FORM 10−Q

CHESAPEAKE ENERGY CORP − CHK

Filed: November 07, 2006 (period: September 30, 2006)

Quarterly report which provides a continuing view of a company's financial position

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10−Q

☒ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2006

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File No. 1−13726

Chesapeake Energy Corporation

(Exact name of registrant as specified in its charter)

Oklahoma **(State or other jurisdiction of incorporation or organization)**	**73−1395733** **(I.R.S. Employer Identification No.)**
6100 North Western Avenue **Oklahoma City, Oklahoma** **(Address of principal executive offices)**	**73118** **(Zip Code)**

(405) 848−8000

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non−accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b−2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non−accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b−2 of the Exchange Act). Yes ☐ No ☒

As of November 3, 2006, there were 436,865,417 shares of our $0.01 par value common stock outstanding.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2006	December 31, 2005
	($ in thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 716	$ 60,027
Accounts receivable	735,005	791,194
Deferred income taxes	—	234,592
Short−term derivative instruments	1,097,578	10,503
Inventory and other	78,996	87,081
Total Current Assets	1,912,295	1,183,397
PROPERTY AND EQUIPMENT:		
Oil and natural gas properties, at cost based on full−cost accounting:		
Evaluated oil and natural gas properties	20,191,783	15,880,919
Unevaluated properties	3,440,181	1,739,095
Less: accumulated depreciation, depletion and amortization of oil and natural gas properties	(4,913,749)	(3,945,703)
Total oil and natural gas properties, at cost based on full−cost accounting	18,718,215	13,674,311
Other property and equipment:		
Natural gas gathering systems	457,321	333,365
Drilling rigs	301,611	116,133
Buildings and land	381,751	233,467
Natural gas compressors	108,847	73,043
Other	205,781	110,208
Less: accumulated depreciation and amortization of other property and equipment	(172,563)	(128,640)
Total Property and Equipment	20,000,963	14,411,887
OTHER ASSETS:		
Investments	686,343	297,443
Long−term derivative instruments	604,796	78,860
Other assets	190,524	146,875
Total Other Assets	1,481,663	523,178
TOTAL ASSETS	$ 23,394,921	$ 16,118,462

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS—(Continued)

(Unaudited)

	September 30, 2006	December 31, 2005
	($ in thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 754,996	$ 516,792
Short−term derivative instruments	81,438	577,681
Other accrued liabilities	398,611	364,501
Deferred income taxes	369,410	—
Revenues and royalties due others	305,422	394,693
Accrued interest	94,395	110,421
Total Current Liabilities	2,004,272	1,964,088
LONG−TERM LIABILITIES:		
Long−term debt, net	7,861,108	5,489,742
Deferred income tax liability	2,903,688	1,804,978
Asset retirement obligation	179,149	156,593
Long−term derivative instruments	181,941	479,996
Revenues and royalties due others	22,962	22,585
Other liabilities	48,981	26,157
Total Long−Term Liabilities	11,197,829	7,980,051
CONTINGENCIES AND COMMITMENTS (Note 3)		
STOCKHOLDERS' EQUITY:		
Preferred Stock, $.01 par value, 20,000,000 shares authorized:		
6.00% cumulative convertible preferred stock, 0 and 99,310 shares issued and outstanding as of September 30, 2006 and December 31, 2005, respectively, entitled in liquidation to $0 and $4,965,500	—	4,966
5.00% cumulative convertible preferred stock (series 2003), 38,625 and 1,025,946 shares issued and outstanding as of September 30, 2006 and December 31, 2005, respectively, entitled in liquidation to $3,862,500 and $102,594,600	3,863	102,595
4.125% cumulative convertible preferred stock, 3,065 and 89,060 shares issued and outstanding as of September 30, 2006 and December 31, 2005, respectively, entitled in liquidation to $3,065,000 and $89,060,000	3,065	89,060
5.00% cumulative convertible preferred stock (series 2005), 4,600,000 shares issued and outstanding as of September 30, 2006 and December 31, 2005, entitled in liquidation to $460,000,000	460,000	460,000
4.50% cumulative convertible preferred stock, 3,450,000 shares issued and outstanding as of September 30, 2006 and December 31, 2005, entitled in liquidation to $345,000,000	345,000	345,000
5.00% cumulative convertible preferred stock (series 2005B), 5,750,000 shares issued and outstanding as of September 30, 2006 and December 31, 2005, entitled in liquidation to $575,000,000	575,000	575,000
6.25% mandatory convertible preferred stock, 2,300,000 and 0 shares issued and outstanding as of September 30, 2006 and December 31, 2005, respectively, entitled in liquidation to $575,000,000 and $0	575,000	—
Common Stock, $.01 par value, 750,000,000 and 500,000,000 shares authorized, 437,859,397 and 375,510,521 shares issued at September 30, 2006 and December 31, 2005, respectively	4,379	3,755
Paid−in capital	4,899,634	3,803,312
Retained earnings	2,495,215	1,100,841
Accumulated other comprehensive income (loss), net of tax of ($518,564,000) and $112,071,000, respectively	862,241	(194,972)
Unearned compensation	—	(89,242)
Less: treasury stock, at cost; 1,306,528 and 5,320,816 common shares as of September 30, 2006 and December 31, 2005, respectively	(30,577)	(25,992)
Total Stockholders' Equity	10,192,820	6,174,323
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$23,394,921	$16,118,462

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	($ in thousands, except per share data)			
REVENUES:				
Oil and natural gas sales	$1,493,226	$ 720,928	$4,190,430	$2,032,271
Oil and natural gas marketing sales	398,114	361,915	1,170,091	882,040
Service operations revenue	38,071	—	97,473	—
Total Revenues	1,929,411	1,082,843	5,457,994	2,914,311
OPERATING COSTS:				
Production expenses	124,045	80,765	364,134	222,660
Production taxes	40,562	53,102	129,858	136,313
General and administrative expenses	37,382	15,785	99,728	39,640
Oil and natural gas marketing expenses	384,473	353,510	1,131,521	860,789
Service operations expense	18,821	—	48,925	—
Oil and natural gas depreciation, depletion and amortization	343,723	231,145	976,839	621,484
Depreciation and amortization of other assets	27,016	12,902	74,051	34,791
Employee retirement expense	—	—	54,753	—
Total Operating Costs	976,022	747,209	2,879,809	1,915,677
INCOME FROM OPERATIONS	953,389	335,634	2,578,185	998,634
OTHER INCOME (EXPENSE):				
Interest and other income	5,132	2,428	19,742	7,790
Interest expense	(74,112)	(58,593)	(220,226)	(155,623)
Gain on sale of investment	—	—	117,396	—
Loss on repurchases or exchanges of Chesapeake senior notes	—	(747)	—	(70,047)
Total Other Income (Expense)	(68,980)	(56,912)	(83,088)	(217,880)
INCOME BEFORE INCOME TAXES	884,409	278,722	2,495,097	780,754
INCOME TAX EXPENSE:				
Current	—	—	—	—
Deferred	336,074	101,734	963,136	284,977
Total Income Tax Expense	336,074	101,734	963,136	284,977
NET INCOME	548,335	176,988	1,531,961	495,777
PREFERRED STOCK DIVIDENDS	(25,753)	(10,204)	(62,793)	(25,526)
LOSS ON CONVERSION/EXCHANGE OF PREFERRED STOCK	—	(17,725)	(10,556)	(22,468)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ 522,582	$ 149,059	$1,458,612	$ 447,783
EARNINGS PER COMMON SHARE:				
Basic	$ 1.25	$ 0.46	$ 3.75	$ 1.42
Assuming dilution	$ 1.13	$ 0.43	$ 3.40	$ 1.32
CASH DIVIDEND DECLARED PER COMMON SHARE	$ 0.060	$ 0.050	$ 0.170	$ 0.145
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (in thousands):				
Basic	417,569	322,101	389,136	314,425
Assuming dilution	483,273	367,639	450,680	352,210

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
	2006	2005
	($ in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	$ 1,531,961	$ 495,777
ADJUSTMENTS TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation, depletion and amortization	1,041,246	649,907
Unrealized (gains) losses on derivatives	(453,347)	135,175
Deferred income taxes	963,136	284,977
Amortization of loan costs and bond discount	14,952	10,576
Realized (gains) losses on financing derivatives	(96,377)	—
Stock−based compensation	78,200	10,172
Gain on sale of investment in Pioneer Drilling Company	(117,396)	—
Income from equity investments	(9,187)	(2,171)
Loss on repurchases or exchanges of Chesapeake senior notes	—	70,047
Premiums paid for repurchasing of senior notes	—	(61,023)
Other	(3,556)	(503)
Change in assets and liabilities	32,787	(15,589)
Cash provided by operating activities	2,982,419	1,577,345
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of oil and natural gas companies, proved and unproved properties, net of cash acquired	(3,089,710)	(1,932,934)
Exploration and development of oil and natural gas properties	(2,583,841)	(1,488,145)
Additions to buildings and other fixed assets	(406,752)	(156,978)
Additions to drilling rig equipment	(340,814)	(42,056)
Proceeds from sale of investment in Pioneer Drilling Company	158,890	—
Proceeds from sale of drilling rigs and equipment	187,500	—
Additions to investments	(537,703)	(37,273)
Acquisition of trucking company, net of cash acquired	(45,166)	—
Deposits for acquisitions	(12,070)	—
Other	1,661	2,342
Cash used in investing activities	(6,668,005)	(3,655,044)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long−term borrowings	7,058,000	3,561,000
Payments on long−term borrowings	(5,666,000)	(3,620,000)
Proceeds from issuance of senior notes, net of offering costs	969,193	1,765,383
Proceeds from issuance of common stock, net of offering costs	803,720	289,391
Proceeds from issuance of preferred stock, net of offering costs	557,627	782,368
Purchases or exchanges of Chesapeake senior notes	—	(556,407)
Common stock dividends	(61,829)	(45,771)
Preferred stock dividends	(62,541)	(17,315)
Financing costs of credit facility	(5,079)	(4,672)
Purchases of treasury shares	(86,185)	(4,000)
Derivative settlements	(68,361)	—
Net increase in outstanding payments in excess of cash balance	43,250	33,751
Cash received from exercise of stock options and warrants	71,254	19,940
Excess tax benefit from stock−based compensation	85,649	—
Other financing costs	(12,423)	(5,763)
Cash provided by financing activities	3,626,275	2,197,905
Net increase (decrease) in cash and cash equivalents	(59,311)	120,206
Cash and cash equivalents, beginning of period	60,027	6,896
Cash and cash equivalents, end of period	$ 716	$ 127,102

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

(Unaudited)

	Nine Months Ended September 30,	
	2006	2005
	($ in thousands)	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION OF CASH PAYMENTS FOR:		
Interest, net of capitalized interest	$ 245,190	$ 162,218
Income taxes, net of refunds received	$ —	$ —

SUPPLEMENTAL SCHEDULE OF NON−CASH INVESTING AND FINANCING ACTIVITIES:

In September 2006, we acquired 32% of the outstanding common stock of Chaparral Energy, Inc. for $240 million in cash and 1,375,989 newly issued shares of our common stock valued at $40 million. Chaparral is a privately−held independent oil and natural gas company headquartered in Oklahoma City, Oklahoma, with estimated proved reserves of approximately 618 bcfe and daily production of approximately 83 mmcfe.

For the nine months ended September 30, 2006 and 2005, holders of our 6.0% cumulative convertible preferred stock converted 99,310 and 1,835 shares, respectively, into 482,694 and 8,918 shares, respectively, of common stock.

For the nine months ended September 30, 2006 and 2005, holders of our 4.125% cumulative convertible preferred stock exchanged 2,750 and 178,675 shares, respectively, for 172,594 and 11,441,008 shares, respectively, of common stock in privately negotiated exchanges.

For the nine months ended September 30, 2006 and 2005, holders of our 5.0% (Series 2003) cumulative convertible preferred stock exchanged 183,273 and 697,724 shares, respectively, for 1,140,223 and 4,354,439 shares, respectively, of common stock in privately negotiated exchanges.

During the nine months ended September 30, 2006, we completed tender offers for our 4.125% and 5.0% (Series 2003) cumulative convertible preferred stock, issuing 5.2 million shares of our common stock in exchange for 83,245 shares of the 4.125% preferred stock, which represented 96.4% or $83.2 million of the aggregate liquidation value of the shares outstanding, and 5.0 million shares of our common stock in exchange for 804,048 shares of the 5.0% (Series 2003) preferred stock, which represented 95.4% or $80.4 million of the aggregate liquidation value of the shares outstanding. No cash was received or paid in connection with these transactions.

As of September 30, 2006 and 2005, dividends payable on our common and preferred stock were $51.1 million and $28.7 million, respectively.

For the nine months ended September 30, 2006 and 2005, oil and natural gas properties were adjusted by $177.7 million and $253.2 million, respectively, for net income tax liabilities related to acquisitions.

For the nine months ended September 30, 2006 and 2005, $72.6 million and $22.4 million, respectively, of accrued exploration and development costs were recorded as additions to oil and natural gas properties.

We recorded non−cash asset additions to net oil and natural gas properties of $13.7 million and $8.0 million for the nine months ended September 30, 2006 and 2005, respectively, for asset retirement obligations.

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

	Nine Months Ended September 30,	
	2006	2005
	($ in thousands)	
PREFERRED STOCK:		
Balance, beginning of period	$ 1,576,621	$ 490,906
Issuance of 6.25% mandatory convertible preferred stock	575,000	—
Issuance of 5.00% cumulative convertible preferred stock (Series 2005)	—	460,000
Issuance of 4.50% cumulative convertible preferred stock	—	345,000
Exchange of common stock for 85,995 and 178,675 shares of 4.125% preferred stock	(85,995)	(178,675)
Exchange of common stock for 987,321 and 697,724 shares of 5.00% preferred stock (Series 2003)	(98,732)	(69,772)
Exchange of common stock for 99,310 and 1,835 shares of 6.00% preferred stock	(4,966)	(92)
Balance, end of period	1,961,928	1,047,367
COMMON STOCK:		
Balance, beginning of period	3,755	3,169
Issuance of 28,750,000 and 9,200,000 shares of common stock	288	92
Issuance of 1,375,989 shares of common stock for the purchase of Chaparral Energy, Inc. common stock	14	—
Exchange of 12,016,423 and 15,804,365 shares of common stock for preferred stock	120	158
Exercise of stock options and warrants	67	38
Restricted stock grants	135	37
Balance, end of period	4,379	3,494
PAID−IN CAPITAL:		
Balance, beginning of period	3,803,312	2,440,105
Issuance of common stock	834,900	300,932
Issuance of common stock for the purchase of Chaparral Energy, Inc. common stock	39,986	—
Exchange of 12,016,423 and 15,804,365 shares of common stock for preferred stock	189,572	248,381
Equity−based compensation	88,989	78,943
Adoption of SFAS 123(R)	(89,242)	—
Offering expenses	(48,829)	(34,302)
Exercise of stock options and warrants	71,187	19,902
Release of 6,500,000 shares from treasury stock upon exercise of stock options	(75,102)	—
Tax benefit from exercise of stock options and restricted stock	85,649	17,397
Preferred stock conversion/exchange expenses	(788)	(103)
Balance, end of period	4,899,634	3,071,255
RETAINED EARNINGS:		
Balance, beginning of period	1,100,841	262,987
Net income	1,531,961	495,777
Dividends on common stock	(68,789)	(46,612)
Dividends on preferred stock	(68,798)	(25,726)
Balance, end of period	2,495,215	686,426
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):		
Balance, beginning of period	(194,972)	20,425
Hedging activity	1,143,738	(546,305)
Marketable securities activity	(86,525)	44,440
Balance, end of period	862,241	(481,440)
UNEARNED COMPENSATION:		
Balance, beginning of period	(89,242)	(32,618)
Restricted stock granted	—	(78,148)
Amortization of unearned compensation	—	16,075
Adoption of SFAS 123(R)	89,242	—
Balance, end of period	—	(94,691)
TREASURY STOCK—COMMON:		
Balance, beginning of period	(25,992)	(22,091)
Purchase of 2,707,471 and 257,220 shares of treasury stock	(86,185)	(4,000)
Release of 6,500,000 shares upon exercise of stock options	75,102	—
Release of 221,759 shares for company benefit plans	6,498	—
Balance, end of period	(30,577)	(26,091)
TOTAL STOCKHOLDERS' EQUITY	$ 10,192,820	$ 4,206,320

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	($ in thousands)			
Net income	$ 548,335	$ 176,988	$1,531,961	$ 495,777
Other comprehensive income, net of income tax:				
Change in fair value of derivative instruments, net of income taxes of $451,888,000, ($345,346,000), $1,084,370,000 and ($389,909,000)	750,588	(600,807)	1,799,636	(678,334)
Reclassification of (gain) loss on settled contracts, net of income taxes of ($105,162,000), $40,815,000, ($268,896,000) and $39,798,000	(174,040)	71,007	(444,770)	69,238
Ineffective portion of derivatives qualifying for cash flow hedge accounting, net of income taxes of ($64,099,000), $36,307,000, ($125,599,000) and $36,092,000	(107,730)	63,165	(211,128)	62,791
Unrealized gain (loss) on marketable securities, net of income taxes of ($2,336,000), $12,046,000, ($7,995,000) and $25,544,000	(3,926)	20,957	(13,439)	44,440
Reclassification of gain on sales of investments, net of income taxes of $0, $0, ($45,824,000) and $0	—	—	(73,086)	—
Comprehensive income	$1,013,227	$(268,690)	$2,589,174	$ (6,088)

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of Chesapeake Energy Corporation and its subsidiaries have been prepared in accordance with the instructions to Form 10−Q as prescribed by the Securities and Exchange Commission. Chesapeake's 2005 Annual Report on Form 10−K includes certain definitions and a summary of significant accounting policies and should be read in conjunction with this Form 10−Q. All material adjustments (consisting solely of normal recurring adjustments) which, in the opinion of management, are necessary for a fair statement of the results for the interim periods have been reflected. The results for the three and nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year. This Form 10−Q relates to the three and nine months ended September 30, 2006 (the "Current Quarter" and the "Current Period", respectively) and the three and nine months ended September 30, 2005 (the "Prior Quarter" and the "Prior Period", respectively).

Stock−Based Compensation

On January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share−Based Payment* (SFAS 123(R)), to account for stock−based compensation. Among other items, SFAS 123(R) eliminates the use of APB Opinion No. 25 and the intrinsic value method of accounting for equity compensation and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments based on the fair value at grant date of those awards in their financial statements. We elected to use the modified prospective method for adoption, which requires compensation expense to be recorded for all unvested stock options and other equity−based compensation beginning in the first quarter of adoption. For all unvested options outstanding as of January 1, 2006, the previously measured but unrecognized compensation expense, based on the fair value at the original grant date, will be recognized in our financial statements over the remaining vesting period. For equity−based compensation awards granted or modified subsequent to January 1, 2006, compensation expense based on the fair value on the date of grant or modification will be recognized in our financial statements over the vesting period. We utilize the Black−Scholes option pricing model to measure the fair value of stock options. To the extent compensation cost relates to employees directly involved in oil and natural gas exploration and development activities, such amounts are capitalized to oil and natural gas properties. Amounts not capitalized to oil and natural gas properties are recognized as general and administrative expenses or production expenses.

Prior to the adoption of SFAS 123(R), we followed the intrinsic value method in accordance with APB 25 to account for employee stock−based compensation. Prior period financial statements have not been restated. Upon adoption of SFAS 123(R), we eliminated $89.2 million of unearned compensation cost and reduced additional paid−in capital by the same amount on our condensed consolidated balance sheet.

For the three and nine months ended September 30, 2006 and 2005, we recorded the following stock−based compensation ($ in thousands):

	Restricted Stock		Stock Options		Total	
For the Three Months Ended September 30:	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Production expenses	$ 2,742	$ —	$ 143	$ —	$ 2,885	$ —
General and administrative expenses	7,949	4,315	530	934	8,479	5,249
Oil and natural gas properties	9,452	3,676	492	1,390	9,944	5,066
Total	$ 20,143	$ 7,991	$ 1,165	$ 2,324	$ 21,308	$ 10,315
For the Nine Months Ended September 30:						
Production expenses	$ 5,191	$ —	$ 523	$ —	$ 5,714	$ —
General and administrative expenses	18,066	8,837	3,190	1,335	21,256	10,172
Employee retirement expense	35,720	—	15,510	—	51,230	—
Oil and natural gas properties	17,739	7,395	1,755	1,390	19,494	8,785
Total	$ 76,716	$ 16,232	$ 20,978	$ 2,725	$ 97,694	$ 18,957

The impact to income before income taxes of adopting SFAS 123(R) for the Current Quarter and the Current Period was a reduction of $0.6 million and $2.5 million, respectively. SFAS 123(R) also requires cash inflows resulting from tax deductions in excess of compensation expense recognized for stock options and restricted stock (“excess tax benefits”) to be classified as financing cash inflows in our statements of cash flows. Accordingly, for the nine months ended September 30, 2006, we reported $85.6 million of excess tax benefits from stock−based compensation as cash provided by financing activities on our statement of cash flows.

Pro forma Disclosures

Prior to January 1, 2006, we accounted for our employee and non−employee director stock options using the intrinsic value method prescribed by APB 25. As required by SFAS 123(R), we have disclosed below the effect on net income and earnings per share that would have been recorded using the fair value based method for the three and nine months ended September 30, 2005 ($ in thousands, except per share amounts):

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Net Income:		
As reported	$ 176,988	$ 495,777
Add: Stock−based compensation expense included in reported net income, net of income tax	3,333	6,459
Deduct: Total stock−based compensation expense determined under fair value based method for all awards, net of income tax	(5,218)	(13,176)
Pro forma net income	$ 175,103	$ 489,060
Basic earnings per common share:		
As reported	$ 0.46	$ 1.42
Pro forma	$ 0.46	$ 1.40
Diluted earnings per common share:		
As reported	$ 0.43	$ 1.32
Pro forma	$ 0.42	$ 1.30

Restricted Stock

Chesapeake began issuing shares of restricted common stock to employees in January 2004 and to non−employee directors in July 2005. The fair value of the awards issued is determined based on the fair market value of the shares on the date of grant. This value is amortized over the vesting period, which is four or five years from the date of grant for employees and three years for non−employee directors.

A summary of the status of the unvested shares of restricted stock as of September 30, 2006, and changes during the Current Period, is presented below:

	Number of Unvested Restricted Shares	Weighted Average Grant−Date Fair Value
Unvested shares as of January 1, 2006	5,805,210	$ 18.38
Granted	14,183,418	32.12
Vested	(2,794,835)	19.73
Forfeited	(315,948)	25.76
Unvested shares as of September 30, 2006	16,877,845	$ 29.57

The aggregate intrinsic value of restricted stock vested during the Current Period was approximately $85.4 million.

Included in the 14.2 million shares of restricted stock granted during the Current Period are 9.9 million shares of restricted stock granted during the Current Quarter to our employees (except for our CEO and CFO, who did not participate in the stock awards) under a long−term stock incentive and retention program. These shares vest 50% in three years with the remaining 50% vesting in five years.

As of September 30, 2006, there was $478.6 million of total unrecognized compensation cost related to unvested restricted stock. The cost is expected to be recognized over a weighted average period of 4.09 years.

During the Current Quarter, the Prior Quarter, the Current Period and the Prior Period, we recognized excess tax benefits related to restricted stock of $1.3 million, $1.5 million, $4.3 million and $1.6 million, respectively, which were recorded as adjustments to additional paid−in capital and deferred income taxes with respect to such benefits.

Stock Options

We granted stock options in previous years under several stock compensation plans. Outstanding options expire ten years from the date of grant and become exercisable over a four−year period.

The following table provides information related to stock option activity during the Current Period:

	Number of Shares Underlying Options	Weighted Average Exercise Price Per Share	Weighted Average Contract Life in Years	Aggregate Intrinsic Value[a] ($ in thousands)
Outstanding at January 1, 2006	20,256,013	$ 6.14		
Exercised	(13,198,705)	5.32		
Forfeited	(72,713)	9.18		
Outstanding at September 30, 2006	6,984,595	$ 7.65	5.54	$ 149,081
Exercisable at September 30, 2006	5,688,614	$ 7.31	5.30	$ 123,403

(a) The intrinsic value of a stock option is the amount by which the current market value of the underlying stock exceeds the exercise price of the option.

The aggregate intrinsic value of stock options exercised during the Current Period was approximately $345.0 million.

As of September 30, 2006, there was $2.5 million of total unrecognized compensation cost related to unvested stock options. The cost is expected to be recognized over a weighted average period of 0.52 years.

During the Current Quarter, the Prior Quarter, the Current Period and the Prior Period, we recognized excess tax benefits related to stock options of $2.8 million, $7.4 million, $81.3 million and $15.8 million, respectively, which were recorded as adjustments to additional paid−in capital and deferred income taxes with respect to such benefits.

Critical Accounting Policies

We consider accounting policies related to hedging, oil and natural gas properties, income taxes and business combinations to be critical policies. These policies are summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in our annual report on Form 10−K for the year ended December 31, 2005.

2. Financial Instruments and Hedging Activities

Oil and Natural Gas Hedging Activities

Our results of operations and operating cash flows are impacted by changes in market prices for oil and natural gas. To mitigate a portion of the exposure to adverse market changes, we have entered into various derivative instruments. As of September 30, 2006, our oil and natural gas derivative instruments were comprised of swaps, cap−swaps, basis protection swaps, call options and collars. These instruments allow us to predict with greater certainty the effective oil and natural gas prices to be received for our hedged production. Although derivatives often fail to achieve 100% effectiveness for accounting purposes, we believe our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended.

- For swap instruments, Chesapeake receives a fixed price for the hedged commodity and pays a floating market price to the counterparty. The fixed−price payment and the floating−price payment are netted, resulting in a net amount due to or from the counterparty.

- For cap−swaps, Chesapeake receives a fixed price and pays a floating market price. The fixed price received by Chesapeake includes a premium in exchange for a “cap” limiting the counterparty’s exposure. In other words, there is no limit to Chesapeake’s exposure but there is a limit to the downside exposure of the counterparty.

- Basis protection swaps are arrangements that guarantee a price differential for oil or natural gas from a specified delivery point. For Mid−Continent basis protection swaps, which have negative differentials to NYMEX, Chesapeake receives a payment from the counterparty if the price differential is greater than the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract. For Appalachian Basin basis protection swaps, which have positive differentials to NYMEX, Chesapeake receives a payment from the counterparty if the price differential is less than the stated terms of the contract and pays the counterparty if the price differential is greater than the stated terms of the contract.

- For call options, Chesapeake receives a cash premium from the counterparty in exchange for the sale of a call option. If the market price exceeds the fixed price of the call option, Chesapeake pays the counterparty such excess. If the market price settles below the fixed price of the call option, no payment is due from Chesapeake.

- Collars contain a fixed floor price (put) and ceiling price (call). If the market price exceeds the call strike price or falls below the put strike price, Chesapeake receives the fixed price and pays the market price. If the market price is between the call and the put strike price, no payments are due from either party.

Chesapeake enters into counter−swaps from time to time for the purpose of locking−in the value of a swap. Under the counter−swap, Chesapeake receives a floating price for the hedged commodity and pays a fixed price to the counterparty. The counter−swap is 100% effective in locking−in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter−swap. We refer to this locked−in value as a locked swap. Generally, at the time Chesapeake enters into a counter−swap, Chesapeake removes the original swap’s designation as a cash flow hedge and classifies the original swap as a non−qualifying hedge under SFAS 133. The reason for this new designation is that collectively the swap and the counter−swap no longer hedge the exposure to variability in expected future cash flows. Instead, the swap and counter−swap effectively lock−in a specific gain (or loss) that will be unaffected by subsequent variability in oil and natural gas prices. Any locked−in gain or loss is recorded in accumulated other comprehensive income and reclassified to oil and natural gas sales in the month of related production.

With respect to counter−swaps that are designed to lock−in the value of cap−swaps, the counter−swap is effective in locking−in the value of the cap−swap until the floating price reaches the cap (or floor) stipulated in the cap−swap agreement. The value of the counter−swap will increase (or decrease), but in the opposite direction, as the value of the cap−swap decreases (or increases) until the floating price reaches the pre−determined cap (or floor) stipulated in the cap−swap agreement. However, because of the written put option embedded in the cap−swap, the changes in value of the cap−swap are not completely effective in offsetting changes in value of the corresponding counter−swap. Changes in the value of cap−swaps and counter−swaps are recorded as adjustments to oil and natural gas sales.

In accordance with FASB Interpretation No. 39, to the extent that a legal right of set−off exists, Chesapeake nets the value of its derivative arrangements with the same counterparty in the accompanying condensed consolidated balance sheets.

Chesapeake enters into basis protection swaps for the purpose of locking−in a price differential for oil or natural gas from a specified delivery point. We currently have basis protection swaps covering six different

delivery points, four in the Mid−Continent and two in the Appalachian Basin, which correspond to the actual prices we receive for much of our natural gas production. By entering into these basis protection swaps, we have effectively reduced our exposure to market changes in future natural gas price differentials. As of September 30, 2006, the fair value of our basis protection swaps was $178.8 million. As of September 30, 2006, our Mid−Continent basis protection swaps cover approximately 29% of our anticipated remaining Mid−Continent natural gas production in 2006, 25% in 2007, 18% in 2008 and 13% in 2009. As of September 30, 2006, our Appalachian Basin basis protection swaps cover approximately 74% of our anticipated Appalachian Basin natural gas production in 2007, 65% in 2008 and 30% in 2009.

Gains or losses from certain derivative transactions are reflected as adjustments to oil and natural gas sales on the condensed consolidated statements of operations. Realized gains (losses) included in oil and natural gas sales were $301.4 million, ($122.6) million, $807.1 million and ($126.6) million in the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively. Pursuant to SFAS 133, certain derivatives do not qualify for designation as cash flow hedges. Changes in the fair value of these non−qualifying derivatives that occur prior to their maturity (i.e., temporary fluctuations in value) are reported currently in the condensed consolidated statements of operations as unrealized gains (losses) within oil and natural gas sales. Unrealized gains (losses) included in oil and natural gas sales were $238.5 million, ($104.0) million, $452.6 million and ($137.1) million, in the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

Following provisions of SFAS 133, changes in the fair value of derivative instruments designated as cash flow hedges, to the extent they are effective in offsetting cash flows attributable to the hedged risk, are recorded in other comprehensive income until the hedged item is recognized in earnings. Any change in fair value resulting from ineffectiveness is recognized currently in oil and natural gas sales as unrealized gains (losses). We recorded an unrealized gain (loss) on ineffectiveness of $171.8 million, ($99.5) million, $336.7 million and ($98.9) million in the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

The estimated fair values of our oil and natural gas derivative instruments as of September 30, 2006 and December 31, 2005 are provided below. The associated carrying values of these instruments are equal to the estimated fair values.

	September 30, 2006	December 31, 2005
	($ in thousands)	
Derivative assets (liabilities):		
Fixed−price natural gas swaps	$ 1,234,681	$ (1,047,094)
Natural gas basis protection swaps	178,832	307,308
Fixed−price natural gas cap−swaps	69,136	(161,056)
Fixed−price natural gas counter−swaps	6,646	37,785
Natural gas call options (a)	(21,816)	(21,461)
Fixed−price natural gas collars	(7,016)	(9,374)
Fixed−price natural gas locked swaps	(16,333)	(34,229)
Floating−price natural gas swaps	—	2,607
Fixed−price oil swaps	13,547	(16,936)
Fixed−price oil cap−swaps	18,317	(3,364)
Estimated fair value	$ 1,475,994	$ (945,814)

(a) After adjusting for $49.6 million and $23.0 million of unrealized premiums, the cumulative unrealized gain related to these call options as of September 30, 2006 and December 31, 2005 was $27.8 million and $1.6 million, respectively.

Based upon the market prices at September 30, 2006, we expect to transfer approximately $530.2 million (net of income taxes) of the gain included in the balance in accumulated other comprehensive income to earnings during the next 12 months in the related month of production. All transactions hedged as of September 30, 2006 are expected to mature by December 31, 2009.

We have two secured hedging facilities, each of which permits us to enter into cash−settled natural gas and oil commodity transactions, valued by the counterparty, for up to $500 million. The scheduled maturity date for each of these facilities is May 2010. Outstanding transactions under each facility are collateralized by certain of our oil and natural gas properties that do not secure any of our other obligations. Both of the hedging facilities are subject to a 1.0% per annum exposure fee, which is assessed quarterly on the average of the daily negative fair market value amounts, if any, during the quarter. As of September 30, 2006, the fair market value of the natural gas and oil hedging transactions was an asset of $252.1 million under one of the facilities and an asset of $823.2 million under the other facility. As of November 3, 2006, the fair market value of the same transactions was an asset of approximately $152.2 million and $255.5 million, respectively. The hedging facilities contain the standard representations and default provisions that are typical of such agreements. The agreements also contain various restrictive provisions which govern the aggregate natural gas and oil production volumes that we are permitted to hedge under all of our agreements at any one time.

We assumed certain liabilities related to open derivative positions in connection with our acquisition of Columbia Natural Resources, LLC in November 2005. In accordance with SFAS 141, these derivative positions were recorded at fair value in the purchase price allocation as a liability of $592 million. The recognition of the derivative liability and other assumed liabilities resulted in an increase in the total purchase price which was allocated to the assets acquired. Because of this accounting treatment, only cash settlements for changes in fair value subsequent to the acquisition date for the derivative positions assumed result in adjustments to our oil and natural gas revenues upon settlement. For example, if the fair value of the derivative positions assumed does not change, then upon the sale of the underlying production and corresponding settlement of the derivative positions, cash would be paid to the counterparties and there would be no adjustment to oil and natural gas revenues related to the derivative positions. If, however, the actual sales price is different from the price assumed in the original fair value calculation, the difference would be reflected as either a decrease or increase in oil and natural gas revenues, depending upon whether the sales price was higher or lower, respectively, than the prices assumed in the original fair value calculation. For accounting purposes, the net effect of these acquired hedges is that we hedged the production volumes at market prices on the date of our acquisition of CNR.

Pursuant to Statement of Financial Accounting Standards No. 149, *Amendment of SFAS 133 on Derivative Instruments and Hedging Activities*, the derivative instruments assumed in connection with the CNR acquisition are deemed to contain a significant financing element, and all cash flows associated with these positions are reported as financing activity in the statement of cash flows for the periods in which settlement occurs.

The following details the assumed CNR derivatives remaining as of September 30, 2006:

	Volume	Weighted Average Fixed Price to be Received (Paid)	Weighted Average Put Fixed Price	Weighted Average Call Fixed Price	SFAS 133 Hedge	Fair Value at September 30, 2006 ($ in thousands)
Natural Gas (mmbtu):						
Swaps:						
4Q 2006	10,626,000	$ 4.86	$ —	$ —	Yes	$ (9,313)
1Q 2007	10,350,000	4.82	—	—	Yes	(30,297)
2Q 2007	10,465,000	4.82	—	—	Yes	(24,548)
3Q 2007	10,580,000	4.82	—	—	Yes	(26,672)
4Q 2007	10,580,000	4.82	—	—	Yes	(33,722)
1Q 2008	9,555,000	4.68	—	—	Yes	(39,074)
2Q 2008	9,555,000	4.68	—	—	Yes	(23,387)
3Q 2008	9,660,000	4.68	—	—	Yes	(24,581)
4Q 2008	9,660,000	4.66	—	—	Yes	(29,997)
1Q 2009	4,500,000	5.18	—	—	Yes	(14,498)
2Q 2009	4,550,000	5.18	—	—	Yes	(7,627)
3Q 2009	4,600,000	5.18	—	—	Yes	(8,162)
4Q 2009	4,600,000	5.18	—	—	Yes	(10,574)
Collars:						
1Q 2009	900,000	—	4.50	6.00	Yes	(2,538)
2Q 2009	910,000	—	4.50	6.00	Yes	(1,268)
3Q 2009	920,000	—	4.50	6.00	Yes	(1,375)
4Q 2009	920,000	—	4.50	6.00	Yes	(1,835)
Total Natural Gas						$ (289,468)

Subsequent to September 30, 2006, Chesapeake lifted a portion of its fourth quarter 2006 and full−year 2007, 2008 and 2009 hedges and as a result received $407 million in cash from its hedging counterparties. The gain will be recorded in accumulated other comprehensive income and in unrealized oil and natural gas sales based on the designation of the hedges. The gain will be recognized in realized oil and natural gas sales in the month of the hedged production.

Interest Rate Derivatives

We use interest rate derivatives to mitigate our exposure to the volatility in interest rates. For interest rate derivative instruments designated as fair value hedges (in accordance with SFAS 133), changes in fair value are recorded on the condensed consolidated balance sheets as assets (liabilities), and the debt's carrying value amount is adjusted by the change in the fair value of the debt subsequent to the initiation of the derivative. Changes in the fair value of derivative instruments not qualifying as fair value hedges are recorded currently as adjustments to interest expense.

Gains or losses from certain derivative transactions are reflected as adjustments to interest expense on the condensed consolidated statements of operations. Realized gains (losses) included in interest expense were ($1.6) million, $0.8 million, $0.9 million and $2.6 million in the Current Quarter, Prior Quarter, Current Period and

Prior Period, respectively. Pursuant to SFAS 133, certain derivatives do not qualify for designation as fair value hedges. Changes in the fair value of these non−qualifying derivatives that occur prior to their maturity (i.e., temporary fluctuations in value) are reported currently in the condensed consolidated statements of operations as unrealized gains (losses) within interest expense. Unrealized gains (losses) included in interest expense were $2.5 million, ($1.2) million, $0.8 million and $1.9 million, in the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

As of September 30, 2006, the following interest rate swaps used to convert a portion of our long−term fixed−rate debt to floating−rate debt were outstanding:

Term	Notional Amount	Fixed Rate	Floating Rate	Fair Value ($ in thousands)
September 2004 – August 2012	$ 75,000,000	9.000%	6 month LIBOR plus 452 basis points	$ (2,919)
July 2005 – January 2015	$150,000,000	7.750%	6 month LIBOR plus 289 basis points	(6,301)
July 2005 – June 2014	$150,000,000	7.500%	6 month LIBOR plus 282 basis points	(6,456)
September 2005 – August 2014	$250,000,000	7.000%	6 month LIBOR plus 205.5 basis points	(7,305)
October 2005 – June 2015	$200,000,000	6.375%	6 month LIBOR plus 112 basis points	(3,308)
October 2005 – January 2018	$250,000,000	6.250%	6 month LIBOR plus 99 basis points	(7,124)
January 2006 – January 2016	$250,000,000	6.625%	6 month LIBOR plus 129 basis points	(3,178)
March 2006 – January 2016	$250,000,000	6.875%	6 month LIBOR plus 120 basis points	(172)
				$ (36,763)

In the Current Period, we closed three interest rate swaps for gains totaling $3.0 million. These interest rate swaps were designated as fair value hedges, and the settlement amounts received will be amortized as a reduction to realized interest expense over the remaining terms of the related senior notes.

To mitigate our short−term exposure to rising interest rates on a portion of our long−term debt that has been converted to floating−rate, we have entered into zero−cost collar transactions. These collars contain a fixed floor rate (put) and fixed ceiling rate (call). If LIBOR exceeds the ceiling rate or falls below the floor rate, Chesapeake pays the fixed rate and receives LIBOR. If LIBOR is between the ceiling and floor rates, no payments are due from either party. As of September 30, 2006, we were a party to the following zero−cost interest rate collars:

Payment Dates	Notional Amount	LIBOR Floor	LIBOR Ceiling
July 2007 – January 2010	$150,000,000	4.53%	5.37%
June 2007 – December 2009	$150,000,000	4.53%	5.37%
August 2007 – February 2010	$250,000,000	4.53%	5.37%
July 2007 – January 2010	$250,000,000	4.53%	5.37%

Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*. We have determined the estimated fair values by using available market information and valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying values of financial instruments comprising current assets and current liabilities approximate fair values due to the short−term maturities of these instruments. We estimate the fair value of our long−term fixed−rate debt and our convertible preferred stock using primarily quoted market prices. Our carrying amounts for such debt, excluding discounts or premiums related to interest rate derivatives, at September 30, 2006 and December 31, 2005 were $6.421 billion and $5.429 billion, respectively, compared to approximate fair values of $6.317 billion and $5.582 billion, respectively. The carrying amounts for our convertible preferred stock as of September 30, 2006 and December 31, 2005 were $1.962 billion and $1.577 billion, respectively, compared to approximate fair values of $1.950 billion and $1.686 billion, respectively.

Concentration of Credit Risk

A significant portion of our liquidity is concentrated in derivative instruments that enable us to hedge a portion of our exposure to price volatility from producing oil and natural gas. These arrangements expose us to credit risk from our counterparties. Accounts receivable potentially subject us to concentrations of credit risk as well. Our accounts receivable are primarily from purchasers of oil and natural gas products and exploration and production companies which own interests in properties we operate. This industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that our customers may be similarly affected by changes in economic, industry or other conditions. We generally require letters of credit for receivables from customers which are judged to have sub−standard credit, unless the credit risk can otherwise be mitigated.

3. Contingencies and Commitments

Litigation

Chesapeake is currently involved in various disputes incidental to its business operations. Management, after consultation with legal counsel, is of the opinion that the final resolution of all currently pending or threatened litigation is not likely to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Employment Agreements with Officers

Chesapeake has employment agreements with its chief executive officer, chief operating officer, chief financial officer and other executive officers, which provide for annual base salaries, various benefits and eligibility for bonus compensation. The agreement with the chief executive officer has a term of five years commencing July 1, 2006. The term of the agreement is automatically extended for one additional year on each January 31 unless the company provides 30 days notice of non−extension. In the event of termination of employment without cause, the chief executive officer's base compensation and benefits would continue during the remaining term of the agreement. The agreements with the chief operating officer, chief financial officer and other executive officers expire on September 30, 2009 and provide for the continuation of salary for one year in the event of termination of employment without cause. The company's employment agreements with the executive officers provide for payments in the event of a change of control. The chief executive officer is entitled to receive a payment in the amount of three times his base compensation and three times the value of the prior year's benefits, plus a tax gross−up payment, upon the happening of certain events following a change of control, and the company will also provide him office space and secretarial and accounting support for a period of 12 months thereafter. The chief operating officer, chief financial officer and other executive officers are each entitled to receive a payment in the amount of two times his or her base compensation plus bonuses paid during the prior year in the event of a change of control. Any stock−based awards held by an executive officer will immediately become 100% vested upon termination of employment without cause or upon a change of control event.

Environmental Risk

Due to the nature of the oil and natural gas business, Chesapeake and its subsidiaries are exposed to possible environmental risks. Chesapeake has implemented various policies and procedures to avoid environmental contamination and risks from environmental contamination. Chesapeake conducts periodic reviews, on a company−wide basis, to identify changes in our environmental risk profile. These reviews evaluate whether there is a contingent liability, its amount, and the likelihood that the liability will be incurred. The amount of any potential liability is determined by considering, among other matters, incremental direct costs of any likely remediation and the proportionate cost of employees who are expected to devote a significant amount of time directly to any possible remediation effort. We manage our exposure to environmental liabilities on properties to be acquired by identifying existing problems and assessing the potential liability. Depending on the extent of an identified environmental problem, Chesapeake may exclude a property from the acquisition, require the seller to remediate the property to our satisfaction, or agree to assume liability for the remediation of the property. Chesapeake has historically not experienced any significant environmental liability, and is not aware of any potential material environmental issues or claims at September 30, 2006.

Rig Leases

In September 2006, our wholly owned subsidiary, Nomac Drilling Corporation, sold 18 of its drilling rigs and related equipment for $187.5 million and entered into a master lease agreement under which it agreed to lease the rigs from the buyer for an initial term of eight years from October 1, 2006 for rental payments of $26.0 million annually. Nomac's lease obligations are guaranteed by Chesapeake and its other material domestic subsidiaries. This transaction was recorded as a sale and operating leaseback, with an aggregate deferred gain of $14.8 million on the sale which will be amortized to service operations expense over the lease term. Under the rig lease, we have the option to purchase the rigs on September 30, 2013 or on the expiration of the lease term for a purchase price equal to the then fair market value of the rigs. Additionally, we have the option to renew the rig lease for a negotiated renewal term at a periodic rental equal to the fair market rental value of the rigs as determined at the time of renewal.

Commitments related to these lease payments are not recorded in the accompanying consolidated balance sheets. As of September 30, 2006, minimum future rig lease payments were as follows (in thousands):

2006	$ 6,130
2007	25,993
2008	25,993
2009	25,993
2010	25,993
Thereafter	97,478
Total	$ 207,580

Other Commitments

As of September 30, 2006, Chesapeake's wholly owned subsidiary, Nomac Drilling Corporation, had contracted to acquire 22 rigs to be constructed during 2006 and 2007. The total remaining cost of the rigs will be approximately $200 million.

Currently, Chesapeake has contracts with various drilling contractors to use approximately 50 rigs in 2006 with terms of one to three years. As of September 30, 2006, the minimum aggregate drilling rig commitment was approximately $450 million.

Chesapeake and a leading investment bank have an agreement to lend Mountain Drilling Company, of which Chesapeake is a 49% equity owner, up to $25 million each through December 31, 2009. At September 30, 2006, there was a $19.5 million loan outstanding under this agreement.

As of September 30, 2006, Chesapeake had agreed to acquire 16,600 net acres of Barnett Shale leasehold from the Dallas/Fort Worth International Airport Board and the cities of Dallas and Fort Worth for $181 million in cash and a 25% royalty (subject to an assignment of a 20% interest to various minority and women businesses that will participate with Chesapeake in the development of the lease). This transaction closed on October 5, 2006.

As of September 30, 2006, Chesapeake had agreed to acquire oil and natural gas properties and mid−stream natural gas systems from Dale Resources, L.L.C. et al. for approximately $220 million of which $10.9 million was paid in the Current Quarter. This transaction closed on October 12, 2006.

4. Net Income Per Share

Statement of Financial Accounting Standards No. 128, *Earnings Per Share*, requires presentation of “basic” and “diluted” earnings per share, as defined, on the face of the statements of operations for all entities with complex capital structures. SFAS 128 requires a reconciliation of the numerator and denominator of the basic and diluted EPS computations.

The following securities were not included in the calculation of diluted earnings per share, as the effect was antidilutive:

- For the Current Quarter, Prior Quarter and the Prior Period, outstanding options to purchase 0.1 million shares of common stock at a weighted average exercise price of $30.63, $30.59 and $29.85, respectively, were antidilutive because the exercise price of the options was greater than the average market price of the common stock during the period.

- For the Prior Quarter and Prior Period, diluted shares do not include the common stock equivalent of our 4.125% preferred stock outstanding prior to conversion (convertible into 3,913,918 and 8,403,579 shares, respectively), and the preferred stock adjustment to net income does not include $14.7 million and $22.9 million, respectively, of dividends and loss on conversion related to these preferred shares, as the effect on diluted earnings per share would have been antidilutive.

- For the Prior Quarter and Prior Period, diluted shares do not include the common stock equivalent of our 5.0% (Series 2003) preferred stock outstanding prior to conversion (convertible into 3,603,567 and 4,034,450 shares, respectively), and the preferred stock adjustment to net income does not include $4.0 million and $5.8 million, respectively, of dividends and loss on conversion related to these preferred shares, as the effect on diluted earnings per share would have been antidilutive.

