CHESAPEAKE LOUISIANA LP
Form 424B5
May 20, 2008

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-151011

Subject to completion, dated May 19, 2008

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED MAY 19, 2008)

$500,000,000

% Contingent Convertible Senior Notes due 2038

The notes are convertible, at your option, prior to the maturity date into cash and, if applicable, shares of our common stock in the following circumstances:

- prior to December 15, 2036, during specified periods if the Closing Sale Price of our common stock exceeds the threshold described herein;
- on or after December 15, 2036, at all times;
- during specified periods if the trading price of the notes is below the threshold described herein;
- if we have called the particular notes for redemption and the redemption has not yet occurred; or
- upon the occurrence of specified corporate transactions.

The Base Conversion Price per share is $, which represents a Base Conversion Rate of approximately shares of common stock per $1,000 principal amount of notes. If, at the time of conversion, the Applicable Stock Price is less than or equal to the Base Conversion Price, the Applicable Conversion Rate will be equal to the Base Conversion Rate, as it may be adjusted. If the Applicable Stock Price is greater than the Base Conversion Price, then the Applicable Conversion Rate will be increased pursuant to the formula described in this prospectus supplement.

Subject to certain exceptions described in Description of Notes, at the time notes are tendered for conversion, the amount of cash and shares of our common stock, if any, to be received by a holder will be based on the Applicable Conversion Rate and the Closing Sale Price of our common stock on each of the 20 trading days in a specified period.

Our common stock is listed on the New York Stock Exchange under the symbol CHK. On May 16, 2008, the closing sale price of our common stock on the New York Stock Exchange was $58.78 per share.

The notes will bear interest at a fixed annual rate of %, payable semi-annually on June 15 and December 15 of each year, commencing December 15, 2008. In addition, we will pay contingent interest during any six-month interest period, beginning with the six-month period ending June 14, 2019, under certain conditions.

The notes will mature on December 15, 2038. We may redeem the notes, in whole at any time, or in part from time to time, on or after December 15, 2018 at a redemption price, payable in cash, of 100% of the principal amount of the notes, plus accrued and unpaid interest. Holders may require us to repurchase all or a portion of their notes on December 15, 2018, 2023, 2028 and 2033 at 100% of the principal amount of the notes, plus accrued and unpaid interest, payable in cash. Upon a fundamental change, as defined in the indenture governing the notes, holders may require us to repurchase all or a portion of their notes at a price of 100% of the principal amount of the notes, plus accrued and unpaid interest, payable in cash.

The notes will be treated as contingent payment debt instruments that will be subject to special U.S. federal income tax rules. For discussion of the special tax rules governing contingent payment debt instruments, see Material U.S. Federal Income Tax Considerations.

The notes will be senior unsecured obligations of Chesapeake and will rank equally in right of payment with all of Chesapeake s existing and future senior debt and senior to any subordinated debt that it may incur. The notes will be guaranteed by each of our existing subsidiaries, other than certain de minimis subsidiaries, and by certain of our future subsidiaries on a senior unsecured basis. The notes will be effectively subordinated to the existing and future secured debt and other secured obligations of Chesapeake and the subsidiary guarantors, including debt under our revolving bank credit facility, to the extent of the value of the assets securing such debt. The notes will also be effectively subordinated to the debt of any non-guarantor subsidiaries.

Investing in our notes involves risks. See Risk Factors on page S-13.

	Price to Public(1)	Underwriting Discounts and Commissions	Proceeds to Chesapeake Energy(1)
Per Note	%	%	%
Total	$	$	$

(1) Before expenses and plus accrued interest, if any, from May , 2008.

We have granted the underwriters a 13-day option to purchase up to an additional $75 million in aggregate principal amount of the notes from us on the same terms and conditions as set forth above to cover over-allotments.

Delivery of the notes in book-entry form only will be made on or about May , 2008.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the attached prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

Banc of America Securities LLC

Barclays Capital

Credit Suisse

Goldman, Sachs & Co.

UBS Investment Bank

The date of this prospectus supplement is May , 2008.

