

CHESAPEAKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ in 000's, except per share data)
(unaudited)

THREE MONTHS ENDED:	September 30, 2006		September 30, 2005	
	\$	\$/mcf	\$	\$/mcf
REVENUES:				
Oil and natural gas sales	1,493,226	10.16	720,928	5.99
Oil and natural gas marketing sales	398,114	2.71	361,915	3.01
Service operations revenue	38,071	0.26	—	—
Total Revenues	<u>1,929,411</u>	<u>13.13</u>	<u>1,082,843</u>	<u>9.00</u>
OPERATING COSTS:				
Production expenses	124,045	0.84	80,765	0.67
Production taxes	40,562	0.28	53,102	0.44
General and administrative expenses	37,382	0.25	15,785	0.13
Oil and natural gas marketing expenses	384,473	2.62	353,510	2.94
Service operations expense	18,821	0.13	—	—
Oil and natural gas depreciation, depletion and amortization	343,723	2.34	231,145	1.92
Depreciation and amortization of other assets	27,016	0.18	12,902	0.11
Total Operating Costs	<u>976,022</u>	<u>6.64</u>	<u>747,209</u>	<u>6.21</u>
INCOME FROM OPERATIONS	<u>953,389</u>	<u>6.49</u>	<u>335,634</u>	<u>2.79</u>
OTHER INCOME (EXPENSE):				
Interest and other income	5,132	0.03	2,428	0.02
Interest expense	(74,112)	(0.50)	(58,593)	(0.48)
Loss on repurchases or exchanges of senior notes	—	—	(747)	(0.01)
Total Other Income (Expense)	<u>(68,980)</u>	<u>(0.47)</u>	<u>(56,912)</u>	<u>(0.47)</u>
Income Before Income Taxes	884,409	6.02	278,722	2.32
Income Tax Expense:				
Current	—	—	—	—
Deferred	336,074	2.29	101,734	0.85
Total Income Tax Expense	<u>336,074</u>	<u>2.29</u>	<u>101,734</u>	<u>0.85</u>
NET INCOME	<u>548,335</u>	<u>3.73</u>	<u>176,988</u>	<u>1.47</u>
Preferred stock dividends	(25,753)	(0.17)	(10,204)	(0.08)
Loss on exchange/conversion of preferred stock	—	—	(17,725)	(0.15)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>522,582</u>	<u>3.56</u>	<u>149,059</u>	<u>1.24</u>
EARNINGS PER COMMON SHARE:				
Basic	<u>\$ 1.25</u>		<u>\$ 0.46</u>	
Assuming dilution	<u>\$ 1.13</u>		<u>\$ 0.43</u>	
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (in 000's)				
Basic	<u>417,569</u>		<u>322,101</u>	
Assuming dilution	<u>483,273</u>		<u>367,639</u>	

CHESAPEAKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ in 000's, except per share data)
(unaudited)

NINE MONTHS ENDED:	September 30, 2006		September 30, 2005	
	\$	\$/mcf	\$	\$/mcf
REVENUES:				
Oil and natural gas sales	4,190,430	9.83	2,032,271	6.01
Oil and natural gas marketing sales	1,170,091	2.74	882,040	2.61
Service operations revenue	97,473	0.23	—	—
Total Revenues	<u>5,457,994</u>	<u>12.80</u>	<u>2,914,311</u>	<u>8.62</u>
OPERATING COSTS:				
Production expenses	364,134	0.85	222,660	0.66
Production taxes	129,858	0.30	136,313	0.40
General and administrative expenses	99,728	0.23	39,640	0.12
Oil and natural gas marketing expenses	1,131,521	2.66	860,789	2.55
Service operations expense	48,925	0.12	—	—
Oil and natural gas depreciation, depletion and amortization	976,839	2.29	621,484	1.84
Depreciation and amortization of other assets	74,051	0.17	34,791	0.10
Employee retirement expense	54,753	0.13	—	—
Total Operating Costs	<u>2,879,809</u>	<u>6.75</u>	<u>1,915,677</u>	<u>5.67</u>
INCOME FROM OPERATIONS	<u>2,578,185</u>	<u>6.05</u>	<u>998,634</u>	<u>2.95</u>
OTHER INCOME (EXPENSE):				
Interest and other income	19,742	0.04	7,790	0.02
Interest expense	(220,226)	(0.52)	(155,623)	(0.46)
Gain on sale of investment	117,396	0.28	—	—
Loss on repurchases or exchanges of senior notes	—	—	(70,047)	(0.20)
Total Other Income (Expense)	<u>(83,088)</u>	<u>(0.20)</u>	<u>(217,880)</u>	<u>(0.64)</u>
Income Before Income Taxes	2,495,097	5.85	780,754	2.31
Income Tax Expense:				
Current	—	—	—	—
Deferred	963,136	2.26	284,977	0.84
Total Income Tax Expense	<u>963,136</u>	<u>2.26</u>	<u>284,977</u>	<u>0.84</u>
NET INCOME	<u>1,531,961</u>	<u>3.59</u>	<u>495,777</u>	<u>1.47</u>
Preferred stock dividends	(62,793)	(0.15)	(25,526)	(0.08)
Loss on exchange/conversion of preferred stock	(10,556)	(0.02)	(22,468)	(0.07)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>1,458,612</u>	<u>3.42</u>	<u>447,783</u>	<u>1.32</u>
EARNINGS PER COMMON SHARE:				
Basic	<u>\$ 3.75</u>		<u>\$ 1.42</u>	
Assuming dilution	<u>\$ 3.40</u>		<u>\$ 1.32</u>	
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (in 000's)				
Basic	<u>389,136</u>		<u>314,425</u>	
Assuming dilution	<u>450,680</u>		<u>352,210</u>	

