b) shall be deemed not to have occurred and be continuing in relation to the Shelf Registration Statement or the related prospectus if (i) such Registration Default has occurred solely as a result of (x) the filing of a post-effective amendment to the Shelf Registration Statement to incorporate annual audited financial information with respect to the Company where such post-effective amendment is not yet effective and needs to be declared effective to permit Holders to use the related prospectus or (y) other material events, with respect to the Company that would need to be described in the Shelf Registration Statement or the related prospectus and (ii) in the case of clause (y), the Company is proceeding promptly and in good faith to amend or supplement such Shelf Registration Statement and related prospectus to describe such events;provided,however, that in any case if such Registration Default referred to in clause (iii) of Section 3(b) occurs for a continuous period in excess of 30 days, additional dividends as described in Section 3(b) shall be payable in accordance therewith from the day such Registration Default occurs until such Registration Default is cured.

(c) No dividend will be declared or paid upon, or any sum set apart for the payment of dividends upon, any outstanding share of the Preferred Stock with respect to any dividend period unless all dividends for all preceding dividend periods have been declared and paid or declared and a sufficient sum or number of shares of common stock have been set apart for the payment of such dividend, upon all outstanding shares of Preferred Stock.

(d) No dividend on the Preferred Stock will be paid in cash at any time that the Adjusted Consolidated EBITDA Coverage Ratio (as defined as of the date hereof in the indenture among the Company, the Subsidiary Guarantors (as defined therein) and The Bank of New York Trust Company, N.A. dated as of June 20, 2005) is less than 2.00 to 1.00.

(e) No dividends or other distributions (other than a dividend or distribution payable solely in shares of Parity Stock or Junior Stock (in the case of Parity Stock) or Junior Stock (in the case of Junior Stock) and other than cash paid in lieu of fractional shares) may be

declared, made or paid, or set apart for payment upon, any Parity Stock or Junior Stock, nor may any Parity Stock or Junior Stock be redeemed, purchased or otherwise acquired for any consideration (or any money paid to or made available for a sinking fund for the redemption of any Parity Stock or Junior Stock) by or on behalf of the Company (except by conversion into or exchange for shares of Parity Stock or Junior Stock (in the case of Parity Stock) or Junior Stock (in the case of Junior Stock)), unless full Accumulated Dividends shall have been or contemporaneously are declared and paid, or are declared and a sum or number of shares of common stock sufficient for the payment thereof is set apart for such payment, on the Preferred Stock and any Parity Stock for all dividend payment periods terminating on or prior to the date of such declaration, payment, redemption, purchase or acquisition. Notwithstanding the foregoing, if full dividends have not been paid on the Preferred Stock and any Parity Stock, dividends may be declared and paid on the Preferred Stock and such Parity Stock so long as the dividends are declared and paid pro rata so that the amounts of dividends declared per share on the Preferred Stock and such Parity Stock will in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of Preferred Stock and such other Parity Stock bear to each other.

(f) Holders of shares of Preferred Stock shall not be entitled to any dividends on the Preferred Stock, whether payable in cash, property or stock, in excess of full cumulative dividends. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Preferred Stock which may be in arrears.

(g) The holders of shares of Preferred Stock at the close of business on a Dividend Record Date will be entitled to receive the dividend payment on those shares on the next following Dividend Payment Date notwithstanding the subsequent conversion thereof or the Company's default in payment of the dividend due on that Dividend Payment Date. However, shares of Preferred Stock surrendered for conversion during the period between the close of business on any Dividend Record Date and the close of business on the Business Day immediately preceding the applicable Dividend Payment Date must be accompanied by payment of an amount or number of shares of Common Stock equal to the dividend payable on the shares on that Dividend Payment Date. A holder of shares of Preferred Stock on a Dividend Record Date who (or whose transferee) tenders any shares for conversion on the corresponding Dividend Payment Date will receive the dividend payable by the Company on the Preferred Stock on that date, and the converting holder need not include payment in the amount of such dividend upon surrender of shares of Preferred Stock for conversion. Except as provided above with respect to a voluntary conversion pursuant to Section 7, the Company shall make no payment or allowance for unpaid dividends, whether or not in arrears, on converted shares or for dividends on the shares of Common Stock issued upon conversion.

3A.Method of Payment of Dividends.

(a) Subject to the restrictions set forth herein, dividends on the Preferred Stock may be paid:

(i) in cash;

(ii) by delivery of shares of Common Stock; or

(iii) through any combination of cash and Common Stock.

(b) Common Stock issued in payment or partial payment of a dividend shall be valued for such purpose at 97% of the Market Value as determined on the second Trading Day immediately prior to the Dividend Record Date for such dividend.

(c) Dividend payments on the Preferred Stock will be made in cash, except to the extent the Company elects to make all or any portion of such payment in Common Stock by giving notice to Holders of such election and the portion of such payment that will be made in cash and the portion of such payment that will be made in Common Stock, 10 Trading Days prior to the Dividend Record Date for such dividend.

(d) No fractional shares of Common Stock will be delivered to Holders in payment or partial payment of a dividend. A cash adjustment will be paid to each Holder that would otherwise be entitled to a fraction of a share of Common Stock. Any portion of any such payment that is declared and not paid through the delivery of Common Stock will be paid in cash.

(e) No payment or partial payment of a dividend on the Preferred Stock may be made by delivery of Common Stock unless (i) the Common Stock to be delivered as payment therefore is freely transferable by the recipient without further action on its behalf, other than by reason of the fact that such recipient is our affiliate, or (ii) a Shelf Registration Statement relating to that Common Stock has been filed with the SEC and is effective to permit the resale of that Common Stock by the holders thereof.

4.Fundamental Change.

(a) Upon the occurrence of a Fundamental Change, each holder of Preferred Stock shall:

(i) if it converts its Preferred Stock at any time beginning at the opening of business on the Trading Day immediately following the Effective Date and ending at the close of business on the 30th Trading Day immediately following the Effective Date, receive:

(A) Common Stock and cash in lieu of fractional shares, as described in Section 7; and

(B) the Make-Whole Premium, if any, and

(ii) in the event that the Market Value for the period ending on the Effective Date is less than the Conversion Price, have a one-time option (the "Fundamental Change Option") to convert all of such Holder's outstanding shares of Preferred Stock into fully paid and nonassessable shares of Common Stock at an adjusted Conversion Price equal to the greater of (x) the Market Value for the period ending on the Effective Date and (y) $20.03. The Fundamental Change Option must be exercised, if at all, during the period of not less than 30 days nor more than 60 days after the Fundamental Change Notice Date. In lieu of issuing the shares of Common Stock issuable upon conversion in the event of a Fundamental Change, the Company may, at its option, make a cash payment equal to the Market Value for each share of such Common Stock otherwise issuable, determined for the period ending on the Effective Date.

(b) In the event of a Fundamental Change, notice of such Fundamental Change shall be given, within 10 Trading Days of the Effective Date, by the Company by first-class mail to each record holder of shares of Preferred Stock, at such holder's address as the same appears on the books of the Company (such date of notice, the "Fundamental Change Notice Date"). Each such notice shall state (i) that a Fundamental Change has occurred; (ii) the last day on which the Make-Whole Premium can be received upon conversion and the last day on which the Fundamental Change Option may be exercised (each such date, an "Expiration Date") pursuant to the terms hereof; (iii) the name and address of the Transfer Agent; and (iv) the procedures that holders must follow to exercise the Fundamental Change Option.

(c) On or before the applicable Expiration Date, each holder of shares of Preferred Stock wishing to exercise pursuant to Section 4(a) shall surrender the certificate or certificates representing the shares of Preferred Stock to be converted, in the manner and at the place designated in the notice described in Section 4(b), and on such date the cash or shares of Common Stock due to such holder shall be delivered to the Person whose name appears on such certificate or certificates as the owner thereof and the shares represented by each surrendered certificate shall be returned to authorized but unissued shares. Upon surrender (in accordance with the notice described in Section 4(b)) of the certificate or certificates representing any shares to be so converted (properly endorsed or assigned for transfer, if the Company shall so require and the notice shall so state), such shares shall be converted by the Company at the adjusted Conversion Price, if applicable, as described in Section 4(a).

(d) The rights of holders of Preferred Stock pursuant to this Section 4 are in addition to, and not in lieu of, the rights of holders of Preferred Stock provided for in Section 7 hereof and Section 4A.

4A.Determination of the Make-Whole Premium.

(a) If a Holder elects to convert Preferred Stock in connection with a transaction that is a Fundamental Change, the Company shall deliver to such Holder upon conversion, in addition to the shares of Common Stock and cash for fractional shares under Section 4 and Section 7, a make-whole premium (the "Make-Whole Premium"):

(i) equal to a percentage of the Liquidation Preference of the Preferred Stock converted determined by reference to the table in clause (d) below, based on the Effective Date and the price (the "Stock Price") paid, or deemed to be paid, per share of our Common Stock in the transaction constituting the Fundamental Change, subject to adjustment as described below; and

(ii) in addition to, and not in substitution for, any cash, securities or other assets otherwise due to holders of Preferred Stock upon conversion.

(b) The Make-Whole Premium will be paid solely in shares of Common Stock (other than cash in lieu of fractional shares) or in the same form of consideration into which all or substantially all of the Common Stock has been converted or exchanged in connection with

the Fundamental Change (other than cash paid in lieu of fractional interests in any security or pursuant to dissenters' rights). The Company will pay cash in lieu of fractional interests in any security or other property delivered in connection with such Fundamental Change. The Make-Whole Premium will be payable on the 35th Trading Day following the Effective Date for Preferred Stock converted in connection with a Fundamental Change. If holders of Common Stock receive or have the right to receive more than one form of consideration in connection with such Fundamental Change, then, for purposes of the foregoing, the forms of consideration in which the Make-Whole Premium will be paid will be in proportion to the relative value, determined as described below, of the different forms of consideration paid to holders of Common Stock in connection with the Fundamental Change.

(c) The Stock Price paid, or deemed paid, per share of Common Stock in the transaction constituting the Fundamental Change will be calculated as follows:

(i) In the case of a Fundamental Change in which all or substantially all of the shares of Common Stock have been, as of the Effective Date, converted into or exchanged for the right to receive securities or other assets or property, the consideration shall be valued as follows:

(A) securities that are traded on a U.S. national securities exchange or approved for quotation on the Nasdaq or any similar system of automated dissemination of quotations of securities prices, will be valued at the average of the closing prices of such securities for the five consecutive Trading Days beginning on the second Trading Day after the Fundamental Change Notice Date,

(B) other securities, assets or property, other than cash, that holders will have the right to receive will be valued based on the average of the fair market value of the securities, assets or property, other than cash, as determined by two independent nationally recognized investment banks, and

(C) 100% of any cash.

(ii) In all other cases, the value of Common Stock will equal the average of the closing prices of Common Stock for the five consecutive Trading Days beginning on the second Trading Day after the Fundamental Change Notice Date.

The value of Common Stock or other consideration for purposes of determining the number of shares of Common Stock or other consideration to be issued in respect of the Make-Whole Premium will be calculated in the same manner, except that to the extent such value is calculated pursuant to clause (i)(A), (i)(B) or (ii), such value shall be multiplied by 97%.

