

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(in millions)
(unaudited)

THREE MONTHS ENDED:	December 31, 2007	September 30, 2007	December 31, 2006
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,544	\$ 1,267	\$ 1,861
Adjustments:			
Changes in assets and liabilities	<u>(222)</u>	<u>(182)</u>	<u>(766)</u>
OPERATING CASH FLOW*	<u>\$ 1,322</u>	<u>\$ 1,085</u>	<u>\$ 1,095</u>

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

THREE MONTHS ENDED:	December 31, 2007	September 30, 2007	December 31, 2006
NET INCOME	\$ 303	\$ 372	\$ 471
Income tax expense	186	228	289
Interest expense	128	116	81
Depreciation and amortization of other assets	33	45	30
Oil and natural gas depreciation, depletion and amortization	<u>521</u>	<u>479</u>	<u>382</u>
EBITDA**	<u>\$ 1,171</u>	<u>\$ 1,240</u>	<u>\$ 1,253</u>

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

THREE MONTHS ENDED:	December 31, 2007	September 30, 2007	December 31, 2006
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,544	\$ 1,267	\$ 1,861
Changes in assets and liabilities	(222)	(182)	(766)
Interest expense	128	116	81
Unrealized gains (losses) on oil and natural gas derivatives	(261)	45	43
Other non-cash items	<u>(18)</u>	<u>(6)</u>	<u>34</u>
EBITDA	<u>\$ 1,171</u>	<u>\$ 1,240</u>	<u>\$ 1,253</u>

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(in millions)
(unaudited)

TWELVE MONTHS ENDED:	December 31, 2007	December 31, 2006	December 31, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,932	\$ 4,843	\$ 2,407
Adjustments:			
Changes in assets and liabilities	(325)	(798)	19
OPERATING CASH FLOW*	<u>\$ 4,607</u>	<u>\$ 4,045</u>	<u>\$ 2,426</u>

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TWELVE MONTHS ENDED:	December 31, 2007	December 31, 2006	December 31, 2005
NET INCOME	\$ 1,451	\$ 2,003	\$ 948
Income tax expense	890	1,252	545
Interest expense	406	301	220
Depreciation and amortization of other assets	154	104	51
Oil and natural gas depreciation, depletion and amortization	<u>1,835</u>	<u>1,359</u>	<u>894</u>
EBITDA**	<u>\$ 4,736</u>	<u>\$ 5,019</u>	<u>\$ 2,658</u>

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TWELVE MONTHS ENDED:	December 31, 2007	December 31, 2006	December 31, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,932	\$ 4,843	\$ 2,407
Changes in assets and liabilities	(325)	(798)	19
Interest expense	406	301	220
Unrealized gains (losses) on oil and natural gas derivatives	(375)	496	41
Other noncash items	<u>98</u>	<u>177</u>	<u>(29)</u>
EBITDA	<u>\$ 4,736</u>	<u>\$ 5,019</u>	<u>\$ 2,658</u>

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON SHAREHOLDERS
(\$ in millions, except per share data)
(unaudited)

THREE MONTHS ENDED:	December 31, 2007	September 30, 2007	December 31, 2006
Net income available to common shareholders	\$ 158	\$ 346	\$ 446
Adjustments:			
Loss on conversion/exchange of preferred stock	128	—	—
Unrealized (gains) losses on derivatives, net of tax	<u>180</u>	<u>(16)</u>	<u>(27)</u>
Adjusted net income available to common shareholders*	466	330	419
Preferred dividends	<u>17</u>	<u>26</u>	<u>25</u>
Total adjusted net income	<u>\$ 483</u>	<u>\$ 356</u>	<u>\$ 444</u>
Weighted average fully diluted shares outstanding**	520	517	491
Adjusted earnings per share assuming dilution	<u>\$ 0.93</u>	<u>\$ 0.69</u>	<u>\$ 0.90</u>

*Adjusted net income available to common and adjusted earnings per share assuming dilution exclude certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to GAAP earnings because:

- a. Management uses adjusted net income available to common to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- b. Adjusted net income available to common is more comparable to earnings estimates provided by securities analysts.
- c. Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

**Weighted average fully diluted shares outstanding include shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
(\$ in millions)
(unaudited)

THREE MONTHS ENDED:	December 31, 2007	September 30, 2007	December 31, 2006
EBITDA	\$ 1,171	\$ 1,240	\$ 1,253
Adjustments, before tax:			
Unrealized (gains) losses on oil and natural gas derivatives	<u>261</u>	<u>(45)</u>	<u>(43)</u>
Adjusted ebitda*	<u>\$ 1,432</u>	<u>\$ 1,195</u>	<u>\$ 1,210</u>

*Adjusted ebitda excludes certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to ebitda because:

- a. Management uses adjusted ebitda to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- b. Adjusted ebitda is more comparable to estimates provided by securities analysts.
- c. Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON SHAREHOLDERS
(\$ in millions, except per share data)
(unaudited)