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Prospectus Supplement

Prospectus

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus that we may provide to you. We have not authorized anyone to provide you with different or additional information. Further, you should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates of this prospectus or the accompanying prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of notes and certain terms of the notes and the guarantees. The second part is the accompanying prospectus, which gives more general information. If the information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

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NOTICE TO INVESTORS

Neither the Securities and Exchange Commission (the SEC), any state securities commission nor any other U.S. regulatory authority has approved or disapproved of the securities offered hereby nor has any of the foregoing authorities passed upon the accuracy or adequacy of this prospectus supplement and the accompanying prospectus or endorsed the merits of this offering. Any representation to the contrary is a criminal offense.

This prospectus supplement and the accompanying prospectus do not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who can not legally be offered the securities.

In making an investment decision, prospective investors must rely on their own examination of the company and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this prospectus supplement and the accompanying prospectus as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment, or similar laws or regulations.

This prospectus supplement and the accompanying prospectus contain summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information from this prospectus supplement and the accompanying prospectus but may not contain all information that may be important to you. This prospectus supplement and the accompanying prospectus include specific terms of this offering, information about our business and financial data. We encourage you to read this prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein in their entirety before making an investment decision. Unless otherwise indicated, this prospectus supplement assumes no exercise of the underwriters option to purchase additional notes.

Chesapeake

We are the third largest producer of natural gas in the United States. We own interests in approximately 39,200 producing natural gas and oil wells that are currently producing approximately 2.3 billion cubic feet equivalent, or bcfe, per day, 92% of which is natural gas. Our strategy is focused on discovering, acquiring and developing conventional and unconventional natural gas reserves onshore in the U.S., east of the Rocky Mountains.

Our most important operating area has historically been the *Mid-Continent region* of Oklahoma, Arkansas, southwestern Kansas and the Texas Panhandle. At March 31, 2008, 47% of our estimated proved natural gas and oil reserves were located in the Mid-Continent region. During the past five years, we have also built significant positions in various conventional and unconventional plays in the *Fort Worth Basin* in north-central Texas; the *Appalachian Basin*, principally in West Virginia, eastern Kentucky, eastern Ohio, Pennsylvania and southern New York; the *Permian and Delaware Basins* of West Texas and eastern New Mexico; the *Ark-La-Tex* area of East Texas and northern Louisiana, including our new Haynesville Shale discovery in northwestern Louisiana; and the *South Texas and Texas Gulf Coast regions*. We have established a top-three position in nearly every major unconventional play onshore in the U.S. east of the Rockies, including the Fort Worth Barnett Shale, the Arkansas Fayetteville Shale, the Louisiana Haynesville Shale, the Appalachian Basin Devonian and Marcellus Shales, the West Texas Delaware Basin Barnett and Woodford Shales, and the Alabama Conasauga and Chattanooga Shales.

Chesapeake began 2008 with estimated proved reserves of 10.879 trillion cubic feet equivalent, or tcfe and ended the first quarter of 2008 with 11.480 tcfe, an increase of 601 bcfe, or 6%. Of our 11.480 tcfe of proved reserves, 93% were natural gas and all were onshore. During the first quarter of 2008, we replaced 204 bcfe of production with an internally estimated 805 bcfe of new proved reserves, for a reserve replacement rate of 395%. Reserve replacement through the drillbit was 798 bcfe, or 391% of production (including 365 bcfe of positive performance revisions and 112 bcfe of positive revisions resulting from natural gas and oil price increases between December 31, 2007 and March 31, 2008).

During the first quarter of 2008, Chesapeake continued the industry s most active drilling program and drilled 478 gross (400 net) operated wells and participated in another 422 gross (48 net) wells operated by other companies. The company s drilling success rate was 100% for company-operated wells and 98% for non-operated wells. Also during the first quarter of 2008, we invested $1.182 billion in operated wells (using an average of 140 operated rigs) and $192 million in non-operated wells (using an average of 93 non-operated rigs). Total costs incurred in natural gas and oil acquisition, exploration and development activities during the first quarter, including seismic, unproved properties, leasehold, capitalized interest and internal costs, non-cash tax basis step-up and asset retirement obligations, were $2.2 billion.