(d) The following table sets forth the Stock Price paid, or deemed paid, per share of Common Stock in the transaction constituting the Fundamental Change, the Effective Date and Make-Whole Premium (expressed as a percentage of Liquidation Preference) upon a conversion in connection with a Fundamental Change:

Value as % of Liquidation Preference

	Effective Date						
	11/8/2005	**11/15/2006**	**11/15/2007**	**11/15/2008**	**11/15/2009**	**11/15/2010**	**Thereafter**
$30.05	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
$31.00	2.7%	2.0%	1.2%	0.4%	0.0%	0.0%	0.0%
$32.00	4.7%	3.7%	2.8%	2.2%	1.8%	1.7%	1.7%
$33.00	6.7%	5.7%	4.6%	3.6%	3.1%	3.1%	3.1%
$34.00	8.5%	7.5%	6.5%	5.5%	4.8%	4.7%	4.7%
$35.00	10.6%	9.4%	8.1%	7.2%	6.5%	6.4%	6.4%
$40.00	18.2%	17.0%	15.6%	14.0%	12.2%	11.3%	11.3%
$45.00	16.2%	14.7%	12.8%	11.1%	9.1%	7.3%	7.3%
$50.00	14.3%	12.9%	11.0%	8.7%	6.0%	3.0%	3.0%
$60.00	11.4%	10.1%	8.3%	6.1%	3.4%	0.0%	0.0%
$70.00	9.2%	8.0%	6.4%	4.5%	2.4%	0.0%	0.0%
$80.00	7.4%	6.4%	5.0%	3.6%	1.9%	0.0%	0.0%
$100.00	4.4%	3.8%	2.9%	2.1%	1.2%	0.0%	0.0%
$125.00	1.8%	1.5%	1.1%	0.8%	0.4%	0.0%	0.0%

The Stock Prices set forth in the table will be adjusted as of any date on which the Conversion Price of the Convertible Preferred Stock is adjusted. The adjusted Stock Prices will equal the stock prices applicable immediately prior to the adjustment divided by a fraction, the numerator of which is the Conversion Price immediately prior to the adjustment to the Conversion Price and the denominator of which is the conversion price as so adjusted.

The exact Stock Price and Effective Date may not be set forth on the table, in which case:

(i) if the Stock Price is between two Stock Prices on the table or the Effective Date is between two Effective Dates on the table, the Make-Whole Premium will be determined by straight-line interpolation between Make-Whole Premium amounts set forth for the higher and lower Stock Prices and the two Effective Dates, as applicable, based on a 365-day year;

(ii) if the Stock Price is in excess of $125 per share (subject to adjustment in the same manner as the Stock Price) the payment corresponding to row $125 will be paid; and

(iii) if the Stock Price is less than or equal to $30.05 per share (subject to adjustment in the same manner as the Stock Price), no Make-Whole Premium will be paid.

5. Voting.

(a) The shares of Preferred Stock shall have no voting rights except as set forth below or as otherwise required by Oklahoma law from time to time:

(i) If and whenever at any time or times a Voting Rights Triggering Event occurs, then the holders of shares of Preferred Stock, voting as a single class with any other preferred stock or preference securities having similar voting rights that are exercisable, including the 6.00% Preferred Stock, the 5.00% Preferred Stock (Series 2003), the

5.00% Preferred Stock (Series 2005), the 4.50% Preferred Stock and the 4.125% Preferred Stock (the "Voting Rights Class"), will be entitled at the next regular or special meeting of stockholders of the Company to elect two additional directors of the Company. Upon the election of any such additional directors, the number of directors that comprise the Board of Directors shall be increased by such number of additional directors.

(ii) Such voting rights may be exercised at a special meeting of the holders of the shares of the Voting Rights Class, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each such annual meeting until such time as all dividends in arrears on the shares of Preferred Stock shall have been paid in full, at which time or times such voting rights and the term of the directors elected pursuant to Section 5(a)(i) shall terminate.

(iii) At any time when such voting rights shall have vested in holders of shares of the Voting Rights Class, an Officer of the Company may call, and, upon written request of the record holders of shares representing at least twenty-five percent (25%) of the voting power of the shares then outstanding of the Voting Rights Class, addressed to the Secretary of the Company, shall call a special meeting of the holders of shares of the Voting Rights Class. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding annual meetings of stockholders of the Company, or, if none, at a place designated by the Board of Directors. Notwithstanding the provisions of this Section 5(a)(iii), no such special meeting shall be called during a period within the 60 days immediately preceding the date fixed for the next annual meeting of stockholders in which such case, the election of directors pursuant to Section 5(a)(i) shall be held at such annual meeting of stockholders.

(iv) At any meeting held for the purpose of electing directors at which the holders of the Voting Rights Class shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of shares representing more than fifty percent (50%) in voting power of the then outstanding shares of the Voting Rights Class shall be required and shall be sufficient to constitute a quorum of such class for the election of directors by such class. The affirmative vote of the holders of shares of Preferred Stock constituting a majority of the shares of Preferred Stock present at such meeting, in person or by proxy, shall be sufficient to elect any such director.

(v) Any director elected pursuant to the voting rights created under this Section 5(a) shall hold office until the next annual meeting of stockholders (unless such term has previously terminated pursuant to Section 5(a)(ii)) and any vacancy in respect of any such director shall be filled only by vote of the remaining director so elected by holders of the Voting Rights Class, or if there be no such remaining director, by the holders of shares of the Voting Rights Class at a special meeting called in accordance with the procedures set forth in this Section 5, or, if no such special meeting is called, at the next annual meeting of stockholders. Upon any termination of such voting rights, the term of office of all directors elected pursuant to this Section 5 shall terminate.

(vi) So long as any shares of Preferred Stock remain outstanding, unless a greater percentage shall then be required by law, the Company shall not, without the

affirmative vote or consent of the holders of at least 66 $^{2}/_{3}$% of the outstanding Preferred Stock voting or consenting, as the case may be, separately as one class, (i) create, authorize or issue any class or series of Senior Stock (or any security convertible into Senior Stock) or (ii) amend the Certificate of Incorporation so as to affect adversely the specified rights, preferences, privileges or voting rights of holders of shares of Preferred Stock.

(vii) In exercising the voting rights set forth in this Section 5(a), each share of Preferred Stock shall be entitled to one vote.

(b) The Company may authorize, increase the authorized amount of, or issue any class or series of Parity Stock or Junior Stock, without the consent of the holders of Preferred Stock, and in taking such actions the Company shall not be deemed to have affected adversely the rights, preferences, privileges or voting rights of holders of shares of Preferred Stock.

6.Liquidation Rights.

(a) In the event of any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary, each holder of shares of Preferred Stock shall be entitled to receive and to be paid out of the assets of the Company available for distribution to its stockholders the Liquidation Preference plus Accumulated Dividends and Accrued Dividends thereon in preference to the holders of, and before any payment or distribution is made on, any Junior Stock, including, without limitation, on any Common Stock.

(b) Neither the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all the assets or business of the Company (other than in connection with the liquidation, winding-up or dissolution of its business) nor the merger or consolidation of the Company into or with any other Person shall be deemed to be a liquidation, winding-up or dissolution, voluntary or involuntary, for the purposes of this Section 6.

(c) After the payment to the holders of the shares of Preferred Stock of full preferential amounts provided for in this Section 6, the holders of Preferred Stock as such shall have no right or claim to any of the remaining assets of the Company.

(d) In the event the assets of the Company available for distribution to the holders of shares of Preferred Stock upon any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to Section 6(a), no such distribution shall be made on account of any shares of Parity Stock upon such liquidation, dissolution or winding-up unless proportionate distributable amounts shall be paid on account of the shares of Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all Preferred Stock and of any Parity Stock are entitled upon such liquidation, winding-up or dissolution.

7.Conversion.

(a) Each holder of Preferred Stock shall have the right, at any time, at its option, from the Issue Date to convert, subject to the terms and provisions of this Section 7, any or all of such holder’s shares of Preferred Stock. In such case, the shares of Preferred Stock shall

be converted into such whole number of fully paid and nonassessable shares of Common Stock as is equal, subject to Section 7(h), to the product of the number of shares of Preferred Stock being so converted multiplied by the quotient of (i) the Liquidation Preference divided by (ii) the Conversion Price then in effect.

The conversion right of a holder of Preferred Stock shall be exercised by the holder by the surrender to the Company of the certificates representing shares to be converted at any time during usual business hours at its principal place of business or the offices of its duly appointed Transfer Agent to be maintained by it, accompanied by written notice to the Company in the form of Exhibit B that the holder elects to convert all or a portion of the shares of Preferred Stock represented by such certificate and specifying the name or names (with address) in which a certificate or certificates for shares of Common Stock are to be issued and (if so required by the Company or its duly appointed Transfer Agent) by a written instrument or instruments of transfer in form reasonably satisfactory to the Company or its duly appointed Transfer Agent duly executed by the holder or its duly authorized legal representative and transfer tax stamps or funds therefor, if required pursuant to Section 7(j). Immediately prior to the close of business on the date of receipt by the Company or its duly appointed Transfer Agent of notice of conversion of shares of Preferred Stock, each converting holder of Preferred Stock shall be deemed to be the holder of record of Common Stock issuable upon conversion of such holder's Preferred Stock notwithstanding that the share register of the Company shall then be closed or that certificates representing such Common Stock shall not then be actually delivered to such holder. On the date of any conversion, all rights with respect to the shares of Preferred Stock so converted, including the rights, if any, to receive notices, will terminate, except only the rights of holders thereof to (i) receive certificates for the number of whole shares of Common Stock into which such shares of Preferred Stock have been converted and cash, in lieu of any fractional shares as provided in Section 7(g); (ii) receive a Make-Whole Premium, if any, payable upon a Fundamental Change, in accordance with Section 4A; and (iii) exercise the rights to which they are entitled as holders of Common Stock.

(b) [Intentionally omitted].

(c) [Intentionally omitted].

(d) The Conversion Price shall be subject to adjustment as follows:

(i) In case the Company shall at any time or from time to time (A) pay a dividend (or other distribution) payable in shares of Common Stock on any class of capital stock (which, for purposes of this Section 7(d) shall include, without limitation, any dividends or distributions in the form of options, warrants or other rights to acquire capital stock) of the Company (other than the issuance of shares of Common Stock in connection with the conversion of, or payment or partial payment of dividends on, Preferred Stock); (B) subdivide the outstanding shares of Common Stock into a larger number of shares; (C) combine the outstanding shares of Common Stock into a smaller number of shares; (D) issue any shares of its capital stock in a reclassification of the Common Stock; or (E) pay a dividend or make a distribution to all holders of shares of Common Stock (other than a dividend or distribution subject to Section 7(d)(ii)) pursuant to a stockholder rights plan, "poison pill" or similar arrangement and excluding dividends payable on the Preferred Stock then, and in each such case,

the Conversion Price in effect immediately prior to such event shall be adjusted (and any other appropriate actions shall be taken by the Company) so that the holder of any share of Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock that such holder would have owned or would have been entitled to receive upon or by reason of any of the events described above, had such share of Preferred Stock been converted into shares of Common Stock immediately prior to the occurrence of such event. An adjustment made pursuant to this Section 7(d)(i) shall become effective retroactively (x) in the case of any such dividend or distribution, to the day immediately following the close of business on the record date for the determination of holders of Common Stock entitled to receive such dividend or distribution or (y) in the case of any such subdivision, combination or reclassification, to the close of business on the day upon which such corporate action becomes effective.

(ii) In case the Company shall at any time or from time to time issue to all holders of its Common Stock rights, options or warrants entitling the holders thereof to subscribe for or purchase shares of Common Stock (or securities convertible into or exchangeable for shares of Common Stock) at a price per share less than the Market Value for the period ending on the date of issuance (treating the price per share of any security convertible or exchangeable or exercisable into Common Stock as equal to (A) the sum of the price paid to acquire such security convertible, exchangeable or exercisable into Common Stock plus any additional consideration payable (without regard to any anti-dilution adjustments) upon the conversion, exchange or exercise of such security into Common Stock divided by (B) the number of shares of Common Stock into which such convertible, exchangeable or exercisable security is initially convertible, exchangeable or exercisable), other than (i) issuances of such rights, options or warrants if the holder of Preferred Stock would be entitled to receive such rights, options or warrants upon conversion at any time of shares of Preferred Stock into Common Stock and (ii) issuances that are subject to certain triggering events (until such time as such triggering events occur), then, and in each such case, the Conversion Price then in effect shall be adjusted by dividing the Conversion Price in effect on the day immediately prior to the record date of such issuance by a fraction (y) the numerator of which shall be the sum of the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock issued or to be issued upon or as a result of the issuance of such rights, options or warrants (or the maximum number into or for which such convertible or exchangeable securities initially may convert or exchange or for which such options, warrants or other rights initially may be exercised) and (z) the denominator of which shall be the sum of the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock which the aggregate consideration for the total number of such additional shares of Common Stock so issued (or into or for which such convertible or exchangeable securities may convert or exchange or for which such options, warrants or other rights may be exercised plus the aggregate amount of any additional consideration initially payable upon the conversion, exchange or exercise of such security) would purchase at the Market Value for the period ending on the date of conversion;provided, that if the Company distributes rights or warrants (other than those referred to above in this subparagraph (d)(ii)) pro rata to the holders of Common Stock, so long as such rights or warrants have not expired or been redeemed by the Company, (y) the holder of any Preferred Stock surrendered for conversion shall be entitled to receive upon such conversion, in addition to the shares of Common Stock then issuable upon such conversion (the “Conversion Shares”), a number of rights or warrants to be determined as

follows: (i) if such conversion occurs on or prior to the date for the distribution to the holders of rights or warrants of separate certificates evidencing such rights or warrants (the "Distribution Date"), the same number of rights or warrants to which a holder of a number of shares of Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions applicable to the rights or warrants and (ii) if such conversion occurs after the Distribution Date, the same number of rights or warrants to which a holder of the number of shares of Common Stock into which such Preferred Stock was convertible immediately prior to such Distribution Date would have been entitled on such Distribution Date had such Preferred Stock been converted immediately prior to such Distribution Date in accordance with the terms and provisions applicable to the rights and warrants and (z) the Conversion Price shall not be subject to adjustment on account of any declaration, distribution or exercise of such rights or warrants.

