

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(in 000's)
(unaudited)

THREE MONTHS ENDED:	December 31, 2006	September 30, 2006	December 31, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,861,055	\$ 937,275	\$ 829,543
Adjustments:			
Changes in assets and liabilities	<u>(765,578)</u>	<u>51,328</u>	<u>3,250</u>
OPERATING CASH FLOW*	<u>\$ 1,095,477</u>	<u>\$ 988,603</u>	<u>\$ 832,793</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, 2006	September 30, 2006	December 31, 2005
NET INCOME	\$ 471,362	\$ 548,335	\$ 452,525
Income tax expense	288,900	336,074	260,114
Interest expense	80,496	74,112	64,177
Depreciation and amortization of other assets	30,189	27,016	16,175
Oil and natural gas depreciation, depletion and amortization	<u>381,680</u>	<u>343,723</u>	<u>272,551</u>
EBITDA**	<u>\$ 1,252,627</u>	<u>\$ 1,329,260</u>	<u>\$ 1,065,542</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, 2006	September 30, 2006	December 31, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,861,055	\$ 937,275	\$ 829,543
Changes in assets and liabilities	(765,578)	51,328	3,250
Interest expense	80,496	74,112	64,177
Unrealized gains on oil and natural gas derivatives	42,905	238,518	178,259
Other non-cash items	<u>33,749</u>	<u>28,027</u>	<u>(9,687)</u>
EBITDA	<u>\$ 1,252,627</u>	<u>\$ 1,329,260</u>	<u>\$ 1,065,542</u>

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(in 000's)
(unaudited)

TWELVE MONTHS ENDED:	December 31, 2006	December 31, 2005	December 31, 2004
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,843,474	\$ 2,406,888	\$ 1,432,274
Adjustments:			
Changes in assets and liabilities	(798,365)	18,839	(29,752)
OPERATING CASH FLOW*	<u>\$ 4,045,109</u>	<u>\$ 2,425,727</u>	<u>\$ 1,402,522</u>

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TWELVE MONTHS ENDED:	December 31, 2006	December 31, 2005	December 31, 2004
NET INCOME	\$ 2,003,323	\$ 948,302	\$ 515,155
Income tax expense	1,252,036	545,091	289,771
Interest expense	300,722	219,800	167,328
Depreciation and amortization of other assets	104,240	50,966	29,185
Oil and natural gas depreciation, depletion and amortization	<u>1,358,519</u>	<u>894,035</u>	<u>582,137</u>
EBITDA**	<u>\$ 5,018,840</u>	<u>\$ 2,658,194</u>	<u>\$ 1,583,576</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:

TWELVE MONTHS ENDED:	December 31, 2006	December 31, 2005	December 31, 2004
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,843,474	\$ 2,406,888	\$ 1,432,274
Changes in assets and liabilities	(798,365)	18,839	(29,752)
Interest expense	300,722	219,800	167,328
Unrealized gains (losses) on oil and natural gas derivatives	495,498	41,137	40,887
Other non-cash items	<u>177,511</u>	<u>(28,470)</u>	<u>(27,161)</u>
EBITDA	<u>\$ 5,018,840</u>	<u>\$ 2,658,194</u>	<u>\$ 1,583,576</u>

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON SHAREHOLDERS
(\$ in 000's, except per share amounts)
(unaudited)

THREE MONTHS ENDED:	December 31, 2006	September 30, 2006	December 31, 2005
Net income available to common shareholders	\$ 445,510	\$ 522,582	\$ 431,832
Adjustments:			
Loss on conversion/exchange of preferred stock	—	—	4,406
Unrealized (gains) losses on derivatives, net of tax	(27,142)	(149,457)	(112,965)
Loss on repurchases or exchanges of senior notes, net of tax	—	—	236
Adjusted net income available to common shareholders*	418,368	373,125	323,509
Preferred dividends	<u>25,852</u>	<u>25,753</u>	<u>16,287</u>
Total adjusted net income	<u>\$ 444,220</u>	<u>\$ 398,878</u>	<u>\$ 339,796</u>
Weighted average fully diluted shares outstanding**	491,000	483,273	404,845
Adjusted earnings per share assuming dilution	<u>\$ 0.90</u>	<u>\$ 0.83</u>	<u>\$ 0.84</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 includes shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
(\$ in 000's)
(unaudited)

THREE MONTHS ENDED:	December 31, 2006	September 30, 2006	December 31, 2005
EBITDA	\$ 1,252,627	\$ 1,329,260	\$ 1,065,542
Adjustments, before tax:			
Unrealized (gains) losses on oil and natural gas derivatives	(42,905)	(238,518)	(178,259)
Loss on repurchases or exchanges of senior notes	—	—	372
Adjusted ebitda*	<u>\$ 1,209,722</u>	<u>\$ 1,090,742</u>	<u>\$ 887,655</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 ADJUSTED NET INCOME AVAILABLE TO COMMON SHAREHOLDERS
(\$ in 000's, except per share amounts)
(unaudited)