- For the Prior Quarter and the Prior Period, diluted shares do not include the common stock equivalent of our 4.5% preferred stock outstanding prior to conversion (convertible into 1,443,236 and 486,365 shares, respectively), and the preferred stock adjustment to net income does not include $0.7 million and $0.7 million, respectively, of dividends related to these preferred shares, as the effect on diluted earnings per share would have been antidilutive.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Reconciliations for the three months ended September 30, 2006 and 2005 and the nine months ended September 30, 2006 and 2005 are as follows:

	Income	Shares	Per Share
For the Three Months Ended September 30, 2006:	**(Numerator)**	**(Denominator)**	**Amount**
	($ in thousands, except per share data)		
Basic EPS:			
Income available to common shareholders	$522,582	417,569	$ 1.25
Effect of Dilutive Securities			
Assumed conversion as of the beginning of the period of preferred shares outstanding during the period:			
Common shares assumed issued for 4.125% convertible preferred stock	—	184	
Common shares assumed issued for 4.50% convertible preferred stock	—	7,811	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2003)	—	235	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005)	—	17,856	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005B)	—	14,717	
Common shares assumed issued for 6.25% convertible preferred stock	—	19,100	
Employee stock options	—	4,248	
Restricted stock	—	1,553	
Preferred stock dividends	25,753	—	
Diluted EPS Income available to common shareholders and assumed conversions	$548,335	483,273	$ 1.13
For the Three Months Ended September 30, 2005:			
Basic EPS:			
Income available to common shareholders	$149,059	322,101	$ 0.46
Effect of Dilutive Securities			
Assumed conversion as of the beginning of the period of preferred shares outstanding during the period:			
Common shares assumed issued for 4.125% convertible preferred stock	—	8,082	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2003)	—	6,262	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005)	—	17,853	
Common shares assumed issued for 6.00% convertible preferred stock	—	492	
Employee stock options	—	11,006	
Restricted stock	—	1,843	
Preferred stock dividends	8,498	—	
Diluted EPS Income available to common shareholders and assumed conversions	$157,557	367,639	$ 0.43

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	($ in thousands, except per share data)		
For the Nine Months Ended September 30, 2006:			
Basic EPS:			
Income available to common shareholders	$1,458,612	389,136	$ 3.75
Effect of Dilutive Securities			
Assumed conversion as of the beginning of the period of preferred shares outstanding during the period:			
Common shares assumed issued for 4.125% convertible preferred stock	—	184	
Common shares assumed issued for 4.50% convertible preferred stock	—	7,811	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2003)	—	235	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005)	—	17,856	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005B)	—	14,717	
Common shares assumed issued for 6.25% convertible preferred stock	—	6,498	
Assumed conversion as of the beginning of the period of preferred shares outstanding prior to conversion:			
Common stock equivalent of preferred stock outstanding prior to conversion,			
6.00% convertible preferred stock	—	137	
4.125% convertible preferred stock	—	2,795	
5.00% convertible preferred stock (Series 2003)	—	2,807	
Employee stock options	—	6,714	
Restricted stock	—	1,790	
Loss on redemption of preferred stock	10,556	—	
Preferred stock dividends	62,793	—	
Diluted EPS Income available to common shareholders and assumed conversions	$1,531,961	450,680	$ 3.40
For the Nine Months Ended September 30, 2005:			
Basic EPS:			
Income available to common shareholders	$ 447,783	314,425	$ 1.42
Effect of Dilutive Securities			
Assumed conversion as of the beginning of the period of preferred shares outstanding during the period:			
Common shares assumed issued for 4.125% convertible preferred stock	—	8,082	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2003)	—	6,262	
Common shares assumed issued for 5.00% convertible preferred stock (Series 2005)	—	10,739	
Common shares assumed issued for 6.00% convertible preferred stock	—	492	
Assumed conversion as of the beginning of the period of preferred shares outstanding prior to conversion:			
Common stock equivalent of preferred stock outstanding prior to conversion,			
6.00% convertible preferred stock	—	5	
Employee stock options	—	10,810	
Restricted stock	—	1,382	
Warrants assumed in Gothic acquisition	—	13	
Preferred stock dividends	18,546	—	
Diluted EPS Income available to common shareholders and assumed conversions	$ 466,329	352,210	$ 1.32

5. Stockholders' Equity

The following is a summary of the changes in our common shares outstanding for the nine months ended September 30, 2006 and 2005:

	2006	2005
	(in thousands)	
Shares outstanding at January 1	375,511	316,941
Stock option and warrant exercises	6,676	3,820
Restricted stock issuances	13,530	3,619
Preferred stock conversions/exchanges	12,016	15,804
Common stock issuances	28,750	9,200
Common stock issued for the purchase of Chaparral Energy, Inc. common stock	1,376	—
Shares outstanding at September 30	437,859	349,384

The following is a summary of the changes in our preferred shares outstanding for the nine months ended September 30, 2006 and 2005:

	6.00%	5.00% (2003)	4.125%	5.00% (2005)	4.50%	5.00% (2005B)	6.25%
	(in thousands)						
Shares outstanding at January 1, 2006	99	1,026	89	4,600	3,450	5,750	—
Preferred stock issuances	—	—	—	—	—	—	2,300
Conversion/exchange of preferred for common stock	(99)	(987)	(86)	—	—	—	—
Shares outstanding at September 30, 2006	—	39	3	4,600	3,450	5,750	2,300
Shares outstanding at January 1, 2005	103	1,725	313	—	—	—	—
Preferred stock issuances	—	—	—	4,600	3,450	—	—
Conversion/exchange of preferred for common stock	(2)	(698)	(178)	—	—	—	—
Shares outstanding at September 30, 2005	101	1,027	135	4,600	3,450	—	—

In connection with the exchanges and conversions noted above, we recorded a loss of $17.7 million, $10.6 million and $22.5 million in the Prior Quarter, Current Period and Prior Period, respectively. In general, the loss is equal to the excess of the fair value of all common stock exchanged over the fair value of the securities issuable pursuant to the original conversion terms of the preferred stock.

During the Current Period, holders of our 5.0% (Series 2003) cumulative convertible preferred stock exchanged 183,273 shares for 1,140,223 shares of our common stock.

During the Current Period, holders of our 4.125% cumulative convertible preferred stock exchanged 2,750 shares for 172,594 shares of our common stock.

During the Current Period, the remaining 99,310 shares of our 6.0% preferred stock were converted into or exchanged for 482,694 shares of common stock.

During the Current Period, we completed tender offers for our 4.125% and 5.0% (Series 2003) cumulative convertible preferred stock, issuing 5.2 million shares of our common stock in exchange for 83,245 shares of the

4.125% preferred stock, which represented 96.4% or $83.2 million of the aggregate liquidation value of the shares outstanding, and 5.0 million shares of our common stock in exchange for 804,048 shares of the 5.0% (Series 2003) preferred stock, which represented 95.4% or $80.4 million of the aggregate liquidation value of the shares outstanding. No cash was received or paid in connection with these transactions.

In June 2006, we issued 2,000,000 shares of 6.25% mandatory convertible preferred stock, par value $0.01 per share and liquidation preference $250 per share, in a public offering for net proceeds of $484.8 million. We issued an additional 300,000 shares of such preferred stock in July 2006, upon the exercise of the underwriters' option to purchase the additional shares, for net proceeds of $72.8 million.

In June 2006, we issued 25,000,000 shares of Chesapeake common stock at $29.05 per share in a public offering for net proceeds of $698.9 million. We issued an additional 3,750,000 shares in July 2006 at the same price pursuant to the underwriters' exercise of their overallotment option to purchase the additional shares for net proceeds of $104.8 million.

In the Current Quarter, we issued 9.9 million shares of restricted stock to our employees (except for our CEO and CFO, who did not participate in the stock awards) under a long−term stock incentive and retention program. These shares vest 50% in three years with the remaining 50% vesting in five years.

In September 2006, we acquired 32% of the outstanding common stock of Chaparral Energy, Inc. for $240 million in cash and 1,375,989 newly issued shares of our common stock valued at $40 million. Chaparral is a privately−held independent oil and natural gas company headquartered in Oklahoma City, Oklahoma, with estimated proved reserves of approximately 618 bcfe and daily production of approximately 83 mmcfe.

6. Senior Notes and Revolving Bank Credit Facility

Our long−term debt consisted of the following as of September 30, 2006 and December 31, 2005:

	September 30, 2006	December 31, 2005
	($ in thousands)	
7.5% Senior Notes due 2013	$ 363,823	$ 363,823
7.625% Senior Notes due 2013	500,000	—
7.0% Senior Notes due 2014	300,000	300,000
7.5% Senior Notes due 2014	300,000	300,000
7.75% Senior Notes due 2015	300,408	300,408
6.375% Senior Notes due 2015	600,000	600,000
6.625% Senior Notes due 2016	600,000	600,000
6.875% Senior Notes due 2016	670,437	670,437
6.5% Senior Notes due 2017	1,100,000	600,000
6.25% Senior Notes due 2018	600,000	600,000
6.875% Senior Notes due 2020	500,000	500,000
2.75% Contingent Convertible Senior Notes due 2035 (a)	690,000	690,000
Revolving bank credit facility	1,464,000	72,000
Discount on senior notes	(103,939)	(95,577)
Discount for interest rate derivatives (b)	(23,621)	(11,349)
Total senior notes and long−term debt	$ 7,861,108	$ 5,489,742

(a) The holders of the 2.75% Contingent Convertible Senior Notes due 2035 may require us to repurchase all or a portion of these notes on November 15, 2015, 2020, 2025 and 2030, or upon a fundamental change, at

100% of the principal amount of these notes. The notes are convertible, at the holder's option, prior to maturity under certain circumstances, into cash and, if applicable, shares of our common stock using a net share settlement process. In general, upon conversion of a convertible senior note, the holder will receive cash equal to the principal amount of the note and common stock for the note's conversion value in excess of such principal amount. In addition, we will pay contingent interest on the convertible senior notes, beginning with the nine−month period ending May 14, 2016, under certain conditions. We may redeem the convertible senior notes on or after November 15, 2015 at a redemption price of 100% of the principal amount of such notes.

(b) See Note 2 for a description of these instruments.

No scheduled principal payments are required under our senior notes until 2013 when $863.8 million is due.

There were no repurchases or exchanges of Chesapeake debt in the Current Quarter or the Current Period. The following table sets forth the losses we incurred in connection with repurchases of senior notes in the Prior Quarter and Prior Period, respectively ($ in millions):

	Notes	Loss on Repurchases/Exchanges		
For the Three Months Ended September 30, 2005:		**Premium**	**Other(a)**	**Total**
	Retired			
8.125% Senior Notes due 2011	$ 7.6	$ 0.5	$ 0.1	$ 0.6
9.0% Senior Notes due 2012	1.1	0.1	0.0	0.1
	$ 8.7	$ 0.6	$ 0.1	$ 0.7
For the Nine Months Ended September 30, 2005:				
8.375% Senior Notes due 2008	$ 11.0	$ 0.8	$ 0.1	$ 0.9
8.125% Senior Notes due 2011	245.4	17.3	4.4	21.7
9.0% Senior Notes due 2012	300.0	41.4	6.0	47.4
	$556.4	$59.5	$ 10.5	$70.0

(a) Includes the write−off of unamortized discounts, deferred charges, transaction costs and derivative charges.

Our outstanding senior notes are unsecured senior obligations of Chesapeake that rank equally in right of payment with all of our existing and future senior indebtedness and rank senior in right of payment to all of our future subordinated indebtedness. We may redeem the senior notes, other than the 2.75% Contingent Convertible Senior Notes due 2035, at any time at specified make−whole or redemption prices. Senior notes issued before July 2005 are governed by indentures containing covenants that limit our ability and our restricted subsidiaries' ability to incur additional indebtedness; pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness; make investments and other restricted payments; incur liens; enter into sale−leaseback transactions; create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries; engage in transactions with affiliates; sell assets; and consolidate, merge or transfer assets. Senior notes issued after June 2005 are governed by indentures containing covenants that limit our ability and our restricted subsidiaries' ability to incur certain secured indebtedness; enter into sale−leaseback transactions; and consolidate, merge or transfer assets.

Chesapeake is a holding company and owns no operating assets and has no significant operations independent of its subsidiaries. Our obligations under our outstanding senior notes have been fully and unconditionally guaranteed, jointly and severally, by all of our wholly owned subsidiaries, other than minor subsidiaries, on a senior unsecured basis.

We have a $2.5 billion syndicated revolving bank credit facility which matures in February 2011. The credit facility was increased from $1.25 billion to $2.0 billion in February 2006 and to $2.5 billion in September 2006. As of September 30, 2006, we had $1.464 billion in outstanding borrowings under our facility and utilized $6.2 million of the facility for various letters of credit. Borrowings under our facility are collateralized by certain producing oil and natural gas properties and bear interest at either (i) the greater of the reference rate of Union Bank of California, N.A. or the federal funds effective rate plus 0.50% or (ii) the London Interbank Offered Rate (LIBOR), at our option, plus a margin that varies from 0.875% to 1.50% according to our senior unsecured long−term debt ratings. The collateral value and borrowing base are determined periodically. The unused portion of the facility is subject to a commitment fee that also varies according to our senior unsecured long−term debt ratings, from 0.125% to 0.30% per annum. Currently, the commitment fee rate is 0.25% per annum. Interest is payable quarterly or, if LIBOR applies, it may be payable at more frequent intervals.

The credit facility agreement contains various covenants and restrictive provisions which govern our ability to incur additional indebtedness, make investments or loans and create liens. The credit facility agreement requires us to maintain an indebtedness to total capitalization ratio (as defined) not to exceed 0.65 to 1 and an indebtedness to EBITDA ratio (as defined) not to exceed 3.5 to 1. As defined by the credit facility agreement, our indebtedness to total capitalization ratio was 0.44 to 1 and our indebtedness to EBITDA ratio was 1.87 to 1 at September 30, 2006. If we should fail to perform our obligations under these and other covenants, the revolving credit commitment could be terminated and any outstanding borrowings under the facility could be declared immediately due and payable. Such acceleration, if involving a principal amount of $10 million ($50 million in the case of our senior notes issued after 2004), would constitute an event of default under our senior note indentures, which could in turn result in the acceleration of a significant portion of our senior note indebtedness. The credit facility agreement also has cross default provisions that apply to other indebtedness we may have with an outstanding principal amount in excess of $75 million.

Two of our subsidiaries, Chesapeake Exploration Limited Partnership and Chesapeake Appalachia, L.L.C., are the borrowers under our revolving bank credit facility. The facility is fully and unconditionally guaranteed, on a joint and several basis, by Chesapeake and all of our other wholly owned subsidiaries except minor subsidiaries.

7. Segment Information

In accordance with Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information*, we have two reportable operating segments. Our exploration and production segment and oil and natural gas marketing segment are managed separately because of the nature of their products and services. The exploration and production segment is responsible for finding and producing natural gas and crude oil. The marketing segment is responsible for gathering, processing, compressing, transporting and selling natural gas and crude oil primarily from Chesapeake−operated wells. We also have drilling rig and trucking operations, which were considered a part of the exploration and production segment prior to 2006. These service operations are responsible for providing drilling rigs primarily used on Chesapeake−operated wells and trucking services utilized in the transportation of drilling rigs on both Chesapeake−operated wells and wells operated by third parties.

Management evaluates the performance of our segments based upon income before income taxes. Revenues from the marketing segment’s sale of oil and natural gas related to Chesapeake’s ownership interests are reflected as exploration and production revenues. Such amounts totaled $631.0 million, $617.4 million, $1.919 billion and

$1.486 billion for the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively. The following table presents selected financial information for Chesapeake's operating segments. Our drilling rig and trucking service operations are presented in "Other Operations" for all periods presented.

For the Three Months Ended September 30, 2006:	Exploration and Production	Marketing	Other Operations	Intercompany Eliminations	Consolidated Total
			($ in thousands)		
Revenues	$ 1,493,226	$ 1,029,126	$ 98,401	$ (691,342)	$ 1,929,411
Intersegment revenues	—	(631,012)	(60,330)	691,342	—
Total revenues	$ 1,493,226	$ 398,114	$ 38,071	$ —	$ 1,929,411
Income before income taxes	$ 866,789	$ 9,661	$ 33,900	$ (25,941)	$ 884,409
For the Three Months Ended September 30, 2005:					
Revenues	$ 720,928	$ 979,281	$ 16,405	$ (633,771)	$ 1,082,843
Intersegment revenues	—	(617,366)	(16,405)	633,771	—
Total revenues	$ 720,928	$ 361,915	$ —	$ —	$ 1,082,843
Income before income taxes	$ 271,835	$ 6,887	$ 1,823	$ (1,823)	$ 278,722
For the Nine Months Ended September 30, 2006:					
Revenues	$ 4,190,430	$ 3,089,348	$ 218,909	$ (2,040,693)	$ 5,457,994
Intersegment revenues	—	(1,919,257)	(121,436)	2,040,693	—
Total revenues	$ 4,190,430	$ 1,170,091	$ 97,473	$ —	$ 5,457,994
Income before income taxes	$ 2,448,286	$ 29,099	$ 67,653	$ (49,941)	$ 2,495,097
For the Nine Months Ended September 30, 2005:					
Revenues	$ 2,032,271	$ 2,368,502	$ 39,587	$ (1,526,049)	$ 2,914,311
Intersegment revenues	—	(1,486,462)	(39,587)	1,526,049	—
Total revenues	$ 2,032,271	$ 882,040	$ —	$ —	$ 2,914,311
Income before income taxes	$ 764,200	$ 16,554	$ 4,638	$ (4,638)	$ 780,754
As of September 30, 2006:					
Total assets	$ 22,669,668	$ 667,399	$ 532,414	$ (474,560)	$ 23,394,921
As of December 31, 2005:					
Total assets	$ 15,722,795	$ 688,747	$ 305,875	$ (598,955)	$ 16,118,462

8. Acquisitions

Oil and Natural Gas Properties

The following table describes oil and natural gas property acquisitions of proved and unproved properties that we completed in the Current Period ($ in millions):

Quarter	Acquired From	Location of Properties	Amount
First	Midland−based oil and gas company	Ark−La−Tex and Barnett Shale	$ 272
	Tulsa−based oil and gas company	Texas Gulf Coast and Mid−Continent	146
	Houston−based oil and gas company	Texas Gulf Coast	125
	Tulsa−based oil and gas company	Ark−La−Tex	70
	Houston−based oil and gas company	Various	53
	Dallas−based oil and gas company	Mid−Continent	30
	Other	Various	297
Second	Dallas−based oil and gas company	Permian	375
	Oklahoma City−based oil and gas company	Permian	175
	Other	Various	196
Third	Four Sevens Oil Co., Ltd. and Sinclair Oil Corporation	Barnett Shale	845 (a)
	Dallas−based oil and gas company	Ark−La−Tex and Texas Gulf Coast	200
	Houston−based oil and gas company	Texas Gulf Coast	111
	Other	Various	285
	Total oil and natural gas acquisitions		$3,180

(a) Includes $55 million related to mid−stream natural gas systems which was allocated to other property and equipment.

We also recorded approximately $177.7 million of deferred income taxes to reflect the tax effect of the cost paid in excess of the tax basis acquired on certain corporate acquisitions.

Drilling Rigs and Oilfield Trucks

In January 2006, we acquired a privately−owned Oklahoma−based oilfield trucking service company for $47.5 million. In addition to the cash purchase price, we recorded approximately $17.0 million of deferred income taxes to reflect the tax effect of the cost paid in excess of the tax basis acquired in connection with this acquisition. Of the total $64.5 million purchase price, $27.1 million was allocated to tangible equipment, $11.0 million to intangibles and $26.4 million to goodwill. The amounts allocated to intangibles and goodwill are included in long−term assets in the accompanying condensed consolidated balance sheet. Goodwill is not amortized but is subject to an annual assessment of impairment. In February 2006, we acquired 13 drilling rigs and related assets through our wholly−owned subsidiary, Nomac Drilling Corporation, from Martex Drilling Company, L.L.P., a privately−owned drilling contractor with operations in East Texas and North Louisiana, for $150 million. In July 2006, we acquired a drilling contractor and an affiliated trucking company in the Appalachian Basin for approximately $70 million in cash.

Other

In August 2006, we invested $254 million to acquire a 19.9% interest in a privately−held provider of well stimulation and high pressure pumping services, with operations currently focused in Texas (principally in the Fort Worth Barnett Shale) and the Rocky Mountains. In September 2006, we acquired 32% of the outstanding common stock of Chaparral Energy, Inc. for $240 million in cash and 1,375,989 newly issued shares of our common stock valued at $40 million. Chaparral is a privately−held independent oil and natural gas company headquartered in Oklahoma City, Oklahoma, with estimated proved reserves of approximately 618 bcfe and daily production of 83 mmcfe.

9. Full−Cost Ceiling Test

We review the carrying value of our oil and natural gas properties under the full−cost accounting rules of the Securities and Exchange Commission (SEC) on a quarterly and annual basis. This review is referred to as a ceiling test. Under the ceiling test, capitalized costs, less accumulated amortization and related deferred income taxes, may not exceed an amount equal to the sum of the present value of estimated future net revenues (including the impact of cash flow hedges) less estimated future expenditures to be incurred in developing and producing the proved reserves, less any related income tax effects. The two primary factors impacting this test are reserve levels and current prices, and their associated impact on the present value of estimated future net revenues. Revisions to the estimates of natural gas and oil reserves and/or an increase or decrease in prices can have a material impact on the present value of estimated future net revenues. Any excess of the net book value, less deferred income taxes, is generally written off as an expense. Under SEC regulations, the excess above the ceiling is not expensed (or is reduced) if, subsequent to the end of the period, but prior to the release of the financial statements, oil and natural gas prices increase sufficiently such that an excess above the ceiling would have been eliminated (or reduced) if the increased prices were used in the calculations.

In calculating future net revenues, current prices and costs used are those as of the end of the appropriate quarterly period. Such prices are utilized except where different prices are fixed and determinable from applicable contracts for the remaining term of those contracts, including the effects of derivatives qualifying as cash flow hedges. Such derivative contracts, which consist of swaps and collars, and the related production volumes are discussed in Note 2 and in Item 3. *Quantitative and Qualitative Disclosures About Market Risk.* Based on spot prices for oil and natural gas as of September 30, 2006, these cash flow hedges increased the full cost ceiling by $4.4 billion, thereby reducing any potential ceiling test write−down by the same amount.

At December 31, 2005, Chesapeake's net book value of oil and natural gas properties less deferred income taxes was below the calculated ceiling by approximately $6.5 billion. From December 31, 2005 to September 30, 2006, spot natural gas prices decreased by approximately 59% from $10.08 to $4.18 per mcf. As a result, as of September 30, 2006, our ceiling test calculation indicated an impairment of our oil and natural gas properties of approximately $415 million, net of income tax. However, natural gas prices subsequent to September 30, 2006, have improved sufficiently to eliminate this calculated impairment. As a result, we were not required to record a write−down of our oil and natural gas properties under the full−cost method of accounting in the third quarter of 2006.

10. Recently Issued Accounting Standards

The Financial Accounting Standards Board (FASB) recently issued the following standards which were reviewed by Chesapeake to determine the potential impact on our financial statements upon adoption.

In December 2004, the FASB issued SFAS 123(R), *Share−Based Payment*, a revision of SFAS 123, *Accounting for Stock−Based Compensation*. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services by requiring a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant−date fair value of the award. We adopted this statement effective January 1, 2006. The effect of SFAS 123(R) is more fully described in Note 1.

In September 2005, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 04−13, *Accounting for Purchases and Sales of Inventory with the Same Counterparty*. EITF Issue No. 04−13 requires that purchases and sales of inventory with the same counterparty in the same line of business should be accounted for as a single non−monetary exchange, if entered into in contemplation of one another. The consensus is effective for inventory arrangements entered into, modified or renewed in interim or annual reporting periods beginning after March 15, 2006. We adopted this issue effective April 1, 2006. The adoption of EITF Issue No. 04−13 did not have a material impact on our financial statements.

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*. FIN 48 provides guidance for recognizing and measuring uncertain tax positions, as defined in SFAS 109, *Accounting for Income Taxes*. FIN 48 prescribes a threshold condition that a tax position must meet for any of the benefit of the uncertain tax position to be recognized in the financial statements. Guidance is also provided regarding de−recognition, classification and disclosure of these uncertain tax positions. FIN 48 is effective for fiscal years beginning after December 15, 2006. We do not expect that FIN 48 will have a material impact on our financial position, results of operations or cash flows.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140*. SFAS 155 permits an entity to measure at fair value any financial instrument that contains an embedded derivative that otherwise would require bifurcation. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. We are currently evaluating the provisions of SFAS 155 and believe that adoption will not have a material effect on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently assessing the impact, if any, SFAS 157 will have on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. This statement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This statement is effective as of the end of the fiscal year ending after December 15, 2006. We do not expect that SFAS 158 will have a material impact on our financial position, results of operations or cash flows.

ITEM 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

The following table sets forth certain information regarding the production volumes, oil and natural gas sales, average sales prices received, other operating income and expenses for the three and nine months ended September 30, 2006 (the "Current Quarter" and the "Current Period") and the three and nine months ended September 30, 2005 (the "Prior Quarter" and the "Prior Period"):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net Production:				
Oil (mbbls)	2,178	1,926	6,437	5,684
Natural gas (mmcf)	133,822	108,801	387,696	304,060
Natural gas equivalent (mmcfe)	146,890	120,357	426,318	338,164
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)	28,724	(4,009)	24,825	(5,951)
Total oil sales	160,751	98,644	403,725	255,727
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)	209,794	(100,040)	427,768	(131,171)
Total natural gas sales	1,332,475	622,284	3,786,705	1,776,544
Total oil and natural gas sales	$ 1,493,226	$ 720,928	$ 4,190,430	$ 2,032,271
Average Sales Price (excluding all 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
Other Operating Income (a) ($ in thousands):				
Oil and natural gas marketing	$ 13,641	$ 8,405	$ 38,570	$ 21,251
Service operations	$ 19,250	$ —	$ 48,548	$ —
Other Operating Income ($ per mcfe):				
Oil and natural gas marketing	$ 0.09	$ 0.07	$ 0.09	$ 0.06
Service operations	$ 0.13	$ —	$ 0.11	$ —
Expenses ($ per mcfe):				
Production expenses	$ 0.84	$ 0.67	$ 0.85	$ 0.66
Production taxes	$ 0.28	$ 0.44	$ 0.30	$ 0.40
General and administrative expenses	$ 0.25	$ 0.13	$ 0.23	$ 0.12
Oil and natural gas depreciation, depletion and amortization	$ 2.34	$ 1.92	$ 2.29	$ 1.84
Depreciation and amortization of other assets	$ 0.18	$ 0.11	$ 0.17	$ 0.10
Interest expense (b)	$ 0.52	$ 0.48	$ 0.52	$ 0.47
Interest Expense ($ in thousands):				
Interest expense	$ 75,100	$ 58,206	$ 221,832	$ 160,209
Interest rate derivatives – realized (gains) losses	1,555	(843)	(852)	(2,639)
Interest rate derivatives – unrealized (gains) losses	(2,543)	1,230	(754)	(1,947)
Total interest expense	$ 74,112	$ 58,593	$ 220,226	$ 155,623
Net Wells Drilled	401	218	985	583
Net Producing Wells as of the End of the Period	18,511	9,313	18,511	9,313

(a) Includes revenue and operating costs.
(b) Includes the effects of realized gains (losses) from interest rate derivatives, but does not include the effects of unrealized gains (losses) and is net of amounts capitalized.

Chesapeake is the third largest independent producer of natural gas in the United States. We own interests in approximately 33,700 producing oil and natural gas wells that are currently producing approximately 1.66 bcfe per day, which includes approximately 0.1 bcfe per day of previously curtailed production that is now back on line. Our strategy is focused on discovering, developing and acquiring onshore natural gas reserves in the U.S. east of the Rocky Mountains. Our most important operating area has historically been in various conventional plays in the Mid−Continent region, which includes Oklahoma, Arkansas, Kansas and the Texas Panhandle. At September 30, 2006, 47% of our estimated proved oil and natural gas reserves were located in the Mid−Continent. During the past four years, we have also built significant positions in various conventional and unconventional plays in the South Texas and Texas Gulf Coast regions, the Permian Basin of West Texas and eastern New Mexico, the Barnett Shale area of North Texas, the Ark−La−Tex area of East Texas and northern Louisiana, the Appalachian Basin in West Virginia, eastern Kentucky, eastern Ohio and southern New York, the Caney and Woodford Shales in southeastern Oklahoma, the Fayetteville Shale in Arkansas, the Barnett and Woodford Shales in West Texas and the Conasauga, Floyd and Chattanooga Shales of Alabama.

Oil and natural gas production for the Current Quarter was 146.9 bcfe, an increase of 26.5 bcfe, or 22% over the 120.4 bcfe produced in the Prior Quarter. We have increased our production for 21 consecutive quarters. During these 21 quarters, Chesapeake's U.S. production has increased 308% for an average compound quarterly growth rate of 6.9% and an average compound annual growth rate of 30.5%.

In addition to increased oil and natural gas production, the prices we received were higher in the Current Quarter than in the Prior Quarter. On a natural gas equivalent basis, weighted average prices (excluding the effect of unrealized gains or losses on derivatives) were $8.54 per mcfe in the Current Quarter compared to $6.85 per mcfe in the Prior Quarter. The increase in prices resulted in an increase in revenue of $247.9 million, and increased production resulted in an increase in revenue of $181.8 million, for a total increase in revenue of $429.7 million (excluding the effect of unrealized gains or losses on derivatives). In each of the operating areas where Chesapeake sells its oil and natural gas, established marketing and transportation infrastructures exist, thereby contributing to relatively high wellhead price realizations for our production.

During the Current Quarter, Chesapeake continued to lead the nation in drilling activity with an average utilization of 103 operated rigs and 71 non−operated rigs. Through this drilling activity, we drilled 411 (348 net) operated wells and participated in another 353 (53 net) wells operated by other companies. The company's drilling success rate was 99% for company−operated wells and 96% for non−operated wells. During the Current Quarter, Chesapeake invested $674 million in operated wells, $119 million in non−operated wells and $162 million in acquiring 3−D seismic data and leasehold (excluding leasehold acquired through acquisitions). Our acquisition expenditures totaled $1.391 billion during the Current Quarter, including amounts paid for unproved leasehold and excluding $96.3 million of deferred income taxes in connection with certain corporate acquisitions. We expect to continue replacing reserves through the drillbit and acquisitions, although the timing and magnitude of future additions are uncertain.

Chesapeake began 2006 with estimated proved reserves of 7.521 tcfe and based on internal estimates ended the Current Quarter with 8.433 tcfe, an increase of 912 bcfe, or 12%. During the Current Period, we replaced 426 bcfe of production with an estimated 1.339 tcfe of new proved reserves, for a reserve replacement rate of 314%. Reserve replacement through the drillbit was 825 bcfe, or 194% of production (including 541 bcfe of positive performance revisions and 387 bcfe of downward revisions resulting from natural gas price declines between December 31, 2005 and September 30, 2006) and 62% of the total increase. Reserve replacement through the acquisition of proved reserves was 514 bcfe, or 120% of production and 38% of the total increase. Based on our current drilling schedule and budget, we expect that virtually all of the proved undeveloped reserves added in 2006 will begin producing within the next three to five years. Generally, proved developed reserves are producing at the time they are added or will begin producing within one year.

Chesapeake attributes its strong drilling results and organic growth rates during the first nine months of 2006 (and in this decade) to management's early recognition that oil and natural gas prices were undergoing

structural change and its subsequent decision to invest aggressively in the building blocks of value creation in the E&P industry—people, land and seismic. During the past five years, Chesapeake has significantly strengthened its technical capabilities by increasing its land, geoscience and engineering staff to approximately 800 employees. Today, the company has more than 4,600 employees, of which approximately 65% work in the company's E&P operations and 35% work in the company's oilfield service operations.

Since 2000, Chesapeake has invested $5.7 billion in new leasehold and 3−D seismic acquisitions and now owns what it believes to be one of the largest inventories of onshore leasehold (10.5 million net acres) and 3−D seismic (14.7 million acres) in the U.S. On this leasehold, the company has an estimated 25,000 net drilling locations representing an approximate 10−year inventory of drilling projects.

To further hedge its exposure to oilfield service costs and achieve greater operational efficiency, Chesapeake has recently invested $254 million to acquire a 19.9% interest in a privately−held provider of well stimulation and high pressure pumping services with operations currently focused in Texas (principally in the Fort Worth Barnett Shale) and the Rocky Mountains. It also has expansion efforts underway in many other key regions in which Chesapeake operates.

This investment complements Chesapeake's direct and indirect drilling rig investments that have served as an effective hedge to higher service costs and have also provided competitive advantages in making acquisitions and in developing the company's own leasehold on a more timely and efficient basis. To date, Chesapeake has invested approximately $254 million to build or acquire 42 drilling rigs and is building 22 additional rigs. Additionally, the company entered into a sale/leaseback transaction to monetize its investment in 18 of its rigs in exchange for cash proceeds of $187.5 million. These rigs are under lease to Chesapeake through 2014 at which time the company has the option to reacquire them. In total, the company's drilling rig fleet should reach 82 rigs by mid−year 2007, which would rank Chesapeake as the sixth largest drilling rig contractor in the U.S. Additionally, the company has a $69 million investment in two private drilling rig contractors, DHS Drilling Company and Mountain Drilling Company, in which Chesapeake's equity ownership is approximately 45% and 49%, respectively. DHS owns 16 rigs and Mountain is operating two rigs and has another eight rigs under construction or on order for delivery in 2006 and 2007.

As of September 30, 2006, the company's debt as a percentage of total capitalization (total capitalization is the sum of debt and stockholders' equity) was 44% compared to 47% as of December 31, 2005. During the Current Period, we received net proceeds of $2.3 billion through issuances of $575 million of preferred equity, $835 million of common equity and $1.0 billion principal amount of senior notes. We used the net proceeds from these offerings primarily to fund the purchase price for acquisitions and to repay outstanding indebtedness under our revolving bank credit facility. As a result of our debt transactions in 2005 and the Current Period, we have extended the average maturity of our long−term debt to over nine years and have lowered our average interest rate to approximately 6.4%.

We intend to continue to focus on improving the strength of our balance sheet. We believe our business strategy and operational performance will lead to an investment grade credit rating for our unsecured debt at some point in the future.

Liquidity and Capital Resources

Sources and Uses of Funds

Our primary source of liquidity to meet operating expenses and fund capital expenditures (other than for certain acquisitions) is cash flow from operations. Based on our current production, price and expense assumptions, we expect cash flow from operations will exceed our drilling capital expenditures for the remainder of 2006 and 2007. Our budget for drilling, land and seismic activities for the remainder of 2006 is currently between $1.1 billion and $1.3 billion. We believe this level of exploration and development will be sufficient to increase our proved oil and natural gas reserves in 2006 and achieve our goal of an organic growth rate of more

than 10% over 2005 production and at least a 23% increase in total production (inclusive of acquisitions completed or scheduled to close in 2006 through the filing date of this report but without regard to any additional acquisitions that may be completed in 2006). However, higher drilling and field operating costs, drilling results that alter planned development schedules, acquisitions, prolonged shut−ins or other factors could cause us to revise our drilling program, which is largely discretionary. Any cash flow from operations not needed to fund our drilling program will be available for acquisitions, debt repayment or other general corporate purposes.

Cash provided by operating activities was $2.982 billion in the Current Period compared to $1.577 billion in the Prior Period. The $1.405 billion increase was primarily due to higher realized prices and higher oil and natural gas production. While a further decline in natural gas prices for the remainder of 2006 and 2007 would affect the amount of cash flow that would be generated from operations, we have 88% and 73% of our expected oil production for the fourth quarter of 2006 and 2007, respectively, hedged at an average NYMEX price of $65.64 and $71.42 per barrel of oil, respectively, and 57% of our expected natural gas production for both the fourth quarter of 2006 and 2007, respectively, hedged at an average NYMEX price of $9.10 and $9.61 per mmbtu, respectively. These levels of hedging provide greater certainty of the cash flow we will receive for a substantial portion of our remaining 2006 and 2007 production. Depending on changes in oil and natural gas futures markets and management’s view of underlying oil and natural gas supply and demand trends, however, we may increase or decrease our current hedging positions.

Based on fluctuations in natural gas and oil prices, our hedging counterparties may require us to deliver cash collateral or other assurances of performance from time to time. All but two of our commodity price risk management counterparties require us to provide assurances of performance in the event that the counterparties’ mark−to−market exposure to us exceeds certain levels. Most of these arrangements allow us to minimize the potential liquidity impact of significant mark−to−market fluctuations by making collateral allocations from our bank credit facility or directly pledging oil and natural gas properties, rather than posting cash or letters of credit with the counterparties. As of September 30, 2006, we had outstanding collateral allocations and pledges of oil and gas properties, with respect to commodity price risk management transactions but were not required to post any collateral with our counterparties through letters of credit issued under our bank credit facility. As of November 3, 2006, we had outstanding transactions with thirteen counterparties, seven of which hold collateral allocations from our bank facility or liens against certain oil and natural gas properties under our secured hedging facilities, and two of which do not require us to provide security for our risk management transactions. As of November 3, 2006, we were not required to post cash or letters of credit with the remaining four counterparties. Future collateral requirements are uncertain and will depend on the arrangements with our counterparties and highly volatile natural gas and oil prices.

A significant source of liquidity is our $2.5 billion syndicated revolving bank credit facility which matures in February 2011. At November 3, 2006, there was $749.8 million of borrowing capacity available under the revolving bank credit facility. We use the facility to fund daily operating activities and acquisitions as needed. We borrowed $7.058 billion and repaid $5.666 billion in the Current Period, and we borrowed $3.561 billion and repaid $3.620 billion in the Prior Period under the credit facility. We incurred $5.1 million and $4.7 million of financing costs related to amendments to the credit facility agreement in the Current Period and the Prior Period, respectively.

We believe that our available cash, cash provided by operating activities and funds available under our revolving bank credit facility will be sufficient to fund our operating, debt service and general and administrative expenses, our capital expenditure budget, our short−term contractual obligations and dividend payments at current levels for the foreseeable future.

The public and institutional markets have been our principal source of long−term financing for acquisitions. We have sold debt and equity in both public and private offerings in the past, and we expect that these sources of capital will continue to be available to us in the future to finance acquisitions. Nevertheless, we caution that ready access to capital on reasonable terms and the availability of desirable acquisition targets at attractive prices are subject to many uncertainties, as explained under “Risk Factors” in Item 1A of our Form 10−K for the year ended December 31, 2005.

The following table reflects the proceeds from sales of securities we issued in the Current Period and the Prior Period ($ in millions):

	For the Nine Months Ended September 30,			
	2006		2005	
	Total Proceeds	Net Proceeds	Total Proceeds	Net Proceeds
Convertible preferred stock	$ 575.0	$ 557.6	$ 805.0	$ 782.4
Common stock	835.2	803.7	301.0	289.4
Unsecured senior notes guaranteed by subsidiaries	1,000.0	969.2	1,800.0	1,765.4
Total	$ 2,410.2	$ 2,330.5	$ 2,906.0	$ 2,837.2

We qualify as a well−known seasoned issuer (WKSI), as defined in Rule 405 of the Securities Act of 1933, and therefore we may utilize automatic shelf registration to register future debt and equity issuances with the Securities and Exchange Commission. A prospectus supplement will be prepared at the time of an offering and will contain a description of the security issued, the plan of distribution and other information.

We paid dividends on our common stock of $61.8 million and $45.8 million in the Current Period and the Prior Period, respectively. The board of directors increased the quarterly dividend on common stock from $0.05 to $0.06 per share beginning with the dividend paid in July 2006. We paid dividends on our preferred stock of $62.5 million and $17.3 million in the Current Period and the Prior Period, respectively. We received $71.3 million and $19.9 million from the exercise of employee and director stock options and warrants in the Current Period and the Prior Period, respectively. The Current Period amount included $38.3 million paid by Tom L. Ward, our former President and Chief Operating Officer, to exercise all of his stock options following his resignation in February 2006.

In the Current Period, we paid $68.4 million to settle a portion of the derivative liabilities assumed in our November 2005 acquisition of Columbia Natural Resources, LLC.

On January 1, 2006, we adopted SFAS 123(R), which requires tax benefits resulting from stock−based compensation deductions in excess of amounts reported for financial reporting purposes to be reported as cash flows from financing activities. In the Current Period, we reported a tax benefit from stock−based compensation of $85.6 million.

Outstanding payments from certain disbursement accounts in excess of funded cash balances where no legal right of set−off exists increased by $43.3 million and $33.8 million in the Current Period and the Prior Period, respectively. All disbursements are funded on the day they are presented to our bank using available cash on hand or draws on our revolving bank credit facility.

Historically, we have used significant funds to redeem or purchase and retire outstanding senior notes issued by Chesapeake. The following table shows our purchases and exchanges of senior notes in the Prior Period ($ in millions):

	Senior Notes Activity			
For the Nine Months Ended September 30, 2005:	Retired	Premium	Other(a)	Cash Paid
8.375% Senior Notes due 2008	$ 11.0	$ 0.8	$ —	$ 11.8
8.125% Senior Notes due 2011	245.4	17.3	0.7	263.4
9.0% Senior Notes due 2012	300.0	41.4	0.8	342.2
	$556.4	$ 59.5	$ 1.5	$ 617.4

(a) Includes adjustments to accrued interest and discount associated with notes retired and new notes issued, cash in lieu of fractional notes, transaction costs and fair value hedging adjustments.

Cash used in investing activities increased to $6.668 billion during the Current Period, compared to $3.655 billion during the Prior Period. The following table shows our cash used in (provided by) investing activities during these periods ($ in millions):

	Nine Months Ended September 30,	
	2006	2005
Oil and Natural Gas Investing Activities:		
Acquisitions of oil and natural gas companies and proved properties, net of cash acquired	$ 960.8	$1,175.3
Acquisition of unproved properties	2,128.9	757.6
Exploration and development of oil and natural gas properties	2,041.8	1,294.6
Leasehold acquisitions	456.2	164.6
Geological and geophysical costs	101.8	44.3
Other oil and natural gas activities	(16.0)	(15.4)
Total oil and natural gas investing activities	5,673.5	3,421.0
Other Investing Activities:		
Additions to buildings and other fixed assets	406.8	157.0
Additions to drilling rig equipment (including Martex Drilling Company, L.L.P)	340.8	42.1
Additions to investments	537.7	37.3
Proceeds from sale of investment in Pioneer Drilling Company	(158.9)	—
Proceeds from sale of drilling rigs and equipment	(187.5)	—
Acquisition of trucking company, net of cash acquired	45.2	—
Deposits for acquisitions	12.1	—
Other	(1.7)	(2.4)
Total other investing activities	994.5	234.0
Total cash used in (provided by) investing activities	$6,668.0	$3,655.0

Our accounts receivable are primarily from purchasers of oil and natural gas ($499.0 million at September 30, 2006) and exploration and production companies which own interests in properties we operate ($115.0 million at September 30, 2006). This industry concentration has the potential to impact our overall exposure to credit risk, either positively or negatively, in that our customers may be similarly affected by changes in economic, industry or other conditions. We generally require letters of credit for receivables from customers which are judged to have sub−standard credit, unless the credit risk can otherwise be mitigated.

The following table describes investing transactions related to the acquisition of proved and unproved properties that we completed in the Current Period ($ in millions):

Quarter	Acquired From	Location of Properties	Amount
First	Midland−based oil and gas company	Ark−La−Tex and Barnett Shale	$ 272
	Tulsa−based oil and gas company	Texas Gulf Coast and Mid−Continent	146
	Houston−based oil and gas company	Texas Gulf Coast	125
	Tulsa−based oil and gas company	Ark−La−Tex	70
	Houston−based oil and gas company	Various	53
	Dallas−based oil and gas company	Mid−Continent	30
	Other	Various	297
Second	Dallas−based oil and gas company	Permian	375
	Oklahoma City−based oil and gas company	Permian	175
	Other	Various	196
Third	Four Sevens Oil Co., Ltd. and		
	Sinclair Oil Corporation	Barnett Shale	845 (a)
	Dallas−based oil and gas company	Ark−La−Tex and Texas Gulf Coast	200
	Houston−based oil and gas company	Texas Gulf Coast	111
	Other	Various	285
	Total oil and natural gas acquisitions		3,180
	Less cash deposits paid in 2005		(35)
	Total oil and natural gas acquisitions in the Current Period		$3,145

(a) Includes $55 million related to mid−stream natural gas systems which was allocated to other property and equipment.

We also recorded approximately $177.7 million of deferred income taxes to reflect the tax effect of the cost paid in excess of the tax basis acquired on certain corporate acquisitions.

In January 2006, we acquired a privately−owned Oklahoma−based oilfield trucking service company for $47.5 million. We recorded approximately $17.0 million of deferred income taxes to reflect the tax effect of the cost paid in excess of the tax basis acquired in connection with this acquisition. In February 2006, we acquired 13 drilling rigs and related assets through our wholly−owned subsidiary, Nomac Drilling Corporation, from Martex Drilling Company, L.L.P., a privately−owned drilling contractor with operations in East Texas and North Louisiana, for $150 million. In July 2006, we acquired a drilling contractor and an affiliated trucking company in the Appalachian Basin for approximately $70 million in cash.

In August 2006, we invested $254 million to acquire a 19.9% interest in a privately−held provider of well stimulation and high pressure pumping services, with operations currently focused in Texas (principally in the Fort Worth Barnett Shale) and the Rocky Mountains. In September 2006, we acquired 32% of the outstanding common stock of Chaparral Energy, Inc. for $240 million in cash and 1,375,989 newly issued shares of our common stock valued at $40 million. Chaparral is a privately−held independent oil and natural gas company headquartered in Oklahoma City, Oklahoma, with estimated proved reserves of approximately 618 bcfe and daily production of approximately 83 mmcfe.

During 2005 and continuing in 2006, we have taken several steps to improve our capital structure. These transactions enabled us to extend our average maturity of long−term debt to over nine years with an average interest rate of approximately 6.4%. Maintaining a debt−to−total−capitalization ratio of below 50% and reducing debt per mcfe of proved reserves remain key goals of our business strategy.

We completed the following significant financing transactions in the Current Period:

First Quarter 2006

- Amended and restated our revolving bank credit facility, increasing the commitments to $2.0 billion and extending the maturity date to February 2011.

- Issued an additional $500 million of our 6.5% Senior Notes due 2017 in a private placement and used the proceeds of approximately $487 million to repay outstanding borrowings under our revolving bank credit facility incurred primarily to fund our recent acquisitions.

Second Quarter 2006

- Completed a public exchange of 83,245 shares of our 4.125% cumulative convertible preferred stock, representing 96.4% or $83.2 million of the aggregate liquidation value of the shares outstanding, for 5.2 million shares of our common stock pursuant to a tender offer. No cash was received or paid in connection with this transaction.

- Completed a public exchange of 804,048 shares of our 5.0% (Series 2003) cumulative convertible preferred stock, representing 95.4% or $80.4 million of the aggregate liquidation value of the shares outstanding, for 5.0 million shares of our common stock pursuant to a tender offer. No cash was received or paid in connection with this transaction.

- Completed public offerings of $500 million of 7.625% Senior Notes due 2013, 2.0 million shares of 6.25% mandatory convertible preferred stock having a liquidation preference of $250 per share, and 25 million shares of common stock at $29.05 per share. Net proceeds of approximately $1.666 billion were used to fund acquisitions, to repay borrowings under our revolving bank credit facility and for general corporate purposes.