(iii) If the Company shall at any time make a distribution, by dividend or otherwise, to all holders of shares of its Common Stock consisting exclusively of cash (excluding any cash portion of distributions referred to in clause (E) of paragraph (d)(i) above and cash distributed upon a merger or consolidation to which paragraph (h) below applies) in an amount per share of Common Stock that, when combined with the per share amounts of all other all-cash distributions to all holders of shares of its Common Stock made within the 90-day period ending on the record date for the distribution giving rise to an adjustment pursuant to this Section 7(d)(iii), exceeds $0.065 per share of Common Stock (the "Distribution Threshold Amount"), then the Conversion Price will be adjusted by multiplying:

(1) the Conversion Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of Common Stock entitled to receive such distribution by

(2) a fraction, the numerator of which will be the Market Value on the fourth trading day on the NYSE prior to such record date minus the amount of cash per share of Common Stock so distributed in excess of the Distribution Threshold Amount for which an adjustment has not otherwise been made pursuant to this Section 7(d)(iii) and the denominator of which will be the Market Value on the fourth trading day on the NYSE prior to such record date.

Subject to Section 7(e), such adjustment shall become effective immediately after the record date for the determination of holders of Common Stock entitled to receive the distribution giving rise to an adjustment pursuant to this Section 7(d)(iii). If an adjustment is required to be made under this clause 7(d) as a result of a cash dividend in any quarterly period that exceeds the Distribution Threshold Amount, the adjustment shall be based upon the amount by which the distribution exceeds the Distribution Threshold Amount. If an adjustment is otherwise required to be made under this clause 7(d), the adjustment shall be based upon the full amount of the distribution. The Distribution Threshold Amount is subject to adjustment under the same circumstances under which the Conversion Price is subject to adjustment pursuant to Section 7(d)(i) or Section 7(d)(ii). Notwithstanding the foregoing, in no event will the Conversion Price be less than $30.05, subject to adjustment under the same circumstances under which the Conversion Price is subject to adjustment pursuant to Section 7(d)(i), 7(d)(ii) and 7(d)(iv) and 7(d)(v).

(iv) If the Company shall at any time or from time to time on the record date of such distribution; (A) complete a tender or exchange offer by the Company or any of its subsidiaries for shares of Common Stock that involves an aggregate consideration that, together with (I) any cash and other consideration payable in a tender or exchange offer by the Company or any of its subsidiaries for shares of Common Stock expiring within the then-preceding 12 months in respect of which no adjustment pursuant to this Section 7(d) has been made and (II) the aggregate amount of any such all-cash distributions referred to in clause (iii) above to all holders of shares of Common Stock within the then-preceding 12 months in respect of which no adjustments have been made, exceeds 15% of the Company's market capitalization (defined as the product of the Market Value for the period ending on the record date of such distribution times the number of shares of Common Stock outstanding on such record date) on the expiration of such tender offer; or (B) make a distribution to all holders of its Common Stock consisting of evidences of indebtedness, shares of its capital stock other than Common Stock or assets (including securities, but excluding those dividends, rights, options, warrants and distributions referred to in paragraphs (d)(i), (d)(ii), (d)(iii) above or this (d)(iv)), then, and in each such case, the Conversion Price then in effect shall be adjusted by dividing the Conversion Price in effect immediately prior to the date of such distribution or completion of such tender or exchange offer, as the case may be, by a fraction (x) the numerator of which shall be the Market Value for the period ending on the record date referred to below, or, if such adjustment is made upon the completion of a tender or exchange offer, on the payment date for such offer, and (y) the denominator of which shall be such Market Value less the then fair market value (as determined by the Board of Directors of the Company) of the portion of the cash, evidences of indebtedness, securities or other assets so distributed or paid in such tender or exchange offer, applicable to one share of Common Stock (but such denominator shall not be less than one);provided,however, that no adjustment shall be made with respect to any distribution of rights to purchase securities of the Company if the holder of Preferred Stock would otherwise be entitled to receive such rights upon conversion at any time of shares of Preferred Stock into shares of Common Stock unless such rights are subsequently redeemed by the Company, in which case such redemption shall be treated for purposes of this Section 7(d)(iv) as a dividend on the Common Stock. Such adjustment shall be made whenever any such distribution is made or tender or exchange offer is completed, as the case may be, and shall become effective retroactively to a date immediately following the close of business on the record date for the determination of stockholders entitled to receive such distribution.

(v) In the case the Company at any time or from time to time shall take any action affecting its Common Stock (it being understood that the issuance or sale of shares of Common Stock (or securities convertible into or exchangeable for shares of Common Stock, or any options, warrants or other rights to acquire shares of Common Stock) to any Person at a price per share less than the Conversion Price then in effect shall not be deemed such an action), other than an action described in any of Section 7(d)(i) through Section 7(d)(iv), inclusive, or Section 7(h), or the issuance of shares of Common Stock as a dividend on Preferred Stock, then the Conversion Price shall be adjusted in such manner and at such time as the Board of Directors of the Company in good faith determines to be equitable in the circumstances (such determination to be evidenced in a resolution, a certified copy of which shall be mailed to the holders of the Preferred Stock).

(vi) Notwithstanding anything herein to the contrary, no adjustment under this Section 7(d) need be made to the Conversion Price unless such adjustment would require an increase or decrease of at least 1% of the Conversion Price then in effect. Any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment, if any, which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1% of such Conversion Price;provided, however, that with respect to adjustments to be made to the Conversion Price in connection with cash dividends paid by the Company, the Company shall make such adjustments, regardless of whether such aggregate adjustments amount to 1% or more of the Conversion Price, no later than November 15 of each calendar year.

(vii) The Company reserves the right to make such reductions in the Conversion Price in addition to those required in the foregoing provisions as it considers advisable in order that any event treated for Federal income tax purposes as a dividend of stock or stock rights will not be taxable to the recipients. In the event the Company elects to make such a reduction in the Conversion Price, the Company will comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder if and to the extent that such laws and regulations are applicable in connection with the reduction of the Conversion Price.

(e) If the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter (and before the dividend or distribution has been paid or delivered to stockholders) legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the Conversion Price then in effect shall be required by reason of the taking of such record.

(f) Upon any increase or decrease in the Conversion Price, then, and in each such case, the Company promptly shall deliver to each holder of Preferred Stock a certificate signed by an authorized officer of the Company, setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was calculated and specifying the increased or decreased Conversion Price then in effect following such adjustment.

(g) No fractional shares or securities representing fractional shares of Common Stock shall be issued upon the conversion of any shares of Preferred Stock, whether voluntary or mandatory, or in respect of the payment or partial payment of dividends on Preferred Stock in Common Stock. If more than one share of Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate Liquidation Preference of the shares of Preferred Stock so surrendered. If the conversion of any share or shares of Preferred Stock results in a fraction, an amount equal to such fraction multiplied by the last reported sale price of the Common Stock on the NYSE (or on such other national securities exchange or automated quotation system on which the Common Stock is then listed for trading or authorized for quotation or, if the Common Stock is not then so listed or authorized for quotation, an amount determined in good faith by the Board of Directors to be the fair value of the Common Stock) at the close of business on the Trading Day next preceding the day of conversion shall be paid to such holder in cash by the Company.

(h) In the event of any reclassification of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value), or in the event of any consolidation or merger of the Company with or into another Person or any merger of another Person with or into the Company (other than a consolidation or merger in which the Company is the resulting or surviving Person and which does not result in any reclassification or change of outstanding Common Stock), or in the event of any sale or other disposition to another Person of all or substantially all of the assets of the Company (computed on a consolidated basis) (any of the foregoing, a "Transaction"), each share of Preferred Stock then outstanding shall, without the consent of any holder of Preferred Stock, become convertible at any time, at the option of the holder thereof, only into the kind and amount of securities (of the Company or another issuer), cash and other property receivable upon such Transaction by a holder of the number of shares of Common Stock into which such share of Preferred Stock could have been converted immediately prior to such Transaction, after giving effect to any adjustment event. The provisions of this Section 7(h) and any equivalent thereof in any such securities similarly shall apply to successive Transactions. The provisions of this Section 7(h), Section 4 and Section 4A shall be the sole rights of holders of Preferred Stock in connection with any Transaction and such holders shall have no separate vote thereon.

(i) The Company shall at all times reserve and keep available for issuance upon the conversion of the Preferred Stock such number of its authorized but unissued shares of Common Stock as will from time to time be sufficient to permit the conversion of all outstanding shares of Preferred Stock, and shall take all action required to increase the authorized number of shares of Common Stock if at any time there shall be insufficient unissued shares of Common Stock to permit such reservation or to permit the conversion of all outstanding shares of Preferred Stock or the payment or partial payment of dividends declared on Preferred Stock that are payable in Common Stock.

(j) The issuance or delivery of certificates for Common Stock upon the conversion of shares of Preferred Stock or the payment or partial payment of a dividend on Preferred Stock in Common Stock, shall be made without charge to the converting holder or recipient of shares of Preferred Stock for such certificates or for any tax in respect of the issuance or delivery of such certificates or the securities represented thereby, and such certificates shall be issued or delivered in the respective names of, or in such names as may be directed by, the holders of the shares of Preferred Stock converted;provided,however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificate in a name other than that of the holder of the shares of the relevant Preferred Stock and the Company shall not be required to issue or deliver such certificate unless or until the Person or Persons requesting the issuance or delivery thereof shall have paid to the Company the amount of such tax or shall have established to the reasonable satisfaction of the Company that such tax has been paid.

8.Mandatory Conversion.

(a) At any time on or after November 15, 2010, the Company shall have the right, at its option, to cause the Preferred Stock, in whole but not in part, to be automatically converted into that number of whole shares of Common Stock for each share of Preferred Stock equal to the quotient of (i) the Liquidation Preference divided by (ii) the Conversion Price then in

effect, with any resulting fractional shares of Common Stock to be settled in accordance with Section 7(g). The Company may exercise its right to cause a mandatory conversion pursuant to this Section 8(a) only if the closing price of the Common Stock equals or exceeds 130% of the Conversion Price then in effect for at least 20 Trading Days in any consecutive 30 Trading Day period on the NYSE (or such other national securities exchange or automated quotation system on which the Common Stock is then listed or authorized for quotation), including the last Trading Day of such 30-day period, ending on the Trading Day prior to the Company's issuance of a press release announcing the mandatory conversion as described in Section 8(b).

(b) To exercise the mandatory conversion right described in Section 8(a), the Company must issue a press release for publication on the Dow Jones News Service prior to the opening of business on the first Trading Day following any date on which the conditions described in Section 8(a) are met, announcing such a mandatory conversion. The Company shall also give notice by mail or by publication (with subsequent prompt notice by mail) to the holders of Preferred Stock (not more than four Business Days after the date of the press release) of the mandatory conversion announcing the Company's intention to convert the Preferred Stock. The conversion date will be a date selected by the Company (the "Mandatory Conversion Date") and will be no more than ten days after the date on which the Company issues the press release described in this Section 8(b).