CHESAPEAKE ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(in 000's)
(unaudited)

	September 30, 2006	December 31, 2005
Cash	\$ 716	\$ 60,027
Other current assets	<u>1,911,579</u>	<u>1,123,370</u>
Total Current Assets	<u>1,912,295</u>	<u>1,183,397</u>
Property and equipment (net)	20,000,963	14,411,887
Other assets	<u>1,481,663</u>	<u>523,178</u>
Total Assets	<u>\$ 23,394,921</u>	<u>\$ 16,118,462</u>
Current liabilities	\$ 2,004,272	\$ 1,964,088
Long-term debt	7,861,108	5,489,742
Asset retirement obligation	179,149	156,593
Other long-term liabilities	253,884	528,738
Deferred tax liability	<u>2,903,688</u>	<u>1,804,978</u>
Total Liabilities	13,202,101	9,944,139
Stockholders' Equity	<u>10,192,820</u>	<u>6,174,323</u>
Total Liabilities & Stockholders' Equity	<u>\$ 23,394,921</u>	<u>\$ 16,118,462</u>
Common Shares Outstanding	<u>436,553</u>	<u>370,190</u>

CHESAPEAKE ENERGY CORPORATION
CAPITALIZATION
(in 000's)
(unaudited)

	September 30, 2006	December 31, 2005	September 30, 2005
Long-term debt, net	\$ 7,861,108	\$ 5,489,742	\$ 4,250,160
Stockholders' equity	<u>10,192,820</u>	<u>6,174,323</u>	<u>4,206,320</u>
Total	<u>\$ 18,053,928</u>	<u>\$ 11,664,065</u>	<u>\$ 8,456,480</u>

CHESAPEAKE ENERGY CORPORATION
CAPITALIZATION RATIOS
(unaudited)

	September 30, 2006	December 31, 2005	September 30, 2005
Long-term debt, net	44%	47%	50%
Stockholders' equity	56%	53%	50%

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 2,131,638	1,212,679 ^(a)	\$ 1.76
Acquisition of proved properties	<u>1,022,777</u>	<u>513,667</u>	\$ 1.99
Subtotal	<u>3,154,415</u>	<u>1,726,346</u>	\$ 1.83
Divestitures	(73)	(117)	
Geological and geophysical costs	<u>101,759</u>	<u>—</u>	
Adjusted subtotal	3,256,101	1,726,229	\$ 1.89
Revisions – price	—	(387,452)	
Acquisition of unproved properties	2,118,867	—	
Leasehold acquisition costs	<u>456,177</u>	<u>—</u>	
Adjusted subtotal	<u>5,831,145</u>	<u>1,338,777</u>	\$ 4.36
Tax basis step-up	177,679	—	
Asset retirement obligation and other	<u>3,125</u>	<u>—</u>	
Total	<u>\$ 6,011,949</u>	<u>1,338,777</u>	\$ 4.49

(a) Includes positive performance revisions of 541 bcfe and excludes downward revisions of 387 bcfe resulting from natural gas price declines between December 31, 2005 and September 30, 2006.