TWELVE MONTHS ENDED:	December 31, 2007	December 31, 2006	December 31, 2005
Net income available to common shareholders	\$ 1,229	\$ 1,904	\$ 880
Adjustments:			
Loss on conversion/exchange of preferred stock	128	10	26
Unrealized (gains) losses on derivatives, net of tax	257	(308)	(27)
Gain on sale of investment, net of tax	(51)	(73)	—
Employee retirement expense, net of tax	—	34	—
Cumulative impact of income tax rate change	—	15	—
Loss on repurchases or exchanges of senior notes, net of tax	—	—	45
Reversal of severance tax accrual, net of tax	—	(7)	—
Adjusted net income available to common shareholders*	1,563	1,575	924
Preferred dividends	94	89	42
Total adjusted net income	<u>\$ 1,657</u>	<u>\$ 1,664</u>	<u>\$ 966</u>
Weighted average fully diluted shares outstanding**	517	461	375
Adjusted earnings per share assuming dilution	<u>\$ 3.21</u>	<u>\$ 3.61</u>	<u>\$ 2.57</u>

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- a. Management uses adjusted net income available to common to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- b. Adjusted net income available to common is more comparable to earnings estimates provided by securities analysts.
- c. Items excluded generally are one-time items or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

**Weighted average fully diluted shares outstanding include shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
(\$ in millions)
(unaudited)

TWELVE MONTHS ENDED:	December 31, 2007	December 31, 2006	December 31, 2005
EBITDA	\$ 4,736	\$ 5,019	\$ 2,658
Adjustments, before tax:			
Unrealized (gains) losses on oil and natural gas derivatives	375	(496)	(41)
Reversal of severance tax accrual	—	(12)	—
Gain on sale of investment	(83)	(117)	—
Employee retirement expense	—	55	—
Loss on repurchase or exchange of senior notes	—	—	70
Adjusted EBITDA*	<u>\$ 5,028</u>	<u>\$ 4,449</u>	<u>\$ 2,687</u>

*Adjusted EBITDA excludes certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to EBITDA because:

- a. Management uses adjusted EBITDA to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- b. Adjusted EBITDA is more comparable to earnings estimates provided by securities analysts.
- c. Items excluded generally are one-time items, or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF PV-10
(\$ in millions)
(unaudited)

	December 31, 2007	December 31, 2006
Standardized measure of discounted future net cash flows	\$ 14,962	\$ 10,007
Discounted future cash flows for income taxes	5,611	3,640
Discounted future net cash flows before income taxes (PV-10)	\$ 20,573	\$ 13,647

PV-10 is discounted (at 10%) future net cash flows before income taxes. The standardized measure of discounted future net cash flows includes the effects of estimated future income tax expenses and is calculated in accordance with SFAS 69. Management uses PV-10 as one measure of the value of the company's current proved reserves and to compare relative values among peer companies without regard to income taxes. We also understand that securities analysts and rating agencies use this measure in similar ways. While PV-10 is based on prices, costs and discount factors which are consistent from company to company, the standardized measure is dependent on the unique tax situation of each individual company.

The company's December 31, 2007 PV-10 and standardized measure was calculated using field differential adjusted prices of \$6.19 mcf (based on a NYMEX year-end price of \$6.80 per mcf) and \$90.58 per bbl (based on a NYMEX year-end price of \$96.00 per bbl). The company's December 31, 2006 PV-10 and standardized measure was calculated using field differential adjusted prices of \$5.41 per mcf (based on a NYMEX year-end price of \$5.64 per mcf) and \$56.25 per bbl (based on a NYMEX year-end price of \$61.15 per bbl).

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF 2007 ADDITIONS TO OIL AND NATURAL GAS PROPERTIES
(\$ in millions, except per unit data)
(unaudited)

	Cost	Reserves (in mmcfe)	\$/mcf
Exploration and development costs	\$ 5,055	2,371,063 ^(a)	2.13
Acquisition of proved properties	671	377,230	1.78
Subtotal	<u>5,726</u>	<u>2,748,293</u>	2.08
Divestitures	(1,142)	(208,141)	(5.49)
Geological and geophysical costs	343	—	
Adjusted subtotal	<u>4,927</u>	<u>2,540,152</u>	1.94
Revisions – price	—	97,118	
Leasehold acquisition costs	886	—	
Lease brokerage costs and recording fees	224	—	
Acquisition of unproved properties and other	1,101	—	
Capitalized interest on leasehold and unproved property	254	—	
Adjusted subtotal	<u>7,392</u>	<u>2,637,270</u>	2.80
Tax basis step-up	131	—	
Asset retirement obligation and other	29	—	
Total	<u>\$ 7,552</u>	<u>2,637,270</u>	2.86

- (a) Includes 1,248 bcfe of positive performance revisions (1,207 bcfe relating to infill drilling and increased density locations and 41 bcfe of other performance related revisions) and excludes positive revisions of 97 bcfe resulting from oil and natural gas price increases between December 31, 2006 and 2007.

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
TWELVE MONTHS ENDED DECEMBER 31, 2007
(unaudited)

	Mmcfe
Beginning balance, 01/01/07	8,955,614
Extensions and discoveries	1,122,986
Acquisitions	377,230
Divestitures	(208,141)
Revisions – performance	1,248,077
Revisions – price	97,118
Production	<u>(714,261)</u>
Ending balance, 12/31/07	<u>10,878,623</u>
Reserve replacement	2,637,270
Reserve replacement ratio ^(a)	369%

- (a) The company uses the reserve replacement ratio as an indicator of the company's ability to replenish annual production volumes and grow its reserves, thereby providing some information on the sources of future production. It should be noted that the reserve replacement ratio is a statistical indicator that has limitations. The ratio is limited because it typically varies widely based on the extent and timing of new discoveries and property acquisitions. Its predictive and comparative value is also limited for the same reasons. In addition, since the ratio does not embed the cost or timing of future production of new reserves, it cannot be used as a measure of value creation.