

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF CERTAIN FINANCIAL MEASURES
(in 000's)
(unaudited)

THREE MONTHS ENDED:	September 30, 2004	September 30, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 367,649	\$ 276,884
Adjustments:		
Changes in assets and liabilities	<u>(14,252)</u>	<u>(29,175)</u>
OPERATING CASH FLOW*	<u>\$ 353,397</u>	<u>\$ 247,709</u>
NINE MONTHS ENDED:	September 30, 2004	September 30, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,038,206	\$ 653,517
Adjustments:		
Changes in assets and liabilities	<u>(43,082)</u>	<u>(12,026)</u>
OPERATING CASH FLOW*	<u>\$ 995,124</u>	<u>\$ 641,491</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 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 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.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF CERTAIN FINANCIAL MEASURES
(in 000's)
(unaudited)

THREE MONTHS ENDED:	September 30, 2004	September 30, 2003
NET INCOME	\$ 96,872	\$ 87,859
Income tax expense	54,489	53,843
Interest expense	48,689	40,851
Depreciation and amortization of other assets	7,700	4,841
Oil and gas depreciation, depletion and amortization	<u>153,586</u>	<u>97,947</u>
EBITDA**	<u>\$ 361,336</u>	<u>\$ 285,341</u>
NINE MONTHS ENDED:	September 30, 2004	September 30, 2003
NET INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	\$ 306,617	\$ 241,219
Income tax expense	172,470	147,841
Interest expense	124,040	115,891
Depreciation and amortization of other assets	20,155	12,647
Oil and gas depreciation, depletion and amortization	<u>410,237</u>	<u>266,131</u>
EBITDA**	<u>\$ 1,033,519</u>	<u>\$ 783,729</u>

**Ebitda represents net income (loss) before cumulative effect of accounting change, income tax expense (benefit), 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, 2004	September 30, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 367,649	\$ 276,884
Changes in assets and liabilities	(14,252)	(29,175)
Interest expense, realized	42,479	37,758
Unrealized gains (losses) on oil and gas derivatives	(32,473)	634
Other non-cash items	<u>(2,067)</u>	<u>(760)</u>
EBITDA	<u>\$ 361,336</u>	<u>\$ 285,341</u>
NINE MONTHS ENDED:	September 30, 2004	September 30, 2003
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,038,206	\$ 653,517
Changes in assets and liabilities	(43,082)	(12,026)
Interest expense, realized	118,151	110,558
Unrealized gains (losses) on oil and gas derivatives	(66,623)	33,668
Other non-cash items	<u>(13,133)</u>	<u>(1,988)</u>
EBITDA	<u>\$ 1,033,519</u>	<u>\$ 783,729</u>

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EARNINGS & ADJUSTED EBITDA
(\$ In 000's, except per share amounts)

	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2004
Net income available to common shareholders	\$ 85,585	\$ 275,818
Adjustments, net of tax:		
Unrealized (gains) losses on derivatives	24,757	46,408
Loss on repurchases or exchanges of debt	<u>—</u>	<u>4,432</u>
Adjusted earnings*	<u>\$ 110,342</u>	<u>\$ 326,658</u>
Adjusted earnings per share assuming dilution	<u>\$ 0.37</u>	<u>\$ 1.14</u>
EBITDA	\$ 361,336	\$ 1,033,519
Adjustments, before tax:		
Unrealized (gains) losses on oil and gas derivatives	32,473	66,623
Loss on repurchases or exchanges of debt	<u>—</u>	<u>6,925</u>
Adjusted EBITDA*	<u>\$ 393,809</u>	<u>\$ 1,107,067</u>

*Adjusted earnings, adjusted earnings per share assuming dilution and adjusted EBITDA, both non-GAAP financial measures, 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 and EBITDA because:

- a. Management uses adjusted earnings and adjusted EBITDA to evaluate the Company's operational trends and performance relative to other oil and gas producing companies.
- b. Adjusted earnings and adjusted EBITDA are more comparable to earnings and EBITDA 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.