Third Quarter 2006

- Increased the commitments under our revolving bank credit facility to $2.5 billion.

- Issued 3.75 million shares of common stock at $29.05 per share and 300,000 shares of our 6.25% mandatory convertible preferred stock having a liquidation preference of $250 per share upon the exercise of the underwriters' options to purchase the additional shares pursuant to the June 2006 public offerings of our common stock and 6.25% preferred stock. Net proceeds of approximately $177.6 million were used to repay borrowings under our revolving bank credit facility.

Contractual Obligations

We currently have a $2.5 billion syndicated revolving bank credit facility which matures in February 2011. The credit facility was increased from $1.25 billion to $2.0 billion in February 2006 and to $2.5 billion in September 2006. As of September 30, 2006, we had $1.464 billion in outstanding borrowings under this facility and had utilized $6.2 million of the facility for various letters of credit. Borrowings under the facility are collateralized by certain producing oil and natural gas properties and bear interest at either (i) the greater of the reference rate of Union Bank of California, N.A., or the federal funds effective rate plus 0.50% or (ii) London Interbank Offered Rate (LIBOR), at our option, plus a margin that varies from 0.875% to 1.50% per annum according to our senior unsecured long−term debt ratings. The collateral value and borrowing base are redetermined periodically. The unused portion of the facility is subject to a commitment fee that also varies according to our senior unsecured long−term debt ratings, from 0.125% to 0.30% per annum. Currently the commitment fee is 0.25% per annum. Interest is payable quarterly or, if LIBOR applies, it may be payable at more frequent intervals.

The credit facility agreement contains various covenants and restrictive provisions which limit our ability to incur additional indebtedness, make investments or loans and create liens. The credit facility agreement requires

us to maintain an indebtedness to total capitalization ratio (as defined) not to exceed 0.65 to 1 and an indebtedness to EBITDA ratio (as defined) not to exceed 3.5 to 1. As defined by the credit facility, our indebtedness to total capitalization ratio was 0.44 to 1 and our indebtedness to EBITDA ratio was 1.87 to 1 at September 30, 2006. If we should fail to perform our obligations under these and other covenants, the revolving credit commitment could be terminated and any outstanding borrowings under the facility could be declared immediately due and payable. Such acceleration, if involving a principal amount of $10 million ($50 million in the case of our senior notes issued after 2004), would constitute an event of default under our senior note indentures which could in turn result in the acceleration of a significant portion of our senior note indebtedness. The credit facility agreement also has cross default provisions that apply to other indebtedness we may have with an outstanding principal amount in excess of $75 million.

We also have two secured hedging facilities, each of which permits us to enter into cash−settled natural gas and oil commodity transactions, valued by the counterparty, for up to $500 million. The scheduled maturity date for these facilities is May 2010. Outstanding transactions under each facility are collateralized by certain of our oil and natural gas properties that do not secure any of our other obligations. The hedging facilities are subject to a 1.0% per annum exposure fee, which is assessed quarterly on the average of the daily negative fair market value amounts, if any, during the quarter. As of September 30, 2006, the fair market value of the natural gas and oil hedging transactions was an asset of $252.1 million under one of the facilities and an asset of $823.2 million under the other facility. As of November 3, 2006, the fair market value of the same transactions was an asset of approximately $152.2 million and $255.5 million, respectively. The hedging facilities contain the standard representations and default provisions that are typical of such agreements. The agreements also contain various restrictive provisions which govern the aggregate oil and natural gas production volumes that we are permitted to hedge under all of our agreements at any one time.

Two of our subsidiaries, Chesapeake Exploration Limited Partnership and Chesapeake Appalachia, L.L.C., are the borrowers under our revolving bank credit facility and Chesapeake Exploration Limited Partnership is the named party to our hedging facilities. The facilities are guaranteed by Chesapeake and all its other wholly−owned subsidiaries except minor subsidiaries. Our revolving bank credit facility and secured hedging facilities do not contain material adverse change or adequate assurance covenants. Although the applicable interest rates and commitment fees in our bank credit facility fluctuate slightly based on our long−term senior unsecured credit ratings, the bank facility and the secured hedging facilities do not contain provisions which would trigger an acceleration of amounts due under the facilities or a requirement to post additional collateral in the event of a downgrade of our credit ratings.

As of September 30, 2006, our senior notes consisted of the following ($ in thousands):

7.5% Senior Notes due 2013	$ 363,823
7.625% Senior Notes due 2013	500,000
7.0% Senior Notes due 2014	300,000
7.5% Senior Notes due 2014	300,000
7.75% Senior Notes due 2015	300,408
6.375% Senior Notes due 2015	600,000
6.625% Senior Notes due 2016	600,000
6.875% Senior Notes due 2016	670,437
6.5% Senior Notes due 2017	1,100,000
6.25% Senior Notes due 2018	600,000
6.875% Senior Notes due 2020	500,000
2.75% Contingent Convertible Senior Notes due 2035	690,000
Discount on senior notes	(103,939)
Discount for interest rate derivatives	(23,621)
	$6,397,108

No scheduled principal payments are required under our senior notes until 2013, when $863.8 million is due. The holders of the 2.75% Contingent Convertible Senior Notes due 2035 may require us to repurchase all or a portion of these notes on November 15, 2015, 2020, 2025 and 2030 at 100% of the principal amount of these notes.

As of September 30, 2006 and currently, debt ratings for the senior notes are Ba2 by Moody's Investor Service (stable outlook), BB by Standard & Poor's Ratings Services (stable outlook) and BB by Fitch Ratings.

Our senior notes are unsecured senior obligations of Chesapeake and rank equally in right of payment with all of our other existing and future senior indebtedness and rank senior in right of payment with all of our future subordinated indebtedness. All of our wholly−owned subsidiaries, except minor subsidiaries, fully and unconditionally guarantee the notes jointly and severally on an unsecured basis. Senior notes issued before July 2005 are governed by indentures containing covenants that limit our ability and our restricted subsidiaries' ability to incur additional indebtedness; pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness; make investments and other restricted payments; incur liens; enter into sale−leaseback transactions; create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries; engage in transactions with affiliates; sell assets; and consolidate, merge or transfer assets. Senior notes issued after June 2005 are governed by indentures containing covenants that limit our ability and our restricted subsidiaries' ability to incur certain secured indebtedness; enter into sale−leaseback transactions; and consolidate, merge or transfer assets. The debt incurrence covenants do not presently restrict our ability to borrow under or expand our secured credit facility. As of September 30, 2006, we estimate that secured commercial bank indebtedness of approximately $5.4 billion could have been incurred under the most restrictive indenture covenant.

In September 2006, our wholly owned subsidiary, Nomac Drilling Corporation, sold 18 of its drilling rigs and related equipment for $187.5 million and entered into a master lease agreement under which it agreed to lease the rigs from the buyer for an initial term of eight years from October 1, 2006 at rental payments of $26.0 million annually. Nomac's lease obligations are guaranteed by Chesapeake and its other material domestic subsidiaries. This transaction was recorded as a sale and operating leaseback, with an aggregate deferred gain of $14.8 million on the sale which will be amortized to service operations expense over the lease term. Under the rig lease, we have the option to purchase the rigs on September 30, 2013 or on the expiration of the lease term for a purchase price equal to the then fair market value of the rigs. Additionally, we have the option to renew the rig lease for a negotiated renewal term at a periodic rental equal to the fair market rental value of the rigs as determined at the time of renewal.

Commitments related to these lease payments are not recorded in the accompanying condensed consolidated balance sheets. As of September 30, 2006, minimum future rig lease payments were as follows (in thousands):

2006	$ 6,130
2007	25,993
2008	25,993
2009	25,993
2010	25,993
Thereafter	97,478
Total	$ 207,580

Results of Operations—Three Months Ended September 30, 2006 vs. September 30, 2005

General. For the Current Quarter, Chesapeake had net income of $548.3 million, or $1.13 per diluted common share, on total revenues of $1.929 billion. This compares to net income of $177.0 million, or $0.43 per diluted common share, on total revenues of $1.083 billion during the Prior Quarter.

Oil and Natural Gas Sales. During the Current Quarter, oil and natural gas sales were $1.493 billion compared to $720.9 million in the Prior Quarter. In the Current Quarter, Chesapeake produced 146.9 bcfe at a weighted average price of $8.54 per mcfe, compared to 120.4 bcfe produced in the Prior Quarter at a weighted average price of $6.85 per mcfe (weighted average prices exclude the effect of unrealized gains or (losses) on oil and natural gas derivatives of $238.5 million and ($104.0) million in the Current Quarter and Prior Quarter, respectively). In the Current Quarter, the increase in prices resulted in an increase in revenue of $247.9 million and increased production resulted in a $181.8 million increase, for a total increase in revenues of $429.7 million (excluding unrealized gains or losses on oil and natural gas derivatives). The increase in production from the Prior Quarter to the Current Quarter is due to the combination of drilling and acquisitions completed in 2005 and 2006.

For the Current Quarter, we realized an average price per barrel of oil of $60.62, compared to $53.30 in the Prior Quarter (weighted average prices for both quarters discussed exclude the effect of unrealized gains or losses on derivatives). Natural gas prices realized per mcf (excluding unrealized gains or losses on derivatives) were $8.39 and $6.64 in the Current Quarter and Prior Quarter, respectively. Realized gains or losses from our oil and natural gas derivatives resulted in a net increase in oil and natural gas revenues of $301.4 million, or $2.05 per mcfe, in the Current Quarter and a net decrease of $122.6 million, or $1.02 per mcfe, in the Prior Quarter.

The change in oil and natural gas prices has a significant impact on our oil and natural gas revenues and cash flows. Assuming the Current Quarter production levels, a change of $0.10 per mcf of natural gas sold would have resulted in an increase or decrease in revenues and cash flow of approximately $13.4 million and $12.8 million, respectively, and a change of $1.00 per barrel of oil sold would have resulted in an increase or decrease in revenues and cash flow of approximately $2.2 million and $2.1 million, respectively, without considering the effect of derivative activities.

The following table shows our production by region for the Current Quarter and the Prior Quarter:

	For the Three Months Ended September 30,			
	2006		2005	
	Mmcfe	Percent	Mmcfe	Percent
Mid−Continent	80,946	55%	74,910	62%
South Texas and Texas Gulf Coast	19,421	13	17,018	14
Appalachian Basin	11,750	8	—	—
Barnett Shale	11,557	8	4,898	4
Ark−La−Tex	11,529	8	10,945	9
Permian Basin	11,072	8	11,843	10
Other	615	—	743	1
Total Production	146,890	100%	120,357	100%

Natural gas production represented approximately 91% of our total production volume on a natural gas equivalent basis in the Current Quarter, compared to 90% in the Prior Quarter.

Oil and Natural Gas Marketing Sales and Operating Expenses. Oil and natural gas marketing activities are substantially for third parties that are owners in Chesapeake−operated wells. Chesapeake recognized $398.1 million in oil and natural gas marketing sales to third parties in the Current Quarter, with corresponding oil and natural gas marketing expenses of $384.5 million, for a net margin of $13.6 million. This compares to sales of $361.9 million, expenses of $353.5 million and a net margin of $8.4 million in the Prior Quarter. In the Current Quarter, Chesapeake realized an increase in oil and natural gas marketing sales volumes.

Service Operations Revenue and Operating Expenses. Service operations consist of third−party revenue and operating expenses related to our drilling and oilfield trucking operations. These operations have grown as a result of businesses we acquired in the Current Period. Chesapeake recognized $38.1 million in service operations revenue in the Current Quarter with corresponding service operations expense of $18.8 million, for a net margin of $19.3 million. During the Prior Quarter, service operations for third parties were insignificant.

Production Expenses. Production expenses, which include lifting costs and ad valorem taxes, were $124.0 million in the Current Quarter compared to $80.8 million in the Prior Quarter. On a unit−of−production basis, production expenses were $0.84 per mcfe in the Current Quarter compared to $0.67 per mcfe in the Prior Quarter. The increase in the Current Quarter was primarily due to higher third−party field service costs, energy costs, ad valorem tax increases and personnel costs. We expect that production expenses for the remainder of 2006 will range from $0.85 to $0.95 per mcfe produced.

Production Taxes. Production taxes were $40.6 million and $53.1 million in the Current Quarter and the Prior Quarter, respectively. On a unit−of−production basis, production taxes were $0.28 per mcfe in the Current Quarter compared to $0.44 per mcfe in the Prior Quarter. This decrease is the result of an increase in production tax exemptions realized in addition to a decrease in natural gas prices. In general, production taxes are calculated using value−based formulas that produce higher per unit costs when oil and natural gas prices are higher. We expect production taxes for the remainder of 2006 to range from $0.36 to $0.40 per mcfe produced based on NYMEX prices of $56.25 per barrel of oil and natural gas prices ranging from $6.40 to $7.20 per mcf.

General and Administrative Expenses. General and administrative expenses, which are net of internal payroll and non−payroll costs capitalized in our oil and natural gas properties, were $37.4 million in the Current Quarter and $15.8 million in the Prior Quarter. General and administrative expenses were $0.25 and $0.13 per mcfe for the Current Quarter and Prior Quarter, respectively. The increase in the Current Quarter was the result of the company's overall growth as well as cost and wage inflation. Included in general and administrative expenses is stock−based compensation of $8.5 million and $5.2 million for the Current Quarter and Prior Quarter, respectively. We anticipate that general and administrative expenses for the remainder of 2006 will be between $0.27 and $0.33 per mcfe produced (including stock−based compensation ranging from $0.10 to $0.11 per mcfe).

Our stock−based compensation for employees and non−employee directors is principally in the form of restricted stock. We have awarded shares of restricted stock to employees since January 2004 and to non−employee directors since July 2005. Stock−based compensation awards before 2004 (and before 2005 for non−employee directors) were in the form of stock options. Employee stock−based compensation awards vest over a period of four or five years. Our non−employee director awards vest over a period of three years.

Until December 31, 2005, as permitted under Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock−Based Compensation*, as amended, we accounted for our stock options under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Generally, we recognized no compensation cost on grants of employee and non−employee director stock options because the exercise price was equal to the market price of our common stock on the date of grant. Effective January 1, 2006, we implemented the fair value recognition provisions of SFAS 123(R), *Share−Based Payment*, using the modified−prospective transition method. Under this transition method, compensation cost in 2006 includes the portion vesting in the period for (1) all share−based payments granted prior to, but not vested as of January 1, 2006, based on the grant−date fair value estimated in accordance with the original provisions of SFAS 123 and (2) all share−based payments granted subsequent to January 1, 2006, based on the grant−date fair value estimated in accordance with the provisions of SFAS 123(R). Results for prior periods have not been restated.

Stock−based compensation expense increased from $5.2 million in the Prior Quarter to $8.5 million in the Current Quarter. This increase is primarily due to additional restricted stock grants to employees during the past year.

The discussion of stock−based compensation in note 1 to the financial statements included in Part I of this report provides additional detail on the accounting for and reporting of our stock options and restricted stock, as well as the effects of our adoption of SFAS 123(R).

Chesapeake follows the full−cost method of accounting under which all costs associated with property acquisition, exploration and development activities are capitalized. We capitalize internal costs that can be

directly identified with our exploration and development activities and do not include any costs related to production, general corporate overhead or similar activities. We capitalized $49.0 million and $29.5 million of internal costs in the Current Quarter and the Prior Quarter, respectively, directly related to our oil and natural gas property acquisition, exploration and development efforts.

Oil and Natural Gas Depreciation, Depletion and Amortization. Depreciation, depletion and amortization of oil and natural gas properties was $343.7 million and $231.1 million during the Current Quarter and the Prior Quarter, respectively. The average DD&A rate per mcfe, which is a function of capitalized costs, future development costs and the related underlying reserves in the periods presented, was $2.34 and $1.92 in the Current Quarter and in the Prior Quarter, respectively. The $0.42 increase in the average DD&A rate is primarily the result of higher drilling costs and higher costs associated with acquisitions, including the recognition of the tax effect of acquisition costs in excess of the tax basis acquired in certain corporate acquisitions. We expect the DD&A rate for the remainder of 2006 to be between $2.35 and $2.40 per mcfe produced.

Depreciation and Amortization of Other Assets. Depreciation and amortization of other assets was $27.0 million in the Current Quarter, compared to $12.9 million in the Prior Quarter. The increase in the Current Quarter was primarily the result of depreciation of assets acquired in 2005 and 2006. These assets include various gathering facilities and compression equipment, new buildings constructed at our corporate headquarters complex and at various field office locations, additional drilling rigs and oilfield trucks and new information technology equipment and software. Property and equipment costs are depreciated on a straight−line basis. Buildings are depreciated over 15 to 39 years, gathering facilities are depreciated over seven to 20 years, drilling rigs are depreciated over 15 years and all other property and equipment are depreciated over the estimated useful lives of the assets, which range from two to seven years. To the extent drilling rigs are used to drill Chesapeake wells, a substantial portion of the depreciation is capitalized in oil and natural gas properties as exploration or development costs. We expect depreciation and amortization of other assets for the remainder of 2006 to be between $0.19 and $0.23 per mcfe produced.

Interest and Other Income. Interest and other income was $5.1 million in the Current Quarter compared to $2.4 million in the Prior Quarter. The Current Quarter income consisted of $1.8 million of interest income, $2.3 million related to earnings of equity investees, a $0.1 million gain on sale of assets and $0.9 million of miscellaneous income. The Prior Quarter income consisted of $0.4 million of interest income, ($0.1) million related to earnings of equity investees and $2.1 million of miscellaneous income.

Interest Expense. Interest expense increased to $74.1 million in the Current Quarter compared to $58.6 million in the Prior Quarter as follows:

	Three Months Ended September 30,	
	2006	2005
	($ in millions)	
Interest expense on senior notes and revolving bank credit facility	$122.3	$ 77.6
Capitalized interest	(49.3)	(20.8)
Amortization of loan discount	2.0	1.4
Unrealized (gain) loss on interest rate derivatives	(2.5)	1.2
Realized (gain) loss on interest rate derivatives	1.6	(0.8)
Total interest expense	$ 74.1	$ 58.6
Average long−term borrowings	$6,525	$4,047

We use interest rate derivatives to mitigate our exposure to the volatility in interest rates. For interest rate derivative instruments designated as fair value hedges (in accordance with SFAS 133), changes in fair value are recorded on the consolidated balance sheets as assets (liabilities) and the debt's carrying value amount is adjusted

by the change in the fair value of the debt subsequent to the initiation of the derivative. Any resulting differences are recorded currently as ineffectiveness in the consolidated statements of operations as an adjustment to interest expense. Changes in the fair value of derivative instruments not qualifying as fair value hedges are recorded currently as adjustments to interest expense. A detailed explanation of our interest rate derivative activity appears later in Item 3—Quantitative and Qualitative Disclosures About Market Risk.

Interest expense, excluding unrealized gains or losses on derivatives and net of amounts capitalized, was $0.52 per mcfe in the Current Quarter compared to $0.48 per mcfe in the Prior Quarter. We expect interest expense for the remainder of 2006 to be between $0.58 and $0.62 per mcfe produced (before considering the effect of interest rate derivatives).

Loss on Repurchases or Exchanges of Chesapeake Debt. We repurchased or exchanged Chesapeake debt in the Prior Quarter and incurred losses in connection with the transactions. The following table shows the losses related to these transactions ($ in millions):

	Notes	Loss on Repurchases/Exchanges		
		Premium	Other(a)	Total
For the Three Months Ended September 30, 2005:	**Retired**			
8.125% Senior Notes due 2011	$ 7.6	$0.5	$ 0.1	$0.6
9.0% Senior Notes due 2012	1.1	0.1	0.0	0.1
	$ 8.7	$0.6	$ 0.1	$0.7

(a) Includes write−offs of discounts, deferred charges and interest rate derivatives associated with retired notes and transaction costs.

There were no repurchases or exchanges of Chesapeake debt in the Current Quarter.

Income Tax Expense. Chesapeake recorded income tax expense of $336.1 million in the Current Quarter, compared to income tax expense of $101.7 million in the Prior Quarter. Our effective income tax rate increased to 38% in the Current Quarter compared to 36.5% in the Prior Quarter. This increase included the impact that both state income taxes and permanent differences had on our overall effective rate along with the effect of a Texas tax law change. In May 2006, Texas House Bill 3 was signed into law which eliminated the existing franchise tax and replaced it with a new income−based margin tax. The new tax is effective for tax returns due on or after January 1, 2008 for our 2007 business activity. Although the new margin tax is not effective until 2007, the provisions of SFAS 109, *Accounting for Income Taxes*, require us to record the impact that this change has on our liability for additional deferred income taxes in the period of enactment. All 2005 income tax expense was deferred, and we expect most, if not all, of our 2006 income tax expense to be deferred.

Results of Operations—Nine Months Ended September 30, 2006 vs. September 30, 2005

General. For the Current Period, Chesapeake had net income of $1.532 billion, or $3.40 per diluted common share, on total revenues of $5.458 billion. This compares to net income of $495.8 million, or $1.32 per diluted common share, on total revenues of $2.914 billion during the Prior Period.

Oil and Natural Gas Sales. During the Current Period, oil and natural gas sales were $4.190 billion compared to $2.032 billion in the Prior Period. In the Current Period, Chesapeake produced 426.3 bcfe at a weighted average price of $8.77 per mcfe, compared to 338.2 bcfe produced in the Prior Period at a weighted average price of $6.42 per mcfe (weighted average prices exclude the effect of unrealized gains or (losses) on oil and natural gas derivatives of $452.6 million and ($137.1) million in the Current Period and Prior Period, respectively). In the Current Period, the increase in prices resulted in an increase in revenue of $1.003 billion and increased production resulted in a $565.5 million increase, for a total increase in revenues of $1.568 billion (excluding unrealized gains or losses on oil and natural gas derivatives). The increase in production from the Prior Period to the Current Period is due to the combination of drilling as well as acquisitions completed in 2005 and the Current Period.

For the Current Period, we realized an average price per barrel of oil of $58.86 compared to $46.04 in the Prior Period (weighted average prices for both periods discussed exclude the effect of unrealized gains or losses on derivatives). Natural gas prices realized per mcf (excluding unrealized gains or losses on derivatives) were $8.66 and $6.27 in the Current Period and Prior Period, respectively. Realized gains or losses from our oil and natural gas derivatives resulted in a net increase in oil and natural gas revenues of $807.1 million, or $1.89 per mcfe, in the Current Period and a net decrease of $126.6 million, or $0.37 per mcfe, in the Prior Period.

The change in oil and natural gas prices has a significant impact on our oil and natural gas revenues and cash flows. Assuming the Current Period production levels, a change of $0.10 per mcf of natural gas sold would have resulted in an increase or decrease in revenues and cash flow of approximately $38.8 million and $36.9 million, respectively, and a change of $1.00 per barrel of oil sold would have resulted in an increase or decrease in revenues and cash flow of approximately $6.4 million and $6.1 million, respectively, without considering the effect of derivative activities.

The following table shows our production by region for the Current Period and the Prior Period:

	For the Nine Months Ended September 30,			
	2006		2005	
	Mmcfe	Percent	Mmcfe	Percent
Mid−Continent	233,078	55%	222,290	65%
South Texas and Texas Gulf Coast	59,040	14	45,082	13
Permian Basin	34,582	8	28,955	9
Ark−La−Tex	34,410	8	28,845	9
Appalachian Basin	33,268	8	—	—
Barnett Shale	30,035	7	10,927	3
Other	1,905	—	2,065	1
Total Production	426,318	100%	338,164	100%

Natural gas production represented approximately 91% of our total production volume on a natural gas equivalent basis in the Current Period, compared to 90% in the Prior Period.

Oil and Natural Gas Marketing Sales and Operating Expenses. Oil and natural gas marketing activities are substantially for third parties that are owners in Chesapeake−operated wells. Chesapeake recognized $1.170 billion in oil and natural gas marketing sales to third parties in the Current Period, with corresponding oil and natural gas marketing expenses of $1.132 billion, for a net margin of $38.6 million. This compares to sales of $882.0 million, expenses of $860.8 million and a net margin of $21.2 million in the Prior Period. In the Current Period, Chesapeake realized an increase in oil and natural gas marketing sales volumes and an increase in oil and natural gas prices.

Service Operations Revenue and Operating Expenses. Service operations consist of third−party revenue and operating expenses related to our drilling and oilfield trucking operations. These operations have grown as a result of businesses we acquired in the Current Period. Chesapeake recognized $97.5 million in service operations revenue in the Current Period with corresponding service operations expenses of $48.9 million, for a net margin of $48.6 million principally associated with businesses acquired in the Current Period. During the Prior Period, service operations for third parties were insignificant.

Production Expenses. Production expenses, which include lifting costs and ad valorem taxes, were $364.1 million in the Current Period compared to $222.7 million in the Prior Period. On a unit−of−production basis, production expenses were $0.85 per mcfe in the Current Period compared to $0.66 per mcfe in the Prior Period. The increase in the Current Period was primarily due to higher third−party field service costs, energy costs, ad valorem tax increases and personnel costs. We expect that production expenses for the remainder of 2006 will range from $0.85 to $0.95 per mcfe produced.

Production Taxes. Production taxes were $129.9 million and $136.3 million in the Current Period and the Prior Period, respectively. On a unit−of−production basis, production taxes were $0.30 per mcfe in the Current

Period compared to $0.40 per mcfe in the Prior Period. The Current Period included a $2.1 million accrual for certain severance tax claims and then a subsequent reversal of the cumulative $11.6 million accrual for such severance tax claims as a result of their dismissal. The Prior Period included an accrual of $5.0 million associated with such severance tax claims. Excluding these items, production taxes were $0.33 per mcfe in the Current Period and $0.39 per mcfe in the Prior Period. This decrease is the result of an increase in production tax exemptions realized. In general, production taxes are calculated using value−based formulas that produce higher per unit costs when oil and natural gas prices are higher. We expect production taxes for the remainder of 2006 to range from $0.36 to $0.40 per mcfe produced based on NYMEX prices of $56.25 per barrel of oil and natural gas prices ranging from $6.40 to $7.20 per mcf.

General and Administrative Expenses. General and administrative expenses, which are net of internal payroll and non−payroll costs capitalized in our oil and natural gas properties, were $99.7 million in the Current Period and $39.6 million in the Prior Period. General and administrative expenses were $0.23 and $0.12 per mcfe for the Current Period and Prior Period, respectively. The increase in the Current Period was the result of the company's overall growth as well as cost and wage inflation. Included in general and administrative expenses is stock−based compensation of $21.3 million and $10.2 million for the Current Period and Prior Period, respectively. We anticipate that general and administrative expenses for the remainder of 2006 will be between $0.27 and $0.33 per mcfe produced (including stock−based compensation ranging from $0.10 to $0.11 per mcfe).

Our stock−based compensation for employees and non−employee directors is principally in the form of restricted stock. We have awarded shares of restricted stock to employees since January 2004 and to non−employee directors annually since July 2005. Employee compensation awards before 2004 (and before 2005 for non−employee directors) were in the form of stock options. These stock−based compensation awards vest over a period of four or five years. Our non−employee director awards vest over a period of three years.

Until December 31, 2005, as permitted under Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock−Based Compensation*, as amended, we accounted for our stock options under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Generally, we recognized no compensation cost on grants of employee and non−employee director stock options because the exercise price was equal to the market price of our common stock on the date of grant. Effective January 1, 2006, we implemented the fair value recognition provisions of SFAS 123(R), *Share−Based Payment*, using the modified−prospective transition method. Under this transition method, compensation cost in 2006 includes the portion vesting in the period for (1) all share−based payments granted prior to, but not vested as of January 1, 2006, based on the grant−date fair value estimated in accordance with the original provisions of SFAS 123 and (2) all share−based payments granted subsequent to January 1, 2006, based on the grant−date fair value estimated in accordance with the provisions of SFAS 123(R). Results for prior periods have not been restated.

Stock−based compensation expense increased from $10.2 million in the Prior Period to $21.3 million in the Current Period. Of this increase, $1.9 million was due to stock option expense, $9.1 million was due to a higher number of unvested restricted shares outstanding during the Current Period compared to the Prior Period and $0.1 million was due to stock granted to a new director.

The discussion of stock−based compensation in note 1 to the financial statements included in Part I of this report provides additional detail on the accounting for and reporting of our stock options and restricted stock, as well as the effects of our adoption of SFAS 123(R).

Chesapeake follows the full−cost method of accounting under which all costs associated with property acquisition, exploration and development activities are capitalized. We capitalize internal costs that can be directly identified with our exploration and development activities and do not include any costs related to

production, general corporate overhead or similar activities. We capitalized $119.3 million and $75.3 million of internal costs in the Current Period and the Prior Period, respectively, directly related to our oil and natural gas property acquisition, exploration and development efforts.

Oil and Natural Gas Depreciation, Depletion and Amortization. Depreciation, depletion and amortization of oil and natural gas properties was $976.8 million and $621.5 million during the Current Period and the Prior Period, respectively. The average DD&A rate per mcfe, which is a function of capitalized costs, future development costs and the related underlying reserves in the periods presented, was $2.29 and $1.84 in the Current Period and in the Prior Period, respectively. The $0.45 increase in the average DD&A rate is primarily the result of higher drilling costs and higher costs associated with acquisitions, including the recognition of the tax effect of acquisition costs in excess of tax basis acquired in certain corporate acquisitions. We expect the DD&A rate for the remainder of 2006 to be between $2.35 and $2.40 per mcfe produced.

Depreciation and Amortization of Other Assets. Depreciation and amortization of other assets was $74.1 million in the Current Period, compared to $34.8 million in the Prior Period. The increase in the Current Period was primarily the result of the depreciation of recently acquired assets resulting from our acquisition of various gathering facilities and compression equipment, the construction of new buildings at our corporate headquarters complex and at various field office locations, the purchase of additional drilling rigs and oilfield trucks and the purchase of additional information technology equipment and software. Property and equipment costs are depreciated on a straight−line basis. Buildings are depreciated over 15 to 39 years, gathering facilities are depreciated over seven to 20 years, drilling rigs are depreciated over 15 years and all other property and equipment are depreciated over the estimated useful lives of the assets, which range from two to seven years. To the extent drilling rigs are used to drill our wells, a substantial portion of the depreciation is capitalized in oil and natural gas properties as exploration or development costs. We expect depreciation and amortization of other assets for the remainder of 2006 to be between $0.19 and $0.23 per mcfe produced.

Employee Retirement Expense. Our President and Chief Operating Officer, Tom L. Ward, resigned as a director, officer and employee of the company effective February 10, 2006. Mr. Ward's Resignation Agreement provided for the immediate vesting of all of his unvested stock options and restricted stock on February 10, 2006. As a result of such vesting, options to purchase 724,615 shares of Chesapeake's common stock at an average exercise price of $8.01 per share and 1,291,875 shares of restricted common stock became immediately vested. As a result, we incurred an expense of $54.8 million in the Current Period.

Interest and Other Income. Interest and other income was $19.7 million in the Current Period compared to $7.8 million in the Prior Period. The Current Period income consisted of $3.1 million of interest income, $9.5 million related to earnings of equity investees, a $3.5 million gain on sale of assets and $3.6 million of miscellaneous income. The Prior Period income consisted of $3.5 million of interest income, $1.1 million related to earnings of equity investees and $3.2 million of miscellaneous income.

Interest Expense. Interest expense increased to $220.2 million in the Current Period compared to $155.6 million in the Prior Period as follows:

	Nine Months Ended September 30,	
	2006	2005
	($ in millions)	
Interest expense on senior notes and revolving bank credit facility	$ 335.8	$ 210.7
Capitalized interest	(119.2)	(54.8)
Amortization of loan discount	5.3	4.2
Unrealized (gain) loss on interest rate derivatives	(0.8)	(1.9)
Realized (gain) loss on interest rate derivatives	(0.9)	(2.6)
Total interest expense	$ 220.2	$ 155.6
Average long−term borrowings	$ 6,125	$ 3,593

We use interest rate derivatives to mitigate our exposure to the volatility in interest rates. For interest rate derivative instruments designated as fair value hedges (in accordance with SFAS 133), changes in fair value are recorded on the consolidated balance sheets as assets (liabilities), and the debt's carrying value amount is adjusted by the change in the fair value of the debt subsequent to the initiation of the derivative. Any resulting differences are recorded currently as ineffectiveness in the consolidated statements of operations as an adjustment to interest expense. Changes in the fair value of derivative instruments not qualifying as fair value hedges are recorded currently as adjustments to interest expense. A detailed explanation of our interest rate derivative activity appears later in Item 3—Quantitative and Qualitative Disclosures About Market Risk.

Interest expense, excluding unrealized gains or losses on derivatives and net of amounts capitalized, was $0.52 per mcfe in the Current Period compared to $0.47 per mcfe in the Prior Period. We expect interest expense for the remainder of 2006 to be between $0.58 and $0.62 per mcfe produced (before considering the effect of interest rate derivatives).

Gain on Sale of Investment. In the Current Period, Chesapeake sold its investment in publicly−traded Pioneer Drilling Company ("Pioneer") common stock, realizing proceeds of $158.9 million and a gain of $117.4 million. We owned 17% of the common stock of Pioneer, which we began acquiring in 2003.

Loss on Repurchases or Exchanges of Chesapeake Senior Notes. We repurchased or exchanged Chesapeake debt in the Prior Period and incurred losses in connection with the transactions. The following table shows the losses related to these transactions ($ in millions):

	Notes	Loss on Repurchases/Exchanges		
		Premium	Other(a)	Total
For the Nine Months Ended September 30, 2005:	**Retired**			
8.375% Senior Notes due 2008	$ 11.0	$ 0.8	$ 0.1	$ 0.9
8.125% Senior Notes due 2011	245.4	17.3	4.4	21.7
9.0% Senior Notes due 2012	300.0	41.4	6.0	47.4
	$556.4	$59.5	$ 10.5	$70.0

(a) Includes write−offs of discounts, deferred charges and interest rate derivatives associated with retired notes and transaction costs.

There were no repurchases or exchanges of Chesapeake debt in the Current Period.

Income Tax Expense. Chesapeake recorded income tax expense of $963.1 million in the Current Period, compared to income tax expense of $285.0 million in the Prior Period. Our effective income tax rate increased to 38.6% in the Current Period compared to 36.5% in the Prior Period. This increase included the impact that both state income taxes and permanent differences had on our overall effective rate along with the effect of a Texas tax law change. In May 2006, Texas House Bill 3 was signed into law which eliminated the existing franchise tax and replaced it with a new income−based margin tax. The new tax is effective for tax returns due on or after January 1, 2008 for our 2007 business activity. Although the new margin tax is not effective until 2007, the provisions of SFAS 109, *Accounting for Income Taxes*, require us to record the impact that this change has on our liability for deferred income taxes in the period of enactment. As a result, we recorded $15 million in additional deferred state income tax expense, net of the federal income tax benefit, in the Current Period. Excluding the effect of this adjustment, our effective income tax rate was 38% for the Current Period. All 2005 income tax expense was deferred, and we expect most, if not all, of our 2006 income tax expense to be deferred.

Critical Accounting Policies

We consider accounting policies related to hedging, oil and natural gas properties, income taxes and business combinations to be critical policies. These policies are summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in our annual report on Form 10−K for the year ended December 31, 2005.

Recently Issued Accounting Standards

The Financial Accounting Standards Board (FASB) recently issued the following standards which were reviewed by Chesapeake to determine the potential impact on our financial statements upon adoption.

In December 2004, the FASB issued SFAS 123(R), *Share−Based Payment*, a revision of SFAS 123, accounting for stock−based compensation. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services by requiring a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant−date fair value of the award. We adopted this statement effective January 1, 2006. The effect of SFAS 123(R) is more fully described in Note 1.

In September 2005, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 04−13, *Accounting for Purchases and Sales of Inventory with the Same Counterparty*. EITF Issue No. 04−13 requires that purchases and sales of inventory with the same counterparty in the same line of business should be accounted for as a single non−monetary exchange, if entered into in contemplation of one another. The consensus is effective for inventory arrangements entered into, modified or renewed in interim or annual reporting periods beginning after March 15, 2006. We adopted this issue effective April 1, 2006. The adoption of EITF Issue No. 04−13 did not have a material impact on our financial statements.

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*. FIN 48 provides guidance for recognizing and measuring uncertain tax positions, as defined in SFAS 109, *Accounting for Income Taxes*. FIN 48 prescribes a threshold condition that a tax position must meet for any of the benefit of the uncertain tax position to be recognized in the financial statements. Guidance is also provided regarding de−recognition, classification and disclosure of these uncertain tax positions. FIN 48 is effective for fiscal years beginning after December 15, 2006. We do not expect that FIN 48 will have a material impact on our financial position, results of operations or cash flows.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140*. SFAS 155 permits an entity to measure at fair value any financial instrument that contains an embedded derivative that otherwise would require bifurcation. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. We are currently evaluating the provisions of SFAS 155 and believe that adoption will not have a material effect on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently assessing the impact SFAS 157 will have on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. This statement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This statement is effective as of the end of the fiscal year ending after December 15, 2006. We do not expect that SFAS 158 will have a material impact on our financial position, results of operations or cash flows.

Forward−Looking Statements

This report includes "forward−looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward−looking statements give our current expectations or forecasts of future events. They include statements regarding oil and natural gas reserve

estimates, planned capital expenditures, the drilling of oil and natural gas wells and future acquisitions, expected oil and natural gas production, cash flow and anticipated liquidity, business strategy and other plans and objectives for future operations and expected future expenses. Statements concerning the fair values of derivative contracts and their estimated contribution to our future results of operations are based upon market information as of a specific date. These market prices are subject to significant volatility.

Although we believe the expectations and forecasts reflected in these and other forward−looking statements are reasonable, we can give no assurance they will prove to have been correct. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Factors that could cause actual results to differ materially from expected results are described under “Risk Factors” in Item 1A of our annual report on Form 10−K for the year ended December 31, 2005 and include:

- the volatility of oil and natural gas prices,
- our level of indebtedness,
- the strength and financial resources of our competitors,
- the availability of capital on an economic basis to fund reserve replacement costs,
- our ability to replace reserves and sustain production,
- uncertainties inherent in estimating quantities of oil and natural gas reserves and projecting future rates of production and the timing of development expenditures,
- uncertainties in evaluating oil and natural gas reserves of acquired properties and associated potential liabilities,
- inability to effectively integrate and operate acquired companies and properties,
- unsuccessful exploration and development drilling,
- declines in the value of our oil and natural gas properties resulting in ceiling test write−downs,
- lower prices realized on oil and natural gas sales and collateral required to secure hedging liabilities resulting from our commodity price risk management activities,
- lower oil and natural gas prices negatively affecting our ability to borrow, and
- drilling and operating risks.

We caution you not to place undue reliance on these forward−looking statements, which speak only as of the date of this report, and we undertake no obligation to update this information. We urge you to carefully review and consider the disclosures made in this report and our other filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business.

ITEM 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Oil and Natural Gas Hedging Activities

Our results of operations and operating cash flows are impacted by changes in market prices for oil and natural gas. To mitigate a portion of the exposure to adverse market changes, we have entered into various derivative instruments. As of September 30, 2006, our oil and natural gas derivative instruments were comprised of swaps, cap−swaps, basis protection swaps, call options and collars. These instruments allow us to predict with greater certainty the effective oil and natural gas prices to be received for our hedged production. Although derivatives often fail to achieve 100% effectiveness for accounting purposes, we believe our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended.

- For swap instruments, Chesapeake receives a fixed price for the hedged commodity and pays a floating market price to the counterparty. The fixed−price payment and the floating−price payment are netted, resulting in a net amount due to or from the counterparty.

- For cap−swaps, Chesapeake receives a fixed price and pays a floating market price. The fixed price received by Chesapeake includes a premium in exchange for a “cap” limiting the counterparty’s exposure. In other words, there is no limit to Chesapeake’s exposure but there is a limit to the downside exposure of the counterparty.

- Basis protection swaps are arrangements that guarantee a price differential for oil or natural gas from a specified delivery point. For Mid−Continent basis protection swaps, which have negative differentials to NYMEX, Chesapeake receives a payment from the counterparty if the price differential is greater than the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract. For Appalachian Basin basis protection swaps, which have positive differentials to NYMEX, Chesapeake receives a payment from the counterparty if the price differential is less than the stated terms of the contract and pays the counterparty if the price differential is greater than the stated terms of the contract.

- For call options, Chesapeake receives a cash premium from the counterparty in exchange for the sale of a call option. If the market price exceeds the fixed price of the call option, Chesapeake pays the counterparty such excess. If the market price settles below the fixed price of the call option, no payment is due from Chesapeake.

- Collars contain a fixed floor price (put) and ceiling price (call). If the market price exceeds the call strike price or falls below the put strike price, Chesapeake receives the fixed price and pays the market price. If the market price is between the call and the put strike price, no payments are due from either party.

Chesapeake enters into counter−swaps from time to time for the purpose of locking−in the value of a swap. Under the counter−swap, Chesapeake receives a floating price for the hedged commodity and pays a fixed price to the counterparty. The counter−swap is 100% effective in locking−in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter−swap. We refer to this locked−in value as a locked swap. Generally, at the time Chesapeake enters into a counter−swap, Chesapeake removes the original swap’s designation as a cash flow hedge and classifies the original swap as a non−qualifying hedge under SFAS 133. The reason for this new designation is that collectively the swap and the counter−swap no longer hedge the exposure to variability in expected future cash flows. Instead, the swap and counter−swap effectively lock−in a specific gain (or loss) that will be unaffected by subsequent variability in oil and natural gas prices. Any locked−in gain or loss is recorded in accumulated other comprehensive income and reclassified to oil and natural gas sales in the month of related production.

With respect to counter−swaps that are designed to lock−in the value of cap−swaps, the counter−swap is effective in locking−in the value of the cap−swap until the floating price reaches the cap (or floor) stipulated in the cap−swap agreement. The value of the counter−swap will increase (or decrease), but in the opposite direction, as the value of the cap−swap decreases (or increases) until the floating price reaches the pre−determined cap (or floor) stipulated in the cap−swap agreement. However, because of the written put option embedded in the cap−swap, the changes in value of the cap−swap are not completely effective in offsetting changes in value of the corresponding counter−swap. Changes in the value of cap−swaps and counter−swaps are recorded as adjustments to oil and natural gas sales.

In accordance with FASB Interpretation No. 39, to the extent that a legal right of setoff exists, Chesapeake nets the value of its derivative arrangements with the same counterparty in the accompanying condensed consolidated balance sheets.

Chesapeake enters into basis protection swaps for the purpose of locking−in a price differential for oil or natural gas from a specified delivery point. We currently have basis protection swaps covering six different delivery points, four in the Mid−Continent and two in the Appalachian Basin, which correspond to the actual prices we receive for much of our natural gas production. By entering into these basis protection swaps, we have

effectively reduced our exposure to market changes in future natural gas price differentials. As of September 30, 2006, the fair value of our basis protection swaps was $178.8 million. As of September 30, 2006, our Mid−Continent basis protection swaps covered approximately 29% of our anticipated Mid−Continent natural gas production remaining in 2006, 25% in 2007, 18% in 2008 and 13% in 2009. As of September 30, 2006, our Appalachian Basin basis protection swaps cover approximately 74% of our anticipated Appalachian Basin natural gas production in 2007, 65% in 2008 and 30% in 2009.