(c) In addition to any information required by applicable law or regulation, the press release and notice of a mandatory conversion described in Section 8(b) shall state, as appropriate: (i) the Mandatory Conversion Date; (ii) the number of shares of Common Stock to be issued upon conversion of each share of Preferred Stock; (iii) the number of shares of Preferred Stock to be converted; and (iv) that dividends on the Preferred Stock to be converted will cease to accrue on the Mandatory Conversion Date.

(d) On and after the Mandatory Conversion Date, dividends will cease to accrue on the Preferred Stock called for a mandatory conversion pursuant to Section 8(a) and all rights of holders of such Preferred Stock will terminate except for the right to receive the whole shares of Common Stock issuable upon conversion thereof and cash, in lieu of any fractional shares of Common Stock in accordance with Section 7(g). The dividend payment with respect to the Preferred Stock called for a mandatory conversion pursuant to Section 8(a) on a date during the period between the close of business on any Dividend Record Date to the close of business on the corresponding Dividend Payment Date will be payable on such Dividend Payment Date to the record holder of such share on such Dividend Record Date if such share has been converted after such Dividend Record Date and prior to such Dividend Payment Date. Except as provided in the immediately preceding sentence with respect to a mandatory conversion pursuant to Section 8(a), no payment or adjustment will be made upon conversion of Preferred Stock for Accrued Dividends or for dividends with respect to the Common Stock issued upon such conversion.

(e) The Company may not authorize, issue a press release or give notice of any mandatory conversion pursuant to Section 8(a) unless, prior to giving the conversion notice, all Accumulated Dividends on the Preferred Stock for periods ended prior to the date of such conversion notice shall have been paid.

(f) In addition to the mandatory conversion right described in Section 8(a), if there are less than 250,000 shares of Preferred Stock outstanding, the Company shall have the right, at any time on or after November 15, 2010, at its option, to cause the Preferred Stock to be automatically converted into that number of whole shares of Common Stock equal to the quotient of (i) the Liquidation Preference divided by (ii) the lesser of (A) the Conversion Price then in effect and (B) the Market Value for the period ending on the second Trading Day immediately prior to the Mandatory Conversion Date, with any resulting fractional shares of Common Stock to be settled in cash in accordance with Section 7(g). The provisions of clauses (b), (c), (d) and (e) of this Section 8 shall apply to any mandatory conversion pursuant to this clause (f);provided that (i) the Mandatory Conversion Date described in Section 8(b) shall not be less than 15 days nor more than 30 days after the date on which the Company issues a press release pursuant to Section 8(b) announcing such mandatory conversion and (ii) the press release and notice of mandatory conversion described in Section 8(c) will not state the number of shares of Common Stock to be issued upon conversion of each share of Preferred Stock.

9.Consolidation, Merger and Sale of Assets.

(a) The Company, without the consent of the holders of any of the outstanding Preferred Stock, may consolidate with or merge into any other Person or convey, transfer or lease all or substantially all its assets to any Person or may permit any Person to consolidate with or merge into, or transfer or lease all or substantially all its properties to, the Company;provided,however, that (i) the successor, transferee or lessee is organized under the laws of the United States or any political subdivision thereof; (ii) the shares of Preferred Stock will become shares of such successor, transferee or lessee, having in respect of such successor, transferee or lessee the same powers, preferences and relative participating, optional or other special rights and the qualification, limitations or restrictions thereon, the Preferred Stock had immediately prior to such transaction; and (c) the Company delivers to the Transfer Agent an Officers' Certificate and an Opinion of Counsel stating that such transaction complies with this Certificate of Designation.

(b) Upon any consolidation by the Company with, or merger by the Company into, any other person or any conveyance, transfer or lease of all or substantially all the assets of the Company as described in Section 9(a), the successor resulting from such consolidation or into which the Company is merged or the transferee or lessee to which such conveyance, transfer or lease is made, will succeed to, and be substituted for, and may exercise every right and power of, the Company under the shares of Preferred Stock, and thereafter, except in the case of a lease, the predecessor (if still in existence) will be released from its obligations and covenants with respect to the Preferred Stock. Nothing in this Section 9 limits the rights of Holders set out in Section 4 and Section 4A.

10.SEC Reports.

Whether or not the Company is required to file reports with the Commission, if any shares of Preferred Stock are outstanding, the Company shall file with the Commission all such reports and other information as it would be required to file with the Commission by Section 13(a)or 15(d) under the Exchange Act. The Company shall supply each holder of Preferred Stock, upon request, without cost to such holder, copies of such reports or other information.

11.Certificates.

(a) *Form and Dating*. The Preferred Stock and the Transfer Agent's certificate of authentication shall be substantially in the form set forth in Exhibit A, which is hereby incorporated in and expressly made a part of this Certificate of Designation. The Preferred Stock certificate may have notations, legends or endorsements required by law, stock exchange rules, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). Each Preferred Stock certificate shall be dated the date of its authentication. The terms of the Preferred Stock certificate set forth in Exhibit A are part of the terms of this Certificate of Designation.

(i) Global Preferred Stock. The Preferred Stock shall be issued initially in the form of one or more fully registered global certificates with the global securities legend and restricted securities legend set forth in Exhibit A hereto (the "Global Preferred Stock"), which shall be deposited on behalf of the purchasers represented thereby with the Transfer Agent, as custodian for DTC (or with such other custodian as DTC may direct), and registered in the name of DTC or a nominee of DTC, duly executed by the Company and authenticated by the Transfer Agent as hereinafter provided. The number of shares of Preferred Stock represented by Global Preferred Stock may from time to time be increased or decreased by adjustments made on the records of the Transfer Agent and DTC or its nominee as hereinafter provided. With respect to shares of Preferred Stock that are not "restricted securities" as defined in Rule 144 on a conversion date, all shares of Common Stock distributed on such conversion date or the payment or partial payment of a dividend in Common Stock will be freely transferable without restriction under the Securities Act (other than by affiliates), and such shares will be eligible for receipt in global form through the facilities of DTC.

(ii) Book-Entry Provisions. In the event Global Preferred Stock is deposited with or on behalf of DTC, the Company shall execute and the Transfer Agent shall authenticate and deliver initially one or more Global Preferred Stock certificates that (a) shall be registered in the name of DTC as depository for such Global Preferred Stock or the nominee of DTC and (b) shall be delivered by the Transfer Agent to DTC or pursuant to DTC's instructions or held by the Transfer Agent as custodian for DTC.

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

(iii) Certificated Preferred Stock; Certificated Common Stock. Except as provided in this paragraph 11(a) or in paragraph 11(c), owners of beneficial interests in Global Preferred Stock will not be entitled to receive physical delivery of Preferred Stock in fully registered certificated form ("Certificated Preferred Stock"). With respect to shares of Preferred Stock that are "restricted securities" as defined in Rule 144 on a conversion date, all shares of Common Stock issuable on conversion of such shares on such conversion date or on payment or partial payment of a dividend in Common Stock will be issued in fully registered certificated form ("Certificated Common Stock"). Certificates of Certificated Common Stock will be mailed or made available at the office of the Transfer Agent for the Preferred Stock on or as soon as reasonably practicable after the relevant conversion date to the converting holder.

After a transfer of any Preferred Stock or Certificated Common Stock during the period of the effectiveness of a Shelf Registration Statement with respect to such Preferred Stock or such Certificated Common Stock, all requirements pertaining to legends on such Preferred Stock (including Global Preferred Stock) or Certificated Common Stock will cease to apply, the requirements requiring that any such Certificated Common Stock issued to Holders be issued in certificated form, as the case may, will cease to apply, and Preferred Stock or Common Stock, as the case may be, in global or fully registered certificated form, in either case without legends, will be available to the transferee of the Holder of such Preferred Stock or Certificated Common Stock upon exchange of such transferring Holder's Preferred Stock or Common Stock or directions to transfer such Holder's interest in the Global Preferred Stock, as applicable.

(b) *Execution and Authentication*. Two Officers shall sign the Preferred Stock certificate for the Company by manual or facsimile signature.

If an Officer whose signature is on a Preferred Stock certificate no longer holds that office at the time the Transfer Agent authenticates the Preferred Stock certificate, the Preferred Stock certificate shall be valid nevertheless.

A Preferred Stock certificate shall not be valid until an authorized signatory of the Transfer Agent manually signs the certificate of authentication on the Preferred Stock certificate. The signature shall be conclusive evidence that the Preferred Stock certificate has been authenticated under this Certificate of Designation.

The Transfer Agent shall authenticate and deliver certificates for up to 5,750,000 shares of Preferred Stock for original issue upon a written order of the Company signed by two Officers or by an Officer and an Assistant Treasurer of the Company. Such order shall specify the number of shares of Preferred Stock to be authenticated and the date on which the original issue of Preferred Stock is to be authenticated.

The Transfer Agent may appoint an authenticating agent reasonably acceptable to the Company to authenticate the certificates for Preferred Stock. Unless limited by the terms of such appointment, an authenticating agent may authenticate certificates for Preferred Stock whenever the Transfer Agent may do so. Each reference in this Certificate of Designation to authentication by the Transfer Agent includes authentication by such agent. An authenticating agent has the same rights as the Transfer Agent or agent for service of notices and demands.

(c) *Transfer and Exchange*. (i) Transfer and Exchange of Certificated Preferred Stock. When Certificated Preferred Stock is presented to the Transfer Agent with a request to register the transfer of such Certificated Preferred Stock or to exchange such Certificated Preferred Stock for an equal number of shares of Certificated Preferred Stock, the Transfer Agent shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met;provided,however, that the Certificated Preferred Stock surrendered for transfer or exchange:

(1) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Transfer Agent, duly executed by the Holder thereof or its attorney duly authorized in writing; and

(2) is being transferred or exchanged pursuant to an effective registration statement under the Securities Act or pursuant to clause (i) or (ii) below, and is accompanied by the following additional information and documents, as applicable:

(A) if such Certificated Preferred Stock is being delivered to the Transfer Agent by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect in substantially the form of Exhibit C hereto; or

(B) if such Certificated Preferred Stock is being transferred to the Company or to a "qualified institutional buyer" ("QIB") in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act, (i) a certification to that effect (in substantially the form of Exhibit C hereto) and (ii) if the Company so requests, an Opinion of Counsel or other evidence reasonably satisfactory to it as to the compliance with the restrictions set forth in the legend set forth in paragraph 11(c) (vii).

(ii) Restrictions on Transfer of Certificated Preferred Stock for a Beneficial Interest in Global Preferred Stock. Certificated Preferred Stock may not be exchanged for a beneficial interest in Global Preferred Stock except upon satisfaction of the requirements set forth below. Upon receipt by the Transfer Agent of Certificated Preferred Stock, duly endorsed or accompanied by appropriate instruments of transfer, in form reasonably satisfactory to the Company and the Transfer Agent, together with written instructions directing the Transfer Agent to make, or to direct DTC to make, an adjustment on its books and records with respect to such Global Preferred Stock to reflect an increase in the number of shares of Preferred Stock represented by the Global Preferred Stock, then the Transfer Agent shall cancel such Certificated Preferred Stock and cause, or direct DTC to cause, in accordance with the standing instructions and procedures existing between DTC and the Transfer Agent, the number of shares of Preferred Stock represented by the Global Preferred Stock to be increased accordingly. If no Global Preferred Stock is then outstanding, the Company shall issue and the Transfer Agent shall authenticate, upon written order of the Company in the form of an Officers' Certificate, a new Global Preferred Stock representing the appropriate number of shares.

(iii) Transfer and Exchange of Global Preferred Stock. The transfer and exchange of Global Preferred Stock or beneficial interests therein shall be effected through DTC, in accordance with this Certificate of Designation (including applicable restrictions on transfer set forth herein, if any) and the procedures of DTC therefor.

(iv) Transfer of a Beneficial Interest in Global Preferred Stock for a Certificated Preferred Stock.