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
NINE MONTHS ENDED SEPTEMBER 30, 2006
(unaudited)

	Mmcfe
Beginning balance, 01/01/06	7,520,690
Extensions and discoveries	671,691
Acquisitions	513,667
Divestitures	(117)
Revisions – performance	540,988
Revisions – price	(387,452)
Production	<u>(426,318)</u>
Ending balance, 9/30/06	<u>8,433,149</u>
Reserve replacement	1,338,777
Reserve replacement rate	314%

CHESAPEAKE ENERGY CORPORATION
SUPPLEMENTAL DATA – OIL AND NATURAL GAS SALES AND INTEREST EXPENSE
(in 000's)
(unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 30,		September 30,	
	2006	2005	2006	2005
Oil and Natural Gas Sales (\$ in thousands):				
Oil sales	\$ 141,687	\$ 113,590	\$ 404,595	\$ 290,332
Oil derivatives – realized gains (losses)	(9,660)	(10,937)	(25,695)	(28,654)
Oil derivatives – unrealized gains (losses)	<u>28,724</u>	<u>(4,009)</u>	<u>24,825</u>	<u>(5,951)</u>
Total Oil Sales	<u>160,751</u>	<u>98,644</u>	<u>403,725</u>	<u>255,727</u>
Natural gas sales	811,591	833,992	2,526,168	2,005,670
Natural gas derivatives – realized gains (losses)	311,090	(111,668)	832,769	(97,955)
Natural gas derivatives – unrealized gains (losses)	<u>209,794</u>	<u>(100,040)</u>	<u>427,768</u>	<u>(131,171)</u>
Total Natural Gas Sales	<u>1,332,475</u>	<u>622,284</u>	<u>3,786,705</u>	<u>1,776,544</u>
Total Oil and Natural Gas Sales	<u>\$ 1,493,226</u>	<u>\$ 720,928</u>	<u>\$ 4,190,430</u>	<u>\$ 2,032,271</u>
Average Sales Price (excluding gains (losses) on derivatives):				
Oil (\$ per bbl)	\$ 65.05	\$ 58.98	\$ 62.85	\$ 51.08
Natural gas (\$ per mcf)	\$ 6.06	\$ 7.67	\$ 6.52	\$ 6.60
Natural gas equivalent (\$ per mcfe)	\$ 6.49	\$ 7.87	\$ 6.87	\$ 6.79
Average Sales Price (excluding unrealized gains (losses) on derivatives):				
Oil (\$ per bbl)	\$ 60.62	\$ 53.30	\$ 58.86	\$ 46.04
Natural gas (\$ per mcf)	\$ 8.39	\$ 6.64	\$ 8.66	\$ 6.27
Natural gas equivalent (\$ per mcfe)	\$ 8.54	\$ 6.85	\$ 8.77	\$ 6.42
Interest Expense (\$ in thousands)				
Interest	\$ 75,100	\$ 58,206	\$ 221,832	\$ 160,209
Derivatives – realized (gains) losses	1,555	(843)	(852)	(2,639)
Derivatives – unrealized (gains) losses	<u>(2,543)</u>	<u>1,230</u>	<u>(754)</u>	<u>(1,947)</u>
Total Interest Expense	<u>\$ 74,112</u>	<u>\$ 58,593</u>	<u>\$ 220,226</u>	<u>\$ 155,623</u>

CHESAPEAKE ENERGY CORPORATION
CONDENSED CONSOLIDATED CASH FLOW DATA
(in 000's)
(unaudited)

THREE MONTHS ENDED:	September 30, 2006	September 30, 2005
Cash provided by operating activities	\$ 937,275	\$ 557,428
Cash (used in) investing activities	(2,883,948)	(1,115,166)
Cash provided by financing activities	1,581,119	684,840
<hr/>		
NINE MONTHS ENDED:	September 30, 2006	September 30, 2005
Cash provided by operating activities	\$ 2,982,419	\$ 1,577,345
Cash (used in) investing activities	(6,668,005)	(3,655,044)
Cash provided by financing activities	3,626,275	2,197,905

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

THREE MONTHS ENDED:	September 30, 2006	June 30, 2006	September 30, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 937,275	\$ 1,077,686	\$ 557,428
Adjustments:			
Changes in assets and liabilities	<u>51,328</u>	<u>(163,520)</u>	<u>77,150</u>
OPERATING CASH FLOW*	<u>\$ 988,603</u>	<u>\$ 914,166</u>	<u>\$ 634,578</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:	September 30, 2006	June 30, 2006	September 30, 2005
NET INCOME	\$ 548,335	\$ 359,903	\$ 176,988
Income tax expense	336,074	244,779	101,734
Interest expense	74,112	73,456	58,593
Depreciation and amortization of other assets	27,016	23,163	12,902
Oil and natural gas depreciation, depletion and amortization	<u>343,723</u>	<u>328,159</u>	<u>231,145</u>
EBITDA**	<u>\$ 1,329,260</u>	<u>\$ 1,029,460</u>	<u>\$ 581,362</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:	September 30, 2006	June 30, 2006	September 30, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 937,275	\$ 1,077,686	\$ 557,428
Changes in assets and liabilities	51,328	(163,520)	77,150
Interest expense	74,112	73,456	58,593
Unrealized gains (losses) on oil and natural gas derivatives	238,518	16,460	(104,049)
Other non-cash items	<u>28,027</u>	<u>25,378</u>	<u>(7,760)</u>
EBITDA	<u>\$ 1,329,260</u>	<u>\$ 1,029,460</u>	<u>\$ 581,362</u>