Gains or losses from derivative transactions are reflected as adjustments to oil and natural gas sales on the condensed consolidated statements of operations. Realized gains (losses) included in oil and natural gas sales were $301.4 million, ($122.6) million, $807.1 million and ($126.6) million in the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively. Pursuant to SFAS 133, certain derivatives do not qualify for designation as cash flow hedges. Changes in the fair value of these non−qualifying derivatives that occur prior to their maturity (i.e., temporary fluctuations in value) are reported currently in the condensed consolidated statements of operations as unrealized gains (losses) within oil and natural gas sales. Unrealized gains (losses) included in oil and natural gas sales were $238.5 million, ($104.0) million, $452.6 million and ($137.1) million in the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

Following provisions of SFAS 133, changes in the fair value of derivative instruments designated as cash flow hedges, to the extent they are effective in offsetting cash flows attributable to the hedged risk, are recorded in other comprehensive income until the hedged item is recognized in earnings. Any change in fair value resulting from ineffectiveness is recognized currently in oil and natural gas sales as unrealized gains (losses). We recorded an unrealized gain (loss) on ineffectiveness of $171.8 million, ($99.5) million, $336.7 million and ($98.9) million in the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

As of September 30, 2006, we had the following open oil and natural gas derivative instruments (excluding CNR derivatives assumed) designed to hedge a portion of our oil and natural gas production for periods after September 2006:

	Volume	Weighted Average Fixed Price to be Received (Paid)	Weighted Average Put Fixed Price	Weighted Average Call Fixed Price	Weighted Average Differential	SFAS 133 Hedge	Net Premiums Received ($ in thousands)	Fair Value at September 30, 2006 ($ in thousands)
Natural Gas (mmbtu):								
Swaps:								
4Q 2006	106,585,000	$ 9.68	$ —	$ —	$ —	Yes	$ —	$ 422,505
1Q 2007	102,150,000	11.09	—	—	—	Yes	—	336,329
2Q 2007	78,715,000	9.18	—	—	—	Yes	—	152,602
3Q 2007	79,580,000	9.24	—	—	—	Yes	—	142,030
4Q 2007	79,580,000	9.90	—	—	—	Yes	—	135,751
1Q 2008	64,610,000	10.84	—	—	—	Yes	—	114,992
2Q 2008	64,610,000	8.45	—	—	—	Yes	—	71,924
3Q 2008	65,320,000	8.51	—	—	—	Yes	—	67,639
4Q 2008	65,320,000	9.15	—	—	—	Yes	—	68,693
1Q 2009	900,000	10.53	—	—	—	Yes	—	1,551
2Q 2009	910,000	8.29	—	—	—	Yes	—	1,093
3Q 2009	920,000	8.34	—	—	—	Yes	—	1,026
4Q 2009	920,000	8.95	—	—	—	Yes	—	998
Basis Protection Swaps (Mid−Continent):								
4Q 2006	33,720,000	—	—	—	(0.32)	No	—	13,446
1Q 2007	32,850,000	—	—	—	(0.29)	No	—	18,781
2Q 2007	34,125,000	—	—	—	(0.35)	No	—	13,449
3Q 2007	34,500,000	—	—	—	(0.35)	No	—	11,385
4Q 2007	35,720,000	—	—	—	(0.32)	No	—	25,796
1Q 2008	33,215,000	—	—	—	(0.30)	No	—	28,210
2Q 2008	26,845,000	—	—	—	(0.25)	No	—	15,241
3Q 2008	27,140,000	—	—	—	(0.25)	No	—	13,469
4Q 2008	31,410,000	—	—	—	(0.28)	No	—	18,293
1Q 2009	26,100,000	—	—	—	(0.32)	No	—	13,746
2Q 2009	20,020,000	—	—	—	(0.28)	No	—	1,906
3Q 2009	20,240,000	—	—	—	(0.28)	No	—	1,348
4Q 2009	20,240,000	—	—	—	(0.28)	No	—	4,726

	Volume	Weighted Average Fixed Price to be Received (Paid)	Weighted Average Put Fixed Price	Weighted Average Call Fixed Price	Weighted Average Differential	SFAS 133 Hedge	Net Premiums Received ($ in thousands)	Fair Value at September 30, 2006 ($ in thousands)
Basis Protection Swaps (Appalachian Basin):								
1Q 2007	9,000,000	$ —	$ —	$ —	$ 0.35	No	$ —	$ 273
2Q 2007	9,100,000	—	—	—	0.35	No	—	(462)
3Q 2007	9,200,000	—	—	—	0.35	No	—	(491)
4Q 2007	9,200,000	—	—	—	0.35	No	—	(55)
1Q 2008	9,100,000	—	—	—	0.35	No	—	652
2Q 2008	9,100,000	—	—	—	0.35	No	—	(338)
3Q 2008	9,200,000	—	—	—	0.35	No	—	(365)
4Q 2008	9,200,000	—	—	—	0.35	No	—	(152)
1Q 2009	4,500,000	—	—	—	0.31	No	—	205
2Q 2009	4,550,000	—	—	—	0.31	No	—	(108)
3Q 2009	4,600,000	—	—	—	0.31	No	—	(121)
4Q 2009	4,600,000	—	—	—	0.31	No	—	(2)
Cap−Swaps:								
4Q 2006	11,960,000	6.89	5.13	—	—	No	—	(1,869)
1Q 2007	14,400,000	11.44	5.73	—	—	No	—	28,620
2Q 2007	19,110,000	9.57	5.91	—	—	No	—	8,120
3Q 2007	19,320,000	9.76	5.91	—	—	No	—	2,402
4Q 2007	19,320,000	10.56	5.91	—	—	No	—	6,113
1Q 2008	19,110,000	11.58	6.18	—	—	No	—	11,135
2Q 2008	19,110,000	10.00	6.18	—	—	No	—	6,369
3Q 2008	19,320,000	10.09	6.18	—	—	No	—	3,863
4Q 2008	19,320,000	10.65	6.18	—	—	No	—	4,383
Counter Swaps:								
4Q 2006	(36,605,000)	5.27	—	—	—	No	—	600
1Q 2007	(900,000)	7.53	—	—	—	No	—	243
2Q 2007	(4,550,000)	7.09	—	—	—	No	—	675
3Q 2007	(4,600,000)	7.31	—	—	—	No	—	659
4Q 2007	(4,600,000)	8.03	—	—	—	No	—	755
1Q 2008	(4,550,000)	8.84	—	—	—	No	—	1,000
2Q 2008	(4,550,000)	7.14	—	—	—	No	—	880
3Q 2008	(4,600,000)	7.28	—	—	—	No	—	903
4Q 2008	(4,600,000)	7.90	—	—	—	No	—	931
Call Options:								
4Q 2006	1,840,000	—	—	12.50	—	No	1,932	(51)
1Q 2007	6,300,000	—	—	11.58	—	No	1,890	(2,575)
2Q 2007	6,370,000	—	—	9.96	—	No	1,911	(3,077)
3Q 2007	6,440,000	—	—	10.04	—	No	1,932	(4,835)
4Q 2007	6,440,000	—	—	10.56	—	No	1,932	(6,590)
1Q 2008	1,820,000	—	—	12.50	—	No	1,911	(1,997)
2Q 2008	1,820,000	—	—	12.50	—	No	1,911	(545)
3Q 2008	1,840,000	—	—	12.50	—	No	1,932	(773)
4Q 2008	1,840,000	—	—	12.50	—	No	1,932	(1,373)
Locked Swaps:								
4Q 2006	6,440,000	—	—	—	—	No	—	(4,706)
1Q 2007	6,300,000	—	—	—	—	No	—	(4,789)
2Q 2007	6,370,000	—	—	—	—	No	—	(2,517)
3Q 2007	6,440,000	—	—	—	—	No	—	(2,049)
4Q 2007	6,440,000	—	—	—	—	No	—	(2,272)
Total Natural Gas							17,283	1,733,598

	Volume	Weighted Average Fixed Price to be Received (Paid)	Weighted Average Put Fixed Price	Weighted Average Call Fixed Price	Weighted Average Differential	SFAS 133 Hedge	Net Premiums Received ($ in thousands)	Fair Value at September 30, 2006 ($ in thousands)
Oil (bbls):								
Swaps:								
4Q 2006	1,656,000	$ 65.38	$ —	$ —	$ —	Yes	$ —	$ 2,275
1Q 2007	1,350,000	67.98	—	—	—	Yes	—	2,356
2Q 2007	1,092,000	70.04	—	—	—	Yes	—	2,747
3Q 2007	1,104,000	69.71	—	—	—	Yes	—	1,556
4Q 2007	1,104,000	69.31	—	—	—	Yes	—	697
1Q 2008	1,001,000	70.44	—	—	—	Yes	—	1,491
2Q 2008	1,001,000	70.02	—	—	—	Yes	—	1,161
3Q 2008	1,012,000	69.60	—	—	—	Yes	—	968
4Q 2008	920,000	68.79	—	—	—	Yes	—	476
1Q 2009	45,000	66.64	—	—	—	Yes	—	(50)
2Q 2009	45,500	66.27	—	—	—	Yes	—	(47)
3Q 2009	46,000	65.92	—	—	—	Yes	—	(43)
4Q 2009	46,000	65.56	—	—	—	Yes	—	(40)
Cap−Swaps:								
4Q 2006	184,000	68.02	50.00	—	—	No	—	633
1Q 2007	360,000	78.53	56.25	—	—	No	—	3,805
2Q 2007	364,000	78.53	56.25	—	—	No	—	3,161
3Q 2007	368,000	78.53	56.25	—	—	No	—	2,736
4Q 2007	368,000	78.53	56.25	—	—	No	—	2,444
1Q 2008	273,000	77.60	55.00	—	—	No	—	1,487
2Q 2008	273,000	77.60	55.00	—	—	No	—	1,396
3Q 2008	276,000	77.60	55.00	—	—	No	—	1,348
4Q 2008	276,000	77.60	55.00	—	—	No	—	1,307
Total Oil							—	31,864
Total Natural Gas and Oil							$ 17,283	$ 1,765,462

We have established the fair value of all derivative instruments using estimates of fair value reported by our counterparties and subsequently evaluated internally using established index prices and other sources. The actual contribution to our future results of operations will be based on the market prices at the time of settlement and may be more or less than the fair value estimates used at September 30, 2006.

Based upon the market prices at September 30, 2006, we expect to transfer approximately $530.2 million (net of income taxes) of the gain included in the balance in accumulated other comprehensive income to earnings during the next 12 months in the related month of production. All transactions hedged as of September 30, 2006 are expected to mature by December 31, 2009.

Additional information concerning the fair value of our oil and natural gas derivative instruments, including CNR derivatives assumed, is as follows:

	2006 ($ in thousands)
Fair value of contracts outstanding, as of January 1	$ (945,814)
Change in fair value of contracts during the period	3,261,182
Fair value of contracts when entered into during the period	(32,300)
Contracts realized or otherwise settled during the period	(807,074)
Fair value of contracts outstanding, as of September 30	$ 1,475,994

The change in the fair value of our derivative instruments since January 1, 2006 resulted from the settlement of derivatives for a realized gain, as well as a decrease in natural gas prices. Derivative instruments reflected as current in the condensed consolidated balance sheet represent the estimated fair value of derivative instrument settlements scheduled to occur over the subsequent twelve−month period based on market prices for oil and natural gas as of the condensed consolidated balance sheet date. The derivative settlement amounts are not due and payable until the month in which the related underlying hedged transaction occurs.

We assumed certain liabilities related to open derivative positions in connection with our acquisition of Columbia Natural Resources, LLC in November 2005. In accordance with SFAS 141, these derivative positions were recorded at fair value in the purchase price allocation as a liability of $592 million. The recognition of the derivative liability and other assumed liabilities resulted in an increase in the total purchase price which was allocated to the assets acquired. Because of this accounting treatment, only cash settlements for changes in fair value subsequent to the acquisition date for the derivative positions assumed result in adjustments to our oil and natural gas revenues upon settlement. For example, if the fair value of the derivative positions assumed do not change then upon the sale of the underlying production and corresponding settlement of the derivative positions, cash would be paid to the counterparties and there would be no adjustment to oil and natural gas revenues related to the derivative positions. If, however, the actual sales price is different from the price assumed in the original fair value calculation, the difference would be reflected as either a decrease or increase in oil and natural gas revenues, depending upon whether the sales price was higher or lower, respectively, than the prices assumed in the original fair value calculation. For accounting purposes, the net effect of these acquired hedges is that we hedged the production volumes at market prices on the date of our acquisition of CNR.

Pursuant to Statement of Financial Accounting Standards No. 149, *Amendment of SFAS 133 on Derivative Instruments and Hedging Activities*, the derivative instruments assumed in connection with the CNR acquisition are deemed to contain a significant financing element and all cash flows associated with these positions are reported as financing activity in the statement of cash flows for the periods in which settlement occurs.

The following details the assumed CNR derivatives remaining as of September 30, 2006:

	Volume	Weighted Average Fixed Price to be Received (Paid)	Weighted Average Put Fixed Price	Weighted Average Call Fixed Price	SFAS 133 Hedge	Fair Value at September 30, 2006 ($ in thousands)
Natural Gas (mmbtu):						
Swaps:						
4Q 2006	10,626,000	$ 4.86	$ —	$ —	Yes	$ (9,313)
1Q 2007	10,350,000	4.82	—	—	Yes	(30,297)
2Q 2007	10,465,000	4.82	—	—	Yes	(24,548)
3Q 2007	10,580,000	4.82	—	—	Yes	(26,672)
4Q 2007	10,580,000	4.82	—	—	Yes	(33,722)
1Q 2008	9,555,000	4.68	—	—	Yes	(39,074)
2Q 2008	9,555,000	4.68	—	—	Yes	(23,387)
3Q 2008	9,660,000	4.68	—	—	Yes	(24,581)
4Q 2008	9,660,000	4.66	—	—	Yes	(29,997)
1Q 2009	4,500,000	5.18	—	—	Yes	(14,498)
2Q 2009	4,550,000	5.18	—	—	Yes	(7,627)
3Q 2009	4,600,000	5.18	—	—	Yes	(8,162)
4Q 2009	4,600,000	5.18	—	—	Yes	(10,574)
Collars:						
1Q 2009	900,000	—	4.50	6.00	Yes	(2,538)
2Q 2009	910,000	—	4.50	6.00	Yes	(1,268)
3Q 2009	920,000	—	4.50	6.00	Yes	(1,375)
4Q 2009	920,000	—	4.50	6.00	Yes	(1,835)
Total Natural Gas						$ (289,468)

Subsequent to September 30, 2006, Chesapeake lifted a portion of its fourth quarter 2006 and full−year 2007, 2008 and 2009 hedges and as a result received $407 million in cash from its hedging counterparties. The gain will be recorded in accumulated other comprehensive income and in unrealized oil and natural gas sales based on the designation of the hedges. The gain will be recognized in realized oil and natural gas sales in the month of the hedged production.

Interest Rate Risk

The table below presents principal cash flows and related weighted average interest rates by expected maturity dates. As of September 30, 2006, the fair value of the fixed−rate long−term debt has been estimated based on quoted market prices.

	Years of Maturity							
	2006	2007	2008	2009	2010	Thereafter	Total	Fair Value
	($ in billions)							
Liabilities:								
Long−term debt — fixed−rate (a)	$ —	$ —	$ —	$ —	$ —	$ 6.525	$ 6.525	$ 6.317
Average interest rate	—	—	—	—	—	6.4%	6.4%	6.4%
Long−term debt — variable rate	$ —	$ —	$ —	$ —	$ —	$ 1.464	$ 1.464	$ 1.464
Average interest rate	—	—	—	—	—	6.5%	6.5%	6.5%

(a) This amount does not include the discount included in long−term debt of ($103.9) million and the discount for interest rate swaps of ($23.6) million.

Changes in interest rates affect the amount of interest we earn on our cash, cash equivalents and short−term investments and the interest rate we pay on borrowings under our revolving bank credit facility. All of our other long−term indebtedness is fixed rate and, therefore, does not expose us to the risk of earnings or cash flow loss due to changes in market interest rates. However, changes in interest rates do affect the fair value of our debt.

Interest Rate Derivatives

We use interest rate derivatives to mitigate our exposure to the volatility in interest rates. For interest rate derivative instruments designated as fair value hedges (in accordance with SFAS 133), changes in fair value are recorded on the condensed consolidated balance sheets as assets (liabilities), and the debt's carrying value amount is adjusted by the change in the fair value of the debt subsequent to the initiation of the derivative. Changes in the fair value of derivative instruments not qualifying as fair value hedges are recorded currently as adjustments to interest expense.

Gains or losses from certain derivative transactions are reflected as adjustments to interest expense on the condensed consolidated statements of operations. Realized gains (losses) included in interest expense were ($1.6) million, $0.8 million, $0.9 million and $2.6 million in the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively. Pursuant to SFAS 133, certain derivatives do not qualify for designation as fair value hedges. Changes in the fair value of these non−qualifying derivatives that occur prior to their maturity (i.e., temporary fluctuations in value) are reported currently in the condensed consolidated statements of operations as unrealized gains (losses) within interest expense. Unrealized gains (losses) included in interest expense were $2.5 million, ($1.2) million, $0.8 million and $1.9 million, in the Current Quarter, Prior Quarter, Current Period and Prior Period, respectively.

As of September 30, 2006, the following interest rate swaps used to convert a portion of our long−term fixed−rate debt to floating−rate debt were outstanding:

Term	Notional Amount	Fixed Rate	Floating Rate	Fair Value ($ in thousands)
September 2004 – August 2012	$ 75,000,000	9.000%	6 month LIBOR plus 452 basis points	$ (2,919)
July 2005 – January 2015	$150,000,000	7.750%	6 month LIBOR plus 289 basis points	(6,301)
July 2005 – June 2014	$150,000,000	7.500%	6 month LIBOR plus 282 basis points	(6,456)
September 2005 – August 2014	$250,000,000	7.000%	6 month LIBOR plus 205.5 basis points	(7,305)
October 2005 – June 2015	$200,000,000	6.375%	6 month LIBOR plus 112 basis points	(3,308)
October 2005 – January 2018	$250,000,000	6.250%	6 month LIBOR plus 99 basis points	(7,124)
January 2006 – January 2016	$250,000,000	6.625%	6 month LIBOR plus 129 basis points	(3,178)
March 2006 – January 2016	$250,000,000	6.875%	6 month LIBOR plus 120 basis points	(172)
				$ (36,763)

In the Current Period, we closed three interest rate swaps for gains totaling $3.0 million. These interest rate swaps were designated as fair value hedges, and the settlement amounts received will be amortized as a reduction to realized interest expense over the remaining terms of the related senior notes.

To mitigate our short−term exposure to rising interest rates on a portion of our long−term debt that has been converted to floating−rate, we have entered into zero−cost collar transactions. These collars contain a fixed floor rate (put) and fixed ceiling rate (call). If LIBOR exceeds the ceiling rate or falls below the floor rate, Chesapeake pays the fixed rate and receives LIBOR. If LIBOR is between the ceiling and floor rates, no payments are due from either party. As of September 30, 2006, we were a party to the following zero−cost interest rate collars:

Payment Dates	Notional Amount	LIBOR Floor	LIBOR Ceiling
July 2007 – January 2010	$150,000,000	4.53%	5.37%
June 2007 – December 2009	$150,000,000	4.53%	5.37%
August 2007 – February 2010	$250,000,000	4.53%	5.37%
July 2007 – January 2010	$250,000,000	4.53%	5.37%

ITEM 4. ***Controls and Procedures***

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed by Chesapeake in reports filed or submitted by it under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. At the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of Chesapeake management, including Chesapeake's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Chesapeake's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a−15(b). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

No changes in Chesapeake's internal control over financial reporting occurred during the Current Quarter that have materially affected, or are reasonably likely to materially affect, Chesapeake's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

Chesapeake is currently involved in various disputes incidental to its business operations. Management is of the opinion that the final resolution of currently pending or threatened litigation is not likely to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 1A. *Risk Factors*

Our business has many risks. Factors that could materially adversely affect our business, financial condition, operating results or liquidity and the trading price of our common stock, preferred stock or senior notes are described under “Risk Factors” in Item 1A of our annual report on Form 10−K for the year ended December 31, 2005. This information should be considered carefully, together with other information in this report and other reports and materials we file with the Securities and Exchange Commission.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

On September 29, 2006, we issued 1,375,989 shares of our common stock to Altoma Energy, an Oklahoma general partnership, in exchange for 40,000 shares of common stock of Chaparral Energy, Inc. The Chesapeake shares were valued at $40 million, based on the average closing price during a ten trading−day period beginning September 13, 2006, and were issued in a private offering without registration under the Securities Act of 1933 in reliance on the exemption provided in Section 4(2) of such Act.

The following table presents information about repurchases of our common stock during the three months ended September 30, 2006:

Period	Total Number of Shares Purchased(a)	Average Price Paid Per Share(a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs(b)
July 1, 2006 through July 31, 2006	163,509	$ 29.916	—	—
August 1, 2006 through August 31, 2006	14,645	32.411	—	—
September 1, 2006 through September 30, 2006	2,338	28.980	—	—
Total	180,492	$ 30.106	—	—

(a) Includes 32 shares purchased in the open market for the matching contributions we make to our 401(k) plans, the deemed surrender to the company of 9,587 shares of common stock to pay the exercise price in connection with the exercise of employee stock options and the surrender to the company of 170,873 shares of common stock to pay withholding taxes in connection with the vesting of employee restricted stock.

(b) We make matching contributions to our 401(k) plans and 401(k) make−up plan using Chesapeake common stock which is held in treasury or is purchased by the respective plan trustees in the open market. The plans contain no limitation on the number of shares that may be purchased for purposes of company contributions.

Item 3. *Defaults Upon Senior Securities*

Not applicable.

Item 4. ***Submission of Matters to a Vote of Security Holders***

Not applicable.

Item 5. ***Other Information***

Not applicable.

Item 6. ***Exhibits***

The following exhibits are filed as a part of this report:

Exhibit Number	Description
3.1.1	Restated Certificate of Incorporation, as amended. Incorporated herein by reference to Exhibit 3.1.1 to Chesapeake's quarterly report on Form 10−Q for the quarter ended June 30, 2006.
3.1.2	Certificate of Designation for Series A Junior Participating Preferred Stock, as amended. Incorporated herein by reference to Exhibit 3.1.2 to Chesapeake's quarterly report on Form 10−Q for the quarter ended June 30, 2006.
3.1.3	Certificate of Designation of 5% Cumulative Convertible Preferred Stock (Series 2003), as amended. Incorporated herein by reference to Exhibit 3.1.3 Chesapeake's quarterly report on Form 10−Q for the quarter ended June 30, 2006.
3.1.4	Certificate of Designation of 4.125% Cumulative Convertible Preferred Stock, as amended. Incorporated herein by reference to Exhibit 3.1.4 to Chesapeake's quarterly report on Form 10−Q for the quarter ended June 30, 2006.
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3.1.6	Certificate of Designation of 5% Cumulative Convertible Preferred Stock (Series 2005), as amended. Incorporated herein by reference to Exhibit 3.1.6 to Chesapeake's Form 10−Q for the quarter ended March 31, 2005.
3.1.7	Certificate of Designation of 4.5% Cumulative Convertible Preferred Stock. Incorporated herein by reference to Exhibit 3.1 to Chesapeake's current report on Form 8−K filed September 15, 2005.
3.2	Bylaws, as amended and restated. Incorporated herein by reference to Exhibit 3.2 to Chesapeake's annual report on Form 10−K for the year ended December 31, 2003.
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4.2.1*	Eighth Supplemental Indenture dated as of October 18, 2006 to Indenture dated as of August 2, 2004 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to the 7.00% senior notes due 2014.
4.3.1*	Twelfth Supplemental Indenture dated as of October 18, 2006 to Indenture dated as of December 20, 2002 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to the 7.75% senior notes due 2015.

Exhibit Number	Description
4.5.1*	Commitment Increase Agreement dated September 1, 2006, by and among Chesapeake Energy Corporation, Chesapeake Exploration Limited Partnership and Chesapeake Appalachia, L.L.C., as Co−Borrowers, Union Bank of California, N.A., as administrative agent and the several lenders party thereto.
4.6.1*	Eleventh Supplemental Indenture dated as of October 18, 2006 to Indenture dated as of March 5, 2003 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to the 7.50% senior notes due 2013.
4.7.1*	Ninth Supplemental Indenture dated as of October 18, 2006 to Indenture dated as of November 26, 2003 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to the 6.875% senior notes due 2016.
4.8.1*	Seventh Supplemental Indenture dated as of October 18, 2006 to Indenture dated as of December 8, 2004 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to the 6.375% senior notes due 2015.
4.9.1*	Fifth Supplemental Indenture dated as of October 18, 2006 to Indenture dated as of April 19, 2005 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to the 6.625% senior notes due 2016.
4.10.1*	Fourth Supplemental Indenture dated as of October 18, 2006 to Indenture dated as of June 20, 2005 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to the 6.25% senior notes due 2018.
4.11.1*	Fifth Supplemental Indenture dated as of October 18, 2006 to Indenture dated as of August 16, 2005 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to the 6.50% senior notes due 2017.
4.12.1*	Fourth Supplemental Indenture dated as of October 18, 2006 to Indenture dated as of November 8, 2005 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to the 6.875% senior notes due 2020.
4.13.1*	Fourth Supplemental Indenture dated as of October 18, 2006 to Indenture dated as of November 8, 2005 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to the 2.75% contingent convertible senior notes due 2035.
4.14.1*	First Supplemental Indenture dated as of October 18, 2006 to Indenture dated as of June 30, 2006 among Chesapeake, as issuer, its subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to the 7.625% senior notes due 2013.
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10.1.3†*	Chesapeake’s 1994 Stock Option Plan, as amended.
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10.1.10†*	Chesapeake's 2001 Nonqualified Stock Option Plan, as amended.
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10.1.13†*	Chesapeake's 2002 Nonqualified Stock Option Plan, as amended.
10.2.2†	Employment Agreement dated as of October 1, 2006 between Marcus C. Rowland and Chesapeake Energy Corporation. Incorporated herein by reference to Exhibit 10.2.2 to Chesapeake's current report on Form 8−K filed October 5, 2006.
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31.1*	Aubrey K. McClendon, Chairman and Chief Executive Officer, Certification pursuant to Section 302 of the Sarbanes−Oxley Act of 2002.
31.2*	Marcus C. Rowland, Executive Vice President and Chief Financial Officer, Certification pursuant to Section 302 of the Sarbanes−Oxley Act of 2002.
32.1*	Aubrey K. McClendon, Chairman and Chief Executive Officer, Certification pursuant to Section 906 of the Sarbanes−Oxley Act of 2002.
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* Filed herewith.
† Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHESAPEAKE ENERGY CORPORATION
(Registrant)

By: /s/ AUBREY K. MCCLENDON
Aubrey K. McClendon

Chairman of the Board and

Chief Executive Officer

By: /s/ MARCUS C. ROWLAND
Marcus C. Rowland

Executive Vice President and

Chief Financial Officer

Date: November 7, 2006

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* Filed herewith.
† Management contract or compensatory plan or arrangement

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.5% SENIOR NOTES DUE 2014

EIGHTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS EIGHTH SUPPLEMENTAL INDENTURE, dated as of October 18, 2006 is among Chesapeake Energy Corporation, an Oklahoma corporation (the "*Company*"), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the "*Subsidiary Guarantors*") and The Bank of New York Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of May 27, 2004, as supplemented prior to the date hereof (the "*Indenture*"), pursuant to which the Company has originally issued $300,000,000 in principal amount of 7.5% Senior Notes due 2014 (the "*Notes*"); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 10.02 and 10.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation, Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation, and Nomac 100 Corp. ("Nomac 100"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Eighth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Eighth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Eighth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

Section 2.03. As a result of the merger of Nomac 100, with and into Nomac Drilling Corporation, an Oklahoma corporation ("Nomac Drilling"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Nomac 100, shall for all purposes be released as a Subsidiary Guarantor from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Nomac 100 and the signature of an Officer of Nomac 100.

Section 2.04. As the surviving entity in its merger with Nomac 100 and as a Subsidiary Guarantor, Nomac Drilling hereby agrees to assume all of the obligations of Nomac 100.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Eighth Supplemental Indenture. This Eighth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS EIGHTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Eighth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Eighth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human Resources of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.
MC MINERAL COMPANY, L.L.C.

W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY,

N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

Exhibit 4.2.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.00% SENIOR NOTES DUE 2014

EIGHTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS EIGHTH SUPPLEMENTAL INDENTURE, dated as of October 18, 2006, is among Chesapeake Energy Corporation, an Oklahoma corporation (the *"Company"*), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the *"Subsidiary Guarantors"*) and The Bank of New York Trust Company, N.A. as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of August 2, 2004, as supplemented prior to the date hereof (the *"Indenture"*), pursuant to which the Company has originally issued $300,000,000 in principal amount of 7.00% Senior Notes due 2014 (the *"Notes"*); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 10.02 and 10.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation, Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation, and Nomac 100 Corp. ("Nomac 100"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Eighth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Eighth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Eighth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

Section 2.03. As a result of the merger of Nomac 100, with and into Nomac Drilling Corporation, an Oklahoma corporation ("Nomac Drilling"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Nomac 100, shall for all purposes be released as a Subsidiary Guarantor from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Nomac 100 and the signature of an Officer of Nomac 100.

Section 2.04. As the surviving entity in its merger with Nomac 100 and as a Subsidiary Guarantor, Nomac Drilling hereby agrees to assume all of the obligations of Nomac 100.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Eighth Supplemental Indenture. This Eighth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS EIGHTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Eighth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Eighth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human Resources of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.

MC MINERAL COMPANY, L.L.C.
W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY,

N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

Exhibit 4.3.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.75% SENIOR NOTES DUE 2015

TWELFTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS TWELFTH SUPPLEMENTAL INDENTURE, dated as of October 18, 2006, is among Chesapeake Energy Corporation, an Oklahoma corporation (the *"Company"*), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the *"Subsidiary Guarantors"*) and The Bank of New York Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of December 20, 2002, as supplemented prior to the date hereof (the *"Indenture"*), pursuant to which the Company has originally issued $150,000,000 in principal amount of 7.75% Senior Notes due 2015 (the *"Notes"*); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 10.02 and 10.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation, Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation, and Nomac 100 Corp. ("Nomac 100"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Twelfth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Twelfth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Twelfth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

Section 2.03. As a result of the merger of Nomac 100, with and into Nomac Drilling Corporation, an Oklahoma corporation ("Nomac Drilling"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Nomac 100, shall for all purposes be released as a Subsidiary Guarantor from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Nomac 100 and the signature of an Officer of Nomac 100.

Section 2.04. As the surviving entity in its merger with Nomac 100 and as a Subsidiary Guarantor, Nomac Drilling hereby agrees to assume all of the obligations of Nomac 100.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Twelfth Supplemental Indenture. This Twelfth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS TWELFTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Twelfth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Twelfth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human Resources of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA

CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.
MC MINERAL COMPANY, L.L.C.

W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY,

N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

COMMITMENT INCREASE AGREEMENT

This COMMITMENT INCREASE AGREEMENT (this "**Agreement**") is made as of the 1st day of September, 2006 by and among Chesapeake Exploration Limited Partnership, an Oklahoma limited partnership and Chesapeake Appalachia, L.L.C., an Oklahoma limited liability company ("**Co−Borrowers**"), Chesapeake Energy Corporation, an Oklahoma corporation (the "**Company**"), Union Bank of California, N.A., as administrative agent ("**Administrative Agent**"), Union Bank of California, N.A. and BNP Paribas, as Issuing Lenders ("**Issuing Lenders**"), and the Lenders listed on the attached Exhibit A (each a "**Supplemental Lender**", and together the "**Supplemental Lenders**").

1. Co−Borrowers, the Company, Administrative Agent and certain Lenders, as defined therein, are parties to that certain Sixth Amended and Restated Credit Agreement dated as of February 3, 2006 (as amended, supplemented, or restated, the "**Credit Agreement**"). All terms used herein and not otherwise defined shall have the same meaning given to them in the Credit Agreement.

2. Pursuant to Section 2.15 of the Credit Agreement, Co−Borrowers have the right to increase the Total Revolving Commitments by obtaining increases in Revolving Commitments of existing Lenders or additional Revolving Commitments from new Lenders, upon satisfaction of certain conditions. This Agreement requires only the signature of Co−Borrowers, Administrative Agent and the Supplemental Lenders so long as the Total Revolving Commitments are not increased above the amount permitted by Section 2.15 of the Credit Agreement.

3. The Supplemental Lenders are each either (a) an existing Lender which is increasing its Revolving Commitment or (b) a new Lender which is a lending institution whose identity Co−Borrowers, Administrative Agent and Issuing Lenders hereby approve by their signatures below.

4. In consideration of the foregoing, each Supplemental Lender, from and after the date hereof, shall have the Revolving Commitment listed next to its name on the attached Exhibit A, which, in the case of any existing Lender, shall replace the prior Revolving Commitment of such Lender in effect immediately prior to this Agreement, as listed next to its name on the attached Exhibit A, and any Supplemental Lender that is a new Lender hereby assumes all of the rights and obligations of a Lender under the Credit Agreement. This Agreement shall not affect the Revolving Commitments of Lenders who are not Supplemental Lenders.

5. Co−Borrowers have executed and delivered to each Supplemental Lender as of the date hereof, if requested by such Supplemental Lender, a new or replacement Note in the form attached to the Credit Agreement as Exhibit H to evidence the new or increased Revolving Commitment of such Supplemental Lender.

6. Each Supplemental Lender hereby represents and warrants that it has received a copy of the Credit Agreement and such financial statements, documents and information as it has

deemed appropriate to make its own credit analysis and decision to enter into this Agreement, on the basis of which it has made such analysis and decision independently and without reliance on Administrative Agent, Issuing Lenders or any other Lender. Each Supplemental Lender agrees that (1) it will, independently and without reliance on Administrative Agent, Issuing Lenders or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (2) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

7. On the effective date hereof, each Supplemental Lender shall make a Revolving Loan to Co−Borrowers to implement the provisions of Section 2.15 of the Credit Agreement.

8. This Agreement may not be amended, changed, waived or modified, except by a writing executed by the parties hereto. This Agreement, together with the Loan Documents, embodies the entire agreement among each Supplemental Lender, Co−Borrowers, the Company, Administrative Agent and Issuing Lenders with respect to the subject matter hereof and supersedes all other prior arrangements and understandings relating to the subject matter hereof.

9. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original. Each such counterpart shall become effective when counterparts have been executed by all parties hereto. Delivery of an executed counterpart of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

This Agreement shall be governed by, and construed in accordance with, the laws governing the Credit Agreement.

[*Remainder of page intentionally left blank. Signature pages follow*.]

IN WITNESS WHEREOF, Administrative Agent, Co−Borrowers, the Company and the Supplemental Lenders have executed this Agreement as of the date shown above.

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP

By: Chesapeake Operating, Inc., its general partner

By: /s/ MARTHA A. BURGER
Martha A. Burger
Treasurer and Senior Vice President
– Human Resources

CHESAPEAKE APPALACHIA, L.L.C.

By: /s/ MARTHA A. BURGER
Martha A. Burger
Treasurer and Senior Vice President
– Human Resources

CHESAPEAKE ENERGY CORPORATION

By: /s/ MARTHA A. BURGER
Martha A. Burger
Treasurer and Senior Vice President
– Human Resources

UNION BANK OF CALIFORNIA, N.A.,
as Administrative Agent and Issuing Lender

By: /s/ RANDALL L. OSTERBERG
Name: Randall L. Osterberg
Title: Sr. Vice President – US Marketing Mgr.

BNP PARIBAS, as Issuing Lender

By: /s/ DAVID DODD
Name: David Dodd
Title: Director

By: /s/ ROBERT LONG
Name: Robert Long
Title: Vice President

BANK OF AMERICA, N.A.,
as Supplemental Lender

By: /s/ RONALD E. McKAIG
Name: Ronald E. McKaig
Title: Senior Vice President

CALYON NEW YORK BRANCH,
as Supplemental Lender

By: /s/ MICHAEL D. WILLIS
Name: Michael D. Willis
Title: Director

By: /s/ DENNIS E. PETITO
Name: Dennis E. Petito
Title: Managing Director

SUNTRUST BANK, as Supplemental Lender

By: /s/ SEAN M. ROCHE
Name: Sean M. Roche
Title: Vice President

FORTIS CAPITAL CORP., as Supplemental Lender

By: /s/ DARRELL HOLLEY
Name: Darrell Holley
Title: Managing Director

By: /s/ CASEY LOWARY
Name: Casey Lowary
Title: Senior Vice President

WACHOVIA BANK NATIONAL ASSOCIATION,

as Supplemental Lender

By: /s/ JAY BUCKMAN
Name: Jay Buckman
Title: Vice President

THE ROYAL BANK OF SCOTLAND plc, as

Supplemental Lender

By: /s/ SCOTT L. JOYCE
Name: Scott L. Joyce
Title: Vice President

WELLS FARGO BANK, N.A., as Supplemental Lender

By: /s/ DUSTIN S. HANSEN
Name: Dustin S. Hansen
Title: Vice President

BANK OF SCOTLAND, as Supplemental Lender

By: /s/ KAREN WEICH
Name: Karen Weich
Title: Assistant Vice President

BMO CAPITAL MARKETS FINANCING, INC.,

as Supplemental Lender

By: /S/ MARY LOU ALLEN
Name: Mary Lou Allen
Title: Vice President

BARCLAYS BANK PLC, as Supplemental Lender

By: /s/ NICHOLAS BELL
Name: Nicholas Bell
Title: Director

ABN AMRO BANK N.V. , as Supplemental Lender

By: /s/ JOSHUA WOLF
Name: Joshua Wolf
Title: Vice President

By: /s/ JIM MOYES
Name: Jim Moyes
Title: Managing Director

COMERICA BANK, as Supplemental Lender

By: /s/ PETER L. SEFZIK
Name: Peter L. Sefzik
Title: Vice President

ROYAL BANK OF CANADA, as Supplemental Lender

By: /s/ DON J. McKINNERNEY
Name: Don J. McKinnerney
Title: Authorized Signatory

TORONTO DOMINION (TEXAS) LLC, as

Supplemental Lender

By: /s/ JACKIE BARRETT
Name: Jackie Barrett
Title: Authorized Signatory

BAYERISCHE HYPO−UND VEREINSBANK AG

− NEW YORK BRANCH, as Supplemental Lender

By: /s/ ANDREW MATTHEWS
Name: Andrew Mathews
Title: Managing Director

By: /s/ ROGER G. EUSTANCE
Name: Roger G. Eustance
Title: Director

RZB FINANCE LLC, as Supplemental Lender

By: /s/ HERMINE KIROLOS
Name: Hermine Kirolos
Title: Group Vice President

By: /s/ PEARL GEFFERS
Name: Pearl Geffers
Title: First Vice President

DZ BANK AG DEUTSCHE ZENTRAL −

GENOSSENSCHRAFTBANK FRANKFURT AM

MAIN, NEW YORK BRANCH, as Supplemental

Lender

By: /s/ WILLIAM G. ROOS
Name: William G. Roos
Title: Senior Vice President

By: /s/ DARIA A. PIAHKO
Name: Daria A. Piahko
Title: First Vice President

WESTLB AG, NY BRANCH, as Supplemental Lender

By: /s/ THOMAS D. MURRAY
Name: Thomas D. Murray
Title: Managing Director

By: /s/ PAUL VASTOLA
Name: Paul Vastola
Title: Director

MIDFIRST BANK, as Supplemental Lender

By: /s/ STEVE A. GRIFFIN
Name: Steve A. Griffin
Title: Senior Vice President

MORGAN STANLEY BANK, as Supplemental Lender

By: /s/ DANIEL TWENGE
Name: Daniel Twenge
Title: Authorized Signatory

BEAR STEARNS CORPORATE LENDING INC. ,

as Supplemental Lender

By: /s/ LINDA A. CARPER
Name: Linda A. Carper
Title: Vice President

CREDIT SUISSE, CAYMAN ISLANDS BRANCH,

as Supplemental Lender

By: /s/ DAVID DODD
Name: David Dodd
Title: Vice President

By: /s/ SHAHEEN MALIK
Name: Shaheen Malik
Title: Associate

UBS LOAN FINANCE LLC, as Supplemental Lender

By: /s/ RICHARD L. TAVROW
Name: Richard L. Tavrow
Title: Director

By: /s/ IRJA R. Olsa
Name: Irja R. Olsa
Title: Associate Director

DEUTSCHE BANK TRUST COMPANY

AMERICAS, as Supplemental Lender

By: /s/ SAAD IQBAL
Name: Saad Iqbal
Title: Vice President

By: /s/ EVELYN THIERRY
Name: Evelyn Thierry
Title: Vice President

GOLDMAN SACHS CREDIT PARTNERS, L.P.,

as Supplemental Lender

By: /s/ WILLIAM ARCHER
Name: William Archer
Title: Managing Director

LEHMAN COMMERCIAL PAPER INC., as

Supplemental Lender

By: /s/ DIANE ALBANESE
Name: Diane Albanese
Title: Authorized Signatory

Exhibit A

Supplemental Lender	Prior Revolving Commitment	New Revolving Commitment
Bank of America, N.A.	$ 125,000,000	$ 150,000,000
Calyon New York Branch	$ 125,000,000	$ 150,000,000
SunTrust Bank	$ 125,000,000	$ 150,000,000
Fortis Capital Corp.	$ 125,000,000	$ 150,000,000
Wachovia Bank National Association	$ 100,000,000	$ 125,000,000
Royal Bank of Scotland	$ 100,000,000	$ 150,000,000
Wells Fargo Bank, N.A.	$ 100,000,000	$ 125,000,000
Bank of Scotland	$ 100,000,000	$ 125,000,000
BMO Capital Markets Financing, Inc.	$ 65,000,000	$ 100,000,000
Barclays Bank PLC	$ 40,000,000	$ 55,000,000
ABN AMRO Bank N.V.	$ 40,000,000	$ 65,000,000
Comerica Bank	$ 50,000,000	$ 100,000,000
Royal Bank of Canada	$ 45,000,000	$ 50,000,000
Toronto Dominion (Texas) LLC	$ 35,000,000	$ 50,000,000
Bayerische Hypo−und Vereinsbank AG – New York Branch	$ 30,000,000	$ 50,000,000
RZB Finance LLC	$ 30,000,000	$ 40,000,000
DZ Bank AG Deutsche Zentral – Genossenschraftbank Frankfurt am Main, New York Branch	$ 30,000,000	$ 35,000,000
WestLB AG, NY Branch	$ 30,000,000	$ 50,000,000
MidFirst Bank	$ 30,000,000	$ 35,000,000
Morgan Stanley Bank	$ 10,000,000	$ 20,000,000
Bear Stearns Corporate Lending Inc.	$ 10,000,000	$ 20,000,000
Credit Suisse, Cayman Islands Branch	$ 10,000,000	$ 20,000,000
UBS Loan Finance LLC	$ 10,000,000	$ 20,000,000
Deutsche Bank Trust Company Americas	$ 10,000,000	$ 20,000,000
Goldman Sachs Credit Partners, L.P.	$ 10,000,000	$ 20,000,000
Lehman Commercial Paper Inc.	$ 10,000,000	$ 20,000,000
Increase in Total Revolving Commitments	$500,000,000	

Exhibit 4.6.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.5% SENIOR NOTES DUE 2013

ELEVENTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS ELEVENTH SUPPLEMENTAL INDENTURE, dated as of October 18, 2006, is among Chesapeake Energy Corporation, an Oklahoma corporation (the *"Company"*), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the *"Subsidiary Guarantors"*) and The Bank of New York Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of March 5, 2003, as supplemented prior to the date hereof (the *"Indenture"*), pursuant to which the Company has originally issued $300,000,000 in principal amount of 7.5% Senior Notes due 2013 (the *"Notes"*); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 10.02 and 10.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation, Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation, and Nomac 100 Corp. ("Nomac 100"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Eleventh Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Eleventh Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Eleventh Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

Section 2.03. As a result of the merger of Nomac 100, with and into Nomac Drilling Corporation, an Oklahoma corporation ("Nomac Drilling"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Nomac 100, shall for all purposes be released as a Subsidiary Guarantor from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Nomac 100 and the signature of an Officer of Nomac 100.

Section 2.04. As the surviving entity in its merger with Nomac 100 and as a Subsidiary Guarantor, Nomac Drilling hereby agrees to assume all of the obligations of Nomac 100.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Eleventh Supplemental Indenture. This Eleventh Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS ELEVENTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Eleventh Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Eleventh Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human Resources of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA

CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.
MC MINERAL COMPANY, L.L.C.

W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.875% SENIOR NOTES DUE 2016

NINTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS NINTH SUPPLEMENTAL INDENTURE, dated as of October 18, 2006, is among Chesapeake Energy Corporation, an Oklahoma corporation (the *"Company"*), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the *"Subsidiary Guarantors"*) and The Bank of New York Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of November 26, 2003, as supplemented prior to the date hereof (the *"Indenture"*), pursuant to which the Company has originally issued $200,000,000 in principal amount of 6.875% Senior Notes due 2016 (the *"Notes"*); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 10.02 and 10.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation, Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation, and Nomac 100 Corp. ("Nomac 100"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Ninth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Ninth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Ninth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

Section 2.03. As a result of the merger of Nomac 100, with and into Nomac Drilling Corporation, an Oklahoma corporation ("Nomac Drilling"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Nomac 100, shall for all purposes be released as a Subsidiary Guarantor from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Nomac 100 and the signature of an Officer of Nomac 100.

Section 2.04. As the surviving entity in its merger with Nomac 100 and as a Subsidiary Guarantor, Nomac Drilling hereby agrees to assume all of the obligations of Nomac 100.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Ninth Supplemental Indenture. This Ninth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS NINTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Ninth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Ninth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human Resources of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA

CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.
MC MINERAL COMPANY, L.L.C.

W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.375% SENIOR NOTES DUE 2015

SEVENTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS SEVENTH SUPPLEMENTAL INDENTURE, dated as of October 18, 2006, is among Chesapeake Energy Corporation, an Oklahoma corporation (the *"Company"*), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the *"Subsidiary Guarantors"*) and The Bank of New York Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of December 8, 2004, as supplemented prior to the date hereof (the *"Indenture"*), pursuant to which the Company has originally issued $600,000,000 in principal amount of 6.375% Senior Notes due 2015 (the *"Notes"*); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 10.02 and 10.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation, Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation, and Nomac 100 Corp. ("Nomac 100"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Seventh Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Seventh Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Seventh Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

Section 2.03. As a result of the merger of Nomac 100, with and into Nomac Drilling Corporation, an Oklahoma corporation ("Nomac Drilling"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Nomac 100, shall for all purposes be released as a Subsidiary Guarantor from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Nomac 100 and the signature of an Officer of Nomac 100.

Section 2.04. As the surviving entity in its merger with Nomac 100 and as a Subsidiary Guarantor, Nomac Drilling hereby agrees to assume all of the obligations of Nomac 100.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Seventh Supplemental Indenture. This Seventh Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS SEVENTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Seventh Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Seventh Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human Resources of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA

CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.

MC MINERAL COMPANY, L.L.C.
W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

Exhibit 4.9.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.625% SENIOR NOTES DUE 2016

FIFTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS FIFTH SUPPLEMENTAL INDENTURE, dated as of October 18, 2006, is among Chesapeake Energy Corporation, an Oklahoma corporation (the *"Company"*), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the *"Subsidiary Guarantors"*) and The Bank of New York Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of April 19, 2005, as supplemented prior to the date hereof (the *"Indenture"*), pursuant to which the Company has originally issued $600,000,000 in principal amount of 6.625% Senior Notes due 2016 (the *"Notes"*); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 10.02 and 10.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation, Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation, and Nomac 100 Corp. ("Nomac 100"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Fifth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Fifth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Fifth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

Section 2.03. As a result of the merger of Nomac 100, with and into Nomac Drilling Corporation, an Oklahoma corporation ("Nomac Drilling"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Nomac 100, shall for all purposes be released as a Subsidiary Guarantor from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Nomac 100 and the signature of an Officer of Nomac 100.

Section 2.04. As the surviving entity in its merger with Nomac 100 and as a Subsidiary Guarantor, Nomac Drilling hereby agrees to assume all of the obligations of Nomac 100.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Fifth Supplemental Indenture. This Fifth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS FIFTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Fifth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human Resources of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA

CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED

PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.

MC MINERAL COMPANY, L.L.C.
W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

Exhibit 4.10.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.25% SENIOR NOTES DUE 2018

FOURTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS FOURTH SUPPLEMENTAL INDENTURE, dated as of October 18, 2006, is among Chesapeake Energy Corporation, an Oklahoma corporation (the *"Company"*), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the *"Subsidiary Guarantors"*) and The Bank of New York Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of June 20, 2005, (the *"Indenture"*), pursuant to which the Company has originally issued $600,000,000 in principal amount of 6.25% Senior Notes due 2018 (the *"Notes"*); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 10.02 and 10.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation, Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation, and Nomac 100 Corp. ("Nomac 100"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Fourth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Fourth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Fourth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

Section 2.03. As a result of the merger of Nomac 100, with and into Nomac Drilling Corporation, an Oklahoma corporation ("Nomac Drilling"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Nomac 100, shall for all purposes be released as a Subsidiary Guarantor from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Nomac 100 and the signature of an Officer of Nomac 100.

Section 2.04. As the surviving entity in its merger with Nomac 100 and as a Subsidiary Guarantor, Nomac Drilling hereby agrees to assume all of the obligations of Nomac 100.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Fourth Supplemental Indenture. This Fourth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS FOURTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Fourth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human Resources of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA

CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.

MC MINERAL COMPANY, L.L.C.
W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.5% SENIOR NOTES DUE 2017

FIFTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS FIFTH SUPPLEMENTAL INDENTURE, dated as of October 18, 2006, is among Chesapeake Energy Corporation, an Oklahoma corporation (the *"Company")*, each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the *"Subsidiary Guarantors"*) and The Bank of New York Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of August 16, 2005, as supplemented prior to the date hereof (the "Indenture"), pursuant to which the Company has originally issued $600,000,000 in principal amount of 6.5% Senior Notes due 2017 (the "Notes"); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 10.02 and 10.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation, Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation, and Nomac 100 Corp. ("Nomac 100"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Fifth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Fifth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Fifth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

Section 2.03. As a result of the merger of Nomac 100, with and into Nomac Drilling Corporation, an Oklahoma corporation ("Nomac Drilling"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Nomac 100, shall for all purposes be released as a Subsidiary Guarantor from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Nomac 100 and the signature of an Officer of Nomac 100.

Section 2.04. As the surviving entity in its merger with Nomac 100 and as a Subsidiary Guarantor, Nomac Drilling hereby agrees to assume all of the obligations of Nomac 100.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Fifth Supplemental Indenture. This Fifth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS FIFTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Fifth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human Resources of the Company and of the Subsidiaries listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA

CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED

PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.

MC MINERAL COMPANY, L.L.C.
W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY,

N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

Exhibit 4.12.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

6.875% SENIOR NOTES DUE 2020

FOURTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS FOURTH SUPPLEMENTAL INDENTURE, dated as of October 18, 2006, is among Chesapeake Energy Corporation, an Oklahoma corporation (the *"Company"*), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the *"Subsidiary Guarantors"*) and The Bank of New York Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of November 8, 2005, (the *"Indenture"*), pursuant to which the Company has originally issued $500,000,000 in principal amount of 6.875% Senior Notes due 2020 (the *"Notes"*); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 10.02 and 10.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation, Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation, and Nomac 100 Corp. ("Nomac 100"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Fourth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Fourth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Fourth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

Section 2.03. As a result of the merger of Nomac 100, with and into Nomac Drilling Corporation, an Oklahoma corporation ("Nomac Drilling"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Nomac 100, shall for all purposes be released as a Subsidiary Guarantor from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Nomac 100 and the signature of an Officer of Nomac 100.