We have increased our production for 18 consecutive years and 27 consecutive quarters. During these 27 quarters, Chesapeake s U.S. production has increased 467% for an average compound quarterly growth rate of

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6.6% and an average compound annual growth rate of 29.2%. Daily production for the 2008 first quarter averaged 2.244 bcfe, an increase of 537 mmcfe, or 31%, over the 1.707 bcfe produced per day in the 2007 first quarter. Adjusted for the company s year-end 2007 volumetric production payment sale, Chesapeake s year-over-year production growth rate was 35%. Daily production for 2007 averaged 1.957 bcfe, an increase of 372 mmcfe, or 23%, over the 1.585 bcfe produced per day in 2006.

Our executive offices are located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, and our telephone number is (405) 848-8000.

Recent Developments

Pending public offering

On May 19, 2008, we commenced a separate public offering of $800 million in aggregate principal amount of Senior Notes due 2018. This prospectus supplement shall not be deemed an offer to sell or solicitation of an offer to buy any of those senior notes. There is no assurance that the public offering of senior notes will be completed or, if completed, that it will be completed for the amount contemplated. Neither this offering nor the offering of senior notes is contingent on the other.

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The Offering

The summary below describes the principal terms of the notes. Some of the terms and conditions described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus supplement contains a more detailed description of the terms and conditions of the notes.

Issuer	Chesapeake Energy Corporation.
Notes Offered	\$500,000,000 in aggregate principal amount of % Contingent Convertible Senior Notes due 2038; \$575,000,000 if the underwriters exercise their over-allotment option in full.
Maturity Date	December 15, 2038.
Interest	Interest on the notes will accrue at an annual rate of %. Interest will be paid semi-annually in arrears on June 15 and December 15 of each year, commencing December 15, 2008.
Contingent Interest	We will pay additional interest, referred to in this prospectus supplement as contingent interest, during any six-month period from June 15 to December 14 or from December 15 to June 14, commencing with the six-month period ending June 14, 2019, if the average trading price of the notes for the five trading-day period ending on the third day immediately preceding the relevant six-month period equals or exceeds 120% of the principal amount of the notes. The amount of contingent interest payable per note in respect of any six-month period will be equal to 0.50% per annum of the average trading price per \$1,000 principal amount of the notes during the applicable five trading-day period. See Description of Notes Contingent Interest.
Conversion Rights	Under the circumstances discussed below, you may surrender the notes for conversion, in whole or in part, into cash and, if applicable, shares of our common stock at any time on or before the close of business on December 15, 2038, unless the notes have been previously redeemed or repurchased. You may convert your notes only in the following circumstances:
	prior to December 15, 2036, during any calendar quarter (and only during such calendar quarter) commencing after the Issue Date, if the Closing Sale Price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 125% of the Base Conversion Price on such last trading day;
	on or after December 15, 2036, at all times;
	during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for the notes for each such trading day

was less than 95% of the product of the average of the Closing Sale Prices of our common stock during such five trading-day period and the Applicable Conversion Rate;

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- if we have called the particular notes for redemption and the redemption has not yet occurred; or

- upon the occurrence of specified corporate transactions described under Description of Notes Conversion Rights Conversion Upon Specified Corporate Transactions.

Conversion Rate

The Applicable Conversion Rate will be determined as follows:

- If the Applicable Stock Price is less than or equal to the Base Conversion Price, then the Applicable Conversion Rate will be a number of shares of our common stock equal to the Base Conversion Rate.

- If the Applicable Stock Price is greater than the Base Conversion Price, then the Applicable Conversion Rate will be determined in accordance with the following formula:

$$\text{Base Conversion Rate} + \left[\frac{(\text{Applicable Stock Price} \quad \text{Base Conversion Price}) \times \text{Incremental Share Factor}}{\text{Applicable Stock Price}} \right]$$

The Base Conversion Price is $, subject to adjustment as described under Description of Notes Conversion Rights Conversion Price Adjustments.

The Base Conversion Rate per $1,000 principal amount of notes is a number of shares of common stock (approximately) determined by dividing $1,000 by the Base Conversion Price.

The Incremental Share Factor is , subject to the same proportional adjustment as the Base Conversion Rate, in each case based upon adjustments to the Base Conversion Price.

The Applicable Stock Price is equal to the average of the Closing Sale Prices of our common stock over the applicable Cash Settlement Averaging Period.