(1) Any Person having a beneficial interest in Preferred Stock that is being transferred or exchanged pursuant to an effective registration statement under the Securities Act or pursuant to another exemption from registration thereunder may upon request, but only with the consent of the Company, and if accompanied by a certification from such Person to that effect (in substantially the form of Exhibit C hereto), exchange such beneficial interest for Certificated Preferred Stock representing the same number of shares of Preferred Stock. Upon receipt by the Transfer Agent of written instructions or such other form of instructions as is customary for DTC from DTC or its nominee on behalf of any Person having a beneficial interest in Global Preferred Stock and upon receipt by the Transfer Agent of a written order or such other form of instructions as is customary for DTC or the Person designated by DTC as having such a beneficial interest in a Transfer Restricted Security only, then, the Transfer Agent or DTC, at the direction of the Transfer Agent, will cause, in accordance with the standing instructions and procedures existing between DTC and the Transfer Agent, the number of shares of Preferred Stock represented by Global Preferred Stock to be reduced on its books and records and, following such reduction, the Company will execute and the Transfer Agent will authenticate and deliver to the transferee Certificated Preferred Stock.

(2) Certificated Preferred Stock issued in exchange for a beneficial interest in a Global Preferred Stock pursuant to this paragraph 11(c)(iv) shall be registered in such names and in such authorized denominations as DTC, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Transfer Agent. The Transfer Agent shall deliver such Certificated Preferred Stock to the Persons in whose names such Preferred Stock are so registered in accordance with the instructions of DTC.

(v) Restrictions on Transfer and Exchange of Global Preferred Stock.

(1) Notwithstanding any other provisions of this Certificate of Designation (other than the provisions set forth in paragraph 11(c)(vi)), Global Preferred Stock may not be transferred as a whole except by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor depository or a nominee of such successor depository.

(2) In the event that the Global Preferred Stock is exchanged for Preferred Stock in definitive registered form pursuant to paragraph 11(c)(vi) prior to the effectiveness of a Shelf Registration Statement with respect to such securities, such Preferred Stock may be exchanged only in accordance with such procedures as are

substantially consistent with the provisions of this paragraph 11(c) (including the certification requirements set forth in the Exhibits to this Certificate of Designation intended to ensure that such transfers comply with Rule 144A or such other applicable exemption from registration under the Securities Act, as the case may be) and such other procedures as may from time to time be adopted by the Company.

(vi) Authentication of Certificated Preferred Stock. If at any time:

(1) DTC notifies the Company that DTC is unwilling or unable to continue as depository for the Global Preferred Stock and a successor depository for the Global Preferred Stock is not appointed by the Company within 90 days after delivery of such notice;

(2) DTC ceases to be a clearing agency registered under the Exchange Act and a successor depository for the Global Preferred Stock is not appointed by the Company within 90 days; or

(3) the Company, in its sole discretion, notifies the Transfer Agent in writing that it elects to cause the issuance of Certificated Preferred Stock under this Certificate of Designation,

then the Company will execute, and the Transfer Agent, upon receipt of a written order of the Company signed by two Officers or by an Officer and an Assistant Treasurer of the Company requesting the authentication and delivery of Certificated Preferred Stock to the Persons designated by the Company, will authenticate and deliver Certificated Preferred Stock equal to the number of shares of Preferred Stock represented by the Global Preferred Stock, in exchange for such Global Preferred Stock.

(vii) Legend.

(1) Except as permitted by the following paragraph (2) and in paragraph 11(a)(iii), each certificate evidencing the Global Preferred Stock, the Certificated Preferred Stock and Certificated Common Stock shall bear a legend in substantially the following form:

"THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS SECURITY AND ANY SECURITY ISSUABLE UPON CONVERSION HEREOF MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY AND ANY SECURITY ISSUABLE UPON CONVERSION HEREOF MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE OF THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. IN ANY CASE, THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THE SECURITIES EXCEPT AS PERMITTED UNDER THE SECURITIES ACT." [1]

(2) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by Global Preferred Stock) pursuant to Rule 144 under the Securities Act or another exemption from registration under the Securities Act or an effective registration statement under the Securities Act:

(A) in the case of any Transfer Restricted Security that is a Certificated Preferred Stock, the Transfer Agent shall permit the Holder thereof to exchange such Transfer Restricted Security for Certificated Preferred Stock that does not bear a restrictive legend and rescind any restriction on the transfer of such Transfer Restricted Security; and

(B) in the case of any Transfer Restricted Security that is represented by a Global Preferred Stock, with the consent of the Company, the Transfer Agent shall permit the Holder thereof to exchange such Transfer Restricted Security for Certificated Preferred Stock that does not bear the legend set forth above and rescind any restriction on the transfer of such Transfer Restricted Security, if the Holder's request for such exchange was made in reliance on Rule 144 or another exemption from registration under the Securities Act and the Holder certifies to that effect in writing to the Transfer Agent (such certification to be in the form set forth in Exhibit C hereto).

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[1] Subject to removal upon registration under the Securities Act of 1933 or otherwise when the security shall no longer be a Transfer Restricted Security.

(viii) Cancelation or Adjustment of Global Preferred Stock. At such time as all beneficial interests in Global Preferred Stock have either been exchanged for Certificated Preferred Stock, converted or canceled, such Global Preferred Stock shall be returned to DTC for cancelation or retained and canceled by the Transfer Agent. At any time prior to such cancelation, if any beneficial interest in Global Preferred Stock is exchanged for Certificated Preferred Stock, converted or canceled, the number of shares of Preferred Stock represented by such Global Preferred Stock shall be reduced and an adjustment shall be made on the books and records of the Transfer Agent with respect to such Global Preferred Stock, by the Transfer Agent or DTC, to reflect such reduction.

(ix) Obligations with Respect to Transfers and Exchanges of Preferred Stock.

(1) To permit registrations of transfers and exchanges, the Company shall execute and the Transfer Agent shall authenticate Certificated Preferred Stock and Global Preferred Stock as required pursuant to the provisions of this paragraph 11(c).

(2) All Certificated Preferred Stock and Global Preferred Stock issued upon any registration of transfer or exchange of Certificated Preferred Stock or Global Preferred Stock shall be the valid obligations of the Company, entitled to the same benefits under this Certificate of Designation as the Certificated Preferred Stock or Global Preferred Stock surrendered upon such registration of transfer or exchange.

(3) Prior to due presentment for registration of transfer of any shares of Preferred Stock, the Transfer Agent and the Company may deem and treat the Person in whose name such shares of Preferred Stock are registered as the absolute owner of such Preferred Stock and neither the Transfer Agent nor the Company shall be affected by notice to the contrary.

(4) No service charge shall be made to a Holder for any registration of transfer or exchange upon surrender of any Preferred Stock certificate or Common Stock certificate at the office of the Transfer Agent maintained for that purpose. However, the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Preferred Stock certificates or Common Stock certificates.

(5) Upon any sale or transfer of shares of Preferred Stock (including any Preferred Stock represented by a Global Preferred Stock Certificate), Certificated Common Stock pursuant to an effective registration statement under the Securities Act or pursuant to Rule 144 or another exemption from registration under the Securities Act (and based upon an Opinion of Counsel reasonably satisfactory to the Company if it so requests) or the issue of Common Stock in payment or partial payment of a dividend on Preferred Stock pursuant to an effective registration statement:

(A) in the case of any Certificated Preferred Stock or Certificated Common Stock, the Company and the Transfer Agent shall permit the holder thereof to exchange such Preferred Stock or Certificated Common Stock for Certificated Preferred Stock or Certificated Common Stock, as the case may be, that does not bear a restrictive legend and rescind any restriction on the transfer of such Preferred Stock or Common Stock issuable in respect of the conversion of the Preferred Stock;

(B) in the case of any Common Stock issued in payment or partial payment of a dividend on Preferred Stock pursuant to an effective registration statement, the Certificated Common Stock issued in respect thereof shall not bear a restrictive legend; and

(C) in the case of any Global Preferred Stock, such Preferred Stock shall not be required to bear the legend set forth in paragraph (c)(vii) above but shall continue to be subject to the provisions of paragraph (c)(iv) hereof;provided,however, that with respect to any request for an exchange of Preferred Stock that is represented by Global Preferred Stock for Certificated Preferred Stock that does not bear the legend set forth in paragraph (c)(vii) above in connection with a sale or transfer thereof pursuant to Rule 144 or another exemption from registration under the Securities Act (and based upon an Opinion of Counsel if the Company so requests), the Holder thereof shall certify in writing to the Transfer Agent that such request is being made pursuant to such exemption (such certification to be substantially in the form of Exhibit C hereto).

(x) No Obligation of the Transfer Agent.

(1) The Transfer Agent shall have no responsibility or obligation to any beneficial owner of Global Preferred Stock, a member of, or a participant in DTC or any other Person with respect to the accuracy of the records of DTC or its nominee or of any participant or member thereof, with respect to any ownership interest in the Preferred Stock or with respect to the delivery to any participant, member, beneficial owner or other Person (other than DTC) of any notice or the payment of any amount, under or with respect to such Global Preferred Stock. All notices and communications to be given to the Holders and all payments to be made to Holders under the Preferred Stock shall be given or made only to the Holders (which shall be DTC or its nominee in the case of the Global Preferred Stock). The rights of beneficial owners in any Global Preferred Stock shall be exercised only through DTC subject to the applicable rules and procedures of DTC. The Transfer Agent may rely and shall be fully protected in relying upon information furnished by DTC with respect to its members, participants and any beneficial owners.

(2) The Transfer Agent shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Certificate of Designation or under applicable law with respect to any transfer of any interest in any Preferred Stock (including any transfers between or among DTC

participants, members or beneficial owners in any Global Preferred Stock) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Certificate of Designation, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

(d) *Replacement Certificates*. If a mutilated Preferred Stock certificate is surrendered to the Transfer Agent or if the Holder of a Preferred Stock certificate claims that the Preferred Stock certificate has been lost, destroyed or wrongfully taken, the Company shall issue and the Transfer Agent shall countersign a replacement Preferred Stock certificate if the reasonable requirements of the Transfer Agent and of Section 8-405 of the Uniform Commercial Code as in effect in the State of Oklahoma are met. If required by the Transfer Agent or the Company, such Holder shall furnish an indemnity bond sufficient in the judgment of the Company and the Transfer Agent to protect the Company and the Transfer Agent from any loss which either of them may suffer if a Preferred Stock certificate is replaced. The Company and the Transfer Agent may charge the Holder for their expenses in replacing a Preferred Stock certificate.

(e) *Temporary Certificates*. Until definitive Preferred Stock certificates are ready for delivery, the Company may prepare and the Transfer Agent shall countersign temporary Preferred Stock certificates. Temporary Preferred Stock certificates shall be substantially in the form of definitive Preferred Stock certificates but may have variations that the Company considers appropriate for temporary Preferred Stock certificates. Without unreasonable delay, the Company shall prepare and the Transfer Agent shall countersign definitive Preferred Stock certificates and deliver them in exchange for temporary Preferred Stock certificates.

(f) *Cancelation*. (i) In the event the Company shall purchase or otherwise acquire Certificated Preferred Stock, the same shall thereupon be delivered to the Transfer Agent for cancelation.

(ii) At such time as all beneficial interests in Global Preferred Stock have either been exchanged for Certificated Preferred Stock, converted, repurchased or canceled, such Global Preferred Stock shall thereupon be delivered to the Transfer Agent for cancelation.

(iii) The Transfer Agent and no one else shall cancel and destroy all Preferred Stock certificates surrendered for transfer, exchange, replacement or cancelation and deliver a certificate of such destruction to the Company unless the Company directs the Transfer Agent to deliver canceled Preferred Stock certificates to the Company. The Company may not issue new Preferred Stock certificates to replace Preferred Stock certificates to the extent they evidence Preferred Stock which the Company has purchased or otherwise acquired.

12. Additional Rights of Holders. In addition to the rights provided to Holders under this Certificate of Designation, Holders shall have the rights set forth in the Registration Rights Agreement.

13. Other Provisions.

(a) With respect to any notice to a holder of shares of Preferred Stock required to be provided hereunder, neither failure to mail such notice, nor any defect therein or in the mailing thereof, to any particular holder shall affect the sufficiency of the notice or the validity of the proceedings referred to in such notice with respect to the other holders or affect the legality or validity of any distribution, rights, warrant, reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding-up, or the vote upon any such action. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives the notice.