Section 2.04. As the surviving entity in its merger with Nomac 100 and as a Subsidiary Guarantor, Nomac Drilling hereby agrees to assume all of the obligations of Nomac 100.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Fourth Supplemental Indenture. This Fourth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS FOURTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Fourth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human

Resources of the Company and of the

Subsidiaries listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA

CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the

following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the

following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.

MC MINERAL COMPANY, L.L.C.
W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

Exhibit 4.13.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

2.75% CONTIGENT CONVERTIBLE SENIOR NOTES DUE 2035

FOURTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS FOURTH SUPPLEMENTAL INDENTURE, dated as of October 18, 2006, is among Chesapeake Energy Corporation, an Oklahoma corporation (the *"Company"*), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the *"Subsidiary Guarantors"*) and The Bank of New York Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of November 8, 2005, (the *"Indenture"*), pursuant to which the Company has originally issued $690,000,000 in principal amount of 2.75% Contingent Convertible Senior Notes due 2035 (the *"Notes"*); and

WHEREAS, Section 10.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 11.02 and 11.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation, Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation, and Nomac 100 Corp. ("Nomac 100"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this Fourth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This Fourth Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This Fourth Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 11.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 11.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

Section 2.03. As a result of the merger of Nomac 100, with and into Nomac Drilling Corporation, an Oklahoma corporation ("Nomac Drilling"), which constitutes a merger with a Subsidiary Guarantor under Section 11.02(a) of the Indenture, Nomac 100, shall for all purposes be released as a Subsidiary Guarantor from all Guarantees and related obligations in the Indenture, pursuant to Section 11.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the name of Nomac 100 and the signature of an Officer of Nomac 100.

Section 2.04. As the surviving entity in its merger with Nomac 100 and as a Subsidiary Guarantor, Nomac Drilling hereby agrees to assume all of the obligations of Nomac 100.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this Fourth Supplemental Indenture. This Fourth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS FOURTH SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this Fourth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human

Resources of the Company and of the

Subsidiaries listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA

CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the

following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the

following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.

MC MINERAL COMPANY, L.L.C.
W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY,

N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

Exhibit 4.14.1

CHESAPEAKE ENERGY CORPORATION

and

the Subsidiary Guarantors named herein

7.625% SENIOR NOTES DUE 2013

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A.

as Trustee

THIS FIRST SUPPLEMENTAL INDENTURE, dated as of October 18, 2006, is among Chesapeake Energy Corporation, an Oklahoma corporation (the *"Company"*), each of the parties identified under the caption "Subsidiary Guarantors" on the signature page hereto (the *"Subsidiary Guarantors"*) and The Bank of New York Trust Company, N.A., as Trustee.

RECITALS

WHEREAS, the Company, the Subsidiary Guarantors a party thereto and the Trustee entered into an Indenture, dated as of June 30, 2006, as supplemented prior to the date hereof (the *"Indenture"*), pursuant to which the Company has originally issued $500,000,000 in principal amount of 7.625% Senior Notes due 2013 (the *"Notes"*); and

WHEREAS, Section 9.01(3) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without notice to or consent of any Holder to reflect the release of any Subsidiary Guarantor as provided for in the Indenture; and

WHEREAS, the Company has taken all actions required to effect the release, pursuant to Sections 10.02 and 10.04 of the Indenture, of Hodges Holding Company, Inc. ("Hodges Holding"), an Oklahoma corporation and Hodges Oilfield Company ("Hodges Oilfield"), an Oklahoma corporation as Subsidiary Guarantors.

WHEREAS, all acts and things prescribed by the Indenture, by law and by the charter and the bylaws (or comparable constituent documents) of the Company, of the Subsidiary Guarantors and of the Trustee necessary to make this First Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

NOW, THEREFORE, to comply with the provisions of the Indenture and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree for the equal and proportionate benefit of the respective Holders of the Notes as follows:

ARTICLE 1

Section 1.01. This First Supplemental Indenture is supplemental to the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02. This First Supplemental Indenture shall become effective immediately upon its execution and delivery by each of the Company, the Subsidiary Guarantors and the Trustee.

ARTICLE 2

Section 2.01. As a result of the merger of Hodges Holding and Hodges Oilfield, with and into Hodges Trucking Company, L.L.C, an Oklahoma limited liability company ("Hodges Trucking"), which constitutes a merger with a Subsidiary Guarantor under Section 10.02(a) of the Indenture, Hodges Holding and Hodges Oilfield, shall for all purposes be released as Subsidiary Guarantors from all Guarantees and related obligations in the Indenture, pursuant to Section 10.04 of the Indenture. The notation on the Securities relating to the Guarantee shall be deemed to exclude the names of Hodges Holding and Hodges Oilfield and the signatures of Officers of Hodges Holding and Hodges Oilfield.

Section 2.02. As the surviving entity in its merger with Hodges Holding and Hodges Oilfield and as a Subsidiary Guarantor, Hodges Trucking hereby agrees to assume all of the obligations of Hodges Holding and Hodges Oilfield.

ARTICLE 3

Section 3.01. Except as specifically modified herein, the Indenture and the Notes are in all respects ratified and confirmed (*mutatis mutandis*) and shall remain in full force and effect in accordance with their terms with all capitalized terms used herein without definition having the same respective meanings ascribed to them as in the Indenture.

Section 3.02. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee by reason of this First Supplemental Indenture. This First Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect hereto.

Section 3.03. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE AND ENFORCE THIS FIRST SUPPLEMENTAL INDENTURE.

Section 3.04. The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed, all as of the date first written above.

/s/ Martha A. Burger
Martha A. Burger

Treasurer and Senior Vice President − Human

Resources of the Company and of the Subsidiaries

listed below:

Corporate Subsidiaries:

CHESAPEAKE EAGLE CANADA CORP.
CHESAPEAKE ENERGY LOUISIANA

CORPORATION
CHESAPEAKE SOUTH TEXAS CORP.
NOMAC DRILLING CORPORATION

CHESAPEAKE OPERATING, INC.,
On behalf of itself and, as general partner, the

following limited partnerships:

CHESAPEAKE EXPLORATION LIMITED
PARTNERSHIP
CHESAPEAKE LOUISIANA, L.P.
CHESAPEAKE SIGMA, L.P.

CHESAPEAKE ENERGY MARKETING, INC.,
On behalf of itself and, as general partner, the

following limited partnerships:

MIDCON COMPRESSION, L.P.

Limited Liability Company Subsidiaries:

CARMEN ACQUISITION, L.L.C.
CHESAPEAKE ACQUISITION, L.L.C.
CHESAPEAKE APPALACHIA, L.L.C.
CHESAPEAKE LAND COMPANY, L.L.C.
CHESAPEAKE ORC, L.L.C.
CHESAPEAKE ROYALTY, L.L.C.
GOTHIC PRODUCTION, L.L.C.
HAWG HAULING & DISPOSAL, L.L.C.
HODGES TRUCKING COMPANY, L.L.C.
MAYFIELD PROCESSING, L.L.C.

MC MINERAL COMPANY, L.L.C.
W.W. REALTY, L.L.C.

TRUSTEE:

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: /s/ Linda Garcia
Name: Linda Garcia
Title: Assistant Vice President

CHESAPEAKE ENERGY CORPORATION

2003 STOCK INCENTIVE PLAN

(as amended through February 13, 2006)

CHESAPEAKE ENERGY CORPORATION

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ARTICLE I

PURPOSE

Section 1.1 *Purpose*. This 2003 Stock Incentive Plan is established by Chesapeake Energy Corporation (the "Company") to create incentives which are designed to motivate Employees and Consultants to put forth maximum effort toward the success and growth of the Company and to enable the Company to attract and retain experienced individuals who by their position, ability and diligence are able to make important contributions to the Company's success. Toward these objectives, the Plan provides for the granting of Options and Restricted Stock Awards to Employees and Consultants on the terms and subject to the conditions set forth in the Plan. The Plan is designed to align the interests of participants with those of shareholders through the use of stock−based incentives.

Section 1.2 *Establishment.* The Plan is effective as of April 15, 2003 and for a period of 10 years from such date. The Plan will terminate on April 14, 2013; however, it will continue in effect until all matters relating to the exercise of Options, distribution of Awards and administration of the Plan have been settled.

Section 1.3 *Shares Subject to the Plan*. Subject to the limitations and adjustments set forth in this Plan, Awards may be made under this Plan for a total of 10,000,000 shares of Common Stock.

Section 1.4 *Shareholder Approval.* The Plan shall be subject to Shareholder Approval, which must occur within the period ending twelve months after the date the Plan is adopted by the Board. Pending such Shareholder Approval, Awards under the Plan may be granted, but Options may not be exercised nor may Restricted Stock Awards vest prior to receipt of such Shareholder Approval. In the event such Shareholder Approval is not obtained within such twelve−month period, all such Awards shall be void.

ARTICLE II

DEFINITIONS

Section 2.1 *"Affiliated Entity"* means any partnership or limited liability company in which a majority of voting power thereof is owned or controlled, directly or indirectly, by the Company or one or more of its Subsidiaries or Affiliated Entities or a combination thereof.

Section 2.2 *"Award"* means, individually or collectively, any Option or Restricted Stock Award granted under the Plan to an Eligible Person by the applicable Committee pursuant to such terms, conditions, restrictions, and/or limitations, if any, as the applicable Committee may establish by the Award Agreement or otherwise.

Section 2.3 *"Award Agreement"* means any written instrument that establishes the terms, conditions, restrictions, and/or limitations applicable to an Award in addition to those established by this Plan and by the Committee's exercise of its administrative powers.

Section 2.4 *"Board"* means the Board of Directors of the Company.

Section 2.5 *"Change of Control"* means, for Participants other than Executive Officers, the occurrence of any of the following:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d−3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"). For purposes of this paragraph 2.5 the following acquisitions by a Person will not constitute a Change of Control: (1) any acquisition directly from the Company; (2) any acquisition by the Company; (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of paragraph (iii) below;

(ii) the individuals who, as of the date hereof, constitute the board of directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the board of directors. Any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board as of the date hereof, but any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board will not be deemed a member of the Incumbent Board as of the date hereof;

(iii) the consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), unless following such Business Combination: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding

voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) the approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

For Executive Officers, a Change of Control means the occurrence of any of the foregoing events or a change of control as defined in such Executive Officer's employment agreement in force at the time of determination.

Section 2.6 *"Code"* means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any Section of the Code shall be deemed to include any amendments or successor provisions to such Section and any regulations under such Section.

Section 2.7 *"Committee"* has the meaning set forth in Section 3.1.

Section 2.8 *"Common Stock"* means the common stock, par value $.01 per share, of the Company and, after substitution, such other stock as shall be substituted therefor as provided in Article VII or Article IX of the Plan.

Section 2.9 *"Compensation Committee"* means a committee designated by the Board which will consist of not less than two members of the Board who meet the definition of "non−employee directors" pursuant to Rule 16b−3, or any successor rule, promulgated under Section 16 of the Exchange Act unless another committee is designated by the Board of Directors.

Section 2.10 *"Consultant"* means any person who is engaged by the Company, a Subsidiary or an Affiliated Entity to render consulting or advisory services.

Section 2.11 *"Date of Grant"* means the date on which the grant of an Award is authorized by the Committee or such later date as may be specified by the Committee in such authorization.

Section 2.12 *"Disability"* has the meaning set forth in Section 22(e)(3) of the Code.

Section 2.13 *"Eligible Person"* means any Employee or Consultant.

Section 2.14 *"Employee"* means any employee of the Company, a Subsidiary or an Affiliated Entity.

Section 2.15 *"Employee Compensation Committee"* means the Employee Compensation and Benefits Committee designated by the Board which shall consist of not less than one member of the Board.

Section 2.16 *"Exchange Act"* means the Securities Exchange Act of 1934, as amended.

Section 2.17 *"Executive Officer Participants"* means Participants who are subject to the provisions of Section 16 of the Exchange Act with respect to the Common Stock.

Section 2.18 *"Fair Market Value"* means, as of any date, (i) if the principal market for the Common Stock is a national securities exchange or the Nasdaq stock market, the closing price of the Common Stock on that date on the principal exchange on which the Common Stock is then listed or admitted to trading; or (ii) if sale prices are not available or if the principal market for the Common Stock is not a national securities exchange and the Common Stock is not quoted on the Nasdaq stock market, the average of the highest bid and lowest asked prices for the Common Stock on such day as reported on the Nasdaq OTC Bulletin Board Service or by the National Quotation Bureau, Incorporated or a comparable service. If the day is not a business day, and as a result, clauses (i) and (ii) are inapplicable, the Fair Market Value of the Common Stock shall be determined as of the last preceding business day. If clauses (i) and (ii) are otherwise inapplicable, the Fair Market Value of the Common Stock shall be determined in good faith by the Committee.

Section 2.19 *"Incentive Stock Option"* means an Option within the meaning of Section 422 of the Code.

Section 2.20 *"Non−Executive Officer Participants"* means Participants who are not subject to the provisions of Section 16 of the Exchange Act.

Section 2.21 *"Nonqualified Stock Option"* means an Option to purchase shares of Common Stock which is not an Incentive Stock Option within the meaning of Section 422(b) of the Code.

Section 2.22 *"Option"* means an Incentive Stock Option or Nonqualified Stock Option granted under Article V of the Plan.

Section 2.23 *"Participant"* means an Eligible Person to whom an Award has been granted by the Committee under the Plan.

Section 2.24 *"Plan""* means the Chesapeake Energy Corporation 2003 Stock Incentive Plan.

Section 2.25 *"Restricted Stock Award"* means an Award granted to an Eligible Person under Article VI of the Plan.

Section 2.26 *"Shareholder Approval"* means approval by the holders of a majority of the outstanding shares of Common Stock, present or represented and entitled to vote at a meeting called for such purposes.

Section 2.27 *"Subsidiary"* shall have the same meaning set forth in Section 424(f) of the Code.

ARTICLE III

ADMINISTRATION

Section 3.1 *Administration of the Plan; the Committee*. The Employee Compensation Committee shall administer the Plan with respect to Non−Executive Officer Participants, including the grant of Awards, and the Compensation Committee shall administer the Plan with respect to Executive Officer Participants, including the grant of Awards. Accordingly, as used in the Plan, the term "Committee" shall mean the Employee Compensation Committee if it refers to Plan administration affecting Non−Executive Officer Participants or the Compensation Committee if it refers to Plan administration affecting Executive Officer Participants. Although the Committee is generally responsible for the administration of the Plan, the Board in its sole discretion may take any action under the Plan that would otherwise be the responsibility of the Committee.

Unless otherwise provided in the bylaws of the Company or resolutions adopted from time to time by the Board establishing the Committee, the Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, shall be filled by the Board. The Committee shall hold meetings at such times and places as it may determine. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present shall be the valid acts of the Committee. Any action which may be taken at a meeting of the Committee may be taken without a meeting if all the members of the Committee consent to the action in writing.

Subject to the provisions of the Plan and review by the Board, the Committee shall have exclusive power to:

(a) Select the Eligible Persons to participate in the Plan.

(b) Determine the time or times when Awards will be granted.

(c) Determine the form of Award, whether an Incentive Stock Option, a Nonqualified Stock Option or a Restricted Stock Award, the number of shares of Common Stock subject to any Award, all the terms, conditions (including performance requirements), restrictions and/or limitations, if any, of an Award, including the time and conditions of exercise or vesting, and the terms of any Award Agreement, which may include the waiver or amendment of prior terms and conditions or acceleration of the vesting or exercise of an Award under certain circumstances determined by the Committee. However, the Committee will not reprice outstanding Awards.

(d) Determine whether Awards will be granted singly or in combination.

(e) Take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

Section 3.2 *Committee to Make Rules and Interpret Plan*. The Committee in its sole discretion shall have the authority, subject to the provisions of the Plan and review by the Board, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee's interpretation of the Plan or any Awards granted pursuant hereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties unless otherwise determined by the Board.

ARTICLE IV

GRANT OF AWARDS

The Committee may, from time to time, grant Awards to one or more Participants, provided, however, that:

(a) Any shares of Common Stock related to Awards which terminate by expiration, forfeiture, cancellation or otherwise shall be available again for grant under the Plan.

(b) Common Stock delivered by the Company upon exercise of an Option or upon payment of an Award under the Plan may be authorized and unissued Common Stock or Common Stock held in the treasury of the Company.

(c) The Committee shall, in its sole discretion, determine the manner in which fractional shares arising under this Plan shall be treated.

(d) Subject to Article VII, the aggregate number of shares of Common Stock made subject to Options and Restricted Stock Awards granted to any Employee in any calendar year may not exceed two million shares.

ARTICLE V

STOCK OPTIONS

Section 5.1 *Grant of Options.* The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant Nonqualified Stock Options to any Eligible Persons and Incentive Stock Options to Employees. Subject to the limitations of Section 5.2(e), these Options may be Incentive Stock Options or Nonqualified Stock Options, or a combination of both. Each grant of an Option shall be evidenced by an Award Agreement executed by the Company and the Participant, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the requirements of Section 5.2.

Section 5.2 *Conditions of Options*. Each Option so granted shall be subject to the following conditions:

(a) Exercise Price. As limited by Section 5.2(e) below, the Award Agreement for each Option shall state the exercise price set by the Committee on the Date of Grant. No Option shall be granted at an exercise price which is less than the Fair Market Value of the Common Stock on the Date of Grant.

(b) Form of Payment. The payment of the exercise price of an Option shall be subject to the following:

(i) The full exercise price for shares of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise.

(ii) The exercise price shall be payable in cash (including a check acceptable to the Committee, bank draft or money order) or by tendering, by either actual delivery of shares or by attestation, shares of Common Stock acceptable to the Committee and valued at Fair Market Value as of the day of exercise, or any combination thereof, as determined by the Committee.

(iii) The Committee may permit an Option granted under the Plan to be exercised by a participant in conjunction with a broker−dealer acting on behalf of a Participant, such broker−dealer to remit the exercise price and any applicable withholding taxes directly to the Company, through procedures approved by the Committee.

(c) *Exercise of Options*. Options granted under the Plan shall be exercisable, in whole or in such installments and at such times, and shall expire at such time, as shall be provided by the Committee in the Award Agreement. Exercise of an Option shall be by written notice stating the election to exercise in the form and manner determined by the Committee. Every share of Common Stock acquired through the exercise of an Option shall be deemed to be fully paid at the time of exercise and payment of the exercise price. Upon the exercise of any Option, the Company shall issue and deliver to the Participant who exercised the Option a certificate representing the number of shares of Common Stock purchased thereby.

(d) *Other Terms and Conditions*. Among other conditions that may be imposed by the Committee, if deemed appropriate, are those relating to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which Participants must be employed by the Company, a Subsidiary or Affiliated Entity, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) the maximum period that Participants will be allowed to be inactively employed or on a leave of absence before their vesting is suspended until they return to active employment; (v) conditions under which such Options or shares may be subject to forfeiture; (vi) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time; (vii) the achievement by the Company of specified performance criteria; and (viii) protection of business matters.

(e) *Special Restrictions Relating to Incentive Stock Options*. Options issued in the form of Incentive Stock Options shall only be granted to Employees of the Company or a Subsidiary and not to Employees of an Affiliated Entity unless such entity is classified as a “disregarded entity” of the Company or the applicable Subsidiary under the Code. In addition to being subject to all applicable terms, conditions, restrictions and/or limitations established by the Committee, Options issued in the form of Incentive Stock Options shall comply with the requirements of Section 422 of the Code (or any successor Section thereto), including, without limitation, the requirement that the exercise price of an Incentive Stock Option not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant, the requirement that each Incentive Stock Option, unless sooner exercised, terminated or canceled, expire no later than 10 years from its Date of

Grant, and the requirement that the aggregate Fair Market Value (determined on the Date of Grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan of the Company or any Subsidiary) not exceed $100,000. Incentive Stock Options which are in excess of the applicable $100,000 limitation will be automatically recharacterized as Nonqualified Stock Options as provided under Section 5.3 of this Plan. No Incentive Stock Options shall be granted to any Employee if, immediately before the grant of an Incentive Stock Option, such Employee owns more than 10% of the total combined voting power of all classes of stock of the Company or its Subsidiaries (as determined in accordance with the stock attribution rules contained in Sections 422 and 424(d) of the Code). Provided, the preceding sentence shall not apply if, at the time the Incentive Stock Option is granted, the exercise price is at least 110% of the Fair Market Value of the Common Stock subject to the Incentive Stock Option, and such Incentive Stock Option by its terms is exercisable no more than five years from the date such Incentive Stock Option is granted.

(f) *Application of Funds*. The proceeds received by the Company from the sale of Common Stock issued upon the exercise of Options will be used for general corporate purposes.

(g) *Shareholder Rights*. No Participant shall have any rights as a shareholder with respect to any share of Common Stock subject to an Option prior to the purchase of such share of Common Stock by exercise of the Option.

Section 5.3 *Options Not Qualifying as Incentive Stock Options.* With respect to all or any portion of any Option granted under this Plan not qualifying as an "incentive stock option" under Section 422 of the Code, such Option shall be considered a Nonqualified Stock Option granted under this Plan for all purposes. Further, this Plan and any Incentive Stock Options granted hereunder shall be deemed to have incorporated by reference all the provisions and requirements of Section 422 of the Code (and the Treasury Regulations issued thereunder) necessary to ensure that all Incentive Stock Options granted hereunder shall be "incentive stock options" described in Section 422 of the Code. Further, in the event that the $100,000 limitation contained in Section 5.2(e) herein is exceeded in any Incentive Stock Option granted under this Plan, the portion of the Incentive Stock Option in excess of such limitation shall be treated as a Nonqualified Stock Option under this Plan subject to the terms and provisions of the applicable Award Agreement, except to the extent modified to reflect recharacterization of the Incentive Stock Option as a Nonqualified Stock Option.

Section 5.4 *Nonassignability*. Options are not transferable otherwise than by will or the laws of descent and distribution. Any attempted transfer, assignment, pledge, hypothecation or other disposition of, or the levy of execution, attachment or similar process upon, any Option contrary to the provisions hereof shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Option involved in such attempt.

ARTICLE VI

RESTRICTED STOCK AWARDS

Section 6.1 *Grant of Restricted Stock Awards*. The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant a Restricted Stock Award to any Eligible Person. Restricted Stock Awards shall be awarded in such number and at such times during the term of the Plan as the Committee shall determine. Each Restricted Stock Award may be evidenced in such manner as the Committee deems appropriate, including, without limitation, a book−entry registration or issuance of a stock certificate or certificates into escrow until the restrictions associated with such Award are satisfied, and by an Award Agreement setting forth the terms of such Restricted Stock Award.

Section 6.2 *Conditions of Restricted Stock Awards*. The grant of a Restricted Stock Award shall be subject to the following:

(a) Restriction Period. Each Restricted Stock Award shall require the holder to remain in the employment of the Company, a Subsidiary, or an Affiliated Entity for a prescribed period (a "Restriction Period"). The Committee shall determine the Restriction Period or Periods that shall apply to the shares of Common Stock covered by each Restricted Stock Award or portion thereof. In addition to any time vesting conditions determined by the Committee, Restricted Stock Awards may be subject to the achievement by the Company of specified performance criteria based upon the Company's achievement of target levels of earnings per share, share price, net income, cash flows, reserve additions or replacements, production volume, finding and operating costs, drilling results, acquisitions and divestitures, risk management activities, return on equity, and/or total or comparative shareholder return, or other individual criteria as determined by the Committee. At the end of the Restriction Period, assuming the fulfillment of any other specified vesting conditions, the restrictions imposed by the Committee shall lapse with respect to the shares of Common Stock covered by the Restricted Stock Award or portion thereof.

(b) Restrictions. The holder of a Restricted Stock Award may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of the shares of Common Stock represented by the Restricted Stock Award during the applicable Restriction Period. The Committee shall impose such other restrictions and conditions on any shares of Common Stock covered by a Restricted Stock Award as it may deem advisable including, without limitation, restrictions under applicable Federal or state securities laws, and may legend the certificates representing the shares of Common Stock subject to the Restricted Stock Award to give appropriate notice of such restrictions.

(c) Shareholder Rights. During any Restriction Period, the Committee may, in its discretion, grant to the holder of a Restricted Stock Award all or any of the rights of a shareholder with respect to the shares, including, but not by way of limitation, the right to vote such shares and to receive dividends. If any dividends or other distributions are paid in shares of Common Stock, all such shares shall be subject to the same restrictions on transferability as the shares of Common Stock subject to the Restricted Stock Award with respect to which they were paid.

ARTICLE VII

STOCK ADJUSTMENTS

Subject to the provisions of Article IX of this Plan, in the event that the shares of Common Stock, as presently constituted, shall be changed into or exchanged for a different number or kind or shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, stock split, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend, then there shall be substituted for or added to each share available under and subject to the Plan as provided in Section 1.3 hereof, and each share then subject or thereafter subject or which may become subject to Awards under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be, on a fair and equivalent basis in accordance with the applicable provisions of Section 424 of the Code; provided, however, in no such event will such adjustment result in a modification of any Award as defined in Section 424(h) of the Code. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock, or any stock or other securities into which the Common Stock shall have been changed or for which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the shares available under and subject to the Plan, or in any Award theretofore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination, except that no adjustment of the number of shares of Common Stock available under the Plan or to which any Award relates that would otherwise be required shall be made unless and until such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of at least 1% of the number of shares of Common Stock available under the Plan or to which any Award relates immediately prior to the making of such adjustment (the “Minimum Adjustment”). Any adjustment representing a change of less than such minimum amount shall be carried forward and made as soon as such adjustment together with other adjustments required by this Article VII and not previously made would result in a Minimum Adjustment. Notwithstanding the foregoing, any adjustment required by this Article VII which otherwise would not result in a Minimum Adjustment shall be made with respect to shares of Common Stock relating to any Award immediately prior to exercise or settlement of such Award.

No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

ARTICLE VIII

GENERAL

Section 8.1 *Amendment or Termination of Plan*. The Board may suspend or terminate the Plan at any time. In addition, the Board may, from time to time, amend the Plan in any manner, but may not adopt any amendment without Shareholder Approval if (i) the amendment relates to Incentive Stock Options and Section 422 of the Code requires Shareholder Approval of such amendment, or (ii) in the opinion of counsel to the Company, Shareholder Approval is required by any federal or state laws or regulations or the rules of any stock exchange on which the common stock may be listed.

Section 8.2 *Acceleration of Awards on Death, Disability or Other Special Circumstances*. With respect to (i) a Participant who terminates employment due to a Disability, (ii) the personal representative of a deceased Participant, or (iii) any other Participant who terminates employment upon the occurrence of special circumstances (as determined by the Committee), the Committee, in its sole discretion, may permit the purchase of all or any part of the shares subject to any unvested Option or waive the vesting requirements of a Restricted Stock Award on the date of the Participant's termination of employment due to a Disability, death or special circumstances, or as the Committee otherwise so determines. With respect to Options which have already vested at the date of such termination or the vesting of which is accelerated by the Committee in accordance with the foregoing provision, the Participant or the personal representative of a deceased Participant shall have the right to exercise such vested Options within such period(s) as the Committee shall determine.

Section 8.3 *Withholding Taxes*. A Participant must pay in cash to the Company the amount of taxes required to be withheld by law upon the exercise of an Option. Required withholding taxes associated with a Restricted Stock Award must also be paid in cash unless the Committee permits a Participant to pay the amount of taxes required by law to be withheld from a Restricted Stock Award by directing the Company to withhold from any Award the number of shares of Common Stock having a Fair Market Value on the date of vesting equal to the amount of required withholding taxes.

Section 8.4 *Certain Additional Payments by the Company*. The Committee may, in its sole discretion, provide in any Award Agreement for certain payments by the Company in the event that acceleration of vesting of any Award under the Plan is subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, interest and penalties, collectively, the "Excise Tax"). An Award Agreement may provide that the Participant shall be entitled to receive a payment (a "Gross−Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross−Up Payment, the Participant retains an amount of the Gross−Up Payment equal to the Excise Tax imposed upon such acceleration of vesting of any Award.

Section 8.5 *Regulatory Approval and Listings*. The Company shall use its best efforts to file with the Securities and Exchange Commission as soon as practicable following the date this Plan is effective, and keep continuously effective and usable, a Registration Statement on Form S−8 with respect to shares of Common Stock subject to Awards hereunder. Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates representing shares of Common Stock evidencing Awards prior to:

(a) the obtaining of any approval from, or satisfaction of any waiting period or other condition imposed by, any governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable;

(b) the listing of such shares on any exchange on which the Common Stock may be listed; and

(c) the completion of any registration or other qualification of such shares under any state or federal law or regulation of any governmental body which the Committee shall, in its sole discretion, determine to be necessary or advisable.

Section 8.6 *Right to Continued Employment.* Participation in the Plan shall not give any Participant any right to remain in the employ of the Company, a Subsidiary or an Affiliated Entity. Further, the adoption of this Plan shall not be deemed to give any Employee or Consultant or any other individual any right to be selected as a Participant or to be granted an Award.

Section 8.7 *Reliance on Reports*. Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its Subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than the Committee or Board member. In no event shall any person who is or shall have been a member of the Committee or the Board be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

Section 8.8 *Construction*. The titles and headings of the sections in the Plan are for the convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

Section 8.9 *Governing Law*. The Plan shall be governed by and construed in accordance with the laws of the State of Oklahoma except as superseded by applicable federal law.

ARTICLE IX

ACCELERATION OF AWARDS UPON CORPORATE EVENT

If the Company shall, pursuant to action by the Board, at any time propose to dissolve or liquidate or merge into, consolidate with, or sell or otherwise transfer all or substantially all of its assets to another corporation and provision is not made pursuant to the terms of such transaction for the assumption by the surviving, resulting or acquiring corporation of outstanding Options under the Plan, or for the substitution of new awards therefor, the Committee shall cause written notice of the proposed transaction to be given to each Participant no less than forty days prior to the anticipated effective date of the proposed transaction, and the Participant's Award shall become 100% vested. Prior to a date specified in such notice, which shall be not more than 10 days prior to the anticipated effective date of the proposed transaction, each Participant shall have the right to exercise his or her Option to purchase any or all of the Common Stock then subject to such Option or to receive the shares subject to any unvested Restricted Stock Award, free of any restrictions. Each Participant, by so notifying the Company in writing, may, in exercising his or her Option, condition such exercise upon, and provide that such exercise shall become effective immediately prior to the consummation of the transaction, in which event such

Participant need not make payment for the Common Stock to be purchased upon exercise of such Option until five days after receipt of written notice by the Company to such Participant that the transaction has been consummated. If the transaction is consummated, each Option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date such transaction is consummated. If the transaction is abandoned, (i) any Common Stock not purchased upon exercise of such Option shall continue to be available for purchase in accordance with the other provisions of the Plan and (ii) to the extent that any Option not exercised prior to such abandonment and any Restricted Stock Award shall have vested solely by operation of this Article IX, such vesting shall be deemed voided as of the time such acceleration otherwise occurred pursuant to Article IX, and the vesting schedule set forth in the Participant's Award Agreement shall be reinstituted as of the date of such abandonment.

Upon the occurrence of a Change of Control, in the event that the provisions of the foregoing paragraph are not already invoked, each Participant shall have the right to exercise his or her Option to purchase any or all of the Common Stock then subject to such Option or to receive the shares subject to any unvested Restricted Stock Award, free of any restrictions. Each Participant, by so notifying the Company in writing, may, in exercising his or her Option, condition such exercise upon, and provide that such exercise shall become effective immediately prior to the Change of Control, in which event such Participant need not make payment for the Common Stock to be purchased upon exercise of such Option until five days after receipt of written notice by the Company to such Participant that the Change of Control has occurred. If the Change of Control has occurred, each Option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date of such Change of Control. If the Change of Control is abandoned, (i) any Common Stock not purchased upon exercise of such Option shall continue to be available for purchase in accordance with the other provisions of the Plan and (ii) to the extent that any Option not exercised prior to such abandonment and any Restricted Stock Award shall have vested solely by operation of this Article IX, such vesting shall be deemed voided as of the time such acceleration otherwise occurred pursuant to Article IX, and the vesting schedule set forth in the Participant's Award Agreement shall be reinstituted as of the date of such abandonment.

CHESAPEAKE ENERGY CORPORATION

1994 STOCK OPTION PLAN

Effective Date: October 18, 1994

as Amended Through February 13, 2006

CHESAPEAKE ENERGY CORPORATION

1994 STOCK OPTION PLAN

CHESAPEAKE ENERGY CORPORATION

1994 STOCK OPTION PLAN

ARTICLE i

General Provisions

1.1 Purpose. The purpose of CHESAPEAKE ENERGY CORPORATION 1994 STOCK OPTION PLAN (the "Plan") shall be to attract, retain and motivate employees (the "Participants") of Chesapeake Energy Corporation (the "Company") and of any parent or subsidiary of the Company by way of granting (i) nonqualified stock options ("Stock Options") and (ii) incentive stock options ("ISO Options"). For purposes of this Plan, Stock Options and ISO Options are sometimes collectively herein called "Options." The ISO Options to be granted under the Plan are intended to be qualified pursuant to Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and the Stock Options to be granted are intended to be "nonqualified stock options" as described in Sections 83 and 421 of the Code. Further, under the Plan, the terms "parent" and "subsidiary" shall have the same meaning as set forth in Subsections (e), (f) and (g) of Section 424 of the Code unless the context clearly indicates to the contrary.

1.2 General. The terms and provisions of this Article I shall be applicable to both Stock Options and ISO Options unless the context clearly indicates to the contrary.

1.3 Administration of the Plan; the Committee. For purposes of administration, the Plan shall be deemed to consist of two separate stock option plans, a "Non−Executive Officer Participant Plan" which is limited to Non−Executive Officer Participants and an "Executive Officer Participant Plan" which is limited to Executive Officer Participants. Except for administration and the category of Participants eligible to receive Options, the terms of the Non−Executive Officer Participant Plan and the Executive Officer Participant Plan are identical.

The Non−Executive Officer Participant Plan shall be administered by the Employee Compensation and Benefits Committee and the Executive Officer Participant Plan shall be administered by the Special Stock Option Committee. Accordingly, with respect to decisions relating to Non−Executive Officer Participants, including the grant of Options, the term "Committee" shall mean only the Employee Compensation and Benefits Committee; and, with respect to all decisions relating to the Executive Officer Participants, including the grant of Options, the term "Committee" shall mean only the Special Stock Option Committee.

Unless otherwise provided in the by−laws of the Company or the resolutions adopted from time to time by the Board establishing the Committee, the Board may from time to time remove members from, or add members to, the Committee. Vacancies on the

Committee, however caused, shall be filled by the Board. The Committee shall hold meetings at such times and places as it may determine. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present or acts reduced to or approved in writing by a majority of the members of the Committee shall be the valid acts of the Committee.

Subject to the provisions of the Plan, the Committee shall have exclusive power to:

(a) Select the Participants to be granted Options.

(b) Determine the time or times when Options will be granted.

(c) Determine the form of an Option, whether an Incentive Stock Option or a Nonqualified Stock Option, the number of shares of Common Stock subject to the Option, all the terms, conditions (including performance requirements), restrictions and/or limitations, if any, of an Option, including the time and conditions of exercise or vesting, and the terms of any Option Agreement, which may include the waiver or amendment of prior terms and conditions or acceleration or early vesting under certain circumstances determined by the Committee.

(d) Determine whether Options will be granted singly or in combination.

(e) Accelerate the vesting or exercise of an Option when such action or actions would be in the best interest of the Company.

(f) Take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

1.4 Shares Subject to the Plan. Shares of stock ("Stock") covered by Stock Options and ISO Options shall consist of Four Million Eight Hundred Eighty−Six Nine Hundred Ten (4,886,910) shares of the voting common stock, par value $.01, of the Company. Either authorized and unissued shares or treasury shares may be delivered pursuant to the Plan. If any Option for shares of Stock granted to a Participant lapses, or is otherwise terminated, the Committee may grant Stock Options or ISO Options for such shares of Stock to other Participants.

1.5 Participation in the Plan. The Committee shall determine from time to time those Participants who are to be granted Stock Options and ISO Options and the number of shares of Stock covered thereby. Provided, in no event may any Participant be granted more than One Million One Hundred Twenty−Five Thousand (1,125,000) Options during any consecutive three calendar year period under the Plan.

1.6 Determination of Fair Market Value. As used in the Plan, "fair market value" shall have the following meaning: (i) if the common stock of the Company is listed for trading on one or more national securities exchanges or the Nasdaq National Market System (the "NMS"), the reported last sales price on such principal exchange or the NMS as of the granting date, or other relevant date, or if such common stock shall not have been traded on such date, the reported last sales price on such principal exchange or the NMS on the first day prior thereto on which such common stock was so traded; or (ii) if the common stock of the Company is not listed for trading on a national securities exchange or the NMS but is traded in the over−the−counter market, the mean of the highest and lowest bid prices for such common stock as of the granting date, or other relevant date, or if there are no such bid prices for such common stock on such date, the mean of the highest and lowest bid prices on the first day prior thereto on which such prices existed. Provided, if the price of such common stock is not reported or listed as aforesaid, then the "fair market value" of such common stock shall be determined by the Committee as of the relevant date, and the Committee shall utilize any reasonable and prudent method in determining such fair market value, including, without limitation, the obtaining of opinions of independent and well−qualified experts.

1.7 Grants of Options Under Stock Option Agreement. Each Stock Option or ISO Option granted under this Plan shall be evidenced by the minutes of a meeting of the Committee or by the written consent of the Committee and by a written Stock Option Agreement effective on the date of grant and executed by the Company and the Participant. Each Option granted hereunder shall contain such terms, restrictions and conditions as the Committee may determine, which terms, restrictions and conditions may or may not be the same in each case.

1.8 Amendment and Termination of the Plan. The Plan shall terminate at midnight, October 17, 2004, but prior thereto may be altered, changed, modified, amended or terminated by written amendment approved by the Board. Provided, that no action of the Board may, without the approval of the holders of a majority of the Company's securities present in person or represented by proxy at a meeting of stockholders entitled to vote thereon, increase the aggregate number of shares of Stock which may be purchased under Stock Options or ISO Options granted under

the Plan; materially increase the benefits accruing to Participants under the Plan; or materially modify the requirements as to eligibility for participation in the Plan. Except as provided in this Article I, no amendment, modification or termination of the Plan shall in any manner adversely affect any Stock Option or ISO Option theretofore granted under the Plan without the consent of the affected Participant.

1.9 Effective Date. The Plan was approved by the Board on October 18, 1994, subject to approval of the holders of a majority of the Company's securities present in person or represented by proxy at a meeting of stockholders entitled to vote thereon, which meeting must occur within twelve (12) months of October 18, 1994. Hereafter, any reference to the effective date of the Plan shall mean the date of approval by the Board.

1.10 Securities Law Requirements. The Company shall have no obligation to issue any Stock hereunder unless the issuance of such shares would comply with any applicable federal or state securities laws or any other applicable law or regulations thereunder. The Company may legend any stock certificate issued hereunder to reflect any restrictions under federal or state securities laws.

1.11 Stock Certificates. Upon the exercise of any Stock Option or ISO Option, a Participant shall be issued one or more certificates, as requested by the Participant, representing the Stock purchased pursuant to the exercised Option.

1.12 Option Exercise and Payment for Stock. To exercise an Option, a Participant shall give written notice of exercise to the person designated by the Committee at the Company's principal office. Payment in full for shares of Stock purchased under this Plan shall accompany a Participant's notice of exercise of an Option, together with payment for any applicable withholding taxes as provided in Section 1.20. Payment shall be made in cash or by check, Stock of the Company or a combination thereof, and no loan or advance shall be made by the Company for the purpose of financing, in whole or in part, the purchase of Stock unless such loan or advance has been approved by the Board. In the event that common stock of the Company is utilized as consideration for the purchase of Stock upon the exercise of a Stock Option or an ISO Option, then, such common stock shall be valued at the "fair market value," as defined in Section 1.6 of the Plan, as of the date of exercise. In addition to the foregoing procedure which may be available for the exercise of any Stock Option or ISO Option, the Participant may deliver to the Company a notice of exercise which includes, in lieu of any other payment, an irrevocable instruction to the Company to deliver the

stock certificate representing the shares of Stock being purchased, issued in the name of the Participant, to a broker approved by the Company and authorized to trade in the common stock of the Company. Upon receipt of such notice, the Company shall acknowledge receipt of the executed notice of exercise and forward this notice to the broker. Upon receipt of the copy of the notice which has been acknowledged by the Company, and without waiting for issuance of the actual stock certificate with respect to the exercise of the Option, the broker may sell the Stock or any portion thereof. The broker shall deliver directly to the Company that portion of the sales proceeds sufficient to cover the Option Price and withholding taxes, if any. Further, the broker may also facilitate a loan to the Participant upon receipt of the notice of exercise in advance of the issuance of the actual stock certificate as an alternative means of financing and facilitating the exercise of any Option. For all purposes of effecting the exercise of an Option, the date on which the Participant delivers the notice of exercise to the Company, together with payment for the shares of Stock being purchased as provided in this Section 1.12 and payment for any applicable withholding taxes as provided in Section 1.20, shall be the "date of exercise." If a notice of exercise and payment are delivered at different times, the date of exercise shall be the date the Company first has in its possession both the notice and full payment as provided herein. The Committee may adopt such other procedures which it desires for the payment of the purchase price upon the exercise of a Stock Option or ISO Option which are not inconsistent with the applicable provisions of the Code which relate to Stock Options and ISO Options. In addition to the foregoing, the Committee may, in its sole discretion, permit payment of the exercise price of Stock Options granted under the Plan by the Participant directing the Company to withhold from the shares of Stock to be delivered to the Participant upon exercise of the Stock Option shares of Stock having a "fair market value" as defined in Section 1.6 of the Plan on the date of payment equal to the amount of the exercise price.

1.13 Stock Options and ISO Options Granted Separately. Since the Committee is authorized to grant Stock Options and ISO Options to Participants, the grants thereof and Stock Option Agreements relating thereto will be made separately and totally independent of each other. Except as it relates to the total number of shares of Stock which may be issued under the Plan, the grant or exercise of a Stock Option shall in no manner affect the grant and exercise of any ISO Options. Similarly, the grant and exercise of an ISO Option shall in no manner affect the grant and exercise of any Stock Options.

1.14 Use of Proceeds. The proceeds received by the Company from the sale of Stock pursuant to the exercise of Options granted under the Plan shall be added to the Company's general funds and used for general corporate purposes.

1.15 Non−Transferability of Options. Except as otherwise herein provided, any Option granted shall not be transferable otherwise than by will or the laws of descent and distribution, and the Option may be exercised, during the lifetime of the Participant, only by the Participant. More particularly (but without limiting the generality of the foregoing), the Option shall not be assigned, transferred (except as provided above), pledged or hypothecated in any way whatsoever, shall not be assignable by operation of law and shall not be subject to execution, attachment, or similar process. Any attempted assignment, transfer, pledge, hypothecation, or other disposition of the Option contrary to the provisions hereof shall be null and void and without effect.

1.16 Additional Documents on Death of Participant. No transfer of an Option by the Participant by will or the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice and an authenticated copy of the will and/or such other evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the successor to the Option of the terms and conditions of such Option.

1.17 Changes in Employment. So long as the Participant shall continue to be an employee of the Company or its parent or one of its subsidiaries, any Option granted to him or her shall not be affected by any change of duties or position. Nothing in the Plan or in any Stock Option Agreement which relates to the Plan shall confer upon any Participant any right to continue in the employ of the Company or its parent or any of its subsidiaries, or interfere in any way with the right of the Company or its parent or any of its subsidiaries to terminate the Participant's employment at any time.

1.18 Stockholder Rights. No Participant shall have any rights as a stockholder with respect to any shares of Stock subject to an Option prior to the purchase of such shares of Stock by exercise of the Option.

1.19 Adjustments Upon Changes in Capitalization. The aggregate number of shares of Stock available for Options to be granted under the Plan, the Option Price and the ISO Price and the total number of shares of Stock which may be purchased by a Participant on exercise of a Stock Option and an ISO Option shall be appropriately adjusted or modified by the Committee to reflect any recapitalization, stock split, merger, consolidation,

reorganization, combination, liquidation, stock dividend or similar transaction involving the Company. Provided, any such adjustment shall be made in such a manner as to not constitute a modification as defined in Section 424(h) of the Code.

1.20 Payment of Withholding Taxes. No exercise of any Option may be effected until the Company receives full payment for the Stock purchased, as provided in Section 1.12, and for any required state and federal withholding taxes. Payment for withholding taxes shall be made in cash or by check unless the Committee otherwise provides. The Committee may permit payment to be made in the form of common stock of the Company either by the Participant surrendering, or the Company retaining from the shares of Stock to be issued upon exercise of the Stock Option, that number of shares of Stock (based on fair market value) that would be necessary to satisfy the requirements for withholding any amounts of taxes due upon the exercise of such Stock Option. The Committee shall also have the discretion to require that the Company retain shares of Stock issuable upon the exercise of a Stock Option to satisfy any Participant's tax withholding obligations. For the purpose of calculating the fair market value of shares surrendered or retained to pay withholding taxes, the relevant date shall be the date of exercise. In the event a Participant uses the "cashless" exercise/same−day sale procedure set forth in Section 1.12 hereof to pay withholding taxes, the actual sale price of shares sold to satisfy payment shall be used to determine the amount of withholding taxes payable. Nothing herein, however, shall be construed as requiring payment of withholding taxes at the time of exercise if payment of taxes is deferred pursuant to any provision of the Code, and actions satisfactory to the Company are taken which are designed to reasonably insure payment of withholding taxes when due. Each Stock Option Agreement shall provide that, in the event a Participant disposes of any Stock acquired by the exercise of an ISO Option within the two−year period following grant, or within the one−year period following exercise, of the ISO Option, the Participant shall so inform the Company. In such event, the Company shall have the right to require the Participant to remit to the Company an amount sufficient to satisfy all federal, state and local withholding tax requirements.

1.21 Assumption of Outstanding Options. To the extent permitted by the then applicable provisions of the Code, any successor to the Company succeeding to, or assigned the business of, the Company as the result of or in connection with a merger, consolidation, combination, reorganization, liquidation or other similar transaction may assume Options outstanding under the Plan or issue new Options in place of outstanding Options under the Plan with such assumption to be made on a fair and equivalent

basis in accordance with the applicable provisions of Section 424(a) of the Code; provided, in no event shall such assumption result in a modification of any Option as defined in Section 424(h) of the Code.

1.22 Retirement and Disability. For the purpose of this Plan, "Retirement" shall mean the voluntary termination of employment of a Participant with the Company, its parent or any of its subsidiaries after attaining at least 55 years of age, and "Disability" shall mean termination of employment of a Participant after incurring a "disability" as defined in Section 22(e)(3) of the Code.

ARTICLE II

Stock Options

2.1 General Terms. With respect to Stock Options granted on or after the effective date of the Plan, the following provisions of this Article II shall apply. The Stock Options granted under this Article II are intended to be "nonqualified stock options" as described in Sections 83 and 421 of the Code.