In addition, following certain corporate transactions that occur on or prior to December 15, 2018 and that also constitute a fundamental change (as defined in this prospectus supplement), we will increase the Applicable Conversion Rate for a holder who elects to convert its notes in connection with such corporate transactions in certain circumstances. See Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon Certain Changes of Control. If such fundamental change also constitutes a public acquirer change of control (as defined in this prospectus supplement), we may, in lieu of increasing the Applicable Conversion Rate as described above, elect to adjust the related conversion obligation so that the notes are convertible into shares of the acquiring or surviving company. See Description of Notes Conversion Rights Conversion Upon a Public Acquirer Change of Control.

Conversion Settlement	Once the notes are tendered for conversion, we will deliver to you in respect of each $1,000 principal amount of notes surrendered for

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	conversion a Settlement Amount equal to the sum of the Daily Settlement Amounts for each of the 20 consecutive trading days during the applicable Cash Settlement Averaging Period.
	The Daily Settlement Amount, for each of the 20 consecutive trading days during a Cash Settlement Averaging Period, shall consist of:
	cash equal to the lesser of $50 and the Daily Conversion Value; and
	to the extent the Daily Conversion Value exceeds $50, a number of shares equal to (A) the difference between the Daily Conversion Value and $50, divided by (B) the Closing Sale Price of our common stock for such day.
	The Daily Conversion Value means, for each of the 20 consecutive trading days during a Cash Settlement Averaging Period, one-twentieth (1/20) of the product of (1) the Applicable Conversion Rate on such day and (2) the Closing Sale Price of our common stock on such day.
	The Cash Settlement Averaging Period with respect to any note being converted means the 20 consecutive trading-day period beginning on and including the second trading day after a notice of conversion in respect of such note is delivered to the conversion agent, except that with respect to any notice of conversion received after the date of issuance of a notice of redemption as described under Description of Notes Optional Redemption of the Notes, the Cash Settlement Averaging Period means the 20 consecutive trading days beginning on and including the day which is the twenty-third scheduled trading day prior to the applicable redemption date.
	We will deliver the Settlement Amount to you on the third business day immediately following the last day of the Cash Settlement Averaging Period in respect of such tendered notes.
Guarantees	The notes will be unconditionally guaranteed, jointly and severally, by (i) each of our existing subsidiaries, other than certain de minimis subsidiaries, and (ii) each of our future subsidiaries that guarantees any other indebtedness of us or a subsidiary guarantor in excess of $5 million. The guarantee will be released if we dispose of the subsidiary guarantor or it ceases to guarantee certain other indebtedness of us or any other subsidiary guarantor.
Ranking	The notes will be unsecured and will rank equally in right of payment to all of our existing and future senior indebtedness. The notes will rank senior in right of payment to all of our future subordinated indebtedness. The notes will be effectively subordinated to our and our guarantor subsidiaries existing and future secured debt and other secured obligations, including debt under our revolving bank credit facility, to the extent of the value of the assets securing such debt. The notes will also be effectively subordinated to the debt of any non-guarantor subsidiaries. Please read Description of Notes Ranking.

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	As of March 31, 2008, we had approximately $12.3 billion in principal amount of senior indebtedness outstanding, $3.2 billion of which was indebtedness under our secured revolving bank credit facility. Upon completion of this offering, the pending senior notes offering and the ultimate application of net proceeds therefrom as described under Use of Proceeds, and giving effect to our April 2, 2008 common stock offering described under Capitalization, on a pro forma basis as of March 31, 2008, we would have had approximately $11.3 billion in principal amount of senior indebtedness outstanding, $1.2 billion of which would have been secured. As of May 16, 2008, we had outstanding borrowings of $3.4 billion under our revolving bank credit facility.
Optional Redemption	We may redeem the notes, in whole at any time, or in part from time to time, on or after December 15, 2018 at a redemption price, payable in cash, of 100% of the principal amount of the notes, plus accrued and unpaid interest (including contingent interest, if any) up to but not including the date of redemption. See Description of Notes Optional Redemption of the Notes.
Repurchase of Notes at the Option of the Holder	You may require us to repurchase all or a portion of your notes on December 15, 2018, 2023, 2028 and 2033 at 100% of the principal amount of the notes, plus accrued and unpaid interest (including contingent interest, if any), up to but not including the date of repurchase, payable in cash. See Description of Notes Repurchase of Notes at the Option of the Holder.
Right to Require Repurchase of Notes Upon a Fundamental Change	If a fundamental change, as that term is defined in Description of Notes Right to Require Repurchase of Notes Upon a Fundamental Change, occurs, you may require that we repurchase your notes on the date fixed by us that is not less than 30 days nor more than 45 days after we give notice of the fundamental change. We will repurchase the notes for an amount equal to 100% of the principal amount of the notes, plus accrued and unpaid interest (including contingent interest, if any) up to but not including the date of repurchase, payable in cash. See Description of Notes Right to Require Repurchase of Notes Upon a Fundamental Change.
Sinking Fund	None.
Use of Proceeds	We expect the net proceeds to us from this offering, after deducting the underwriting discount and estimated expenses of the offering, to be approximately $489 million. We intend to use the net proceeds from this offering, together with the net proceeds from our pending public offering of senior notes, to fund the redemption of our 7.75% Senior Notes due 2015, to temporarily repay indebtedness outstanding under our revolving bank credit facility and for general corporate purposes. Affiliates of the underwriters in this offering are lenders under our revolving bank credit facility and will receive a substantial portion of the proceeds from this offering. See Use of Proceeds.