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

NINE MONTHS ENDED:	September 30, 2006	September 30, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,982,419	\$ 1,577,345
Adjustments:		
Changes in assets and liabilities	<u>(32,787)</u>	<u>15,589</u>
OPERATING CASH FLOW*	<u>\$ 2,949,632</u>	<u>\$ 1,592,934</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.

NINE MONTHS ENDED:	September 30, 2006	September 30, 2005
NET INCOME	\$ 1,531,961	\$ 495,777
Income tax expense	963,136	284,977
Interest expense	220,226	155,623
Depreciation and amortization of other assets	74,051	34,791
Oil and natural gas depreciation, depletion and amortization	<u>976,839</u>	<u>621,484</u>
EBITDA**	<u>\$ 3,766,213</u>	<u>\$ 1,592,652</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:

NINE MONTHS ENDED:	September 30, 2006	September 30, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,982,419	\$ 1,577,345
Changes in assets and liabilities	(32,787)	15,589
Interest expense	220,226	155,623
Unrealized gains (losses) on oil and natural gas derivatives	452,593	(137,122)
Other non-cash items	<u>143,762</u>	<u>(18,783)</u>
EBITDA	<u>\$ 3,766,213</u>	<u>\$ 1,592,652</u>

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

THREE MONTHS ENDED:	September 30, 2006	June 30, 2006	September 30, 2005
Net income available to common shareholders	\$ 522,582	\$ 332,128	\$ 149,059
Adjustments:			
Loss on conversion/exchange of preferred stock	—	9,547	17,725
Unrealized (gains) losses on derivatives, net of tax	(149,457)	(9,720)	66,851
Cumulative impact of new Texas margin tax	—	15,000	—
Reversal of severance tax accrual, net of tax	—	(7,192)	—
Loss on repurchases or exchanges of senior notes, net of tax	—	—	474
Adjusted net income available to common shareholders*	373,125	339,763	234,109
Preferred dividends	<u>25,753</u>	<u>18,228</u>	<u>10,204</u>
Total adjusted net income	<u>\$ 398,878</u>	<u>\$ 357,991</u>	<u>\$ 244,313</u>
Weighted average fully diluted shares outstanding**	483,273	434,915	376,600
Adjusted earnings per share assuming dilution	<u>\$ 0.83</u>	<u>\$ 0.82</u>	<u>\$ 0.65</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:	September 30, 2006	June 30, 2006	September 30, 2005
EBITDA	\$ 1,329,260	\$ 1,029,460	\$ 581,362
Adjustments, before tax:			
Unrealized (gains) losses on oil and natural gas derivatives	(238,518)	(16,460)	104,049
Reversal of severance tax accrual	—	(11,600)	—
Loss on repurchases or exchanges of senior notes	—	—	747
Adjusted EBITDA*	<u>\$ 1,090,742</u>	<u>\$ 1,001,400</u>	<u>\$ 686,158</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)

NINE MONTHS ENDED:	September 30, 2006	September 30, 2005
Net income available to common shareholders	\$ 1,458,612	\$ 447,783
Adjustments:		
Loss on conversion/exchange of preferred stock	10,556	22,468
Unrealized (gains) losses on derivatives, net of tax	(281,076)	85,836
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	—	44,480
Adjusted net income available to common shareholders*	1,157,061	600,567
Preferred dividends	<u>62,793</u>	<u>25,526</u>
Total adjusted net income	\$ 1,219,854	\$ 626,093
Weighted average fully diluted shares outstanding**	450,680	365,135
Adjusted earnings per share assuming dilution	\$ 2.71	\$ 1.71

*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)

NINE MONTHS ENDED:	September 30, 2006	September 30, 2005
EBITDA	\$ 3,766,213	\$ 1,592,652
Adjustments, before tax:		
Unrealized (gains) losses on oil and natural gas derivatives	(452,593)	137,122
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	—	70,047
Adjusted EBITDA*	\$ 3,239,377	\$ 1,799,821

*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.