TWELVE MONTHS ENDED:	December 31, 2006	December 31, 2005	December 31, 2004
Net income available to common shareholders	\$ 1,904,122	\$ 879,615	\$ 438,971
Adjustments:			
Loss on conversion/exchange of preferred stock	10,556	26,874	36,678
Unrealized (gains) losses on derivatives, net of tax	(308,218)	(27,128)	(22,751)
Cumulative impact of new Texas margin tax	15,000	—	—
Reversal of severance tax accrual, net of tax	(7,192)	—	—
Gain on sale of investment, net of tax	(72,786)	—	—
Employee retirement expense, net of tax	33,947	—	—
Loss on repurchases or exchanges of senior notes, net of tax	—	44,716	15,716
Provision for legal settlement	—	—	2,880
Adjusted net income available to common shareholders*	<u>1,575,429</u>	<u>924,077</u>	<u>471,494</u>
Preferred dividends	<u>88,645</u>	<u>41,813</u>	<u>39,506</u>
Total adjusted net income	<u>\$ 1,664,074</u>	<u>\$ 965,890</u>	<u>\$ 511,000</u>
Weighted average fully diluted shares outstanding**	460,693	375,294	327,058
Adjusted earnings per share assuming dilution	<u>\$ 3.61</u>	<u>\$ 2.57</u>	<u>\$ 1.56</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:

- 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.
- Adjusted net income available to common is more comparable to earnings estimates provided by securities analysts.
- 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 includes shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
(\$ in 000's)
(unaudited)

TWELVE MONTHS ENDED:	December 31, 2006	December 31, 2005	December 31, 2004
EBITDA	\$ 5,018,840	\$ 2,658,194	\$ 1,583,576
Adjustments, before tax:			
Unrealized (gains) losses on oil and natural gas derivatives	(495,498)	(41,137)	(40,887)
Reversal of severance tax accrual	(11,600)	—	—
Gain on sale of investment	(117,396)	—	—
Employee retirement expense	54,753	—	—
Loss on repurchases or exchanges of senior notes	—	70,419	24,557
Provision for legal settlement	—	—	4,500
Adjusted ebitda*	<u>\$ 4,449,099</u>	<u>\$ 2,687,476</u>	<u>\$ 1,571,746</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:

- Management uses adjusted ebitda to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
- Adjusted ebitda is more comparable to earnings estimates provided by securities analysts.
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CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF PV-10
(\$ in 000's)
(unaudited)

	December 31, 2006	December 31, 2005
Standardized measure of discounted future net cash flows (SMOG)	\$ 10,006,571	\$ 15,967,911
Discounted future cash flows for income taxes	<u>3,640,539</u>	<u>6,965,683</u>
Discounted future net cash flows before income taxes (PV-10)	<u>\$ 13,647,110</u>	<u>\$ 22,933,594</u>

PV-10 is discounted (at 10% per year) 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.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF 2006 ADDITIONS TO OIL AND NATURAL GAS PROPERTIES
(\$ in 000's, except per unit amounts)
(unaudited)

	Cost	Reserves (in mmcfe)	\$/mcf
Exploration and development costs	\$ 3,120,852	1,557,644 ^(a)	\$ 2.00
Acquisition of proved properties	<u>1,175,616</u>	<u>668,178</u>	\$ 1.76
Subtotal	4,296,468	2,225,822	\$ 1.93
Divestitures	(118)	(141)	
Geological and geophysical costs	<u>153,993</u>	<u>—</u>	
Adjusted subtotal	4,450,343	2,225,681	\$ 2.00
Revisions – price	—	(212,374)	
Acquisition of unproved properties	2,855,848	—	
Leasehold acquisition costs	<u>616,550</u>	<u>—</u>	
Adjusted subtotal	7,922,741	2,013,307	\$ 3.94
Tax basis step-up	179,731	—	
Asset retirement obligation	<u>23,214</u>	<u>—</u>	
Total	<u>\$ 8,125,686</u>	<u>2,013,307</u>	\$ 4.04

(a) Includes positive performance revisions of 729 bcfe and excludes downward revisions of 212 bcfe resulting from natural gas price declines between December 31, 2006 and 2005.

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
TWELVE MONTHS ENDED DECEMBER 31, 2006
(unaudited)

	Mmcfe
Beginning balance, 01/01/06	7,520,690
Extensions and discoveries	828,594
Acquisitions	668,178
Revisions – performance	729,050
Revisions – price	(212,374)
Production	(578,383)
Divestitures	(141)
Ending balance, 12/31/06	<u>8,955,614</u>
Reserve replacement	2,013,307
Reserve replacement rate	348%