2.2 Grant and Terms for Stock Options. Stock Options shall be granted on the following terms and conditions. No Stock Option shall be exercisable more than ten (10) years from the date of grant. Subject to such limitations, the Committee shall have the discretion to fix the period ("Option Period") during which Stock Options may be exercised. At all times during the period commencing with the date a Stock Option is granted to a Participant and ending on the earlier of the expiration of the Option Period applicable to such Stock Option or the date which is three (3) months prior to the date the Stock Option is exercised by such Participant, such Participant must be an employee of either (i) the Company, (ii) a parent or a subsidiary of the Company, or (iii) a successor to the Company or parent or a subsidiary of such successor issuing or assuming a Stock Option in a transaction to which Section 424(a) of the Code applies. Provided, in the case of a Participant who has incurred a Disability, the aforesaid three (3) month period shall mean a one (1) year period. Provided further, in the event a Participant's employment is terminated by reason of death, the Participant's personal representative may exercise any unexercised Stock Option granted to the Participant under the Plan at any time within three (3) years after the Participant's death but in any event not after the expiration of the Option Period applicable to such Stock Option.

(a) Option Price. The option price ("Option Price") for shares of Stock subject to any Stock Option shall be determined by the Committee, but in no event shall the Option Price be less than the par value of the Stock.

(b) Acceleration of Otherwise Unexercisable Stock Options on Retirement, Death, Disability or Other Special Circumstances. The Committee, in its sole discretion, may permit (i) a Participant who terminates employment due to Retirement, (ii) a Participant who terminates employment due to a Disability, (iii) the personal representative of a deceased Participant, or (iv) any other Participant who terminates employment upon the occurrence of special circumstances (as determined by the Committee) to purchase (within three (3) months of such date of termination of employment or one (1) year in the case of a Participant suffering a Disability or three (3) years in the case of a deceased Participant) all or any part of the shares subject to any Stock Option on the date of the Participant's Retirement, Disability, death, or as the Committee otherwise so determines, notwithstanding that all installments, if any, with respect to such Stock Option, had not yet accrued on such date.

(c) Number of Stock Options Granted. Participants may be granted more than one Stock Option. In making any such determination, the Committee shall obtain the advice and recommendation of the officers of the Company, its parent, or a subsidiary of the Company who have supervisory authority over such Participants. The granting of a Stock Option under the Plan shall not affect any outstanding Stock Option previously granted to a Participant under the Plan (or any other plans of the Company).

ARTICLE III

ISO Options

3.1 General Terms. With respect to ISO Options granted on or after the effective date of the Plan, the following provisions in this Article III shall apply to the exclusion of any inconsistent provision in any other Article in this Plan since the ISO Options to be granted under the Plan are intended to qualify as "incentive stock options" as defined in Section 422 of the Code.

3.2 Grant and Terms of ISO Options. No ISO Options shall be granted to any person who is not eligible to receive "incentive stock options" as provided in Section 422 of the Code. No ISO Options shall be granted to any Participant if, immediately before the grant of an ISO Option, such employee owns more than 10% of the total combined voting power of all classes of

stock of the Company, its parent or its subsidiaries (as determined in accordance with the stock attribution rules contained in Sections 422 and 424(d) of the Code). Provided, the preceding sentence shall not apply if, at the time the ISO Option is granted, the ISO Price (as defined below) is at least 110% of the "fair market value" of the Stock subject to the ISO Option, and such ISO Option by its terms is exercisable no more than five (5) years from the date such ISO Option is granted.

(a) ISO Option Price. The option price for shares of Stock subject to an ISO Option ("ISO Price") shall be determined by the Committee, but in no event shall such ISO Price be less than the greater of (a) the "fair market value" of the Stock on the date of grant or (b) the par value of the Stock.

(b) Annual ISO Option Limitation. With respect to ISO Options granted, in no event during any calendar year will the aggregate "fair market value" (determined as of the time the ISO Option is granted) of the Stock for which the Participant may first have the right to exercise under any "incentive stock options" granted under the Plan and all other plans qualified under Section 422 of the Code which are sponsored by the Company, its parent and any subsidiary exceed $100,000. ISO Options which are in excess of the applicable $100,000 limitation will be recharacterized as Stock Options as provided under Article V herein.

(c) Terms of ISO Options. ISO Options shall be granted on the following terms and conditions: No ISO Option shall be exercisable more than ten (10) years from the date of grant. Subject to such limitation, the Committee shall have the discretion to fix the period (the "ISO Period") during which any ISO Option may be exercised. ISO Options granted shall not be transferable except by will or by laws of descent and distribution. At all times during the period commencing with the date an ISO Option is granted to a Participant and ending on the earlier of the expiration of the ISO Period applicable to such ISO Options or the date which is three (3) months prior to the date the ISO Option is exercised by such Participant, such Participant must be an employee of either (i) the Company, (ii) a parent or a subsidiary of the Company, or (iii) a successor to the Company or a parent or a subsidiary of such successor issuing or assuming an ISO Option in a transaction to which Section 424(a) of the Code applies. Provided, in the case of a Participant who incurs a Disability, the aforesaid three (3) month period shall mean a one (1) year period. Provided further, in the event a Participant's employment is terminated by reason of death, the Participant's personal representative may exercise any unexercised ISO Option granted to the Participant under the Plan at any time within three (3) years after the Participant's death but in any event not after the expiration of the ISO Period applicable to such ISO Option.

(d) Acceleration of Otherwise Unexercisable ISO Options on Retirement, Death, Disability or Other Special Circumstances. The Committee, in its sole discretion, may permit (i) a Participant who terminates employment due to Retirement, (ii) a Participant who terminates employment due to a Disability, (iii) the personal representative of a deceased Participant, or (iv) any other Participant who terminates employment upon the occurrence of special circumstances (as determined by the Committee) to purchase (within three (3) months of such date of termination of employment or one (1) year in the case of a Participant suffering a Disability or three (3) years in the case of a deceased Participant) all or any part of the shares subject to any ISO Option on the date of the Participant's Retirement, Disability, death, or as the Committee otherwise so determines, notwithstanding that all installments, if any, had not accrued on such date.

(e) Number of ISO Options Granted. Subject to the applicable limitations contained in the Plan with respect to ISO Options, Participants may be granted more than one ISO Option. In making any such determination, the Committee shall obtain the advice and recommendation of the officers of the Company, its parent or a subsidiary of the Company who have supervisory authority over such Participants. Further, the granting of an ISO Option under the Plan shall not affect any outstanding ISO Option previously granted to a Participant under the Plan.

ARTICLE IV

Acceleration of Options Upon Corporate Event

4.1 Acceleration of Options. Where dissolution or liquidation of the Company or any merger, consolidation, combination, reorganization or similar transaction in which the Company is not a surviving corporation is involved and no provision is made for the assumption of outstanding Options or the substitution therefor, consistent with Section 4.2 hereof, each outstanding Option granted hereunder shall terminate upon the occurrence of the transaction, but the Participant shall have the right, immediately prior thereto, to exercise his or her Option, in whole or in part, to the extent that it shall not have been previously exercised, without regard to any vesting provisions.

4.2 Procedures for Acceleration and Exercise. If the Company shall, pursuant to action by its Board, at any time propose to dissolve or liquidate or merge into, consolidate with, or sell or otherwise transfer all or substantially all of its

assets to another corporation and provision is not made pursuant to the terms of such transaction for the assumption by the surviving, resulting or acquiring corporation of outstanding Options under the Plan, or for the substitution of new options therefor, the Committee shall cause written notice of the proposed transaction to be given to each Participant not less than forty (40) days prior to the anticipated effective date of the proposed transaction, and his or her Option shall become one hundred percent (100%) vested and, prior to a date specified in such notice, which shall be not more than ten (10) days prior to the anticipated effective date of the proposed transaction, each Participant shall have the right to exercise his or her Option to purchase any or all of the Stock then subject to such Option. Each Participant, by so notifying the Company in writing, may, in exercising his or her Option, condition such exercise upon, and provide that such exercise shall become effective at the time of, but immediately prior to, the consummation of the transaction, in which event such Participant need not make payment for the Stock to be purchased upon exercise of such Option until five (5) days after written notice by the Company to such Participant that the transaction has been consummated. If the transaction is consummated, each Option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date of such consummation. If the transaction is abandoned, (i) any Stock not purchased upon exercise of such Option shall continue to be available for purchase in accordance with the other provisions of the Plan and (ii) to the extent that any Option not exercised prior to such abandonment shall have vested solely by operation of this Section 4.2, such vesting shall be deemed annulled, and the vesting schedule set forth in the Participant's Stock Option Agreement shall be reinstituted, as of the date of such abandonment.

4.3 Certain Additional Payments by the Company. The Committee may, in its sole discretion, provide in any Stock Option Agreement for certain payments by the Company in the event that acceleration of vesting of any Option under the Plan is considered a payment by the Company (a "Payment") subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, interest and penalties, collectively, the "Excise Tax"). A Stock Option Agreement may provide that the Participant shall be entitled to receive a payment (a "Gross−Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross−Up Payment, the Participant retains an amount of the Gross−Up Payment equal to the Excise Tax imposed upon the Payment.

ARTICLE V

Options Not Qualifying as Incentive Stock Options

With respect to all or any portion of any Option granted under the Plan not qualifying as an "incentive stock option" under Section 422 of the Code, such Option shall be considered as a Stock Option granted under this Plan for all purposes. Further, this Plan and any ISO Options granted hereunder shall be deemed to have incorporated by reference all the provisions and requirements of Section 422 of the Code (and the Treasury Regulations issued thereunder) which are required to provide that all ISO Options granted hereunder shall be "incentive stock options" described in Section 422 of the Code. Further, in the event that the Committee grants ISO Options under this Plan to a Participant, and, in the event that the applicable limitation contained in Section 3.2 (b) herein is exceeded, then, such ISO Options in excess of such limitation shall be treated as Stock Options under this Plan subject to the terms and provisions of the applicable Stock Option Agreement, except to the extent modified to reflect recharacterization of the ISO Options as Stock Options.

Exhibit 10.1.4

CHESAPEAKE ENERGY CORPORATION

1996 STOCK OPTION PLAN

Effective Date: December 13, 1996

(as amended through February 13, 2006)

CHESAPEAKE ENERGY CORPORATION

1996 STOCK OPTION PLAN

Table of Contents

ARTICLE I

PURPOSE

Section 1.1 *Purpose*. This Stock Option Plan is established by Chesapeake Energy Corporation (the "Company") to create incentives which are designed to motivate Participants to put forth maximum effort toward the success and growth of the Company and to enable the Company to attract and retain experienced individuals who by their position, ability and diligence are able to make important contributions to the Company's success. Toward these objectives, the Plan provides for the granting of Options to Participants on the terms and subject to the conditions set forth in the Plan.

Section 1.2 *Establishment*. The Plan is effective as of December 13, 1996 (the "Effective Date") and for a period of 10 years from such date. The Plan will terminate on December 12, 2006, however, it will continue in effect until all matters relating to the exercise of Options and administration of the Plan have been settled.

The Plan shall be approved by the holders of a majority of the outstanding shares of Common Stock, present, or represented, and entitled to vote at a meeting called for such purposes, which approval must occur within the period ending twelve months after the date the Plan is adopted by the Board. Pending such approval by the shareholders, Options under the Plan may be granted to Participants, but no such Options may be exercised prior to receipt of shareholder approval. In the event shareholder approval is not obtained within such twelve−month period, all such Options shall be void.

Section 1.3 *Shares Subject to the Plan*. Subject to Articles IV, VII and IX of this Plan, shares of stock covered by Options shall consist of Six Million (6,000,000) shares of Common Stock.

Section 1.4 *Shareholder Approval.* The Plan shall be approved by the holders of a majority of the outstanding shares of Common Stock, present, or represented, and entitled to vote at a meeting called for such purposes, which approval must occur within the period ending twelve months after the date the Plan is adopted by the Board. Pending such approval by the shareholders, Options under the Plan may be granted to Participants, but no such Options may be exercised prior to receipt of shareholder approval. In the event shareholder approval is not obtained within such twelve−month period, all such Options shall be void.

ARTICLE II

DEFINITIONS

Section 2.1 *"Board"* means the Board of Directors of the Company.

Section 2.2 *"Code"* means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any Section of the Code shall be deemed to include any amendments or successor provisions to such Section and any regulations under such section.

Section 2.3 *"Common Stock"* means the common stock, par value $.01 per share, of the Company, and after substitution, such other stock as shall be substituted therefor as provided in Article VII or Article IX of the Plan.

Section 2.4 *"Date of Grant"* means the date on which the granting of an Option is authorized by the Committee or such later date as may be specified by the Committee in such authorization.

Section 2.5 *"Disability"* means termination of a Participant after incurring a "disability" as defined in Section 22(e)(3) of the Code.

Section 2.6 *"Eligible Employee"* means any employee of the Company, a Subsidiary or a partnership or limited liability company which the Company controls.

Section 2.7 *"Exchange Act"* means the Securities Exchange Act of 1934, as amended.

Section 2.8 *"Executive Officer Participants"* means Participants who are subject to the provisions of Section 16 of the Exchange Act.

Section 2.9 *"Fair Market Value"* means (A) during such time as the Common Stock is listed upon the New York Stock Exchange or other exchanges or the NASDAQ/National Market System, the closing price of the Common Stock on such stock exchange or exchanges or the NASDAQ/National Market System on the day for which such value is to be determined, or if no sale of the Common Stock shall have been made on any such stock exchange or the NASDAQ/National Market System that day, on the next preceding day on which there was a sale of such Common Stock or (B) during any such time as the Common Stock is not listed upon an established stock exchange or the NASDAQ/National Market System, the mean between dealer "bid" and "ask" prices of the Common Stock in the over−the−counter market on the day for which such value is to be determined, as reported by the National Association of Securities Dealers, Inc.

Section 2.10 *"Incentive Stock Option"* means an Option within the meaning of Section 422 of the Code.

Section 2.11 *"Non−Executive Officer Participants"* means Participants who are not subject to the provisions of Section 16 of the Exchange Act.

Section 2.12 *"Nonqualified Stock Option"* means an Option which is not an Incentive Stock Option.

Section 2.13 *"Option"* means an Option granted under Article VI of the Plan and includes both Nonqualified Options and Incentive Stock Options to purchase shares of Common Stock.

Section 2.14 *"Option Agreement"* means any written instrument that establishes the terms, conditions, restrictions, and/or limitations applicable to an Option in addition to those established by this Plan and by the Committee's exercise of its administrative powers.

Section 2.15 *"Participant"* means an Eligible Employee to whom an Option has been granted by the Committee under the Plan.

Section 2.16 *"Plan"* means the Chesapeake Energy Corporation 1996 Stock Option Plan.

Section 2.17 *"Regular Stock Option Committee"* means the Employee Compensation and Benefits Committee designated by the Board which shall consist of not less than one member of the Board.

Section 2.18 *"Special Stock Option Committee"* means a committee designated by the Board which shall consist of not less than two members of the Board who meet the definition of "non−employee director" pursuant to Rule 16b−3, or any successor rule, promulgated under Section 16 of the Exchange Act.

Section 2.19 *"Subsidiary"* shall have the same meaning set forth in Section 424 of the Code.

ARTICLE III

ADMINISTRATION

Section 3.1 *Administration of the Plan; the Committee*. For purposes of administration, the Plan shall be deemed to consist of two separate stock option plans, a "Non−Executive Officer Participant Plan" which is limited to Non−Executive Officer Participants and an "Executive Officer Participant Plan" which is limited to Executive Officer Participants. Except for administration and the category of Participants eligible to receive Options, the terms of the Non−Executive Officer Participant Plan and the Executive Officer Participant Plan are identical.

The Non−Executive Officer Participant Plan shall be administered by the Regular Stock Option Committee and the Executive Officer Participant Plan shall be administered by either (i) the Special Stock Option Committee or (ii) the Board. Accordingly, with respect to decisions relating to Non−Executive Officer Participants, including the grant of Options, the term "Committee" shall mean only the Regular Stock Option Committee; and, with respect to all decisions relating to the Executive Officer Participants, including the grant of Options, the term "Committee" shall mean either the Special Stock Option Committee or the Board.

Unless otherwise provided in the by−laws of the Company or the resolutions adopted from time to time by the Board establishing the Committee, the Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, shall be filled by the Board. The Committee shall hold meetings at such times and places as it may determine. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present or acts reduced to or approved in writing by a majority of the members of the Committee shall be the valid acts of the Committee.

Subject to the provisions of the Plan, the Committee shall have exclusive power to:

(a) Select the Participants to be granted Options.

(b) Determine the time or times when Options will be granted.

(c) Determine the form of an Option, whether an Incentive Stock Option or a Nonqualified Stock Option, the number of shares of Common Stock subject to the Option, all the terms, conditions (including performance requirements), restrictions and/or limitations, if any, of an Option, including the time and conditions of exercise or vesting, and the terms of any Option Agreement, which may include the waiver or amendment of prior terms and conditions or acceleration or early vesting under certain circumstances determined by the Committee.

(d) Determine whether Options will be granted singly or in combination.

(e) Accelerate the vesting or exercise of an Option when such action or actions would be in the best interest of the Company.

(f) Take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

Section 3.2 *Committee to Make Rules and Interpret Plan.* The Committee in its sole discretion shall have the authority, subject to the provisions of the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee's interpretation of the Plan or any Options granted pursuant hereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties.

ARTICLE IV

GRANT OF OPTIONS

The Committee may, from time to time, grant Options to one or more Participants, provided, however, that:

(a) Subject to Article VII, the aggregate number of shares of Common Stock made subject to the grant of Options to any Participant in any fiscal year of the Company may not exceed 500,000.

(b) Any shares of Common Stock related to Options which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of shares of Common Stock shall be available again for grant under the Plan.

(c) Common Stock delivered by the Company upon exercise of an Option under the Plan may be authorized and unissued Common Stock or Common Stock held in the treasury of the Company or may be purchased on the open market or by private purchase.

(d) The Committee shall, in its sole discretion, determine the manner in which fractional shares arising under this Plan shall be treated.

(e) Separate certificates representing Common Stock to be delivered to a Participant upon the exercise of any Option will be issued to such Participant.

ARTICLE V

ELIGIBILITY

Subject to the provisions of the Plan, the Committee shall, from time to time, select from the Eligible Employees those to whom Options shall be granted and shall determine the type or types of Options to be granted and shall establish in the related Option Agreements the terms, conditions, restrictions and/or limitations, if any, applicable to the Options in addition to those set forth in the Plan and the administrative rules and regulations issued by the Committee.

ARTICLE VI

STOCK OPTIONS

Section 6.1 *Grant of Options.* The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant Options to Participants. These Options may be Incentive Stock Options or Nonqualified Stock Options, or a combination of both. Each grant of an Option shall be evidenced by an Option Agreement executed by the Company and the Participant, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the requirements of Section 6.2.

Section 6.2 *Conditions of Options.* Each Option so granted shall be subject to the following conditions:

(a) *Exercise Price*. As limited by Section 6.2(e) below, each Option shall state the exercise price which shall be set by the Committee at the Date of Grant. Except as provided below, no Nonqualified Stock Option shall be granted at an exercise price which is less than the Fair Market Value of the Common Stock on the Date of Grant. Notwithstanding the foregoing, Nonqualified Stock Options, not exceeding ten percent (10%) of the Options which can be issued under this Plan, may be granted at an exercise price which is not less than eighty−five percent (85%) of the Fair Market Value of the Common Stock on the Date of Grant.

(b) *Form of Payment*. The exercise price of an Option may be paid (i) in cash or by check, bank draft or money order payable to the order of the Company; (ii) by delivering shares of Common Stock having a Fair Market Value on the date of payment equal to the amount of the exercise price; (iii) by directing the Company to withhold from the shares of Common Stock to be delivered to the Participant upon exercise of the Option shares of Common Stock having a Fair Market Value on the date of payment equal to the amount of the exercise price; or (iv) a combination of the foregoing. In addition to the foregoing, any Option granted under the Plan may be exercised by a broker−dealer acting on behalf of a Participant if (A) the broker−dealer has received from the Participant or the Company a notice evidencing the exercise of such Option and instructions signed by the Participant requesting the Company to deliver the shares of Common Stock subject

to such Option to the broker−dealer on behalf of the Participant and specifying the account into which such shares should be deposited, (B) adequate provision has been made with respect to the payment of any withholding taxes due upon such exercise or, in the case of an Incentive Stock Option, upon the disposition of such shares and (C) the broker−dealer and the Participant have otherwise complied with Section 220.3(e)(4) of Regulation T, 12 CFR, Part 220 and any successor rules and regulations applicable to such exercise.

(c) *Exercise of Options*. Options granted under the Plan shall be exercisable, in whole or in such installments and at such times, and shall expire at such time, as shall be provided by the Committee in the Option Agreement. Exercise of an Option shall be by written notice stating the election to exercise in the form and manner determined by the Committee. Every share of Common Stock acquired through the exercise of an Option shall be deemed to be fully paid at the time of exercise and payment of the exercise price.

(d) *Other Terms and Conditions*. Among other conditions that may be imposed by the Committee, if deemed appropriate, are those relating to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which Participants must be employed by the Company, its Subsidiaries or a partnership or limited liability company which is controlled by the Company, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) conditions under which such Options or shares may be subject to forfeiture; (v) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time and (vi) the achievement by the Company of specified performance criteria.

(e) *Special Restrictions Relating to Incentive Stock Options*. Options issued in the form of Incentive Stock Options shall not be granted to directors who are not also Eligible Employees and shall, in addition to being subject to all applicable terms, conditions, restrictions and/or limitations established by the Committee, comply with the requirements of Section 422 of the Code (or any successor Section thereto), including, without limitation, the requirement that the exercise price of an Incentive Stock Option not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant, the requirement that each Incentive Stock Option, unless sooner exercised, terminated or cancelled, expire no later than 10 years from its Date of Grant, the requirement that Incentive Stock Options be granted only to Eligible Employees of the Company or a Subsidiary, and the requirement that the aggregate Fair Market Value (determined on the Date of Grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan of the Company or any Subsidiary) not exceed $100,000. Incentive Stock Options which are in excess of the applicable $100,000 limitation will be automatically recharacterized as Nonqualified Stock Options as provided under Section 6.3 of this Plan. No Incentive Stock Options shall be granted to any Eligible Employee if, immediately before the grant of an Incentive Stock Option, such Eligible Employee owns more than 10% of the total combined voting power of all classes of stock of the Company or its Subsidiaries (as determined in accordance with the stock attribution rules contained in Sections 422 and 424(d) of the Code). Provided, the preceding sentence shall not apply if, at the time the Incentive Stock Option is granted, the exercise price is at least 110% of the Fair Market Value of the Common Stock subject to the Incentive Stock Option, and such Incentive Stock Option by its terms is exercisable no more than five years from the date such Incentive Stock Option is granted.

(f) *Application of Funds*. The proceeds received by the Company from the sale of Common Stock pursuant to Options will be used for general corporate purposes.

(g) *Shareholder Rights*. No Participant shall have a right as a shareholder with respect to any share of Common Stock subject to an Option prior to purchase of such shares of Common Stock by exercise of the Option.

Section 6.3 *Options Not Qualifying as Incentive Stock Options*. With respect to all or any portion of any Option granted under this Plan not qualifying as an “incentive stock option” under Section 422 of the Code, such Option shall be considered as a Nonqualified Stock Option granted under this Plan for all purposes. Further, this Plan and any

Incentive Stock Options granted hereunder shall be deemed to have incorporated by reference all the provisions and requirements of Section 422 of the Code (and the Treasury Regulations issued thereunder) which are required to provide that all Incentive Stock Options granted hereunder shall be "incentive stock options" described in Section 422 of the Code. Further, in the event that the Committee grants Incentive Stock Options under this Plan to a Participant, and, in the event that the applicable limitation contained in Section 6.2(e) herein is exceeded, then, such Incentive Stock Options in excess of such limitation shall be treated as Nonqualified Stock Options under this Plan subject to the terms and provisions of the applicable Option Agreement, except to the extent modified to reflect recharacterization of the Incentive Stock Options as Nonqualified Stock Options.

ARTICLE VII

STOCK ADJUSTMENTS

Subject to the provision of Article IX of this Plan, in the event that the shares of Common Stock, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, stock split, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend, or a dividend on the shares of Common Stock or rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each share available under and subject to the Plan as provided in Section 1.3 hereof, and each share theretofore appropriated or thereafter subject or which may become subject to Options under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be, on a fair and equivalent basis in accordance with the applicable provisions of Section 424 of the Code; provided, however, in no such event will such adjustment result in a modification of any Option as defined in Section 424(h) of the Code. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock, or any stock or other securities into which the Common Stock shall have been changed or for which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the shares available under and subject to the Plan, or in any Option theretofore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination, except that no adjustment of the number of shares of Common Stock available under the Plan or to which any Option relates that would otherwise be required shall be made unless and until such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of at least 1% in the number of shares of Common Stock available under the Plan or to which any Option relates immediately prior to the making of such adjustment (the "Minimum Adjustment"). Any adjustment representing a change of less than such minimum amount shall be carried forward and made as soon as such adjustment together with other adjustments required by this Article VII and not previously made would result in a Minimum Adjustment. Notwithstanding the foregoing, any adjustment required by this Article VII which otherwise would not result in a Minimum Adjustment shall be made with respect to shares of Common Stock relating to any Option immediately prior to exercise of such Option.

No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

ARTICLE VIII

GENERAL

Section 8.1 *Amendment or Termination of Plan*. The Board may suspend or terminate the Plan at any time. In addition, the Board may, from time to time, amend the Plan in any manner, but may not without shareholder approval adopt any amendment which would increase the aggregate number of shares of Common Stock available under the Plan (except by operation of Article VII); provided, that any amendment to the Plan shall require approval of the shareholders if, in the opinion of counsel to the Company, such approval is required by any Federal or state law or any regulations or rules promulgated thereunder.

Section 8.2 *Acceleration of Otherwise Unexercisable Stock Options on Death, Disability or Other Special Circumstances.* The Committee, in its sole discretion, may permit (i) a Participant who terminates employment due to a Disability, (ii) the personal representative of a deceased Participant, or (iii) any other Participant who terminates employment upon the occurrence of special circumstances (as determined by the Committee) to purchase all or any part of the shares subject to any unvested Option on the date of the Participant's Disability, death, or as the Committee otherwise so determines. With respect to Options which have already vested at the date of such termination or the vesting of which is accelerated by the Committee in accordance with the foregoing provision, the Participant shall automatically have the right to exercise such vested Options within three months of such date of termination of employment or one year in the case of a Participant suffering a Disability or three years in the case of a deceased Participant. .

Section 8.3 *Nonassignability*. No Option shall be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except for transfer by will or the laws of descent and distribution. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of, or to subject to execution, attachment or similar process, any Option contrary to the provisions hereof, shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Option involved in such attempt.

Section 8.4 *Withholding Taxes.* A Participant may pay the amount of taxes required by law upon the exercise of an Option in cash.

Section 8.5 *Amendments to Options*. The Committee may at any time unilaterally amend the terms of any Option Agreement, whether or not presently exercisable or vested, to the extent it deems appropriate; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

Section 8.6 *Regulatory Approval and Listings.* The Company shall use its best efforts to file with the Securities and Exchange Commission as soon as practicable following the Effective Date, and keep continuously effective and usable, a Registration Statement on Form S−8 with respect to shares of Common Stock subject to Options hereunder. Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates representing shares of Common Stock subject to Options prior to:

(a) the obtaining of any approval from, or satisfaction of any waiting period or other condition imposed by, any governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable;

(b) the admission of such shares to listing on the stock exchange on which the Common Stock may be listed; and

(c) the completion of any registration or other qualification of such shares under any state or Federal law or ruling of any governmental body which the Committee shall, in its sole discretion, determine to be necessary or advisable.

Section 8.7 *Right to Continued Employment.* Participation in the Plan shall not give any Eligible Employee any right to remain in the employ of the Company or any Subsidiary. Further, the adoption of this Plan shall not be deemed to give any Eligible Employee or any other individual any right to be selected as a Participant or to be granted an Option.

Section 8.8 *Reliance on Reports.* Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its Subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than himself. In no event shall any person who is or shall have been a member of the Committee or of the Board be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

Section 8.9 *Construction.* Masculine pronouns and other words of masculine gender shall refer to both men and women. The titles and headings of the sections in the Plan are for the convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

Section 8.10 *Governing Law.* The Plan shall be governed by and construed in accordance with the laws of the State of Oklahoma except as superseded by applicable Federal law.

ARTICLE IX

ACCELERATION OF OPTIONS UPON CORPORATE EVENT

Section 9.1 *Procedures for Acceleration and Exercise*. If the Company shall, pursuant to action by the Board, at any time propose to dissolve or liquidate or merge into, consolidate with, or sell or otherwise transfer all or substantially all of its assets to another corporation and provision is not made pursuant to the terms of such transaction for the assumption by the surviving, resulting or acquiring corporation of outstanding Options under the Plan, or for the substitution of new options therefor, the Committee shall cause written notice of the proposed transaction to be given to each Participant no less than forty days prior to the anticipated effective date of the proposed transaction, and his Option shall become 100% vested and, prior to a date specified in such notice, which shall be not more than ten days prior to the anticipated effective date of the proposed transaction, each Participant shall have the right to exercise his Option to purchase any or all of the Common Stock then subject to such Option. Each Participant, by so notifying the Company in writing, may, in exercising his Option, condition such exercise upon, and provide that such exercise shall become effective at the time of, but immediately prior to, the consummation of the transaction, in which event such Participant need not make payment for the Common Stock to be purchased upon exercise of such Option until five days after written notice by the Company to such Participant that the transaction has been consummated. If the transaction is consummated, each Option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date of such consummation. If the transaction is abandoned, (i) any Common Stock not purchased upon exercise of such Option shall continue to be available for purchase in accordance with the other provisions of the Plan and (ii) to the extent that any Option not exercised prior to such abandonment shall have vested solely by operation of this Section 9.1, such vesting shall be deemed annulled, and the vesting schedule set forth in the Participant's Option Agreement shall be reinstituted, as of the date of such abandonment.

Section 9.2 *Certain Additional Payments by the Company*. The Committee may, in its sole discretion, provide in any Option Agreement for certain payments by the Company in the event that acceleration of vesting of any Option under the Plan is considered a payment by the Company (a "Payment") subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, interest and penalties, collectively, the "Excise Tax"). An Option Agreement may provide that the Participant shall be entitled to receive a payment (a "Gross−Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross−Up Payment, the Participant retains an amount of the Gross−Up Payment equal to the Excise Tax imposed upon the Payment.

Exhibit 10.1.5

CHESAPEAKE ENERGY CORPORATION

1999 STOCK OPTION PLAN

(as amended through February 13, 2006)

CHESAPEAKE ENERGY CORPORATION

1999 STOCK OPTION PLAN

Table of Contents

ARTICLE I

PURPOSE

Section 1.1 *Purpose*. This Stock Option Plan is established by Chesapeake Energy Corporation (the "Company") to create incentives which are designed to motivate Eligible Employees to put forth maximum effort toward the success and growth of the Company and to enable the Company to attract and retain experienced individuals who by their position, ability and diligence are able to make important contributions to the Company's success. Toward these objectives, the Plan provides for the granting of Options to Eligible Employees on the terms and subject to the conditions set forth in the Plan.

Section 1.2 *Establishment.* The Plan is effective as of March 5, 1999 and for a period of 10 years from such date. The Plan will terminate on March 4, 2009; however, it will continue in effect until all matters relating to the exercise of Options and administration of the Plan have been settled.

Section 1.3 *Shares Subject to the Plan*. Subject to Articles IV, VII and IX of this Plan, shares of stock covered by Options shall consist of Three Million (3,000,000) shares of Common Stock.

Section 1.4 *Shareholder Approval*. Nonqualified Stock Options under the Plan may be granted to Participants prior to Shareholder Approval of the Plan, but no Incentive Stock Options may be granted prior to Shareholder Approval. In the event Shareholder Approval is not obtained within the twelve−month period following the date the Plan is adopted by the Board, no Incentive Stock Options may be granted under the Plan.

ARTICLE II

DEFINITIONS

Section 2.1 "*Board*" means the Board of Directors of the Company.

Section 2.2 "*Code*" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any Section of the Code shall be deemed to include any amendments or successor provisions to such Section and any regulations under such Section.

Section 2.3 "*Committee*" has the meaning set forth in Section 3.1.

Section 2.4 "*Common Stock*" means the common stock, par value $.01 per share, of the Company and, after substitution, such other stock as shall be substituted therefor as provided in Article VII or Article IX of the Plan.

Section 2.5 "*Date of Grant*" means the date on which the granting of an Option is authorized by the Committee or such later date as may be specified by the Committee in such authorization.

Section 2.6 "*Disability*" has the meaning set forth in Section 22(e)(3) of the Code.

Section 2.7 "*Eligible Employee*" means any employee of the Company, a Subsidiary or a partnership or limited liability company which the Company controls.

Section 2.8 "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

Section 2.9 "*Executive Officer Participants*" means Participants who are subject to the provisions of Section 16 of the Exchange Act.

Section 2.10 *"Fair Market Value"* means (A) during such time as the Common Stock is listed on the New York Stock Exchange or other national securities exchanges or the Nasdaq National Market (each, an "exchange"), the closing price of the Common Stock on the New York Stock Exchange or, if no sale of the Common Stock shall have been made on the New York Stock Exchange, such other principal exchange on the day for which such value is to be determined, or if no sale of the Common Stock shall have been made on any such exchange that day, on the next preceding day on which there was a sale of such Common Stock or (B) during any such time as the Common Stock is not listed upon an exchange, the mean between dealer "bid" and "ask" prices of the Common Stock in the over−the−counter market on the day for which such value is to be determined, as reported by the National Association of Securities Dealers, Inc.

Section 2.11 *"Incentive Stock Option"* means an Option within the meaning of Section 422 of the Code.

Section 2.12 *"Non−Executive Officer Participants"* means Participants who are not subject to the provisions of Section 16 of the Exchange Act.

Section 2.13 *"Nonqualified Stock Option"* means an Option which is not an Incentive Stock Option.

Section 2.14 *"Option"* means an Option granted under Article VI of the Plan and includes both Nonqualified Stock Options and Incentive Stock Options to purchase shares of Common Stock.

Section 2.15 *"Option Agreement"* means any written instrument that establishes the terms, conditions, restrictions, and/or limitations applicable to an Option in addition to those established by this Plan and by the Committee's exercise of its administrative powers.

Section 2.16 *"Participant"* means an Eligible Employee to whom an Option has been granted by the Committee under the Plan.

Section 2.17 *"Plan"* means the Chesapeake Energy Corporation 1999 Stock Option Plan.

Section 2.18 *"Regular Stock Option Committee"* means the Employee Compensation and Benefits Committee designated by the Board which shall consist of not less than one member of the Board.

Section 2.19 *"Shareholder Approval"* means approval by the holders of a majority of the outstanding shares of Common Stock, present, or represented, and entitled to vote at a meeting called for such purposes.

Section 2.20 *"Special Stock Option Committee"* means a committee designated by the Board which shall consist of not less than two members of the Board who meet the definition of "non−employee directors" pursuant to Rule 16b−3, or any successor rule, promulgated under Section 16 of the Exchange Act.

Section 2.21 *"Subsidiary"* shall have the same meaning set forth in Section 424 of the Code.

ARTICLE III

ADMINISTRATION

Section 3.1 *Administration of the Plan; the Committee*. For purposes of administration, the Plan shall be deemed to consist of two separate stock option plans, a "Non−Executive Officer Participant Plan" which is limited to Non−Executive Officer Participants, and an "Executive Officer Participant Plan" which is limited to Executive Officer Participants. Except for administration and the category of Participants eligible to receive Options, the terms of the Non−Executive Officer Participant Plan and the Executive Officer Participant Plan are identical.

The Non−Executive Officer Participant Plan shall be administered by the Regular Stock Option Committee, and the Executive Officer Participant Plan shall be administered by either the Special Stock Option Committee or the Board. Accordingly, with respect to decisions relating to Non−Executive Officer Participants, including the grant of Options, the term "Committee" shall mean only the Regular Stock Option Committee; and, with respect to all decisions relating to Executive Officer Participants, including the grant of Options, the term "Committee" shall mean either the Special Stock Option Committee or the Board.

Unless otherwise provided in the by−laws of the Company or resolutions adopted from time to time by the Board establishing the Committee, the Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, shall be filled by the Board. The Committee shall hold meetings at such times and places as it may determine. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present or acts reduced to or approved by the Committee in writing by a majority of the members of the Committee shall be the valid acts of the Committee.

Subject to the provisions of the Plan, the Committee shall have exclusive power to:

(a) Select the Eligible Employees to participate in the Plan.

(b) Determine the time or times when Options will be granted.

(c) Determine the form of an Option, whether an Incentive Stock Option or a Nonqualified Stock Option, the number of shares of Common Stock subject to the Option, all the terms, conditions (including performance requirements), restrictions and/or limitations, if any, of an Option, including the time and conditions of exercise or vesting, and the terms of any Option Agreement, which may include the waiver or amendment of prior terms and conditions or acceleration of the vesting or exercise of an Option under certain circumstances determined by the Committee.

(d) Determine whether Options will be granted singly or in combination.

(e) Take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

Section 3.2 *Committee to Make Rules and Interpret Plan*. The Committee in its sole discretion shall have the authority, subject to the provisions of the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee's interpretation of the Plan or any Options granted pursuant hereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties.

ARTICLE IV

GRANT OF OPTIONS

The Committee may, from time to time, grant Options to one or more Participants, provided, however, that:

(a) Any shares of Common Stock related to Options which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of shares of Common Stock shall be available again for grant under the Plan.

(b) Common Stock delivered by the Company upon exercise of an Option under the Plan may be authorized and unissued Common Stock or Common Stock held in the treasury of the Company or may be purchased on the open market or by private purchase.

(c) The Committee shall, in its sole discretion, determine the manner in which fractional shares arising under this Plan shall be treated.

(d) Upon the exercise of any Option, the Company shall issue and deliver to the Participant who exercised the Option a certificate representing the number of shares of Common Stock purchased thereby.

ARTICLE V

ELIGIBILITY

Subject to the provisions of the Plan, the Committee shall, from time to time, select from the Eligible Employees those to whom Options shall be granted and shall determine the type or types of Options to be granted and shall establish in the related Option Agreements the terms, conditions, restrictions and/or limitations, if any, applicable to the Options in addition to those set forth in the Plan and the administrative rules and regulations issued by the Committee.

ARTICLE VI

STOCK OPTIONS

Section 6.1 *Grant of Options*. The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant Options to Eligible Employees. These Options may be Incentive Stock Options or Nonqualified Stock Options, or a combination of both. Each grant of an Option shall be evidenced by an Option Agreement executed by the Company and the Participant, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the requirements of Section 6.2.

Section 6.2 *Conditions of Options*. Each Option so granted shall be subject to the following conditions:

(a) *Exercise Price*. As limited by Section 6.2(e) below, each Option shall state the exercise price which shall be set by the Committee on the Date of Grant. Except as provided below, no Option shall be granted at an exercise price which is less than the Fair Market Value of the Common Stock on the Date of Grant. Notwithstanding the foregoing, Nonqualified Stock Options, not exceeding ten percent (10%) of the Options which can be issued under this Plan, may be granted at an exercise price which is not less than eighty−five percent (85%) of the Fair Market Value of the Common Stock on the Date of Grant.

(b) *Form of Payment*. The exercise price of an Option may be paid (i) in cash or by check, bank draft or money order payable to the order of the Company; (ii) by tendering, by either actual delivery of shares or by attestation, shares of Common Stock acceptable to the Committee and valued at Fair Market Value as of the day of exercise; or (iii) a combination of the foregoing. In addition to the foregoing, any Option granted under the Plan may be exercised by a broker−dealer acting on behalf of a Participant if (A) the broker−dealer has received from the Participant or the Company a notice evidencing the exercise of such Option and instructions signed by the Participant requesting the Company to deliver the shares of Common Stock subject to such Option to the broker−dealer on behalf of the Participant and specifying the account into which such shares should be deposited, (B) adequate provision has been made with respect to the payment of any withholding taxes due upon such exercise or, in the case of an Incentive Stock Option, upon the premature disposition of such shares and (C) the broker−dealer and the Participant have otherwise complied with Section 220.3(e)(4) of Regulation T, 12 CFR, Part 220 and any successor rules and regulations applicable to such exercise.

(c) *Exercise of Options*. Options granted under the Plan shall be exercisable, in whole or in such installments and at such times, and shall expire at such time, as shall be provided by the Committee in the Option Agreement. Exercise of an Option shall be by written notice stating the election to exercise in the form and manner determined by the Committee. Every share of Common Stock acquired through the exercise of an Option shall be deemed to be fully paid at the time of exercise and payment of the exercise price.

(d) *Other Terms and Conditions*. Among other conditions that may be imposed by the Committee, if deemed appropriate, are those relating to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which Participants must be employed by the Company or its Subsidiaries, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) conditions under which such Options or shares may be subject to forfeiture; (v) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time and (vi) the achievement by the Company of specified performance criteria.

(e) *Special Restrictions Relating to Incentive Stock Options*. In addition to being subject to all applicable terms, conditions, restrictions and/or limitations established by the Committee, Options issued in the form of Incentive Stock Options shall comply with the requirements of Section 422 of the Code (or any successor Section thereto), including, without limitation, the requirement that the exercise price of an Incentive Stock Option not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant, the requirement that each Incentive Stock Option, unless sooner exercised, terminated or cancelled, expire no later than 10 years from its Date of Grant, the requirement that Incentive Stock Options be granted only to Eligible Employees, and the requirement that the aggregate Fair Market Value (determined on the Date of Grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan of the Company or any Subsidiary) not exceed $100,000. Incentive Stock Options which are in excess of the applicable $100,000 limitation will be automatically recharacterized as Nonqualified Stock Options as provided under Section 6.3 of this Plan. No Incentive Stock Options shall be granted to any Eligible Employee if, immediately before the grant of an Incentive Stock Option, such Eligible Employee owns more than 10% of the total combined voting power of all classes of stock of the Company or its Subsidiaries (as determined in accordance with the stock attribution rules contained in Sections 422 and 424(d) of the Code). Provided, the preceding sentence shall not apply if, at the time the Incentive Stock Option is granted, the exercise price is at least 110% of the Fair Market Value of the Common Stock subject to the Incentive Stock Option, and such Incentive Stock Option by its terms is exercisable no more than five years from the date such Incentive Stock Option is granted.

(f) *Application of Funds*. The proceeds received by the Company from the sale of Common Stock pursuant to Options will be used for general corporate purposes.

(g) *Shareholder Rights*. No Participant shall have any rights as a shareholder with respect to any share of Common Stock subject to an Option prior to the purchase of such share of Common Stock by exercise of the Option.

Section 6.3 *Options Not Qualifying as Incentive Stock Options*. With respect to all or any portion of any Option granted under this Plan not qualifying as an “incentive stock option” under Section 422 of the Code, such Option shall be considered a Nonqualified Stock Option granted under this Plan for all purposes. Further, this Plan and any Incentive Stock Options granted hereunder shall be deemed to have incorporated by reference all the provisions and requirements of Section 422 of the Code (and the Treasury Regulations issued thereunder) necessary to ensure that all Incentive Stock Options granted hereunder shall be “incentive stock options” described in Section 422 of the Code. Further, in the event that the $100,000 limitation contained in Section 6.2(e) herein is exceeded in any Incentive Stock Option granted under this Plan, the portion of the Incentive Stock Option in excess of such limitation shall be treated as a Nonqualified Stock Option under this Plan subject to the terms and provisions of the applicable Option Agreement, except to the extent modified to reflect recharacterization of the Incentive Stock Option as a Nonqualified Stock Option.

ARTICLE VII

STOCK ADJUSTMENTS

Subject to the provisions of Article IX of this Plan, in the event that the shares of Common Stock, as presently constituted shall be changed into or exchanged for a different number or kind or shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, stock split, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend, or a dividend on the shares of Common Stock or rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each share available under and subject to the Plan as provided in Section 1.3 hereof, and each share then subject or thereafter subject or which may become subject to Options under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be, on a fair and equivalent basis in accordance with the applicable provisions of Section 424 of the Code; provided, however, in no such event will such adjustment result in a modification of any Option as defined in Section 424(h) of the Code. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock, or any stock or other securities into which the Common Stock shall have been changed or for which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the shares available under and subject to the Plan, or in any Option theretofore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination, except that no adjustment of the number of shares of Common Stock available under the Plan or to which any Option relates that would otherwise be required shall be made unless and until such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of at least 1% of the number of shares of Common Stock available under the Plan or to which any Option relates immediately prior to the making of such adjustment (the “Minimum Adjustment”). Any adjustment representing a change of less than such minimum amount shall be carried forward and made as soon as such adjustment together with other adjustments required by this Article VII and not previously made would result in a Minimum Adjustment. Notwithstanding the foregoing, any adjustment required by this Article VII which otherwise would not result in a Minimum Adjustment shall be made with respect to shares of Common Stock relating to any Option immediately prior to exercise of such Option.

No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

ARTICLE VIII

GENERAL

Section 8.1 *Amendment or Termination of Plan*. The Board may suspend or terminate the Plan at any time. In addition, the Board may, from time to time, amend the Plan in any manner, but may not adopt any amendment without Shareholder Approval if (i) the amendment relates to Incentive Stock Options and Section 422 of the Code requires Shareholder Approval of such amendment, or (ii) in the opinion of counsel to the Company, Shareholder Approval is required by any Federal or state law or regulations or rules promulgated thereunder.

Section 8.2 *Acceleration of Otherwise Unexercisable Stock Options on Death, Disability or Other Special Circumstances*. The Committee, in its sole discretion, may permit (i) a Participant who terminates employment due to a Disability, (ii) the personal representative of a deceased Participant, or (iii) any other Participant who terminates employment upon the occurrence of special circumstances (as determined by the Committee) to purchase all or any part

of the shares subject to any unvested Option on the date of the Participant's termination of employment due to a Disability, death or special circumstances, or as the Committee otherwise so determines. With respect to Options which have already vested at the date of such termination or the vesting of which is accelerated by the Committee in accordance with the foregoing provision, the Participant or the personal representative of a deceased Participant shall have the right to exercise such vested Options which are Incentive Stock Options within three months of such date of termination of employment or one year in the case of a Participant suffering a Disability or three years in the case of a deceased Participant. The Participant or the personal representative of a deceased Participant shall have the right to exercise such vested Options which are Nonqualified Stock Options within such period(s) as the Committee shall determine.

Section 8.3 *Nonassignability*. No Option shall be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except for transfer by will or the laws of descent and distribution. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of, or to subject to execution, attachment or similar process, any Option contrary to the provisions hereof, shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Option involved in such attempt.

Section 8.4 *Withholding Taxes*. A Participant must pay the amount of taxes required by law upon the exercise of an Option in cash.

Section 8.5 *Amendments to Options*. The Committee may at any time unilaterally amend the terms of any Option Agreement, whether or not the Option granted thereunder is presently exercisable or vested, to the extent it deems appropriate; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

Section 8.6 *Regulatory Approval and Listings*. The Company shall use its best efforts to file with the Securities and Exchange Commission as soon as practicable following the date this Plan is adopted by the Board, and keep continuously effective and usable, a Registration Statement on Form S−8 with respect to shares of Common Stock subject to Options hereunder. Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates representing shares of Common Stock evidencing Options prior to:

(a) the obtaining of any approval from, or satisfaction of any waiting period or other condition imposed by, any governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable;

(b) the admission of such shares to listing on any exchange on which the Common Stock may be listed; and

(c) the completion of any registration or other qualification of such shares under any state or Federal law or ruling of any governmental body which the Committee shall, in its sole discretion, determine to be necessary or advisable.