(b) Shares of Preferred Stock issued and reacquired will be retired and canceled promptly after reacquisition thereof and, upon compliance with the applicable requirements of Oklahoma law, have the status of authorized but unissued shares of preferred stock of the Company undesignated as to series and may with any and all other authorized but unissued shares of preferred stock of the Company be designated or redesignated and issued or reissued, as the case may be, as part of any series of preferred stock of the Corporation, except that any issuance or reissuance of shares of Preferred Stock must be in compliance with this Certificate of Designation.

(c) The shares of Preferred Stock shall be issuable only in whole shares.

(d) All notice periods referred to herein shall commence on the date of the mailing of the applicable notice.

IN WITNESS WHEREOF, the Company has caused this certificate to be signed and attested this 7th day of November, 2005.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Martha A. Burger
Martha A. Burger
Treasurer & Senior Vice President – Human Resources

Attest: /s/ Jennifer M. Grigsby
Jennifer M. Grigsby
Corporate Secretary

EXHIBIT A

FORM OF PREFERRED STOCK

FACE OF SECURITY

[THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS SECURITY AND ANY SECURITY ISSUABLE UPON CONVERSION HEREOF MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY AND ANY SECURITY ISSUABLE UPON CONVERSION HEREOF MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE OF THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. IN ANY CASE, THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THE SECURITIES EXCEPT AS PERMITTED UNDER THE SECURITIES ACT.] [1]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER,

[1] Subject to removal upon registration under the Securities Act of 1933 or otherwise when the security shall no longer be a Transfer Restricted Security.

PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.] [2]

[TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE CERTIFICATE OF DESIGNATION REFERRED TO BELOW.] [2]

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

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[2] Subject to removal if not a global security.

Certificate Number

Number of Shares of
Convertible Preferred Stock

[ ]

CUSIP NO.: 165167834

5.00% Cumulative Convertible Preferred Stock (Series 2005B) (par value $0.01)
(liquidation preference $100 per share of Convertible Preferred Stock)

of

Chesapeake Energy Corporation

Chesapeake Energy Corporation, an Oklahoma corporation (the "Company"), hereby certifies that [_____] (the "Holder") is the registered owner of [_____] fully paid and non-assessable preferred securities of the Company designated the 5.00% Cumulative Convertible Preferred Stock (Series 2005B) (par value $0.01) (liquidation preference $100 per share of Preferred Stock) (the "Preferred Stock"). The shares of Preferred Stock are transferable on the books and records of the Transfer Agent, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Preferred Stock represented hereby are issued and shall in all respects be subject to the provisions of the Certificate of Designation dated November 7, 2005, as the same may be amended from time to time (the "Certificate of Designation"). Capitalized terms used herein but not defined shall have the meaning given them in the Certificate of Designation. The Company will provide a copy of the Certificate of Designation to a Holder without charge upon written request to the Company at its principal place of business.

Reference is hereby made to select provisions of the Preferred Stock set forth on the reverse hereof, and to the Certificate of Designation, which select provisions and the Certificate of Designation shall for all purposes have the same effect as if set forth at this place.

Upon receipt of this certificate, the Holder is bound by the Certificate of Designation and is entitled to the benefits thereunder.

Unless the Transfer Agent's Certificate of Authentication hereon has been properly executed, these shares of Preferred Stock shall not be entitled to any benefit under the Certificate of Designation or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has executed this certificate this__th day of_____, ____.

CHESAPEAKE ENERGY CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

TRANSFER AGENT'S CERTIFICATE OF AUTHENTICATION

These are shares of the Preferred Stock referred to in the within-mentioned Certificate of Designation.

Dated:

UMB BANK, N.A., as Transfer Agent,

By: _____

Authorized Signatory

Dividends on each share of Preferred Stock shall be payable at a rate per annum set forth in the face hereof or as provided in the Certificate of Designation.

The shares of Preferred Stock shall be convertible into the Company's Common Stock in the manner and according to the terms set forth in the Certificate of Designation.

The Company will furnish without charge to each holder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock and the qualifications, limitations or restrictions of such preferences and/or rights.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers the shares of Preferred Stock evidenced hereby to: _____

_____

_____

_____

_____

(Insert assignee's social security or tax identification number)

_____

_____

_____

(Insert address and zip code of assignee)

and irrevocably appoints: _____

_____

_____

_____

agent to transfer the shares of Preferred Stock evidenced hereby on the books of the Transfer Agent. The agent may substitute another to act for him or her.

Date:_____

Signature:_____

(Sign exactly as your name appears on the other side of this Preferred Stock Certificate)

Signature Guarantee:[3] _____

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[3] (Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Transfer Agent, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Transfer Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

EXHIBIT B

NOTICE OF CONVERSION

(To be Executed by the Holder in order to Convert the Preferred Stock)

The undersigned hereby irrevocably elects to convert (the "Conversion") shares of 5.00% Cumulative Convertible Preferred Stock (Series 2005B) (the "Preferred Stock"), represented by stock certificate No(s). (the "Preferred Stock Certificates") into shares of common stock ("Common Stock") of Chesapeake Energy Corporation (the "Company") according to the conditions of the Certificate of Designation of the Preferred Stock (the "Certificate of Designation"), as of the date written below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith the Preferred Stock Certificates. No fee will be charged to the holder for any conversion, except for transfer taxes, if any. A copy of each Preferred Stock Certificate is attached hereto (or evidence of loss, theft or destruction thereof).

The undersigned represents and warrants that all offers and sales by the undersigned of the shares of Common Stock issuable to the undersigned upon conversion of the Preferred Stock shall be made pursuant to registration of the Common Stock under the Securities Act of 1933 (the "Act"), or pursuant to any exemption from registration under the Act.

Any holder, upon the exercise of its conversion rights in accordance with the terms of the Certificate of Designation and the Preferred Stock, agrees to be bound by the terms of the Registration Rights Agreement.

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in or pursuant to the Certificate of Designation.

Date of Conversion: _____

Applicable Conversion Price: _____

Number of shares of Preferred Stock to be Converted: _____

Number of shares of Common Stock to be Issued: * _____

Signature: _____

Name: _____

Address:** _____

Fax No.: _____

* The Company is not required to issue shares of Common Stock until the original Preferred Stock Certificate(s) (or evidence of loss, theft or destruction thereof) to be converted are received

by the Company or its Transfer Agent. The Company shall issue and deliver shares of Common Stock to an overnight courier not later than three business days following receipt of the original Preferred Stock Certificate(s) to be converted.

** Address where shares of Common Stock and any other payments or certificates shall be sent by the Company.

EXHIBIT C

CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR
REGISTRATION OF TRANSFER OF PREFERRED STOCK

Re: 5.00% Cumulative Convertible Preferred Stock (Series 2005B) (the "Preferred Stock") of Chesapeake Energy Corporation (the "Company")

This Certificate relates to____ shares of Preferred Stock held in ☐*/ book-entry or ☐*/ definitive form by_____ (the "Transferor").

The Transferor*:

- ☐ has requested the Transfer Agent by written order to deliver in exchange for its beneficial interest in the Preferred Stock held by the Depository shares of Preferred Stock in definitive, registered form equal to its beneficial interest in such Preferred Stock (or the portion thereof indicated above); or
- ☐ has requested the Transfer Agent by written order to exchange or register the transfer of Preferred Stock.

In connection with such request and in respect of such Preferred Stock, the Transferor does hereby certify that the Transferor is familiar with the Certificate of Designation relating to the above-captioned Preferred Stock and that the transfer of this Preferred Stock does not require registration under the Securities Act of 1933 (the "Securities Act") because */:

- ☐ Such Preferred Stock is being acquired for the Transferor's own account without transfer.
- ☐ Such Preferred Stock is being transferred to the Company.
- ☐ Such Preferred Stock is being transferred to a qualified institutional buyer (as defined in Rule 144A under the Securities Act), in reliance on Rule 144A.
- ☐ Such Preferred Stock is being transferred in reliance on and in compliance with another exemption from the registration requirements of the Securities Act (and based on an Opinion of Counsel if the Company so requests).

_____
[INSERT NAME OF TRANSFEROR]

by: _____

Date:_____

*/ Please check applicable box.

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 1,020,000 shares of its 5.0% Cumulative Convertible Preferred Stock (Series 2005B), par value $.01 per share (the "Acquired Shares").

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) by 1,020,000 shares, being the total number of the Acquired Shares retired by the Board of Directors. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 1,020,000 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $10,200.00.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Senior Vice President, Treasurer and Corporate Secretary, and attested to by its Assistant Secretary, this 17th day of April, 2008.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Jennifer M. Grigsby
Jennifer M. Grigsby
Senior Vice President, Treasurer and
Corporate Secretary

ATTEST:

/s/ Anita L. Brodrick
Anita L. Brodrick
Assistant Secretary

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 669,300 shares of its 5.0% Cumulative Convertible Preferred Stock (Series 2005B), par value $.01 per share (the "Acquired Shares").

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) by 669,300 shares, being the total number of the Acquired Shares retired by the Board of Directors. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 669,300 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $6,693.00.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Senior Vice President, Treasurer and Corporate Secretary, and attested to by its Assistant Secretary, this 12th day of May, 2008.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Jennifer M. Grigsby
Jennifer M. Grigsby
Senior Vice President, Treasurer and
Corporate Secretary

ATTEST:

/s/ Anita L. Brodrick
Anita L. Brodrick
Assistant Secretary

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 703,700 shares of its 5.0% Cumulative Convertible Preferred Stock (Series 2005B), par value $.01 per share (the "Acquired Shares").

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) by 703,700 shares, being the total number of the Acquired Shares retired by the Board of Directors. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 703,700 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $7,037.00.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Senior Vice President, Treasurer and Corporate Secretary, and attested to by its Assistant Secretary, this 29th day of May, 2008.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Jennifer M. Grigsby
Jennifer M. Grigsby
Senior Vice President, Treasurer and
Corporate Secretary

ATTEST:

/s/ Anita L. Brodrick
Anita L. Brodrick
Assistant Secretary

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 325,500 shares of its 5.0% Cumulative Convertible Preferred Stock (Series 2005B), par value $.01 per share (the "Acquired Shares").

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) by 325,500 shares, being the total number of the Acquired Shares retired by the Board of Directors. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 325,500 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $3,255.00.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Senior Vice President, Treasurer and Corporate Secretary, and attested to by its Assistant Secretary, this 4th day of June, 2008.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Jennifer M. Grigsby
Jennifer M. Grigsby
Senior Vice President, Treasurer and
Corporate Secretary

ATTEST:

/s/ Anita L. Brodrick
Anita L. Brodrick
Assistant Secretary

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 147,300 shares of its 5.0% Cumulative Convertible Preferred Stock (Series 2005B), par value $.01 per share (the "Acquired Shares").

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) by 147,300 shares, being the total number of the Acquired Shares retired by the Board of Directors. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 147,300 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $1,473.00.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Senior Vice President, Treasurer and Corporate Secretary, and attested to by its Assistant Secretary, this 1st day of August, 2008.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Jennifer M. Grigsby
Jennifer M. Grigsby
Senior Vice President, Treasurer and
Corporate Secretary

ATTEST:

/s/ Anita L. Brodrick
Anita L. Brodrick
Assistant Secretary

CERTIFICATE OF ELIMINATION

Chesapeake Energy Corporation (the "Corporation"), a corporation organized and existing under the Oklahoma General Corporation Act,

DOES HEREBY CERTIFY:

FIRST: That the Corporation has acquired 788,585 shares of its 5.0% Cumulative Convertible Preferred Stock (Series 2005B), par value $.01 per share (the "Acquired Shares").

SECOND: That the Board of Directors of the Corporation has adopted resolutions retiring the Acquired Shares.