Material U.S. Federal Income Tax Considerations	For U.S. federal income tax purposes, the notes will be treated as indebtedness subject to the special regulations governing contingent payment debt instruments, which we refer to as the contingent payment debt regulations. Pursuant to the contingent payment debt regulations, a U.S. Holder (as defined under Material U.S. Federal Income Tax Considerations U.S. Holders) will generally be required to accrue interest income on the notes, subject to certain adjustments, at a rate of %, compounded semi-annually, regardless of whether the holder uses the cash or accrual method of tax accounting. Accordingly, U.S. Holders will generally be required to include interest in taxable income in each year in excess of any interest payments (whether fixed or contingent) actually received in that year. For this purpose, a conversion of the notes will be treated as the receipt of a contingent payment with respect to the notes, which may produce an adjustment to a U.S. holder s interest accruals. Under the contingent payment debt regulations, gain recognized upon a sale, exchange, or redemption of a note will generally be treated as ordinary interest income; loss will generally be ordinary loss to the extent of interest previously included in income, and thereafter capital loss.
	In addition, the conversion rate for the notes will be adjusted in certain circumstances, as described under Description of Notes Conversion Rights General and Description of Notes Conversion Rights Conversion Price Adjustments. Such adjustments (or failure to make adjustments) that have the effect of increasing your proportionate interest in our assets or earnings may in some circumstances result in a deemed distribution to you, notwithstanding the fact that you do not receive a cash payment. Any deemed distribution will be taxable as a dividend, return of capital, or capital gain in accordance with the tax rules applicable to corporate distributions. Deemed dividends received by U.S. Holders may not be eligible for the reduced rates of tax applicable to qualified dividend income or to the dividends received deduction generally available to U.S. corporations, and deemed dividends received by Non-U.S. Holders (as defined under Material U.S. Federal Income Tax Considerations Non-U.S. Holders) may be subject to United States federal gross income and withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. Because any deemed distributions resulting from certain adjustments, or failures to make adjustments, to the conversion rate described under Material U.S. Federal Income Tax Considerations Non-U.S. Holders Dividends on Common Stock and Constructive Distributions will not give rise to any cash from which any applicable United States federal withholding tax can be satisfied, the indenture provides that we (or a third party withholding agent) may set off any withholding tax that we (or such third party) are required to collect with respect to any such deemed distribution against cash payments of interest or from cash or shares of our

	common stock deliverable to a holder upon a conversion, redemption or repurchase of a note. See Material U.S. Federal Income Tax Considerations.
Book-Entry, Delivery and Form	Initially, the notes will be represented by one or more permanent global certificates in definitive, fully registered form deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company.
Common Stock	Our common stock is listed for trading on the NYSE under the symbol CHK.

Risk Factors

You should carefully consider all information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein. In particular, you should evaluate the specific risk factors set forth in the section entitled Risk Factors in this prospectus supplement for a discussion of risks relating to an investment in the notes.