Section 8.7 *Right to Continued Employment*. Participation in the Plan shall not give any Participant any right to remain in the employ of the Company or any Subsidiary or any partnership or limited liability company controlled by the Company. Further, the adoption of this Plan shall not be deemed to give any Eligible Employee or any other individual any right to be selected as a Participant or to be granted an Option.

Section 8.8 *Reliance on Reports*. Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its Subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than the Committee or Board member. In no event shall any person who is or shall have been a member of the Committee or of the Board be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

Section 8.9 *Construction*. The titles and headings of the sections in the Plan are for the convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

Section 8.10 *Governing Law*. The Plan shall be governed by and construed in accordance with the laws of the State of Oklahoma except as superseded by applicable Federal law.

ARTICLE IX

ACCELERATION OF OPTIONS UPON CORPORATE EVENT

Section 9.1 *Procedures for Acceleration and Exercise*. If the Company shall, pursuant to action by the Board, at any time propose to dissolve or liquidate or merge into, consolidate with, or sell or otherwise transfer all or substantially all of its assets to another corporation and provision is not made pursuant to the terms of such transaction for the assumption by the surviving, resulting or acquiring corporation of outstanding Options under the Plan, or for the substitution of new options therefor, the Committee shall cause written notice of the proposed transaction to be given to each Participant no less than forty days prior to the anticipated effective date of the proposed transaction, and the Participant's Option shall become 100% vested. Prior to a date specified in such notice, which shall be not more than ten days prior to the anticipated effective date of the proposed transaction, each Participant shall have the right to exercise his or her Option to purchase any or all of the Common Stock then subject to such Option. Each Participant, by so notifying the Company in writing, may, in exercising his or her Option, condition such exercise upon, and provide that such exercise shall become effective immediately prior to the consummation of the transaction, in which event such Participant need not make payment for the Common Stock to be purchased upon exercise of such Option until five days after receipt of written notice by the Company to such Participant that the transaction has been consummated. If the transaction is consummated, each Option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date such transaction is consummated. If the transaction is abandoned, (i) any Common Stock not purchased upon exercise of such Option shall continue to be available for purchase in accordance with the other provisions of the Plan and (ii) to the extent that any Option not exercised prior to such abandonment shall have vested solely by operation of this Section 9.1, such vesting shall be deemed voided as of the time such acceleration otherwise occurred pursuant to Section 9.1, and the vesting schedule set forth in the Participant's Option Agreement shall be reinstituted as of the date of such abandonment.

Section 9.2 *Certain Additional Payments by the Company*. The Committee may, in its sole discretion, provide in any Option Agreement for certain payments by the Company in the event that acceleration of vesting of any Option under the Plan is subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, interest and penalties, collectively, the "Excise Tax"). An Option Agreement may provide that the Participant shall be entitled to receive a payment (a "Gross−Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross−Up Payment, the Participant retains an amount of the Gross−Up Payment equal to the Excise Tax imposed upon such acceleration of vesting of any Option.

Exhibit 10.1.6

CHESAPEAKE ENERGY CORPORATION

2000 EMPLOYEE STOCK OPTION PLAN

(as amended through February 13, 2006)

CHESAPEAKE ENERGY CORPORATION

2000 EMPLOYEE STOCK OPTION PLAN

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ARTICLE I

PURPOSE

Section 1.1 *Purpose*. This Stock Option Plan is established by Chesapeake Energy Corporation (the "Company") to create incentives which are designed to motivate Eligible Employees to put forth maximum effort toward the success and growth of the Company and to enable the Company to attract and retain experienced individuals who by their position, ability and diligence are able to make important contributions to the Company's success. Toward these objectives, the Plan provides for the granting of Options to Eligible Employees on the terms and subject to the conditions set forth in the Plan.

Section 1.2 *Establishment*. The Plan is effective as of April 26, 2000 and for a period of 10 years from such date. The Plan will terminate on April 25, 2010; however, it will continue in effect until all matters relating to the exercise of Options and administration of the Plan have been settled.

Section 1.3 *Shares Subject to the Plan*. Subject to Articles IV, VII and IX of this Plan, shares of stock covered by Options shall consist of Three Million (3,000,000) shares of Common Stock.

ARTICLE II

DEFINITIONS

Section 2.1 "*Board*" means the Board of Directors of the Company.

Section 2.2 "*Code*" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any Section of the Code shall be deemed to include any amendments or successor provisions to such Section and any regulations under such Section.

Section 2.3 "*Committee*" has the meaning set forth in Section 3.1.

Section 2.4 "*Common Stock*" means the common stock, par value $.01 per share, of the Company and, after substitution, such other stock as shall be substituted therefor as provided in Article VII or Article IX of the Plan.

Section 2.5 "*Date of Grant*" means the date on which the granting of an Option is authorized by the Committee or such later date as may be specified by the Committee in such authorization.

Section 2.6 "*Disability*" has the meaning set forth in Section 22(e)(3) of the Code.

Section 2.7 "*Eligible Employee*" means any employee of the Company, a Subsidiary or a partnership or limited liability company which the Company controls.

Section 2.8 "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

Section 2.9 "*Executive Officer Participants*" means Participants who are subject to the provisions of Section 16 of the Exchange Act with respect to the Common Stock.

Section 2.10 "*Fair Market Value*" means, as of any date, (i) if the principal market for the Common Stock is a national securities exchange or the Nasdaq stock market, the closing price of the Common Stock on that date on the principal exchange on which the Common Stock is then listed or admitted to trading; or (ii) if sale prices are not available or if the principal market for the Common Stock is not a national securities exchange and the Common Stock is not quoted on the Nasdaq stock market, the average of the highest bid and lowest asked prices for the Common Stock on such day as reported on the Nasdaq OTC Bulletin Board Service or by the National Quotation Bureau, Incorporated or a comparable service. If the day is not a business day, and as a result, clauses (i) and (ii) are inapplicable, the Fair Market Value of the Common Stock shall be determined as of the last preceding business day. If clauses (i) and (ii) are otherwise inapplicable, the Fair Market Value of the Common Stock shall be determined in good faith by the Committee.

Section 2.11 *"Non−Executive Officer Participants"* means Participants who are not subject to the provisions of Section 16 of the Exchange Act.

Section 2.12 *"Nonqualified Stock Option"* means an option to purchase shares of Common Stock which is not an incentive stock option within the meaning of Section 422(b) of the Code.

Section 2.13 *"Option"* means a Nonqualified Stock Option granted under Article VI of the Plan.

Section 2.14 *"Option Agreement"* means any written instrument that establishes the terms, conditions, restrictions, and/or limitations applicable to an Option in addition to those established by this Plan and by the Committee's exercise of its administrative powers.

Section 2.15 *"Participant"* means an Eligible Employee to whom an Option has been granted by the Committee under the Plan.

Section 2.16 *"Plan"* means the Chesapeake Energy Corporation 2000 Employee Stock Option Plan.

Section 2.17 *"Regular Stock Option Committee"* means the Employee Compensation and Benefits Committee designated by the Board which shall consist of not less than one member of the Board.

Section 2.18 *"Special Stock Option Committee"* means a committee designated by the Board which shall consist of not less than two members of the Board who meet the definition of "non−employee directors" pursuant to Rule 16b−3, or any successor rule, promulgated under Section 16 of the Exchange Act.

Section 2.19 *"Subsidiary"* shall have the same meaning set forth in Section 424 of the Code.

ARTICLE III

ADMINISTRATION

Section 3.1 *Administration of the Plan; the Committee*. The Regular Stock Option Committee shall administer the Plan with respect to Non−Executive Officer Participants, including the grant of Options, and the Special Stock Option Committee shall administer the Plan with respect to Executive Officer Participants, including the grant of Options. Accordingly, as used in the Plan, the term "Committee" shall mean the Regular Stock Option Committee if it refers to Plan administration affecting Non−Executive Officer Participants or the Special Stock Option Committee if it refers to Plan administration affecting Executive Officer Participants. If in either case the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

Unless otherwise provided in the by−laws of the Company or resolutions adopted from time to time by the Board establishing the Committee, the Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, shall be filled by the Board. The Committee shall hold meetings at such times and places as it may determine. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present shall be the valid acts of the Committee. Any action which may be taken at a meeting of the Committee may be taken without a meeting if all the members of the Committee consent to the action in writing.

Subject to the provisions of the Plan, the Committee shall have exclusive power to:

(a) Select the Eligible Employees to participate in the Plan.

(b) Determine the time or times when Options will be granted.

(c) Determine the number of shares of Common Stock subject to any Option, all the terms, conditions (including performance requirements), restrictions and/or limitations, if any, of an Option, including the time and conditions of exercise or vesting, and the terms of any Option Agreement, which may include the waiver or amendment of prior terms and conditions or acceleration of the vesting or exercise of an Option under certain circumstances determined by the Committee.

(d) Determine whether Options will be granted singly or in combination.

(e) Take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

Section 3.2 *Committee to Make Rules and Interpret Plan*. The Committee in its sole discretion shall have the authority, subject to the provisions of the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee reserves the right to modify outstanding Options and awards unilaterally in any manner that is not adverse to the Option or award holder. The Committee's interpretation of the Plan or any Options granted pursuant hereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties.

ARTICLE IV

GRANT OF OPTIONS

The Committee may, from time to time, grant Options to one or more Participants, provided, however, that:

(a) At least a majority of the shares of Common Stock underlying Options granted under the Plan, during the shorter of the three−year period commencing on the effective date of the Plan or the term of the Plan, must be granted to employees who are not Executive Officer Participants or directors of the Company.

(b) Any shares of Common Stock related to Options which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of shares of Common Stock shall be available again for grant under the Plan.

(c) Common Stock delivered by the Company upon exercise of an Option under the Plan will be authorized and unissued shares or issued shares which have been reacquired by the Company (i.e., treasury shares).

(d) The Committee shall, in its sole discretion, determine the manner in which fractional shares arising under this Plan shall be treated.

(e) Upon the exercise of any Option, the Company shall issue and deliver to the Participant who exercised the Option a certificate representing the number of shares of Common Stock purchased thereby.

ARTICLE V

ELIGIBILITY

Subject to the provisions of the Plan, the Committee shall, from time to time, select from the Eligible Employees those to whom Options shall be granted and shall establish in the related Option Agreements the terms, conditions, restrictions and/or limitations, if any, applicable to the Options in addition to those set forth in the Plan and the administrative rules and regulations issued by the Committee.

ARTICLE VI

STOCK OPTIONS

Section 6.1 *Grant of Options*. The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant Nonqualified Stock Options to Eligible Employees. Each grant of an Option shall be evidenced by an Option Agreement executed by the Company and the Participant, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the requirements of Section 6.2.

Section 6.2 *Conditions of Options*. Each Option so granted shall be subject to the following conditions:

(a) *Exercise Price*. The Option Agreement for each Option shall state the exercise price which shall be set by the Committee on the Date of Grant. No Option shall be granted at an exercise price which is less than the Fair Market Value of the Common Stock on the Date of Grant, except that Options for the purchase of up to ten percent (10%) of the shares subject to the Plan may be granted at an exercise price which is not less than eighty−five percent (85%) of the Fair Market Value of the Common Stock on the Date of Grant.

(b) *Form of Payment*. The payment of the exercise price of an Option shall be subject to the following:

(i) The full exercise price for shares of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in clause (iii) below, payment may be made as soon as practicable after the exercise).

(ii) The exercise price shall be payable in cash (including a check acceptable to the Committee, bank draft or money order) or by tendering, by either actual delivery of shares or by attestation, shares of Common Stock acceptable to the Committee and valued at Fair Market Value as of the day of exercise, or any combination thereof, as determined by the Committee.

(iii) The Committee may permit a Participant to elect to pay the exercise price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise.

(c) *Exercise of Options*. Options granted under the Plan shall be exercisable, in whole or in such installments and at such times, and shall expire at such time, as shall be provided by the Committee in the Option Agreement. Exercise of an Option shall be by written notice stating the election to exercise in the form and manner determined by the Committee. Every share of Common Stock acquired through the exercise of an Option shall be deemed to be fully paid at the time of exercise and payment of the exercise price.

(d) *Other Terms and Conditions*. Among other conditions that may be imposed by the Committee, if deemed appropriate, are those relating to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which Participants must be employed by the Company or its Subsidiaries, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) conditions under which such Options or shares may be subject to forfeiture; (v) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time and (vi) the achievement by the Company of specified performance criteria.

(e) *Application of Funds*. The proceeds received by the Company from the sale of Common Stock issued upon the exercise of Options will be used for general corporate purposes.

(f) *Shareholder Rights*. No Participant shall have any rights as a shareholder with respect to any share of Common Stock subject to an Option prior to the purchase of such share of Common Stock by exercise of the Option.

ARTICLE VII

STOCK ADJUSTMENTS

Subject to the provisions of Article IX of this Plan, in the event that the shares of Common Stock, as presently constituted shall be changed into or exchanged for a different number or kind or shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, stock split, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend, or a dividend on the shares of Common Stock or rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each share available under and subject to the Plan as provided in Section 1.3 hereof, and each share then subject or thereafter subject or which may become subject to Options under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be, on a fair and equivalent basis in accordance with the applicable provisions of Section 424 of the Code; provided, however, in no such event will such adjustment result in a modification of any Option as defined in Section 424(h) of the Code. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock, or any stock or other securities into which the Common Stock shall have been changed or for which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the shares available under and subject to the Plan, or in any Option theretofore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination, except that no adjustment of the number of shares of Common Stock available under the Plan or to which any Option relates that would otherwise be required shall be made unless and until such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of at least 1% of the number of shares of Common Stock available under the Plan or to which any Option relates immediately prior to the making of such adjustment (the “Minimum Adjustment”). Any adjustment representing a change of less than such minimum amount shall be carried forward and made as soon as such adjustment together with other adjustments required by this Article VII and not previously made would result in a Minimum Adjustment. Notwithstanding the foregoing, any adjustment required by this Article VII which otherwise would not result in a Minimum Adjustment shall be made with respect to shares of Common Stock relating to any Option immediately prior to exercise of such Option.

No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

ARTICLE VIII

GENERAL

Section 8.1 *Amendment or Termination of Plan*. The Board may suspend or terminate the Plan at any time. In addition, the Board may, from time to time, amend the Plan in any manner in accordance with applicable federal or state laws or regulations.

Section 8.2 *Acceleration of Otherwise Unexercisable Stock Options on Death, Disability or Other Special Circumstances*. The Committee, in its sole discretion, may permit (i) a Participant who terminates employment due to a Disability, (ii) the personal representative of a deceased Participant, or (iii) any other Participant who terminates employment upon the occurrence of special circumstances (as determined by the Committee) to purchase all or any part of the shares subject to any unvested Option on the date of the Participant's termination of employment due to a Disability, death or special circumstances, or as the Committee otherwise so determines. With respect to Options which have already vested at the date of such termination or the vesting of which is accelerated by the Committee in accordance with the foregoing provision, the Participant or the personal representative of a deceased Participant shall have the right to exercise such vested Options within such period(s) as the Committee shall determine.

Section 8.3 *Nonassignability*. Options are not transferable otherwise than by will or the laws of descent and distribution. Any attempted transfer, assignment, pledge, hypothecation or other disposition of, or the levy of execution, attachment or similar process upon, any Option contrary to the provisions hereof shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Option involved in such attempt.

Section 8.4 *Withholding Taxes*. A Participant must pay to the Company the amount of taxes required by law upon the exercise of an Option in cash.

Section 8.5 *Amendments to Options*. The Committee may at any time unilaterally amend the terms of any Option Agreement, whether or not the Option granted thereunder is presently exercisable or vested, to the extent it deems appropriate; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

Section 8.6 *Regulatory Approval and Listings*. The Company shall use its best efforts to file with the Securities and Exchange Commission as soon as practicable following the date this Plan is effective, and keep continuously effective and usable, a Registration Statement on Form S−8 with respect to shares of Common Stock subject to Options hereunder. Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates representing shares of Common Stock evidencing Options prior to:

(a) the obtaining of any approval from, or satisfaction of any waiting period or other condition imposed by, any governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable;

(b) the listing of such shares on any exchange on which the Common Stock may be listed; and

(c) the completion of any registration or other qualification of such shares under any state or federal law or regulation of any governmental body which the Committee shall, in its sole discretion, determine to be necessary or advisable.

Section 8.7 *Right to Continued Employment*. Participation in the Plan shall not give any Participant any right to remain in the employ of the Company or any Subsidiary or any partnership or limited liability company controlled by the Company. Further, the adoption of this Plan shall not be deemed to give any Eligible Employee or any other individual any right to be selected as a Participant or to be granted an Option.

Section 8.8 *Reliance on Reports*. Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its Subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than the Committee or Board member. In no event shall any person who is or shall have been a member of the Committee or of the Board be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

Section 8.9 *Construction*. The titles and headings of the sections in the Plan are for the convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

Section 8.10 *Governing Law*. The Plan shall be governed by and construed in accordance with the laws of the State of Oklahoma except as superseded by applicable federal law.

ARTICLE IX

ACCELERATION OF OPTIONS UPON CORPORATE EVENT

Section 9.1 *Procedures for Acceleration and Exercise*. If the Company shall, pursuant to action by the Board, at any time propose to dissolve or liquidate or merge into, consolidate with, or sell or otherwise transfer all or substantially all of its assets to another corporation and provision is not made pursuant to the terms of such transaction for the assumption by the surviving, resulting or acquiring corporation of outstanding Options under the Plan, or for the substitution of new options therefor, the Committee shall cause written notice of the proposed transaction to be given to each Participant no less than forty days prior to the anticipated effective date of the proposed transaction, and the Participant's Option shall become 100% vested. Prior to a date specified in such notice, which shall be not more than ten days prior to the anticipated effective date of the proposed transaction, each Participant shall have the right to exercise his or her Option to purchase any or all of the Common Stock then subject to such Option. Each Participant, by so notifying the Company in writing, may, in exercising his or her Option, condition such exercise upon, and provide that such exercise shall become effective immediately prior to the consummation of the transaction, in which event such Participant need not make payment for the Common Stock to be purchased upon exercise of such Option until five days after receipt of written notice by the Company to such Participant that the transaction has been consummated. If the transaction is consummated, each Option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date such transaction is consummated. If the transaction is abandoned, (i) any Common Stock not purchased upon exercise of such Option shall continue to be available for purchase in accordance with the other provisions of the Plan and (ii) to the extent that any Option not exercised prior to such abandonment shall have vested solely by operation of this Section 9.1, such vesting shall be deemed voided as of the time such acceleration otherwise occurred pursuant to Section 9.1, and the vesting schedule set forth in the Participant's Option Agreement shall be reinstituted as of the date of such abandonment.

Section 9.2 *Certain Additional Payments by the Company*. The Committee may, in its sole discretion, provide in any Option Agreement for certain payments by the Company in the event that acceleration of vesting of any Option under the Plan is subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, interest and penalties, collectively, the "Excise Tax"). An Option Agreement may provide that the Participant shall be entitled to receive a payment (a "Gross−Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross−Up Payment, the Participant retains an amount of the Gross−Up Payment equal to the Excise Tax imposed upon such acceleration of vesting of any Option.

Exhibit 10.1.8

CHESAPEAKE ENERGY CORPORATION

2001 STOCK OPTION PLAN

(as amended through February 13, 2006)

CHESAPEAKE ENERGY CORPORATION

2001 STOCK OPTION PLAN

ARTICLE I

PURPOSE

Section 1.1 *Purpose*. This Stock Option Plan is established by Chesapeake Energy Corporation (the "Company") to create incentives which are designed to motivate Employees and Consultants to put forth maximum effort toward the success and growth of the Company and to enable the Company to attract and retain experienced individuals who by their position, ability and diligence are able to make important contributions to the Company's success. Toward these objectives, the Plan provides for the granting of Options to Employees and Consultants on the terms and subject to the conditions set forth in the Plan.

Section 1.2 *Establishment*. The Plan is effective as of March 1, 2001 and for a period of 10 years from such date. The Plan will terminate on February 28, 2011; however, it will continue in effect until all matters relating to the exercise of Options and administration of the Plan have been settled.

Section 1.3 *Shares Subject to the Plan*. Subject to Articles IV, VII and IX of this Plan, shares of stock covered by Options shall consist of Three Million Two Hundred Thousand (3,200,000) shares of Common Stock.

Section 1.4 *Shareholder Approval.* Nonqualified Stock Options under the Plan may be granted to Participants prior to Shareholder Approval of the Plan, but no Incentive Stock Options may be granted prior to shareholder approval. In the event Shareholder Approval is not obtained within the 12−month period following the date the Plan is adopted by the Board, no Incentive Stock Options may be granted under the Plan.

ARTICLE II

DEFINITIONS

Section 2.1 "*Board*" means the Board of Directors of the Company.

Section 2.2 "*Code*" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any Section of the Code shall be deemed to include any amendments or successor provisions to such Section and any regulations under such Section.

Section 2.3 "*Committee*" has the meaning set forth in Section 3.1.

Section 2.4 "*Common Stock*" means the common stock, par value $.01 per share, of the Company and, after substitution, such other stock as shall be substituted therefor as provided in Article VII or Article IX of the Plan.

Section 2.5 "*Consultant*" means any person who is engaged by the Company, a subsidiary or a partnership or limited liability company which the Company controls to render consulting or advisory services.

Section 2.6 "*Date of Grant*" means the date on which the granting of an Option is authorized by the Committee or such later date as may be specified by the Committee in such authorization.

Section 2.7 "*Disability*" has the meaning set forth in Section 22(e)(3) of the Code.

Section 2.8 "*Eligible Person*" means any Employee or Consultant.

Section 2.9 " *Employee*" means any employee of the Company, a Subsidiary or a partnership or limited liability company which the Company controls.

Section 2.10 "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

Section 2.11 "*Executive Officer Participants*" means Participants who are subject to the provisions of Section 16 of the Exchange Act with respect to the Common Stock.

Section 2.12 *"Fair Market Value"* means, as of any date, (i) if the principal market for the Common Stock is a national securities exchange or the Nasdaq stock market, the closing price of the Common Stock on that date on the principal exchange on which the Common Stock is then listed or admitted to trading; or (ii) if sale prices are not available or if the principal market for the Common Stock is not a national securities exchange and the Common Stock is not quoted on the Nasdaq stock market, the average of the highest bid and lowest asked prices for the Common Stock on such day as reported on the Nasdaq OTC Bulletin Board Service or by the National Quotation Bureau, Incorporated or a comparable service. If the day is not a business day, and as a result, clauses (i) and (ii) are inapplicable, the Fair Market Value of the Common Stock shall be determined as of the last preceding business day. If clauses (i) and (ii) are otherwise inapplicable, the Fair Market Value of the Common Stock shall be determined in good faith by the Committee.

Section 2.13 "*Incentive Stock Option"* means an Option within the meaning of Section 422 of the Code.

Section 2.13 "*Non−Executive Officer Participants"* means Participants who are not subject to the provisions of Section 16 of the Exchange Act.

Section 2.15 "*Nonqualified Stock Option"* means an Option to purchase shares of Common Stock which is not an Incentive Stock Option within the meaning of Section 422(b) of the Code.

Section 2.16 "*Option"* means an Incentive Stock Option or Nonqualified Stock Option granted under Article VI of the Plan.

Section 2.17 "*Option Agreement"* means any written instrument that establishes the terms, conditions, restrictions, and/or limitations applicable to an Option in addition to those established by this Plan and by the Committee's exercise of its administrative powers.

Section 2.18 "*Participant"* means an Eligible Person to whom an Option has been granted by the Committee under the Plan.

Section 2.19 "*Plan"*" means the Chesapeake Energy Corporation 2001 Stock Option Plan.

Section 2.20 "*Regular Stock Option Committee"* means the Employee Compensation and Benefits Committee designated by the Board which shall consist of not less than one member of the Board.

Section 2.21 "*Shareholder Approval"* means approval by the holders of a majority of the outstanding shares of Common Stock, present or represented and entitled to vote at a meeting called for such purposes.

Section 2.22 "*Special Stock Option Committee"* means a committee designated by the Board which shall consist of not less than two members of the Board who meet the definition of "non−employee directors" pursuant to Rule 16b−3, or any successor rule, promulgated under Section 16 of the Exchange Act.

Section 2.23 "*Subsidiary"* shall have the same meaning set forth in Section 424(f) of the Code.

ARTICLE III

ADMINISTRATION

Section 3.1 *Administration of the Plan; the Committee*. The Regular Stock Option Committee shall administer the Plan with respect to Non−Executive Officer Participants, including the grant of Options, and the Special Stock Option Committee shall administer the Plan with respect to Executive Officer Participants, including the grant of Options. Accordingly, as used in the Plan, the term "Committee" shall mean the Regular Stock Option Committee if it refers to Plan administration affecting Non−Executive Officer Participants or the Special Stock Option Committee if it refers to Plan administration affecting Executive Officer Participants. If in either case the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

Unless otherwise provided in the by−laws of the Company or resolutions adopted from time to time by the Board establishing the Committee, the Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, shall be filled by the Board. The Committee shall hold meetings at such times and places as it may determine. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present shall be the valid acts of the Committee. Any action which may be taken at a meeting of the Committee may be taken without a meeting if all the members of the Committee consent to the action in writing.

Subject to the provisions of the Plan, the Committee shall have exclusive power to:

(a) Select the Eligible Persons to participate in the Plan.

(b) Determine the time or times when Options will be granted.

(c) Determine the form of Option, whether an Incentive Stock Option or a Nonqualified Stock Option, the number of shares of Common Stock subject to any Option, all the terms, conditions (including performance requirements), restrictions and/or limitations, if any, of an Option, including the time and conditions of exercise or vesting, and the terms of any Option Agreement, which may include the waiver or amendment of prior terms and conditions or acceleration of the vesting or exercise of an Option under certain circumstances determined by the Committee.

(d) Determine whether Options will be granted singly or in combination.

(e) Take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

Section 3.2 *Committee to Make Rules and Interpret Plan*. The Committee in its sole discretion shall have the authority, subject to the provisions of the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee reserves the right to modify outstanding Options and awards unilaterally in any manner that is not adverse to the Option holder. The Committee's interpretation of the Plan or any Options granted pursuant hereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties.

ARTICLE IV

GRANT OF OPTIONS

The Committee may, from time to time, grant Options to one or more Participants, provided, however, that:

(a) Any shares of Common Stock related to Options which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of shares of Common Stock shall be available again for grant under the Plan.

(b) Common Stock delivered by the Company upon exercise of an Option under the Plan will be authorized and unissued shares or issued shares which have been reacquired by the Company (i.e., treasury shares).

(c) The Committee shall, in its sole discretion, determine the manner in which fractional shares arising under this Plan shall be treated.

(d) Upon the exercise of any Option, the Company shall issue and deliver to the Participant who exercised the Option a certificate representing the number of shares of Common Stock purchased thereby.

ARTICLE V

ELIGIBILITY

Subject to the provisions of the Plan, the Committee shall, from time to time, select from the Eligible Persons those to whom Options shall be granted and shall determine the type or types of Options to be granted and shall establish in the related Option Agreements the terms, conditions, restrictions and/or limitations, if any, applicable to the Options in addition to those set forth in the Plan and the administrative rules and regulations issued by the Committee. Nonqualified Stock Options may be granted to any Eligible Person. Incentive Stock Options may be granted only to Employees.

ARTICLE VI

STOCK OPTIONS

Section 6.1 *Grant of Options.* The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant Options to Eligible Persons. Subject to Article V, these Options may be Incentive Stock Options or Nonqualified Stock Options, or a combination of both. Each grant of an Option shall be evidenced by an Option Agreement executed by the Company and the Participant, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the requirements of Section 6.2.

Section 6.2 *Conditions of Options*. Each Option so granted shall be subject to the following conditions:

(a) *Exercise Price*. As limited by Section 6.2(e) below, the Option Agreement for each Option shall state the exercise price which shall be set by the Committee on the Date of Grant. No Option shall be granted at an exercise price which is less than the Fair Market Value of the Common Stock on the Date of Grant, except that Nonqualified Stock Options for the purchase of up to ten percent (10%) of the shares subject to the Plan may be granted at an exercise price which is not less than eighty−five percent (85%) of the Fair Market Value of the Common Stock on the Date of Grant.

(b) *Form of Payment*. The payment of the exercise price of an Option shall be subject to the following:

(i) The full exercise price for shares of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in clause (iii) below, payment may be made as soon as practicable after the exercise).

(ii) The exercise price shall be payable in cash (including a check acceptable to the Committee, bank draft or money order) or by tendering, by either actual delivery of shares or by attestation, shares of Common Stock acceptable to the Committee and valued at Fair Market Value as of the day of exercise, or any combination thereof, as determined by the Committee.

(iii) The Committee may permit a Participant to elect to pay the exercise price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise.

(c) *Exercise of Options*. Options granted under the Plan shall be exercisable, in whole or in such installments and at such times, and shall expire at such time, as shall be provided by the Committee in the Option Agreement. Exercise of an Option shall be by written notice stating the election to exercise in the form and manner determined by the Committee. Every share of Common Stock acquired through the exercise of an Option shall be deemed to be fully paid at the time of exercise and payment of the exercise price.

(d) *Other Terms and Conditions*. Among other conditions that may be imposed by the Committee, if deemed appropriate, are those relating to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which Participants must be employed by the Company or its Subsidiaries, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) the maximum period that Participants will be allowed to be inactively employed or on a leave of absence before their vesting is suspended until they return to active employment; (v) conditions under which such Options or shares may be subject to forfeiture; (vi) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time and (vii) the achievement by the Company of specified performance criteria.

(e) *Special Restrictions Relating to Incentive Stock Options.* In addition to being subject to all applicable terms, conditions, restrictions and/or limitations established by the Committee, Options issued in the form of Incentive Stock Options shall comply with the requirements of Section 422 of the Code (or any successor Section thereto), including, without limitation, the requirement that the exercise price of an Incentive Stock Option not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant, the requirement that each Incentive Stock Option, unless sooner exercised, terminated or cancelled, expire no later than 10 years from its Date of Grant, the requirement that Incentive Stock Options be granted only to Employees, and the requirement that the aggregate Fair Market Value (determined on the Date of Grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan of the Company or any Subsidiary) not exceed $100,000. Incentive Stock Options which are in excess of the applicable $100,000 limitation will be automatically recharacterized as Nonqualified Stock Options as provided under Section 6.3 of this Plan. No Incentive Stock Options shall be granted to any Employee if, immediately before the grant of an Incentive Stock Option, such Employee owns more than 10% of the total combined voting power of all classes of stock of the Company or its Subsidiaries (as determined in accordance with the stock attribution rules contained in Sections 422 and 424(d) of the Code). Provided, the preceding sentence shall not apply if, at the time the Incentive Stock Option is granted, the exercise price is at least 110% of the Fair Market Value of the Common Stock subject to the Incentive Stock Option, and such Incentive Stock Option by its terms is exercisable no more than five years from the date such Incentive Stock Option is granted.

(f) *Application of Funds*. The proceeds received by the Company from the sale of Common Stock issued upon the exercise of Options will be used for general corporate purposes.

(g) *Shareholder Rights*. No Participant shall have any rights as a shareholder with respect to any share of Common Stock subject to an Option prior to the purchase of such share of Common Stock by exercise of the Option.

Section 6.3 *Options Not Qualifying as Incentive Stock Options.* With respect to all or any portion of any Option granted under this Plan not qualifying as an “incentive stock option” under Section 422 of the Code, such Option shall be considered a Nonqualified Stock Option granted under this Plan for all purposes. Further, this Plan and any Incentive Stock Options granted hereunder shall be deemed to have incorporated by reference all the provisions and requirements of Section 422 of the Code (and the Treasury Regulations issued thereunder) necessary to ensure that all Incentive Stock Options granted hereunder shall be “incentive stock options” described in Section 422 of the Code. Further, in the event that the $100,000 limitation contained in Section 6.2(e) herein is exceeded in any Incentive Stock Option granted under this Plan, the portion of the Incentive Stock Option in excess of such limitation shall be treated as

a Nonqualified Stock Option under this Plan subject to the terms and provisions of the applicable Option Agreement, except to the extent modified to reflect recharacterization of the Incentive Stock Option as a Nonqualified Stock Option.

ARTICLE VII

STOCK ADJUSTMENTS

Subject to the provisions of Article IX of this Plan, in the event that the shares of Common Stock, as presently constituted shall be changed into or exchanged for a different number or kind or shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, stock split, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend, or a dividend on the shares of Common Stock or rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each share available under and subject to the Plan as provided in Section 1.3 hereof, and each share then subject or thereafter subject or which may become subject to Options under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be, on a fair and equivalent basis in accordance with the applicable provisions of Section 424 of the Code; provided, however, in no such event will such adjustment result in a modification of any Option as defined in Section 424(h) of the Code. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock, or any stock or other securities into which the Common Stock shall have been changed or for which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the shares available under and subject to the Plan, or in any Option theretofore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination, except that no adjustment of the number of shares of Common Stock available under the Plan or to which any Option relates that would otherwise be required shall be made unless and until such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of at least 1% of the number of shares of Common Stock available under the Plan or to which any Option relates immediately prior to the making of such adjustment (the “Minimum Adjustment”). Any adjustment representing a change of less than such minimum amount shall be carried forward and made as soon as such adjustment together with other adjustments required by this Article VII and not previously made would result in a Minimum Adjustment. Notwithstanding the foregoing, any adjustment required by this Article VII which otherwise would not result in a Minimum Adjustment shall be made with respect to shares of Common Stock relating to any Option immediately prior to exercise of such Option.

No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

ARTICLE VIII

GENERAL

Section 8.1 *Amendment or Termination of Plan*. The Board may suspend or terminate the Plan at any time. In addition, the Board may, from time to time, amend the Plan in any manner, but may not adopt any amendment without Shareholder Approval if (i) the amendment relates to Incentive Stock Options and Section 422 of the Code requires Shareholder Approval of such amendment, or (ii) in the opinion of counsel to the Company, Shareholder Approval is required by any federal or state laws or regulations.

Section 8.2 *Acceleration of Otherwise Unexercisable Stock Options on Death, Disability or Other Special Circumstances*. The Committee, in its sole discretion, may permit (i) a Participant who terminates employment due to a Disability, (ii) the personal representative of a deceased Participant, or (iii) any other Participant who terminates employment upon the occurrence of special circumstances (as determined by the Committee) to purchase all or any part of the shares subject to any unvested Option on the date of the Participant’s termination of employment due

to a Disability, death or special circumstances, or as the Committee otherwise so determines. With respect to Options which have already vested at the date of such termination or the vesting of which is accelerated by the Committee in accordance with the foregoing provision, the Participant or the personal representative of a deceased Participant shall have the right to exercise such vested Options within such period(s) as the Committee shall determine.

Section 8.3 *Nonassignability*. Options are not transferable otherwise than by will or the laws of descent and distribution. Any attempted transfer, assignment, pledge, hypothecation or other disposition of, or the levy of execution, attachment or similar process upon, any Option contrary to the provisions hereof shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Option involved in such attempt.

Section 8.4 *Withholding Taxes*. A Participant must pay to the Company the amount of taxes required by law upon the exercise of an Option in cash.

Section 8.5 *Amendments to Options*. The Committee may at any time unilaterally amend the terms of any Option Agreement, whether or not the Option granted thereunder is presently exercisable or vested, to the extent it deems appropriate; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

Section 8.6 *Regulatory Approval and Listings*. The Company shall use its best efforts to file with the Securities and Exchange Commission as soon as practicable following the date this Plan is effective, and keep continuously effective and usable, a Registration Statement on Form S−8 with respect to shares of Common Stock subject to Options hereunder. Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates representing shares of Common Stock evidencing Options prior to:

(a) the obtaining of any approval from, or satisfaction of any waiting period or other condition imposed by, any governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable;

(b) the listing of such shares on any exchange on which the Common Stock may be listed; and

(c) the completion of any registration or other qualification of such shares under any state or federal law or regulation of any governmental body which the Committee shall, in its sole discretion, determine to be necessary or advisable.

Section 8.7 *Right to Continued Employment*. Participation in the Plan shall not give any Participant any right to remain in the employ of the Company or any Subsidiary or any partnership or limited liability company controlled by the Company. Further, the adoption of this Plan shall not be deemed to give any Employee or Consultant or any other individual any right to be selected as a Participant or to be granted an Option.

Section 8.8 *Reliance on Reports*. Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its Subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than the Committee or Board member. In no event shall any person who is or shall have been a member of the Committee or of the Board be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

Section 8.9 *Construction*. The titles and headings of the sections in the Plan are for the convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

Section 8.10 *Governing Law*. The Plan shall be governed by and construed in accordance with the laws of the State of Oklahoma except as superseded by applicable federal law.

ARTICLE IX

ACCELERATION OF OPTIONS UPON CORPORATE EVENT

Section 9.1 *Procedures for Acceleration and Exercise*. If the Company shall, pursuant to action by the Board, at any time propose to dissolve or liquidate or merge into, consolidate with, or sell or otherwise transfer all or substantially all of its assets to another corporation and provision is not made pursuant to the terms of such transaction for the assumption by the surviving, resulting or acquiring corporation of outstanding Options under the Plan, or for the substitution of new options therefor, the Committee shall cause written notice of the proposed transaction to be given to each Participant no less than forty days prior to the anticipated effective date of the proposed transaction, and the Participant's Option shall become 100% vested. Prior to a date specified in such notice, which shall be not more than ten days prior to the anticipated effective date of the proposed transaction, each Participant shall have the right to exercise his or her Option to purchase any or all of the Common Stock then subject to such Option. Each Participant, by so notifying the Company in writing, may, in exercising his or her Option, condition such exercise upon, and provide that such exercise shall become effective immediately prior to the consummation of the transaction, in which event such Participant need not make payment for the Common Stock to be purchased upon exercise of such Option until five days after receipt of written notice by the Company to such Participant that the transaction has been consummated. If the transaction is consummated, each Option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date such transaction is consummated. If the transaction is abandoned, (i) any Common Stock not purchased upon exercise of such Option shall continue to be available for purchase in accordance with the other provisions of the Plan and (ii) to the extent that any Option not exercised prior to such abandonment shall have vested solely by operation of this Section 9.1, such vesting shall be deemed voided as of the time such acceleration otherwise occurred pursuant to Section 9.1, and the vesting schedule set forth in the Participant's Option Agreement shall be reinstituted as of the date of such abandonment.

Section 9.2 *Certain Additional Payments by the Company*. The Committee may, in its sole discretion, provide in any Option Agreement for certain payments by the Company in the event that acceleration of vesting of any Option under the Plan is subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, interest and penalties, collectively, the "Excise Tax"). An Option Agreement may provide that the Participant shall be entitled to receive a payment (a "Gross−Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross−Up Payment, the Participant retains an amount of the Gross−Up Payment equal to the Excise Tax imposed upon such acceleration of vesting of any Option.

CHESAPEAKE ENERGY CORPORATION

2001 NONQUALIFIED STOCK OPTION PLAN

(as amended through February 13, 2006)

CHESAPEAKE ENERGY CORPORATION

2001 NONQUALIFIED STOCK OPTION PLAN

Table of Contents

ARTICLE I

PURPOSE

Section 1.1 *Purpose*. This Stock Option Plan is established by Chesapeake Energy Corporation (the "Company") to create incentives which are designed to motivate Employees and Consultants to put forth maximum effort toward the success and growth of the Company and to enable the Company to attract and retain experienced individuals who by their position, ability and diligence are able to make important contributions to the Company's success. Toward these objectives, the Plan provides for the granting of Options to Employees and Consultants on the terms and subject to the conditions set forth in the Plan.

Section 1.2 *Establishment*. The Plan is effective as of April 15, 2001 and for a period of 10 years from such date. The Plan will terminate on April 14, 2011; however, it will continue in effect until all matters relating to the exercise of Options and administration of the Plan have been settled.

Section 1.3 *Shares Subject to the Plan*. Subject to Articles IV, VII and IX of this Plan, shares of stock covered by Options shall consist of Three Million (3,000,000) shares of Common Stock.

ARTICLE II

DEFINITIONS

Section 2.1 "*Board*" means the Board of Directors of the Company.

Section 2.2 "*Code*" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any Section of the Code shall be deemed to include any amendments or successor provisions to such Section and any regulations under such Section.

Section 2.3 "*Committee*" has the meaning set forth in Section 3.1.

Section 2.4 "*Common Stock*" means the common stock, par value $.01 per share, of the Company and, after substitution, such other stock as shall be substituted therefor as provided in Article VII or Article IX of the Plan.

Section 2.5 "*Consultant*" means any person who is engaged by the Company, a subsidiary or a partnership or limited liability company which the Company controls to render consulting or advisory services.

Section 2.6 "*Date of Grant*" means the date on which the granting of an Option is authorized by the Committee or such later date as may be specified by the Committee in such authorization.

Section 2.7 "*Disability*" has the meaning set forth in Section 22(e)(3) of the Code.

Section 2.8 "*Eligible Person*" means any Employee or Consultant.

Section 2.9 "*Employee*" means any employee of the Company, a Subsidiary or a partnership or limited liability company which the Company controls.

Section 2.10 "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

Section 2.11 "*Executive Officer Participants*" means Participants who are subject to the provisions of Section 16 of the Exchange Act with respect to the Common Stock.

Section 2.12 "*Fair Market Value*" means, as of any date, (i) if the principal market for the Common Stock is a national securities exchange or the Nasdaq stock market, the closing price of the Common Stock on that date on the principal exchange on which the Common Stock is then listed or admitted to trading; or (ii) if sale prices are not available or if the principal market for the Common Stock is not a national securities exchange and the Common Stock is not quoted on the Nasdaq stock market, the average of the highest bid and lowest asked prices for the Common Stock

on such day as reported on the Nasdaq OTC Bulletin Board Service or by the National Quotation Bureau, Incorporated or a comparable service. If the day is not a business day, and as a result, clauses (i) and (ii) are inapplicable, the Fair Market Value of the Common Stock shall be determined as of the last preceding business day. If clauses (i) and (ii) are otherwise inapplicable, the Fair Market Value of the Common Stock shall be determined in good faith by the Committee.

Section 2.13 "*Non−Executive Officer Participants*" means Participants who are not subject to the provisions of Section 16 of the Exchange Act.

Section 2.14 "*Nonqualified Stock Option*" means an option to purchase shares of Common Stock which is not an incentive stock option within the meaning of Section 422(b) of the Code.

Section 2.15 "*Option*" means a Nonqualified Stock Option granted under Article VI of the Plan.

Section 2.16 "*Option Agreement*" means any written instrument that establishes the terms, conditions, restrictions, and/or limitations applicable to an Option in addition to those established by this Plan and by the Committee's exercise of its administrative powers.

Section 2.17 "*Participant*" means an Eligible Person to whom an Option has been granted by the Committee under the Plan.

Section 2.18 "*Plan*" means the Chesapeake Energy Corporation 2001 Nonqualified Stock Option Plan.

Section 2.19 "*Regular Stock Option Committee*" means the Employee Compensation and Benefits Committee designated by the Board which shall consist of not less than one member of the Board.

Section 2.20 "*Special Stock Option Committee*" means a committee designated by the Board which shall consist of not less than two members of the Board who meet the definition of "non−employee directors" pursuant to Rule 16b−3, or any successor rule, promulgated under Section 16 of the Exchange Act.

Section 2.21 "*Subsidiary*" shall have the same meaning set forth in Section 424 of the Code.

ARTICLE III

ADMINISTRATION

Section 3.1 *Administration of the Plan; the Committee*. The Regular Stock Option Committee shall administer the Plan with respect to Non−Executive Officer Participants, including the grant of Options, and the Special Stock Option Committee shall administer the Plan with respect to Executive Officer Participants, including the grant of Options. Accordingly, as used in the Plan, the term "Committee" shall mean the Regular Stock Option Committee if it refers to Plan administration affecting Non−Executive Officer Participants or the Special Stock Option Committee if it refers to Plan administration affecting Executive Officer Participants. If in either case the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

Unless otherwise provided in the by−laws of the Company or resolutions adopted from time to time by the Board establishing the Committee, the Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, shall be filled by the Board. The Committee shall hold meetings at such times and places as it may determine. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present shall be the valid acts of the Committee. Any action which may be taken at a meeting of the Committee may be taken without a meeting if all the members of the Committee consent to the action in writing.

Subject to the provisions of the Plan, the Committee shall have exclusive power to:

(a) Select the Eligible Persons to participate in the Plan.

(b) Determine the time or times when Options will be granted.

(c) Determine the number of shares of Common Stock subject to any Option, all the terms, conditions (including performance requirements), restrictions and/or limitations, if any, of an Option, including the time and conditions of exercise or vesting, and the terms of any Option Agreement, which may include the waiver or amendment of prior terms and conditions or acceleration of the vesting or exercise of an Option under certain circumstances determined by the Committee.

(d) Determine whether Options will be granted singly or in combination.

(e) Take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

Section 3.2 *Committee to Make Rules and Interpret Plan.* The Committee in its sole discretion shall have the authority, subject to the provisions of the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee reserves the right to modify outstanding Options and awards unilaterally in any manner that is not adverse to the Option holder. The Committee's interpretation of the Plan or any Options granted pursuant hereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties.

ARTICLE IV

GRANT OF OPTIONS

The Committee may, from time to time, grant Options to one or more Participants, provided, however, that:

(a) At least a majority of the shares of Common Stock underlying Options granted under the Plan during any three−year period must be granted to employees who are not Executive Officer Participants or directors of the Company.

(b) Any shares of Common Stock related to Options which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of shares of Common Stock shall be available again for grant under the Plan.

(c) Common Stock delivered by the Company upon exercise of an Option under the Plan will be authorized and unissued shares or issued shares which have been reacquired by the Company (i.e., treasury shares).

(d) The Committee shall, in its sole discretion, determine the manner in which fractional shares arising under this Plan shall be treated.

(e) Upon the exercise of any Option, the Company shall issue and deliver to the Participant who exercised the Option a certificate representing the number of shares of Common Stock purchased thereby.

ARTICLE V

ELIGIBILITY

Subject to the provisions of the Plan, the Committee shall, from time to time, select from the Eligible Persons those to whom Options shall be granted and shall establish in the related Option Agreements the terms, conditions, restrictions and/or limitations, if any, applicable to the Options in addition to those set forth in the Plan and the administrative rules and regulations issued by the Committee.

ARTICLE VI

STOCK OPTIONS

Section 6.1 *Grant of Options*. The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant Nonqualified Stock Options to Eligible Persons. Each grant of an Option shall be evidenced by an Option Agreement executed by the Company and the Participant, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the requirements of Section 6.2.

Section 6.2 *Conditions of Options*. Each Option so granted shall be subject to the following conditions:

(a) *Exercise Price*. The Option Agreement for each Option shall state the exercise price which shall be set by the Committee on the Date of Grant. No Option shall be granted at an exercise price which is less than the Fair Market Value of the Common Stock on the Date of Grant, except that Options for the purchase of up to ten percent (10%) of the shares subject to the Plan may be granted at an exercise price which is not less than eighty−five percent (85%) of the Fair Market Value of the Common Stock on the Date of Grant.

(b) *Form of Payment*. The payment of the exercise price of an Option shall be subject to the following:

(i) The full exercise price for shares of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in clause (iii) below, payment may be made as soon as practicable after the exercise).