THIRD: That the Certificate of Designation for the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) (the "Certificate of Designation") prohibits the reissuance of shares when so retired and, pursuant to the provisions of Section 1078 of the Oklahoma General Corporation Act, upon the date of the filing of this Certificate of Elimination, the Certificate of Designation shall be amended so as to reduce the number of authorized shares of the 5.0% Cumulative Convertible Preferred Stock (Series 2005B) by 788,585 shares, being the total number of the Acquired Shares retired by the Board of Directors. Accordingly, the number of authorized but undesignated shares of preferred stock of the Company shall be increased by 788,585 shares. The retired Acquired Shares have a par value of $.01 per share and an aggregate par value of $7,885.85.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by its Senior Vice President, Treasurer and Corporate Secretary, and attested to by its Assistant Secretary, this 14th day of August, 2008.

CHESAPEAKE ENERGY CORPORATION

By: /s/ Jennifer M. Grigsby
Jennifer M. Grigsby
Senior Vice President, Treasurer and
Corporate Secretary

ATTEST:

/s/ Anita L. Brodrick
Anita L. Brodrick
Assistant Secretary

Exhibit 4.1.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.5% SENIOR NOTES DUE 2014

THIRTEENTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS THIRTEENTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of May 27, 2004, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $300,000,000 in principal amount of 7.5% Senior Notes due 2014 (the "*Notes*"); and

WHEREAS, Section 9.01 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;

WHEREAS, each of Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*Midstream Entities*"), is a Restricted Subsidiary under the Indenture;

WHEREAS, the Company has taken all action required to designate such entities as Unrestricted Subsidiaries under the Indenture;

WHEREAS, AMGS, Bluestem and TMGS are Subsidiary Guarantors under the Indenture;

WHEREAS, AMGS LLC, CMGS, Midstream Partners, Midstream Management, Midstream Operating, LMGS and OMGS (together, the "*New Subsidiaries*") are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, upon the effectiveness of their designation as Unrestricted Subsidiaries, the New Subsidiaries will not be required to be Subsidiary Guarantors under the Indenture; 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 Thirteenth 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 Thirteenth 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 Thirteenth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. The Board of Directors of the Company has adopted the resolutions attached hereto as Annex A designating AMGS, Bluestem, TMGS and the New Subsidiaries as Unrestricted Subsidiaries under the Indenture, and the conditions precedent to such designation set forth therein have occurred. AMGS, Bluestem, TMGS and the New Subsidiaries are hereby designated as Unrestricted Subsidiaries under the Indenture. This Thirteenth Supplemental Indenture constitutes notice to the Trustee of such designations in accordance with the requirements of the Indenture.

Section 2.02. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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 Thirteenth Supplemental Indenture. This Thirteenth 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.

The Trustee makes no representations as to the validity or sufficiency of this Ninth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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

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

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

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.00% SENIOR NOTES DUE 2014

THIRTEENTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS THIRTEENTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust, Company N.A. as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of August 2, 2004, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $300,000,000 in principal amount of 7.00% Senior Notes due 2014 (the "*Notes*"); and

WHEREAS, Section 9.01 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;

WHEREAS, each of Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*Midstream Entities*"), is a Restricted Subsidiary under the Indenture;

WHEREAS, the Company has taken all action required to designate such entities as Unrestricted Subsidiaries under the Indenture;

WHEREAS, AMGS, Bluestem and TMGS are Subsidiary Guarantors under the Indenture;

WHEREAS, AMGS LLC, CMGS, Midstream Partners, Midstream Management, Midstream Operating, LMGS and OMGS (together, the "*New Subsidiaries*") are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, upon the effectiveness of their designation as Unrestricted Subsidiaries, the New Subsidiaries will not be required to be Subsidiary Guarantors under the Indenture; 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 Thirteenth 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 Thirteenth 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 Thirteenth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. The Board of Directors of the Company has adopted the resolutions attached hereto as Annex A designating AMGS, Bluestem, TMGS and the New Subsidiaries as Unrestricted Subsidiaries under the Indenture, and the conditions precedent to such designation set forth therein have occurred. AMGS, Bluestem, TMGS and the New Subsidiaries are hereby designated as Unrestricted Subsidiaries under the Indenture. This Thirteenth Supplemental Indenture constitutes notice to the Trustee of such designations in accordance with the requirements of the Indenture.

Section 2.02. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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 Thirteenth Supplemental Indenture. This Thirteenth 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.

The Trustee makes no representations as to the validity or sufficiency of this Ninth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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

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

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

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

Exhibit 4.5.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.5% SENIOR NOTES DUE 2013

SIXTEENTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS SIXTEENTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors party thereto and the Trustee entered into an Indenture, dated as of March 5, 2003, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $300,000,000 in principal amount of 7.5% Senior Notes due 2013 (the "*Notes*");

WHEREAS, Section 9.01 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;

WHEREAS, each of Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*Midstream Entities*"), is a Restricted Subsidiary under the Indenture;

WHEREAS, the Company has taken all action required to designate such entities as Unrestricted Subsidiaries under the Indenture;

WHEREAS, AMGS, Bluestem and TMGS are Subsidiary Guarantors under the Indenture;

WHEREAS, AMGS LLC, CMGS, Midstream Partners, Midstream Management, Midstream Operating, LMGS and OMGS (together, the "*New Subsidiaries*") are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, upon the effectiveness of their designation as Unrestricted Subsidiaries, the New Subsidiaries will not be required to be Subsidiary Guarantors under the Indenture; 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 Sixteenth 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 Sixteenth 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 Sixteenth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. The Board of Directors of the Company has adopted the resolutions attached hereto as Annex A designating AMGS, Bluestem, TMGS and the New Subsidiaries as Unrestricted Subsidiaries under the Indenture, and the conditions precedent to such designation set forth therein have occurred. AMGS, Bluestem, TMGS and the New Subsidiaries are hereby designated as Unrestricted Subsidiaries under the Indenture. This Sixteenth Supplemental Indenture constitutes notice to the Trustee of such designations in accordance with the requirements of the Indenture.

Section 2.02. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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 Sixteenth Supplemental Indenture. This Sixteenth 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.

The Trustee makes no representations as to the validity or sufficiency of this Ninth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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

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

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

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.875% SENIOR NOTES DUE 2016

FOURTEENTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS FOURTEENTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of November 26, 2003, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $200,000,000 in principal amount of 6.875% Senior Notes due 2016 (the "*Notes*"); and

WHEREAS, Section 9.01 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;

WHEREAS, each of Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*Midstream Entities*"), is a Restricted Subsidiary under the Indenture;

WHEREAS, the Company has taken all action required to designate such entities as Unrestricted Subsidiaries under the Indenture;

WHEREAS, AMGS, Bluestem and TMGS are Subsidiary Guarantors under the Indenture;

WHEREAS, AMGS LLC, CMGS, Midstream Partners, Midstream Management, Midstream Operating, LMGS and OMGS (together, the "*New Subsidiaries*") are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, upon the effectiveness of their designation as Unrestricted Subsidiaries, the New Subsidiaries will not be required to be Subsidiary Guarantors under the Indenture; 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 Fourteenth 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 Fourteenth 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 Fourteenth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. The Board of Directors of the Company has adopted the resolutions attached hereto as Annex A designating AMGS, Bluestem, TMGS and the New Subsidiaries as Unrestricted Subsidiaries under the Indenture, and the conditions precedent to such designation set forth therein have occurred. AMGS, Bluestem, TMGS and the New Subsidiaries are hereby designated as Unrestricted Subsidiaries under the Indenture. This Fourteenth Supplemental Indenture constitutes notice to the Trustee of such designations in accordance with the requirements of the Indenture.

Section 2.02. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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 Fourteenth Supplemental Indenture. This Fourteenth 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.

The Trustee makes no representations as to the validity or sufficiency of this Ninth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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

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

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

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

Exhibit 4.7.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.375% SENIOR NOTES DUE 2015

TWELFTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS TWELFTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of December 8, 2004, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $600,000,000 in principal amount of 6.375% Senior Notes due 2015 (the "*Notes*"); and

WHEREAS, Section 9.01 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;

WHEREAS, each of Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*Midstream Entities*"), is a Restricted Subsidiary under the Indenture;

WHEREAS, the Company has taken all action required to designate such entities as Unrestricted Subsidiaries under the Indenture;

WHEREAS, AMGS, Bluestem and TMGS are Subsidiary Guarantors under the Indenture;

WHEREAS, AMGS LLC, CMGS, Midstream Partners, Midstream Management, Midstream Operating, LMGS and OMGS (together, the "*New Subsidiaries*") are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, upon the effectiveness of their designation as Unrestricted Subsidiaries, the New Subsidiaries will not be required to be Subsidiary Guarantors under the Indenture; 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 Twelfth 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 Twelfth 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 Twelfth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. The Board of Directors of the Company has adopted the resolutions attached hereto as Annex A designating AMGS, Bluestem, TMGS and the New Subsidiaries as Unrestricted Subsidiaries under the Indenture, and the conditions precedent to such designation set forth therein have occurred. AMGS, Bluestem, TMGS and the New Subsidiaries are hereby designated as Unrestricted Subsidiaries under the Indenture. This Twelfth Supplemental Indenture constitutes notice to the Trustee of such designations in accordance with the requirements of the Indenture.

Section 2.02. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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 Twelfth Supplemental Indenture. This Twelfth 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.

The Trustee makes no representations as to the validity or sufficiency of this Ninth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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

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

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

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

Exhibit 4.8.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.625% SENIOR NOTES DUE 2016

NINTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS NINTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of April 19, 2005, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $600,000,000 in principal amount of 6.625% Senior Notes due 2016 (the "*Notes*"); and

WHEREAS, Section 9.01 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;

WHEREAS, each of Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*Midstream Entities*"), is a Restricted Subsidiary under the Indenture;

WHEREAS, the Company has taken all action required to designate such entities as Unrestricted Subsidiaries under the Indenture;

WHEREAS, AMGS, Bluestem and TMGS are Subsidiary Guarantors under the Indenture;

WHEREAS, AMGS LLC, CMGS, Midstream Partners, Midstream Management, Midstream Operating, LMGS and OMGS (together, the "*New Subsidiaries*") are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, upon the effectiveness of their designation as Unrestricted Subsidiaries, the New Subsidiaries will not be required to be Subsidiary Guarantors under the Indenture; 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 Ninth 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 Ninth 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 Ninth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. The Board of Directors of the Company has adopted the resolutions attached hereto as Annex A designating AMGS, Bluestem, TMGS and the New Subsidiaries as Unrestricted Subsidiaries under the Indenture, and the conditions precedent to such designation set forth therein have occurred. AMGS, Bluestem, TMGS and the New Subsidiaries are hereby designated as Unrestricted Subsidiaries under the Indenture. This Ninth Supplemental Indenture constitutes notice to the Trustee of such designations in accordance with the requirements of the Indenture.

Section 2.02. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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 Ninth Supplemental Indenture. This Ninth 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.

The Trustee makes no representations as to the validity or sufficiency of this Ninth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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

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

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

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

Exhibit 4.9.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.25% SENIOR NOTES DUE 2018

EIGHTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS EIGHTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of June 20, 2005, (the "*Indenture*"), pursuant to which the Company has originally issued $600,000,000 in principal amount of 6.25% Senior Notes due 2018 (the "*Notes*"); and

WHEREAS, Section 9.01 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;

WHEREAS, each of Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*Midstream Entities*"), is a Restricted Subsidiary under the Indenture;

WHEREAS, the Company has taken all action required to designate such entities as Unrestricted Subsidiaries under the Indenture;

WHEREAS, AMGS, Bluestem and TMGS are Subsidiary Guarantors under the Indenture;

WHEREAS, AMGS LLC, CMGS, Midstream Partners, Midstream Management, Midstream Operating, LMGS and OMGS (together, the "*New Subsidiaries*") are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, upon the effectiveness of their designation as Unrestricted Subsidiaries, the New Subsidiaries will not be required to be Subsidiary Guarantors under the Indenture; 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

Section 2.01. The Board of Directors of the Company has adopted the resolutions attached hereto as Annex A designating AMGS, Bluestem, TMGS and the New Subsidiaries as Unrestricted Subsidiaries under the Indenture, and the conditions precedent to such designation set forth therein have occurred. AMGS, Bluestem, TMGS and the New Subsidiaries are hereby designated as Unrestricted Subsidiaries under the Indenture. This Eighth Supplemental Indenture constitutes notice to the Trustee of such designations in accordance with the requirements of the Indenture.