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Summary Consolidated Financial Data

The following tables set forth summary consolidated financial data as of and for each of the three years ended December 31, 2007, 2006 and 2005 and the three months ended March 31, 2008 and 2007. This data was derived from our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007 and from our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the three months ended March 31, 2008, each of which is incorporated by reference herein. The financial data below should be read together with, and is qualified in its entirety by reference to, our historical consolidated financial statements and the accompanying notes and the Management s Discussion and Analysis of Financial Condition and Results of Operations which are set forth in such Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

	Year Ended December 31,			Three Months Ended March 31,	
	2007	**2006**	**2005**	**2008**	**2007**
	($ in millions, except per share data)				
Statement of Operations Data:					
Revenues:					
Natural gas and oil sales	$ 5,624	$ 5,619	$ 3,273	$ 773	$ 1,125
Natural gas and oil marketing sales	2,040	1,577	1,392	796	422
Service operations revenue	136	130		42	33
Total revenues	7,800	7,326	4,665	1,611	1,580
Operating costs:					
Production expenses	640	490	317	201	142
Production taxes	216	176	208	75	42
General and administrative expenses	243	139	64	79	52
Natural gas and oil marketing expenses	1,969	1,522	1,358	774	407
Service operations expense	94	68		35	22
Natural gas and oil depreciation, depletion and amortization	1,835	1,359	894	515	393
Depreciation and amortization of other assets	154	104	51	36	36
Employee retirement expense		55			
Total operating costs	5,151	3,913	2,892	1,715	1,094
Income (loss) from operations	2,649	3,413	1,773	(104)	486
Other income (expense):					
Interest and other income	15	26	10	(9)	9
Interest expense	(406)	(301)	(220)	(101)	(79)
Gain on sale of investments	83	117			
Loss on repurchases or exchanges of Chesapeake senior notes			(70)		
Total other income (expense)	(308)	(158)	(280)	(110)	(70)
Income (loss) before income taxes	2,341	3,255	1,493	(214)	416
Income tax expense (benefit):					
Current	29	5			
Deferred	861	1,247	545	(82)	158
Total income tax expense (benefit)	890	1,252	545	(82)	158
Net Income (loss)	1,451	2,003	948	(132)	258

Preferred stock dividends	(94)	(89)	(42)	(11)	(26)
Loss on conversion/exchange of preferred stock	(128)	(10)	(26)		
Net income (loss) available to common shareholders	$ 1,229	$ 1,904	$ 880	$ (143)	$ 232
Earnings (loss) per common share basic	$ 2.69	$ 4.78	$ 2.73	$ (0.29)	$ 0.51
Earnings (loss) per common share assuming dilution	$ 2.62	$ 4.35	$ 2.51	$ (0.29)	$ 0.50
Cash dividends declared per common share	$ 0.2625	$ 0.23	$ 0.195	$ 0.0675	$ 0.06

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	Year Ended December 31, 2007	2006	2005	Three Months Ended March 31, 2008	2007
	($ in millions, except per share data)				
Cash Flow Data:					
Cash provided by operating activities:	$ 4,932	$ 4,843	$ 2,407	$ 1,498	$ 977
Cash used in investing activities	7,922	8,942	6,921	2,675	1,869
Cash provided by financing activities	2,988	4,042	4,567	1,177	893
Other Financial Data:					
Ratio of earnings (loss) to fixed charges(1)(2)	4.2x	7.3x	5.6x	(0.5)x	3.4x
Ratio of earnings (loss) to fixed charges and preference dividends(1)(2)	3.4x	5.6x	4.6x	(0.4)x	2.7x
Ratio of total debt to EBITDA	2.3x	1.5x	2.1x		
EBITDA(3)	$ 4,736	$ 5,019	$ 2,658	$ 438	$ 924
Balance Sheet Data:					
Total assets	$ 30,734	$ 24,417	$ 16,118	$ 33,462	$ 25,732
Long-term debt, net	10,950	7,376	5,490	12,250	8,371
Stockholders equity	12,130	11,251	6,174	11,470	11,077

(1) For purposes of determining the ratios of earnings (loss) to fixed charges and earnings (loss) to fixed charges and preference dividends, earnings (loss) are defined as net income (loss) before income taxes, cumulative effect of accounting changes, pretax gain or loss on investment in equity investees in excess of distributed earnings, amortization of capitalized interest and fixed charges, less capitalized interest. Fixed charges consist of interest (whether expensed or capitalized and excluding the effect of unrealized gains or losses on interest rate derivatives), amortization of debt expenses and discount or premium relating to any indebtedness. Preference dividends consist of preferred stock dividends grossed up to reflect the pre-tax amount.