(ii) The exercise price shall be payable in cash (including a check acceptable to the Committee, bank draft or money order) or by tendering, by either actual delivery of shares or by attestation, shares of Common Stock acceptable to the Committee and valued at Fair Market Value as of the day of exercise, or any combination thereof, as determined by the Committee.

(iii) The Committee may permit a Participant to elect to pay the exercise price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise.

(c) *Exercise of Options*. Options granted under the Plan shall be exercisable, in whole or in such installments and at such times, and shall expire at such time, as shall be provided by the Committee in the Option Agreement. Exercise of an Option shall be by written notice stating the election to exercise in the form and manner determined by the Committee. Every share of Common Stock acquired through the exercise of an Option shall be deemed to be fully paid at the time of exercise and payment of the exercise price.

(d) *Other Terms and Conditions*. Among other conditions that may be imposed by the Committee, if deemed appropriate, are those relating to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which Participants must be employed by the Company or its Subsidiaries, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) the maximum period that Participants will be allowed to be inactively employed or on a leave of absence before their vesting is suspended until they return to active employment; (v) conditions under which such Options or shares may be subject to forfeiture; (vi) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time and (vii) the achievement by the Company of specified performance criteria.

(e) *Application of Funds*. The proceeds received by the Company from the sale of Common Stock issued upon the exercise of Options will be used for general corporate purposes.

(f) *Shareholder Rights*. No Participant shall have any rights as a shareholder with respect to any share of Common Stock subject to an Option prior to the purchase of such share of Common Stock by exercise of the Option.

ARTICLE VII

STOCK ADJUSTMENTS

Subject to the provisions of Article IX of this Plan, in the event that the shares of Common Stock, as presently constituted shall be changed into or exchanged for a different number or kind or shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, stock split, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend, or a dividend on the shares of Common Stock or rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each share available under and subject to the Plan as provided in Section 1.3 hereof, and each share then subject or thereafter subject or which may become subject to Options under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be, on a fair and equivalent basis in accordance with the applicable provisions of Section 424 of the Code; provided, however, in no such event will such adjustment result in a modification of any Option as defined in Section 424(h) of the Code. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock, or any stock or other securities into which the Common Stock shall have been changed or for which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the shares available under and subject to the Plan, or in any Option theretofore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination, except that no adjustment of the number of shares of Common Stock available under the Plan or to which any Option relates that would otherwise be required shall be made unless and until such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of at least 1% of the number of shares of Common Stock available under the Plan or to which any Option relates immediately prior to the making of such adjustment (the “Minimum Adjustment”). Any adjustment representing a change of less than such minimum amount shall be carried forward and made as soon as such adjustment together with other adjustments required by this Article VII and not previously made would result in a Minimum Adjustment. Notwithstanding the foregoing, any adjustment required by this Article VII which otherwise would not result in a Minimum Adjustment shall be made with respect to shares of Common Stock relating to any Option immediately prior to exercise of such Option.

No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

ARTICLE VIII

GENERAL

Section 8.1 *Amendment or Termination of Plan*. The Board may suspend or terminate the Plan at any time. In addition, the Board may, from time to time, amend the Plan in any manner in accordance with applicable federal or state laws or regulations.

Section 8.2 *Acceleration of Otherwise Unexercisable Stock Options on Death, Disability or Other Special Circumstances*. The Committee, in its sole discretion, may permit (i) a Participant who terminates employment due to a Disability, (ii) the personal representative of a deceased Participant, or (iii) any other Participant who terminates employment upon the occurrence of special circumstances (as determined by the Committee) to purchase all or any part of the shares subject to any unvested Option on the date of the Participant's termination of employment due to a Disability, death or special circumstances, or as the Committee otherwise so determines. With respect to Options which have already vested at the date of such termination or the vesting of which is accelerated by the Committee in accordance with the foregoing provision, the Participant or the personal representative of a deceased Participant shall have the right to exercise such vested Options within such period(s) as the Committee shall determine.

Section 8.3 *Nonassignability*. Options are not transferable otherwise than by will or the laws of descent and distribution. Any attempted transfer, assignment, pledge, hypothecation or other disposition of, or the levy of execution, attachment or similar process upon, any Option contrary to the provisions hereof shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Option involved in such attempt.

Section 8.4 *Withholding Taxes*. A Participant must pay to the Company the amount of taxes required by law upon the exercise of an Option in cash.

Section 8.5 *Amendments to Options*. The Committee may at any time unilaterally amend the terms of any Option Agreement, whether or not the Option granted thereunder is presently exercisable or vested, to the extent it deems appropriate; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent.

Section 8.6 *Regulatory Approval and Listings*. The Company shall use its best efforts to file with the Securities and Exchange Commission as soon as practicable following the date this Plan is effective, and keep continuously effective and usable, a Registration Statement on Form S−8 with respect to shares of Common Stock subject to Options hereunder. Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates representing shares of Common Stock evidencing Options prior to:

(a) the obtaining of any approval from, or satisfaction of any waiting period or other condition imposed by, any governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable;

(b) the listing of such shares on any exchange on which the Common Stock may be listed; and

(c) the completion of any registration or other qualification of such shares under any state or federal law or regulation of any governmental body which the Committee shall, in its sole discretion, determine to be necessary or advisable.

Section 8.7 *Right to Continued Employment*. Participation in the Plan shall not give any Participant any right to remain in the employ of the Company or any Subsidiary or any partnership or limited liability company controlled by the Company. Further, the adoption of this Plan shall not be deemed to give any Employee or Consultant or any other individual any right to be selected as a Participant or to be granted an Option.

Section 8.8 *Reliance on Reports*. Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its Subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than the Committee or Board member. In no event shall any person who is or shall have been a member of the Committee or of the Board be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

Section 8.9 *Construction*. The titles and headings of the sections in the Plan are for the convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

Section 8.10 *Governing Law*. The Plan shall be governed by and construed in accordance with the laws of the State of Oklahoma except as superseded by applicable federal law.

ARTICLE IX

ACCELERATION OF OPTIONS UPON CORPORATE EVENT

Section 9.1 *Procedures for Acceleration and Exercise*. If the Company shall, pursuant to action by the Board, at any time propose to dissolve or liquidate or merge into, consolidate with, or sell or otherwise transfer all or substantially all of its assets to another corporation and provision is not made pursuant to the terms of such transaction for the assumption by the surviving, resulting or acquiring corporation of outstanding Options under the Plan, or for the substitution of new options therefor, the Committee shall cause written notice of the proposed transaction to be given to each Participant no less than forty days prior to the anticipated effective date of the proposed transaction, and the Participant's Option shall become 100% vested. Prior to a date specified in such notice, which shall be not more than ten days prior to the anticipated effective date of the proposed transaction, each Participant shall have the right to exercise his or her Option to purchase any or all of the Common Stock then subject to such Option. Each Participant, by so notifying the Company in writing, may, in exercising his or her Option, condition such exercise upon, and provide that such exercise shall become effective immediately prior to the consummation of the transaction, in which event such Participant need not make payment for the Common Stock to be purchased upon exercise of such Option until five days after receipt of written notice by the Company to such Participant that the transaction has been consummated. If the transaction is consummated, each Option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date such transaction is consummated. If the transaction is abandoned, (i) any Common Stock not purchased upon exercise of such Option shall continue to be available for purchase in accordance with the other provisions of the Plan and (ii) to the extent that any Option not exercised prior to such abandonment shall have vested solely by operation of this Section 9.1, such vesting shall be deemed voided as of the time such acceleration otherwise occurred pursuant to Section 9.1, and the vesting schedule set forth in the Participant's Option Agreement shall be reinstituted as of the date of such abandonment.

Section 9.2 *Certain Additional Payments by the Company*. The Committee may, in its sole discretion, provide in any Option Agreement for certain payments by the Company in the event that acceleration of vesting of any Option under the Plan is subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, interest and penalties, collectively, the "Excise Tax"). An Option Agreement may provide that the Participant shall be entitled to receive a payment (a "Gross−Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross−Up Payment, the Participant retains an amount of the Gross−Up Payment equal to the Excise Tax imposed upon such acceleration of vesting of any Option.

CHESAPEAKE ENERGY CORPORATION

2002 STOCK OPTION PLAN

(as amended through February 13, 2006)

CHESAPEAKE ENERGY CORPORATION

2002 STOCK OPTION PLAN

ARTICLE I

PURPOSE

Section 1.1 *Purpose*. This Stock Option Plan is established by Chesapeake Energy Corporation (the "Company") to create incentives which are designed to motivate Employees and Consultants to put forth maximum effort toward the success and growth of the Company and to enable the Company to attract and retain experienced individuals who by their position, ability and diligence are able to make important contributions to the Company's success. Toward these objectives, the Plan provides for the granting of Options to Employees and Consultants on the terms and subject to the conditions set forth in the Plan.

Section 1.2 *Establishment.* The Plan is effective as of March 1, 2002 and for a period of 10 years from such date. The Plan will terminate on February 29, 2012; however, it will continue in effect until all matters relating to the exercise of Options and administration of the Plan have been settled.

Section 1.3 *Shares Subject to the Plan.* Subject to Articles IV, VII and IX of this Plan, shares of stock covered by Options shall consist of Three Million (3,000,000) shares of Common Stock.

Section 1.4 *Shareholder Approval.* Nonqualified Stock Options under the Plan may be granted to Participants prior to Shareholder Approval of the Plan, but no Incentive Stock Options may be granted prior to shareholder approval. In the event Shareholder Approval is not obtained within the 12−month period following the date the Plan is adopted by the Board, no Incentive Stock Options may be granted under the Plan.

ARTICLE II

DEFINITIONS

Section 2.1 "*Board*" means the Board of Directors of the Company.

Section 2.2 "*Code*" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any Section of the Code shall be deemed to include any amendments or successor provisions to such Section and any regulations under such Section.

Section 2.3 "*Committee*" has the meaning set forth in Section 3.1.

Section 2.4 "*Common Stock*" means the common stock, par value $.01 per share, of the Company and, after substitution, such other stock as shall be substituted therefor as provided in Article VII or Article IX of the Plan.

Section 2.5 "*Consultant*" means any person who is engaged by the Company, a subsidiary or a partnership or limited liability company which the Company controls to render consulting or advisory services.

Section 2.6 "*Date of Grant*" means the date on which the granting of an Option is authorized by the Committee or such later date as may be specified by the Committee in such authorization.

Section 2.7 "*Disability*" has the meaning set forth in Section 22(e)(3) of the Code.

Section 2.8 "*Eligible Person*" means any Employee or Consultant.

Section 2.9 " *Employee*" means any employee of the Company, a Subsidiary or a partnership or limited liability company which the Company controls.

Section 2.10 "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

Section 2.11 "*Executive Officer Participants*" means Participants who are subject to the provisions of Section 16 of the Exchange Act with respect to the Common Stock.

Section 2.12 *"Fair Market Value"* means, as of any date, (i) if the principal market for the Common Stock is a national securities exchange or the Nasdaq stock market, the closing price of the Common Stock on that date on the principal exchange on which the Common Stock is then listed or admitted to trading; or (ii) if sale prices are not available or if the principal market for the Common Stock is not a national securities exchange and the Common Stock is not quoted on the Nasdaq stock market, the average of the highest bid and lowest asked prices for the Common Stock on such day as reported on the Nasdaq OTC Bulletin Board Service or by the National Quotation Bureau, Incorporated or a comparable service. If the day is not a business day, and as a result, clauses (i) and (ii) are inapplicable, the Fair Market Value of the Common Stock shall be determined as of the last preceding business day. If clauses (i) and (ii) are otherwise inapplicable, the Fair Market Value of the Common Stock shall be determined in good faith by the Committee.

Section 2.13 "*Incentive Stock Option"* means an Option within the meaning of Section 422 of the Code.

Section 2.14 "*Non−Executive Officer Participants"* means Participants who are not subject to the provisions of Section 16 of the Exchange Act.

Section 2.15 "*Nonqualified Stock Option"* means an Option to purchase shares of Common Stock which is not an Incentive Stock Option within the meaning of Section 422(b) of the Code.

Section 2.16 "*Option"* means an Incentive Stock Option or Nonqualified Stock Option granted under Article VI of the Plan.

Section 2.17 "*Option Agreement"* means any written instrument that establishes the terms, conditions, restrictions, and/or limitations applicable to an Option in addition to those established by this Plan and by the Committee's exercise of its administrative powers.

Section 2.18 "*Participant"* means an Eligible Person to whom an Option has been granted by the Committee under the Plan.

Section 2.19 "*Plan"*" means the Chesapeake Energy Corporation 2002 Stock Option Plan.

Section 2.20 "*Regular Stock Option Committee"* means the Employee Compensation and Benefits Committee designated by the Board which shall consist of not less than one member of the Board.

Section 2.21 "*Shareholder Approval"* means approval by the holders of a majority of the outstanding shares of Common Stock, present or represented and entitled to vote at a meeting called for such purposes.

Section 2.22 "*Special Stock Option Committee"* means a committee designated by the Board which shall consist of not less than two members of the Board who meet the definition of "non−employee directors" pursuant to Rule 16b−3, or any successor rule, promulgated under Section 16 of the Exchange Act.

Section 2.23 "*Subsidiary"* shall have the same meaning set forth in Section 424(f) of the Code.

ARTICLE III

ADMINISTRATION

Section 3.1 *Administration of the Plan; the Committee*. The Regular Stock Option Committee shall administer the Plan with respect to Non−Executive Officer Participants, including the grant of Options, and the Special Stock Option Committee shall administer the Plan with respect to Executive Officer Participants, including the grant of Options. Accordingly, as used in the Plan, the term "Committee" shall mean the Regular Stock Option Committee if it refers to Plan administration affecting Non−Executive Officer Participants or the Special Stock Option Committee if it refers to Plan administration affecting Executive Officer Participants. If in either case the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

Unless otherwise provided in the by−laws of the Company or resolutions adopted from time to time by the Board establishing the Committee, the Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, shall be filled by the Board. The Committee shall hold meetings at such times and places as it may determine. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present shall be the valid acts of the Committee. Any action which may be taken at a meeting of the Committee may be taken without a meeting if all the members of the Committee consent to the action in writing.

Subject to the provisions of the Plan, the Committee shall have exclusive power to:

(a) Select the Eligible Persons to participate in the Plan.

(b) Determine the time or times when Options will be granted.

(c) Determine the form of Option, whether an Incentive Stock Option or a Nonqualified Stock Option, the number of shares of Common Stock subject to any Option, all the terms, conditions (including performance requirements), restrictions and/or limitations, if any, of an Option, including the time and conditions of exercise or vesting, and the terms of any Option Agreement, which may include the waiver or amendment of prior terms and conditions or acceleration of the vesting or exercise of an Option under certain circumstances determined by the Committee.

(d) Determine whether Options will be granted singly or in combination.

(e) Take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

Section 3.2 *Committee to Make Rules and Interpret Plan*. The Committee in its sole discretion shall have the authority, subject to the provisions of the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee's interpretation of the Plan or any Options granted pursuant hereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties.

ARTICLE IV

GRANT OF OPTIONS

The Committee may, from time to time, grant Options to one or more Participants, provided, however, that:

(a) Any shares of Common Stock related to Options which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of shares of Common Stock shall be available again for grant under the Plan.

(b) Common Stock delivered by the Company upon exercise of an Option under the Plan will be authorized and unissued shares or issued shares which have been reacquired by the Company (i.e., treasury shares).

(c) The Committee shall, in its sole discretion, determine the manner in which fractional shares arising under this Plan shall be treated.

(d) Upon the exercise of any Option, the Company shall issue and deliver to the Participant who exercised the Option a certificate representing the number of shares of Common Stock purchased thereby.

(e) Subject to Article VII, the aggregate number of shares of Common Stock made subject to Options granted to any Employee in any calendar year may not exceed one million shares.

ARTICLE V

ELIGIBILITY

Subject to the provisions of the Plan, the Committee shall, from time to time, select from the Eligible Persons those to whom Options shall be granted and shall determine the type or types of Options to be granted and shall establish in the related Option Agreements the terms, conditions, restrictions and/or limitations, if any, applicable to the Options in addition to those set forth in the Plan and the administrative rules and regulations issued by the Committee. Nonqualified Stock Options may be granted to any Eligible Person. Incentive Stock Options may be granted only to Employees.

ARTICLE VI

STOCK OPTIONS

Section 6.1 *Grant of Options.* The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant Options to Eligible Persons. Subject to Article V, these Options may be Incentive Stock Options or Nonqualified Stock Options, or a combination of both. Each grant of an Option shall be evidenced by an Option Agreement executed by the Company and the Participant, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the requirements of Section 6.2.

Section 6.2 *Conditions of Options*. Each Option so granted shall be subject to the following conditions:

(a) *Exercise Price*. As limited by Section 6.2(e) below, the Option Agreement for each Option shall state the exercise price which shall be set by the Committee on the Date of Grant. No Option shall be granted at an exercise price which is less than the Fair Market Value of the Common Stock on the Date of Grant, except that Nonqualified Stock Options for the purchase of up to ten percent (10%) of the shares subject to the Plan may be granted at an exercise price which is not less than eighty−five percent (85%) of the Fair Market Value of the Common Stock on the Date of Grant.

(b) *Form of Payment*. The payment of the exercise price of an Option shall be subject to the following:

(i) The full exercise price for shares of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in clause (iii) below, payment may be made as soon as practicable after the exercise).

(ii) The exercise price shall be payable in cash (including a check acceptable to the Committee, bank draft or money order) or by tendering, by either actual delivery of shares or by attestation, shares of Common Stock acceptable to the Committee and valued at Fair Market Value as of the day of exercise, or any combination thereof, as determined by the Committee.

(iii) The Committee may permit a Participant to elect to pay the exercise price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise.

(c) *Exercise of Options*. Options granted under the Plan shall be exercisable, in whole or in such installments and at such times, and shall expire at such time, as shall be provided by the Committee in the Option Agreement. Exercise of an Option shall be by written notice stating the election to exercise in the form and manner determined by the Committee. Every share of Common Stock acquired through the exercise of an Option shall be deemed to be fully paid at the time of exercise and payment of the exercise price.

(d) *Other Terms and Conditions*. Among other conditions that may be imposed by the Committee, if deemed appropriate, are those relating to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which Participants must be employed by the Company or its Subsidiaries, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) the maximum period that Participants will be allowed to be inactively employed or on a leave of absence before their vesting is suspended until they return to active employment; (v) conditions under which such Options or shares may be subject to forfeiture; (vi) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time and (vii) the achievement by the Company of specified performance criteria.

(e) *Special Restrictions Relating to Incentive Stock Options.* In addition to being subject to all applicable terms, conditions, restrictions and/or limitations established by the Committee, Options issued in the form of Incentive Stock Options shall comply with the requirements of Section 422 of the Code (or any successor Section thereto), including, without limitation, the requirement that the exercise price of an Incentive Stock Option not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant, the requirement that each Incentive Stock Option, unless sooner exercised, terminated or canceled, expire no later than 10 years from its Date of Grant, the requirement that Incentive Stock Options be granted only to Employees, and the requirement that the aggregate Fair Market Value (determined on the Date of Grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan of the Company or any Subsidiary) not exceed $100,000. Incentive Stock Options which are in excess of the applicable $100,000 limitation will be automatically recharacterized as Nonqualified Stock Options as provided under Section 6.3 of this Plan. No Incentive Stock Options shall be granted to any Employee if, immediately before the grant of an Incentive Stock Option, such Employee owns more than 10% of the total combined voting power of all classes of stock of the Company or its Subsidiaries (as determined in accordance with the stock attribution rules contained in Sections 422 and 424(d) of the Code). Provided, the preceding sentence shall not apply if, at the time the Incentive Stock Option is granted, the exercise price is at least 110% of the Fair Market Value of the Common Stock subject to the Incentive Stock Option, and such Incentive Stock Option by its terms is exercisable no more than five years from the date such Incentive Stock Option is granted.

(f) *Application of Funds*. The proceeds received by the Company from the sale of Common Stock issued upon the exercise of Options will be used for general corporate purposes.

(g) *Shareholder Rights*. No Participant shall have any rights as a shareholder with respect to any share of Common Stock subject to an Option prior to the purchase of such share of Common Stock by exercise of the Option.

Section 6.3 *Options Not Qualifying as Incentive Stock Options.* With respect to all or any portion of any Option granted under this Plan not qualifying as an “incentive stock option” under Section 422 of the Code, such Option shall be considered a Nonqualified Stock Option granted under this Plan for all purposes. Further, this Plan and any Incentive Stock Options granted hereunder shall be deemed to have incorporated by reference all the provisions and requirements of Section 422 of the Code (and the Treasury Regulations issued thereunder) necessary to ensure that all Incentive Stock Options granted hereunder shall be “incentive stock options” described in Section 422 of the Code. Further, in the event that the $100,000 limitation contained in Section 6.2(e) herein is exceeded in any Incentive Stock Option granted under this Plan, the portion of the Incentive Stock Option in excess of such limitation shall be treated as a Nonqualified Stock Option under this Plan subject to the terms and provisions of the applicable Option Agreement, except to the extent modified to reflect recharacterization of the Incentive Stock Option as a Nonqualified Stock Option.

ARTICLE VII

STOCK ADJUSTMENTS

Subject to the provisions of Article IX of this Plan, in the event that the shares of Common Stock, as presently constituted, shall be changed into or exchanged for a different number or kind or shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, stock split, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend, or a dividend on the shares of Common Stock or rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each share available under and subject to the Plan as provided in Section 1.3 hereof, and each share then subject or thereafter subject or which may become subject to Options under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be, on a fair and equivalent basis in accordance with the applicable provisions of Section 424 of the Code; provided, however, in no such event will such adjustment result in a modification of any Option as defined in Section 424(h) of the Code. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock, or any stock or other securities into which the Common Stock shall have been changed or for which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the shares available under and subject to the Plan, or in any Option theretofore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination, except that no adjustment of the number of shares of Common Stock available under the Plan or to which any Option relates that would otherwise be required shall be made unless and until such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of at least 1% of the number of shares of Common Stock available under the Plan or to which any Option relates immediately prior to the making of such adjustment (the “Minimum Adjustment”). Any adjustment representing a change of less than such minimum amount shall be carried forward and made as soon as such adjustment together with other adjustments required by this Article VII and not previously made would result in a Minimum Adjustment. Notwithstanding the foregoing, any adjustment required by this Article VII which otherwise would not result in a Minimum Adjustment shall be made with respect to shares of Common Stock relating to any Option immediately prior to exercise of such Option.

No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

ARTICLE VIII

GENERAL

Section 8.1 *Amendment or Termination of Plan*. The Board may suspend or terminate the Plan at any time. In addition, the Board may, from time to time, amend the Plan in any manner, but may not adopt any amendment without Shareholder Approval if (i) the amendment relates to Incentive Stock Options and Section 422 of the Code requires Shareholder Approval of such amendment, or (ii) in the opinion of counsel to the Company, Shareholder Approval is required by any federal or state laws or regulations or the rules of any stock exchange on which the common stock may be listed.

Section 8.2 *Acceleration of Otherwise Unexercisable Stock Options on Death, Disability or Other Special Circumstances*. The Committee, in its sole discretion, may permit (i) a Participant who terminates employment due to a Disability, (ii) the personal representative of a deceased Participant, or (iii) any other Participant who terminates employment upon the occurrence of special circumstances (as determined by the Committee) to purchase all or any part of the shares subject to any unvested Option on the date of the Participant’s termination of employment due to a Disability, death or special circumstances, or as the Committee otherwise so determines. With respect to Options which have already vested at the date of such termination or the vesting of which is accelerated by the Committee in accordance with the foregoing provision, the Participant or the personal representative of a deceased Participant shall have the right to exercise such vested Options within such period(s) as the Committee shall determine.

Section 8.3 *Nonassignability*. Options are not transferable otherwise than by will or the laws of descent and distribution. Any attempted transfer, assignment, pledge, hypothecation or other disposition of, or the levy of execution, attachment or similar process upon, any Option contrary to the provisions hereof shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Option involved in such attempt.

Section 8.4 *Withholding Taxes*. A Participant must pay to the Company the amount of taxes required by law upon the exercise of an Option in cash.

Section 8.5 *Regulatory Approval and Listings*. The Company shall use its best efforts to file with the Securities and Exchange Commission as soon as practicable following the date this Plan is effective, and keep continuously effective and usable, a Registration Statement on Form S−8 with respect to shares of Common Stock subject to Options hereunder. Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates representing shares of Common Stock evidencing Options prior to:

(a) the obtaining of any approval from, or satisfaction of any waiting period or other condition imposed by, any governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable;

(b) the listing of such shares on any exchange on which the Common Stock may be listed; and

(c) the completion of any registration or other qualification of such shares under any state or federal law or regulation of any governmental body which the Committee shall, in its sole discretion, determine to be necessary or advisable.

Section 8.6 *Right to Continued Employment*. Participation in the Plan shall not give any Participant any right to remain in the employ of the Company or any Subsidiary or any partnership or limited liability company controlled by the Company. Further, the adoption of this Plan shall not be deemed to give any Employee or Consultant or any other individual any right to be selected as a Participant or to be granted an Option.

Section 8.7 *Reliance on Reports*. Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its Subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than the Committee or Board member. In no event shall any person who is or shall have been a member of the Committee or of the Board be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

Section 8.8 *Construction*. The titles and headings of the sections in the Plan are for the convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

Section 8.9 *Governing Law*. The Plan shall be governed by and construed in accordance with the laws of the State of Oklahoma except as superseded by applicable federal law.

ARTICLE IX

ACCELERATION OF OPTIONS UPON CORPORATE EVENT

Section 9.1 *Procedures for Acceleration and Exercise*. If the Company shall, pursuant to action by the Board, at any time propose to dissolve or liquidate or merge into, consolidate with, or sell or otherwise transfer all or substantially all of its assets to another corporation and provision is not made pursuant to the terms of such transaction for the assumption by the surviving, resulting or acquiring corporation of outstanding Options under the Plan, or for the substitution of new options therefor, the Committee shall cause written notice of the proposed transaction to be given to each Participant no less than forty days prior to the anticipated effective date of the proposed transaction, and the Participant's Option shall become 100% vested. Prior to a date specified in such notice, which shall be not more than

ten days prior to the anticipated effective date of the proposed transaction, each Participant shall have the right to exercise his or her Option to purchase any or all of the Common Stock then subject to such Option. Each Participant, by so notifying the Company in writing, may, in exercising his or her Option, condition such exercise upon, and provide that such exercise shall become effective immediately prior to the consummation of the transaction, in which event such Participant need not make payment for the Common Stock to be purchased upon exercise of such Option until five days after receipt of written notice by the Company to such Participant that the transaction has been consummated. If the transaction is consummated, each Option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date such transaction is consummated. If the transaction is abandoned, (i) any Common Stock not purchased upon exercise of such Option shall continue to be available for purchase in accordance with the other provisions of the Plan and (ii) to the extent that any Option not exercised prior to such abandonment shall have vested solely by operation of this Section 9.1, such vesting shall be deemed voided as of the time such acceleration otherwise occurred pursuant to Section 9.1, and the vesting schedule set forth in the Participant's Option Agreement shall be reinstituted as of the date of such abandonment.

Section 9.2 *Certain Additional Payments by the Company*. The Committee may, in its sole discretion, provide in any Option Agreement for certain payments by the Company in the event that acceleration of vesting of any Option under the Plan is subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, interest and penalties, collectively, the "Excise Tax"). An Option Agreement may provide that the Participant shall be entitled to receive a payment (a "Gross−Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross−Up Payment, the Participant retains an amount of the Gross−Up Payment equal to the Excise Tax imposed upon such acceleration of vesting of any Option.

CHESAPEAKE ENERGY CORPORATION

2002 NONQUALIFIED STOCK OPTION PLAN

(as amended through February 13, 2006)

CHESAPEAKE ENERGY CORPORATION

2002 NONQUALIFIED STOCK OPTION PLAN

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ARTICLE I

PURPOSE

Section 1.1 *Purpose*. This Stock Option Plan is established by Chesapeake Energy Corporation (the "Company") to create incentives which are designed to motivate Employees and Consultants to put forth maximum effort toward the success and growth of the Company and to enable the Company to attract and retain experienced individuals who by their position, ability and diligence are able to make important contributions to the Company's success. Toward these objectives, the Plan provides for the granting of Options to Employees and Consultants on the terms and subject to the conditions set forth in the Plan.

Section 1.2 *Establishment*. The Plan is effective as of March 1, 2002 and for a period of 10 years from such date. The Plan will terminate on February 29, 2012; however, it will continue in effect until all matters relating to the exercise of Options and administration of the Plan have been settled.

Section 1.3 *Shares Subject to the Plan*. Subject to Articles IV, VII and IX of this Plan, shares of stock covered by Options shall consist of Four Million (4,000,000) shares of Common Stock.

ARTICLE II

DEFINITIONS

Section 2.1 "*Board*" means the Board of Directors of the Company.

Section 2.2 "*Code*" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any Section of the Code shall be deemed to include any amendments or successor provisions to such Section and any regulations under such Section.

Section 2.3 "*Committee*" has the meaning set forth in Section 3.1.

Section 2.4 "*Common Stock*" means the common stock, par value $.01 per share, of the Company and, after substitution, such other stock as shall be substituted therefor as provided in Article VII or Article IX of the Plan.

Section 2.5 "*Consultant*" means any person who is engaged by the Company, a subsidiary or a partnership or limited liability company which the Company controls to render consulting or advisory services.

Section 2.6 "*Date of Grant*" means the date on which the granting of an Option is authorized by the Committee or such later date as may be specified by the Committee in such authorization.

Section 2.7 "*Disability*" has the meaning set forth in Section 22(e)(3) of the Code.

Section 2.8 "*Eligible Person*" means any Employee or Consultant.

Section 2.9 "*Employee*" means any employee of the Company, a Subsidiary or a partnership or limited liability company which the Company controls.

Section 2.10 "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

Section 2.11 "*Executive Officer Participants*" means Participants who are subject to the provisions of Section 16 of the Exchange Act with respect to the Common Stock.

Section 2.12 "*Fair Market Value*" means, as of any date, (i) if the principal market for the Common Stock is a national securities exchange or the Nasdaq stock market, the closing price of the Common Stock on that date on the principal exchange on which the Common Stock is then listed or admitted to trading; or (ii) if sale prices are not available or if the principal market for the Common Stock is not a national securities exchange and the Common Stock is not quoted on the Nasdaq stock market, the average of the highest bid and lowest asked prices for the Common Stock

on such day as reported on the Nasdaq OTC Bulletin Board Service or by the National Quotation Bureau, Incorporated or a comparable service. If the day is not a business day, and as a result, clauses (i) and (ii) are inapplicable, the Fair Market Value of the Common Stock shall be determined as of the last preceding business day. If clauses (i) and (ii) are otherwise inapplicable, the Fair Market Value of the Common Stock shall be determined in good faith by the Committee.

Section 2.13 "*Non−Executive Officer Participants*" means Participants who are not subject to the provisions of Section 16 of the Exchange Act.

Section 2.14 "*Nonqualified Stock Option*" means an option to purchase shares of Common Stock which is not an incentive stock option within the meaning of Section 422(b) of the Code.

Section 2.15 "*Option*" means a Nonqualified Stock Option granted under Article VI of the Plan.

Section 2.16 "*Option Agreement*" means any written instrument that establishes the terms, conditions, restrictions, and/or limitations applicable to an Option in addition to those established by this Plan and by the Committee's exercise of its administrative powers.

Section 2.17 "*Participant*" means an Eligible Person to whom an Option has been granted by the Committee under the Plan.

Section 2.18 "*Plan*" means the Chesapeake Energy Corporation 2002 Nonqualified Stock Option Plan.

Section 2.19 "*Regular Stock Option Committee*" means the Employee Compensation and Benefits Committee designated by the Board which shall consist of not less than one member of the Board.

Section 2.20 "*Special Stock Option Committee*" means a committee designated by the Board which shall consist of not less than two members of the Board who meet the definition of "non−employee directors" pursuant to Rule 16b−3, or any successor rule, promulgated under Section 16 of the Exchange Act.

Section 2.21 "*Subsidiary*" shall have the same meaning set forth in Section 424 of the Code.

ARTICLE III

ADMINISTRATION

Section 3.1 *Administration of the Plan; the Committee*. The Regular Stock Option Committee shall administer the Plan with respect to Non−Executive Officer Participants, including the grant of Options, and the Special Stock Option Committee shall administer the Plan with respect to Executive Officer Participants, including the grant of Options. Accordingly, as used in the Plan, the term "Committee" shall mean the Regular Stock Option Committee if it refers to Plan administration affecting Non−Executive Officer Participants or the Special Stock Option Committee if it refers to Plan administration affecting Executive Officer Participants. If in either case the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

Unless otherwise provided in the by−laws of the Company or resolutions adopted from time to time by the Board establishing the Committee, the Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, however caused, shall be filled by the Board. The Committee shall hold meetings at such times and places as it may determine. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present shall be the valid acts of the Committee. Any action which may be taken at a meeting of the Committee may be taken without a meeting if all the members of the Committee consent to the action in writing.

Subject to the provisions of the Plan, the Committee shall have exclusive power to:

(a) Select the Eligible Persons to participate in the Plan.

(b) Determine the time or times when Options will be granted.

(c) Determine the number of shares of Common Stock subject to any Option, all the terms, conditions (including performance requirements), restrictions and/or limitations, if any, of an Option, including the time and conditions of exercise or vesting, and the terms of any Option Agreement, which may include the waiver or amendment of prior terms and conditions or acceleration of the vesting or exercise of an Option under certain circumstances determined by the Committee.

(d) Determine whether Options will be granted singly or in combination.

(e) Take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

Section 3.2 *Committee to Make Rules and Interpret Plan*. The Committee in its sole discretion shall have the authority, subject to the provisions of the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee's interpretation of the Plan or any Options granted pursuant hereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties.

ARTICLE IV

GRANT OF OPTIONS

The Committee may, from time to time, grant Options to one or more Participants, provided, however, that:

(a) At least a majority of the shares of Common Stock underlying Options granted under the Plan during any three−year period must be granted to employees who are not Executive Officer Participants or directors of the Company.

(b) Any shares of Common Stock related to Options which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of shares of Common Stock shall be available again for grant under the Plan.

(c) Common Stock delivered by the Company upon exercise of an Option under the Plan will be authorized and unissued shares or issued shares which have been reacquired by the Company (i.e., treasury shares).

(d) The Committee shall, in its sole discretion, determine the manner in which fractional shares arising under this Plan shall be treated.

(e) Upon the exercise of any Option, the Company shall issue and deliver to the Participant who exercised the Option a certificate representing the number of shares of Common Stock purchased thereby.

ARTICLE V

ELIGIBILITY

Subject to the provisions of the Plan, the Committee shall, from time to time, select from the Eligible Persons those to whom Options shall be granted and shall establish in the related Option Agreements the terms, conditions, restrictions and/or limitations, if any, applicable to the Options in addition to those set forth in the Plan and the administrative rules and regulations issued by the Committee.

ARTICLE VI

STOCK OPTIONS

Section 6.1 *Grant of Options*. The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant Nonqualified Stock Options to Eligible Persons. Each grant of an Option shall be evidenced by an Option Agreement executed by the Company and the Participant, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the requirements of Section 6.2.

Section 6.2 *Conditions of Options*. Each Option so granted shall be subject to the following conditions:

(a) *Exercise Price*. The Option Agreement for each Option shall state the exercise price which shall be set by the Committee on the Date of Grant. No Option shall be granted at an exercise price which is less than the Fair Market Value of the Common Stock on the Date of Grant, except that Options for the purchase of up to ten percent (10%) of the shares subject to the Plan may be granted at an exercise price which is not less than eighty−five percent (85%) of the Fair Market Value of the Common Stock on the Date of Grant.

(b) *Form of Payment*. The payment of the exercise price of an Option shall be subject to the following:

(i) The full exercise price for shares of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in clause (iii) below, payment may be made as soon as practicable after the exercise).

(ii) The exercise price shall be payable in cash (including a check acceptable to the Committee, bank draft or money order) or by tendering, by either actual delivery of shares or by attestation, shares of Common Stock acceptable to the Committee and valued at Fair Market Value as of the day of exercise, or any combination thereof, as determined by the Committee.

(iii) The Committee may permit a Participant to elect to pay the exercise price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise.

(c) *Exercise of Options*. Options granted under the Plan shall be exercisable, in whole or in such installments and at such times, and shall expire at such time, as shall be provided by the Committee in the Option Agreement. Exercise of an Option shall be by written notice stating the election to exercise in the form and manner determined by the Committee. Every share of Common Stock acquired through the exercise of an Option shall be deemed to be fully paid at the time of exercise and payment of the exercise price.

(d) *Other Terms and Conditions*. Among other conditions that may be imposed by the Committee, if deemed appropriate, are those relating to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which Participants must be employed by the Company or its Subsidiaries, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) the

maximum period that Participants will be allowed to be inactively employed or on a leave of absence before their vesting is suspended until they return to active employment; (v) conditions under which such Options or shares may be subject to forfeiture; (vi) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time and (vii) the achievement by the Company of specified performance criteria.

(e) *Application of Funds*. The proceeds received by the Company from the sale of Common Stock issued upon the exercise of Options will be used for general corporate purposes.

(f) *Shareholder Rights*. No Participant shall have any rights as a shareholder with respect to any share of Common Stock subject to an Option prior to the purchase of such share of Common Stock by exercise of the Option.

ARTICLE VII

STOCK ADJUSTMENTS

Subject to the provisions of Article IX of this Plan, in the event that the shares of Common Stock, as presently constituted, shall be changed into or exchanged for a different number or kind or shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, stock split, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend, or a dividend on the shares of Common Stock or rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each share available under and subject to the Plan as provided in Section 1.3 hereof, and each share then subject or thereafter subject or which may become subject to Options under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be, on a fair and equivalent basis in accordance with the applicable provisions of Section 424 of the Code; provided, however, in no such event will such adjustment result in a modification of any Option as defined in Section 424(h) of the Code. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock, or any stock or other securities into which the Common Stock shall have been changed or for which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the shares available under and subject to the Plan, or in any Option theretofore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination, except that no adjustment of the number of shares of Common Stock available under the Plan or to which any Option relates that would otherwise be required shall be made unless and until such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of at least 1% of the number of shares of Common Stock available under the Plan or to which any Option relates immediately prior to the making of such adjustment (the “Minimum Adjustment”). Any adjustment representing a change of less than such minimum amount shall be carried forward and made as soon as such adjustment together with other adjustments required by this Article VII and not previously made would result in a Minimum Adjustment. Notwithstanding the foregoing, any adjustment required by this Article VII which otherwise would not result in a Minimum Adjustment shall be made with respect to shares of Common Stock relating to any Option immediately prior to exercise of such Option.

No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

ARTICLE VIII

GENERAL

Section 8.1 *Amendment or Termination of Plan*. The Board may suspend or terminate the Plan at any time. In addition, the Board may, from time to time, amend the Plan in any manner in accordance with applicable federal or state laws or regulations.

Section 8.2 *Acceleration of Otherwise Unexercisable Stock Options on Death, Disability or Other Special Circumstances*. The Committee, in its sole discretion, may permit (i) a Participant who terminates employment due to a Disability, (ii) the personal representative of a deceased Participant, or (iii) any other Participant who terminates employment upon the occurrence of special circumstances (as determined by the Committee) to purchase all or any part of the shares subject to any unvested Option on the date of the Participant's termination of employment due to a Disability, death or special circumstances, or as the Committee otherwise so determines. With respect to Options which have already vested at the date of such termination or the vesting of which is accelerated by the Committee in accordance with the foregoing provision, the Participant or the personal representative of a deceased Participant shall have the right to exercise such vested Options within such period(s) as the Committee shall determine.

Section 8.3 *Nonassignability*. Options are not transferable otherwise than by will or the laws of descent and distribution. Any attempted transfer, assignment, pledge, hypothecation or other disposition of, or the levy of execution, attachment or similar process upon, any Option contrary to the provisions hereof shall be void and ineffective, shall give no right to any purported transferee, and may, at the sole discretion of the Committee, result in forfeiture of the Option involved in such attempt.

Section 8.4 *Withholding Taxes*. A Participant must pay to the Company the amount of taxes required by law upon the exercise of an Option in cash.

Section 8.5 *Regulatory Approval and Listings*. The Company shall use its best efforts to file with the Securities and Exchange Commission as soon as practicable following the date this Plan is effective, and keep continuously effective and usable, a Registration Statement on Form S−8 with respect to shares of Common Stock subject to Options hereunder. Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates representing shares of Common Stock evidencing Options prior to:

(a) the obtaining of any approval from, or satisfaction of any waiting period or other condition imposed by, any governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable;

(b) the listing of such shares on any exchange on which the Common Stock may be listed; and

(c) the completion of any registration or other qualification of such shares under any state or federal law or regulation of any governmental body which the Committee shall, in its sole discretion, determine to be necessary or advisable.

Section 8.6 *Right to Continued Employment.* Participation in the Plan shall not give any Participant any right to remain in the employ of the Company or any Subsidiary or any partnership or limited liability company controlled by the Company. Further, the adoption of this Plan shall not be deemed to give any Employee or Consultant or any other individual any right to be selected as a Participant or to be granted an Option.

Section 8.7 *Reliance on Reports*. Each member of the Committee and each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its Subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than the Committee or Board member. In no event shall any person who is or shall have been a member of the Committee or of the Board be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

Section 8.8 *Construction*. The titles and headings of the sections in the Plan are for the convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

Section 8.9 *Governing Law*. The Plan shall be governed by and construed in accordance with the laws of the State of Oklahoma except as superseded by applicable federal law.

ARTICLE IX

ACCELERATION OF OPTIONS UPON CORPORATE EVENT

Section 9.1 *Procedures for Acceleration and Exercise*. If the Company shall, pursuant to action by the Board, at any time propose to dissolve or liquidate or merge into, consolidate with, or sell or otherwise transfer all or substantially all of its assets to another corporation and provision is not made pursuant to the terms of such transaction for the assumption by the surviving, resulting or acquiring corporation of outstanding Options under the Plan, or for the substitution of new options therefor, the Committee shall cause written notice of the proposed transaction to be given to each Participant no less than forty days prior to the anticipated effective date of the proposed transaction, and the Participant's Option shall become 100% vested. Prior to a date specified in such notice, which shall be not more than ten days prior to the anticipated effective date of the proposed transaction, each Participant shall have the right to exercise his or her Option to purchase any or all of the Common Stock then subject to such Option. Each Participant, by so notifying the Company in writing, may, in exercising his or her Option, condition such exercise upon, and provide that such exercise shall become effective immediately prior to the consummation of the transaction, in which event such Participant need not make payment for the Common Stock to be purchased upon exercise of such Option until five days after receipt of written notice by the Company to such Participant that the transaction has been consummated. If the transaction is consummated, each Option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date such transaction is consummated. If the transaction is abandoned, (i) any Common Stock not purchased upon exercise of such Option shall continue to be available for purchase in accordance with the other provisions of the Plan and (ii) to the extent that any Option not exercised prior to such abandonment shall have vested solely by operation of this Section 9.1, such vesting shall be deemed voided as of the time such acceleration otherwise occurred pursuant to Section 9.1, and the vesting schedule set forth in the Participant's Option Agreement shall be reinstituted as of the date of such abandonment.

Section 9.2 *Certain Additional Payments by the Company*. The Committee may, in its sole discretion, provide in any Option Agreement for certain payments by the Company in the event that acceleration of vesting of any Option under the Plan is subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, interest and penalties, collectively, the "Excise Tax"). An Option Agreement may provide that the Participant shall be entitled to receive a payment (a "Gross−Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross−Up Payment, the Participant retains an amount of the Gross−Up Payment equal to the Excise Tax imposed upon such acceleration of vesting of any Option.

CHESAPEAKE ENERGY CORPORATION

RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS

(dollars in 000's)

	Year Ended December 31, 2001	Year Ended December 31, 2002	Year Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Nine Months Ended September 30, 2006
EARNINGS:						
Income before income taxes and cumulative effect of accounting change	$ 361,698	$ 67,140	$ 500,952	$ 804,926	$ 1,493,393	$ 2,495,097
Interest expense (a)	98,321	111,280	147,817	161,990	221,385	220,980
(Gain)/loss on investment in equity investees in excess of distributed earnings	—	—	409	(606)	766	(3,781)
Amortization of capitalized interest	1,784	1,804	2,519	4,620	9,702	(12,665)
Bond discount amortization (b)	—	—	—	—	—	—
Loan cost amortization	4,022	4,962	4,254	5,728	9,036	9,531
Earnings	$ 465,825	$ 185,186	$ 655,951	$ 976,658	$ 1,734,282	$ 2,709,162
FIXED CHARGES:						
Interest expense	$ 98,321	$ 111,280	$ 147,817	$ 161,990	$ 221,385	$ 220,980
Capitalized interest	4,719	4,976	13,041	36,240	78,959	119,223
Bond discount amortization (b)	—	—	—	—	—	—
Loan cost amortization	4,022	4,962	4,254	5,728	9,037	9,531
Fixed Charges	$ 107,062	$ 121,218	$ 165,112	$ 203,958	$ 309,381	$ 349,734
Preferred Stock Dividends						
Preferred Dividend Requirements	$ 2,050	$ 10,117	$ 22,469	$ 39,506	$ 41,813	$ 62,793
Ratio of income before provision for taxes to net income (c)	1.66	1.67	1.61	1.56	1.57	1.63
Subtotal – Preferred Dividends	$ 3,411	$ 16,861	$ 36,240	$ 61,629	$ 65,646	$ 102,353
Combined Fixed Charges and Preferred Dividends	$ 110,473	$ 138,079	$ 201,352	$ 265,587	$ 375,027	$ 452,087
Ratio of Earnings to Fixed Charges	4.4	1.5	4.0	4.8	5.6	7.7
Insufficient coverage	$ —	$ —	$ —	$ —	$ —	$ —
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends	4.2	1.3	3.3	3.7	4.6	6.0
Insufficient coverage	$ —	$ —	$ —	$ —	$ —	$ —

(a) Excludes the effect on unrealized gains or losses on interest rate derivatives.

(b) Amortization of bond discount is excluded since it is included in interest expense.

(c) Amounts of income before provision for taxes and of net income exclude the cumulative effect of accounting change.

Exhibit 31.1

CERTIFICATION

I, Aubrey K. McClendon, certify that:

1. I have reviewed this quarterly report on Form 10−Q of Chesapeake Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2006

/s/ AUBREY K. MCCLENDON

Aubrey K. McClendon
Chairman of the Board and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Marcus C. Rowland, certify that:

1. I have reviewed this quarterly report on Form 10−Q of Chesapeake Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2006

/s/ MARCUS C. ROWLAND

Marcus C. Rowland
Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES−OXLEY ACT OF 2002

In connection with the Quarterly Report of Chesapeake Energy Corporation (the "Company") on Form 10−Q for the period ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Aubrey K. McClendon, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C § 1350, as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ AUBREY K. MCCLENDON

Aubrey K. McClendon
Chairman of the Board and Chief Executive Officer

Date: November 7, 2006

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES−OXLEY ACT OF 2002

In connection with the Quarterly Report of Chesapeake Energy Corporation (the "Company") on Form 10−Q for the period ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marcus C. Rowland, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C § 1350, as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARCUS C. ROWLAND

Marcus C. Rowland
Executive Vice President and Chief Financial Officer

Date: November 7, 2006