

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

THREE MONTHS ENDED:	December 31, 2003	December 31, 2002
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 292,085	\$ 78,873
<b>Adjustments:</b>		
<b>Changes in assets and liabilities</b>	<u>(29,647)</u>	<u>49,345</u>
<b>OPERATING CASH FLOW*</b>	<u>\$ 262,438</u>	<u>\$ 128,218</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.

THREE MONTHS ENDED:	December 31, 2003	December 31, 2002
<b>Net income</b>	\$ 69,373	\$ 26,239
<b>Deferred income tax expense</b>	42,519	17,488
<b>Interest expense</b>	38,465	34,252
<b>Depreciation and amortization of other assets</b>	4,146	3,520
<b>Oil and gas depreciation, depletion and amortization</b>	<u>103,334</u>	<u>63,458</u>
<b>EBITDA**</b>	<u>\$ 257,837</u>	<u>\$ 144,957</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 banks under our bank credit facilities and is used in our financial covenants under our bank credit facilities and our indentures governing our senior notes. 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, 2003	December 31, 2002
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 292,085	\$ 78,873
<b>Changes in assets and liabilities</b>	(29,647)	49,345
<b>Interest expense</b>	38,465	34,252
<b>Unrealized gains (losses) on oil and gas derivatives</b>	(23,137)	1,916
<b>Other non-cash items</b>	<u>(19,929)</u>	<u>(19,429)</u>
<b>EBITDA</b>	<u>\$ 257,837</u>	<u>\$ 144,957</u>

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<b>TWELVE MONTHS ENDED:</b>	<b>December 31, 2003</b>	<b>December 31, 2002</b>
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 945,602	\$ 432,531
<b>Adjustments:</b>		
<b>Changes in assets and liabilities</b>	<u>(41,673)</u>	<u>(20,014)</u>
<b>OPERATING CASH FLOW*</b>	<u>\$ 903,929</u>	<u>\$ 412,517</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.

<b>TWELVE MONTHS ENDED:</b>	<b>December 31, 2003</b>	<b>December 31, 2002</b>
<b>Net income before cumulative effect of accounting change</b>	\$ 310,592	\$ 40,286
<b>Deferred income tax expense</b>	190,360	26,854
<b>Interest expense</b>	154,356	112,031
<b>Depreciation and amortization of other assets</b>	16,793	14,009
<b>Oil and gas depreciation, depletion and amortization</b>	<u>369,465</u>	<u>221,189</u>
<b>EBITDA**</b>	<u>\$ 1,041,566</u>	<u>\$ 414,369</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 banks under our bank credit facilities and is used in our financial covenants under our bank credit facilities and our indentures governing our senior notes. 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:

<b>TWELVE MONTHS ENDED:</b>	<b>December 31, 2003</b>	<b>December 31, 2002</b>
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 945,602	\$ 432,531
<b>Changes in assets and liabilities</b>	(41,673)	(20,014)
<b>Interest expense</b>	154,356	112,031
<b>Unrealized gains (losses) on oil and gas derivatives</b>	10,531	(87,267)
<b>Other non-cash items</b>	<u>(27,250)</u>	<u>(22,912)</u>
<b>EBITDA</b>	<u>\$ 1,041,566</u>	<u>\$ 414,369</u>