Section 2.02. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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.

The Trustee makes no representations as to the validity or sufficiency of this Ninth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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.

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

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

Exhibit 4.10.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.5% SENIOR NOTES DUE 2017

NINTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS NINTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto, and the Trustee entered into an Indenture, dated as of August 16, 2005, as supplemented prior to the date hereof (the "Indenture"), pursuant to which the Company has originally issued $600,000,000 in principal amount of 6.5% Senior Notes due 2017 (the "Notes");

WHEREAS, Section 9.01 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;

WHEREAS, Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), and Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), are Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*New Subsidiaries*"), are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, no New Subsidiary guarantees any Indebtedness of the Company or any Subsidiary Guarantor other than a De Minimis Guaranteed Amount and, therefore, such New Subsidiaries are not required to become Subsidiary Guarantors under the Indenture; 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 Ninth 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 Ninth 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 Ninth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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 Ninth Supplemental Indenture. This Ninth 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. The Trustee makes no representations as to the validity or sufficiency of this Ninth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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

Section 3.04. The parties may sign any number of copies of this Ninth 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 Ninth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.875% SENIOR NOTES DUE 2020

EIGHTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS EIGHTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of November 8, 2005, (the "*Indenture*"), pursuant to which the Company has originally issued $500,000,000 in principal amount of 6.875% Senior Notes due 2020 (the "*Notes*"); and

WHEREAS, Section 9.01 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;

WHEREAS, Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), and Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), are Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*New Subsidiaries*"), are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, no New Subsidiary guarantees any Indebtedness of the Company or any Subsidiary Guarantor other than a De Minimis Guaranteed Amount and, therefore, such New Subsidiaries are not required to become Subsidiary Guarantors under the Indenture; 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

Section 2.01. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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. The Trustee makes no representations as to the validity or sufficiency of this Eighth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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.

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

2.75% CONTINGENT CONVERTIBLE SENIOR NOTES DUE 2035

EIGHTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS EIGHTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of November 8, 2005, (the "*Indenture*"), pursuant to which the Company has originally issued $690,000,000 in principal amount of 2.75% Contingent Convertible Senior Notes due 2035 (the "*Notes*");

WHEREAS, Section 10.01 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;

WHEREAS, Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), and Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), are Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 11.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*New Subsidiaries*"), are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, no New Subsidiary guarantees any Indebtedness of the Company or any Subsidiary Guarantor other than a De Minimis Guaranteed Amount and, therefore, such New Subsidiaries are not required to become Subsidiary Guarantors under the Indenture; 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

Section 2.01. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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. The Trustee makes no representations as to the validity or sufficiency of this Eighth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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.

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.625% SENIOR NOTES DUE 2013

FIFTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS FIFTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors party thereto and the Trustee entered into an Indenture, dated as of June 30, 2006, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $500,000,000 in principal amount of 7.625% Senior Notes due 2013 (the "*Notes*");

WHEREAS, Section 9.01 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;

WHEREAS, Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), and Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), are Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*New Subsidiaries*"), are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, no New Subsidiary guarantees any Indebtedness of the Company or any Subsidiary Guarantor other than a De Minimis Guaranteed Amount and, therefore, such New Subsidiaries are not required to become Subsidiary Guarantors under the Indenture; 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 Fifth 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 Fifth 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 Fifth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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 Fifth Supplemental Indenture. This Fifth 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. The Trustee makes no representations as to the validity or sufficiency of this Fifth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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

Section 3.04. The parties may sign any number of copies of this Fifth 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 Fifth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.25% SENIOR NOTES DUE 2017

FOURTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS FOURTH SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of December 6, 2006, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued €600,000,000 in principal amount of 6.25% Senior Notes due 2017 (the "*Notes*"); and

WHEREAS, Section 9.01 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;

WHEREAS, Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), and Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), are Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*New Subsidiaries*"), are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, no New Subsidiary guarantees any Indebtedness of the Company or any Subsidiary Guarantor other than a De Minimis Guaranteed Amount and, therefore, such New Subsidiaries are not required to become Subsidiary Guarantors under the Indenture; 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 Fourth 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 Fourth 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 Fourth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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 Fourth Supplemental Indenture. This Fourth 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. The Trustee makes no representations as to the validity or sufficiency of this Fourth Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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

Section 3.04. The parties may sign any number of copies of this Fourth 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 Fourth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

Exhibit 4.15.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

2.50% CONTINGENT CONVERTIBLE SENIOR NOTES DUE 2037

THIRD SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS THIRD SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of May 15, 2007, (the "*Indenture*"), pursuant to which the Company has originally issued $1,150,000,000 in principal amount of 2.50% Contingent Convertible Senior Notes due 2037 (the "*Notes*");

WHEREAS, Section 10.01 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;

WHEREAS, Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), and Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), are Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 11.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*New Subsidiaries*"), are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, no New Subsidiary guarantees any Indebtedness of the Company or any Subsidiary Guarantor other than a De Minimis Guaranteed Amount and, therefore, such New Subsidiaries are not required to become Subsidiary Guarantors under the Indenture; 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

Section 2.01. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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. The Trustee makes no representations as to the validity or sufficiency of this Third Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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.

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.25% SENIOR NOTES DUE 2018

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS FIRST SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of May 27, 2008, (the "*Indenture*"), pursuant to which the Company has originally issued $800,000,000 in principal amount of 7.25% Senior Notes due 2018 (the "*Notes*"); and

WHEREAS, Section 9.01 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;

WHEREAS, Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), and Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), are Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 10.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*New Subsidiaries*"), are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, no New Subsidiary guarantees any Indebtedness of the Company or any Subsidiary Guarantor other than a De Minimis Guaranteed Amount and, therefore, such New Subsidiaries are not required to become Subsidiary Guarantors under the Indenture; 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 First 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 First 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 First Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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 First Supplemental Indenture. This First 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. The Trustee makes no representations as to the validity or sufficiency of this First Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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

Section 3.04. The parties may sign any number of copies of this First 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 First Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

2.25% CONTINGENT CONVERTIBLE SENIOR NOTES DUE 2038

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 14, 2008

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

THIS FIRST SUPPLEMENTAL INDENTURE, dated as of October 14, 2008, 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 Mellon Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of May 27, 2008, (the "*Indenture*"), pursuant to which the Company has originally issued $1,380,000,000 in principal amount of 2.25% Contingent Convertible Senior Notes due 2038 (the "*Notes*");

WHEREAS, Section 10.01 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;

WHEREAS, Arkansas Midstream Gas Services Corp., an Arkansas corporation ("*AMGS*"), Bluestem Gas Services, L.L.C., an Oklahoma limited liability company ("*Bluestem*"), and Texas Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*TMGS*"), are Subsidiary Guarantors under the Indenture;

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Section 11.04 of the Indenture, of AMGS, Bluestem and TMGS from their guarantees and related obligations under the Indenture;

WHEREAS, AMGS, L.L.C., an Arkansas limited liability company ("*AMGS LLC*"), Chesapeake Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*CMGS*"), Chesapeake Midstream Partners, L.P., a Delaware limited partnership ("*Midstream Partners*"), Chesapeake Midstream Management, L.L.C., a Delaware limited liability company ("*Midstream Management*"), Chesapeake Midstream Operating, L.L.C., an Oklahoma limited liability company ("*Midstream Operating*"), Louisiana Midstream Gas Services, L.L.C., an Oklahoma limited liability company ("*LMGS*"), and Oklahoma Midstream Gas Services, L.L.C, an Oklahoma limited liability company ("*OMGS*") (collectively, the "*New Subsidiaries*"), are newly formed entities and have not become Subsidiary Guarantors under the Indenture;

WHEREAS, no New Subsidiary guarantees any Indebtedness of the Company or any Subsidiary Guarantor other than a De Minimis Guaranteed Amount and, therefore, such New Subsidiaries are not required to become Subsidiary Guarantors under the Indenture; 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 First 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 First 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 First Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. AMGS, Bluestem and TMGS are hereby released from their guarantees and related obligations under the Indenture and will hereafter cease to be Subsidiary Guarantors under, or parties to, the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of AMGS, Bluestem and TMGS and the signatures of Officers of AMGS, Bluestem, and TMGS on their 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 First Supplemental Indenture. This First 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. The Trustee makes no representations as to the validity or sufficiency of this First Supplemental Indenture. The recitals and statements herein are deemed to be those of the Company and Subsidiary Guarantors and not of the Trustee.

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

Section 3.04. The parties may sign any number of copies of this First 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 First Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Jennifer M. Grigsby
Jennifer M. Grigsby

Senior Vice President, Treasurer & Corporate Secretary of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

ARKANSAS MIDSTREAM GAS SERVICES CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE ENERGY MARKETING, INC.
DIAMOND Y ENTERPRISE, INCORPORATED
GENE D. YOST & SON, INC.

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnership:

CHESAPEAKE LOUISIANA, L.P.

Limited Liability Company Subsidiaries:

BLUESTEM GAS SERVICES, L.L.C.
CARMEN ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE EXPLORATION, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
CHK HOLDINGS, L.L.C.,
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MC MINERAL COMPANY, L.L.C.
MIDCON COMPRESSION, L.L.C.
NOMAC DRILLING, L.L.C.
TEXAS MIDSTREAM GAS SERVICES, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Vice President

EXHIBIT 12

CHESAPEAKE ENERGY CORPORATION
RATIOS OF EARNINGS TO FIXED CHARGES AND COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS
($ in millions)

	Year Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006	Year Ended December 31, 2007	Nine Months Ended September 30, 2008
EARNINGS:						
Income (loss) before income taxes and Cumulative effect of accounting change	$ 501	$ 805	$ 1,493	$ 3,255	$ 2,341	$ 2,575
Interest expense (a)	148	162	221	299	379	249
(Gain)/loss on investment in equity investees in excess of distributed earnings	—	(1)	1	(3)	21	36
Amortization of capitalized interest	3	5	10	19	39	45
Bond discount amortization (b)	—	—	—	—	—	—
Loan cost amortization	4	6	9	13	17	16
Earnings	$ 656	$ 977	$ 1,734	$ 3,583	$ 2,797	$ 2,921
FIXED CHARGES:						
Interest expense	$ 148	$ 162	$ 221	$ 299	$ 379	$ 249
Capitalized interest	13	36	79	179	269	307
Bond discount amortization (b)	—	—	—	—	—	—
Loan cost amortization	4	6	9	13	17	16
Fixed Charges	$ 165	$ 204	$ 309	$ 491	$ 665	$ 572
Preferred Stock Dividends						
Preferred Dividend Requirements	$ 22	$ 40	$ 42	$ 89	$ 94	$ 27
Ratio of income before provision for taxes to net income (c)	1.61	1.56	1.57	1.62	1.61	1.63
Subtotal – Preferred Dividends	$ 36	$ 62	$ 66	$ 144	$ 151	$ 44
Combined Fixed Charges and Preferred Dividends	$ 201	$ 266	$ 375	$ 635	$ 816	$ 616
Ratio of Earnings to Fixed Charges	4.0	4.8	5.6	7.3	4.2	5.1
Insufficient coverage	$ —	$ —	$ —	$ —	$ —	$ —
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends	3.3	3.7	4.6	5.6	3.4	4.7
Insufficient coverage	$ —	$ —	$ —	$ —	$ —	$ —

(a) Excludes the effect of unrealized gains or losses on interest rate derivatives.

(b) Amortization of bond discount is excluded since it is included in interest expense.

(c) Amounts of income before provision for taxes and of net income exclude the cumulative effect of accounting change.

Exhibit 31.1

CERTIFICATION

I, Aubrey K. McClendon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chesapeake Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

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

Exhibit 31.2

CERTIFICATION

I, Marcus C. Rowland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chesapeake Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

/s/ MARCUS C. ROWLAND
Marcus C. Rowland
Executive Vice President and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Chesapeake Energy Corporation (the "Company" on Form 10-Q for the Period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Aubrey K. McClendon, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C.§ 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: November 10, 2008

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Chesapeake Energy Corporation (the "Company" on Form 10-Q for the Period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Marcus C. Rowland, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C.§ 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARCUS C. ROWLAND
Marcus C. Rowland
Executive Vice President and Chief Financial Officer

Date: November 10, 2008