(2) The ratio of earnings to fixed charges for the years ended December 31, 2003 and 2004 was 4.0x and 4.8x, respectively. The ratio of earnings to fixed charges and preference dividends for the years ended December 31, 2003 and 2004 was 3.3x and 3.7x, respectively. Earnings for the three months ended March 31, 2008 were insufficient to cover fixed charges by $274 million due to unrealized losses of $1.132 billion associated with mark-to-market changes in the value of outstanding hedging contracts accounted for under SFAS No. 133.

(3) During the years ended December 31, 2007, 2006 and 2005 and the three months ended March 31, 2008 and 2007, we had unrealized gains (losses) of ($375) million, $496 million, $41 million, ($1.132) billion and ($310) million, respectively, associated with mark-to-market changes in the value of outstanding hedging contracts accounted for under SFAS No. 133. EBITDA represents net income (loss) before income tax expense (benefit), interest expense, natural gas and oil depreciation, depletion and amortization and depreciation and amortization of other assets. EBITDA is presented as a supplemental financial measurement in the evaluation of our business. We believe that it provides additional information regarding our ability to meet our future debt service, capital expenditures and working capital requirements. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. EBITDA is also a financial measurement that, with certain negotiated adjustments, is reported to our lenders pursuant to our revolving bank credit facility and is used in the financial covenants in our revolving bank credit facility and our senior note indentures. EBITDA is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income, income from operations or cash flow provided by operating activities prepared in accordance with GAAP. EBITDA is reconciled to net income and cash provided by operating activities as follows:

	Year Ended December 31, 2007	2006	2005	Three Months Ended March 31, 2008	2007
	($ in millions)				
Net income (loss)	$ 1,451	$ 2,003	$ 948	$ (132)	$ 258
Income tax expense (benefit)	890	1,252	545	(82)	158
Interest expense	406	301	220	101	79
Natural gas and oil depreciation, depletion and amortization	1,835	1,359	894	515	393
Depreciation and amortization of other assets	154	104	51	36	36
EBITDA	$ 4,736	$ 5,019	$ 2,658	$ 438	$ 924

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	Year Ended December 31,			Three Months Ended March 31,	
	2007	2006	2005	2008	2007
			($ in millions)		
Cash provided by operating activities	$ 4,932	$ 4,843	$ 2,407	$ 1,498	$ 977
Changes in assets and liabilities	(325)	(798)	19	14	147
Interest expense	406	301	220	101	79
Unrealized gains (losses) on natural gas and oil derivatives	(375)	496	41	(1,132)	(310)
Other non-cash items	98	177	(29)	(43)	31
EBITDA	$ 4,736	$ 5,019	$ 2,658	$ 438	$ 924

Summary Reserve Information

The following table sets forth our estimated proved reserves and the present value of our proved reserves as of December 31, 2007 (based on our weighted average wellhead prices at December 31, 2007 of $6.19 per mcf of natural gas and $90.58 per barrel of oil). These prices were based on the cash spot prices for natural gas and oil at December 31, 2007.

	Natural Gas (mmcf)	Oil (mbbl)	Natural Gas Equivalent (mmcfe)	Percent of Proved (Reserves)	Present Value ($ in millions)
Mid-Continent	4,723,987	66,256	5,121,522	47%	$ 11,050
Barnett Shale	2,062,476	102	2,063,091	19	2,969
Appalachian Basin	1,394,635	1,491	1,403,579	13	1,260
Permian and Delaware Basins	707,426	47,146	990,303	9	2,548
Ark-La-Tex	669,384	4,319	695,300	6	1,155
South Texas and Texas Gulf Coast	579,391	4,240	604,828	6	1,591
Total	10,137,299	123,554	10,878,623	100%	$ 20,573(1)

(1) Represents the present value, discounted at 10% per annum, of estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and future development costs, using prices and costs in effect at December 31, 2007. The prices used in our external and internal reserve reports yield weighted average wellhead prices of $6.19 per mcf of natural gas and $90.58 per barrel of oil. These prices should not be interpreted as a prediction of future prices, nor do they reflect the value of our commodity hedges in place at December 31, 2007. The amounts shown do not give effect to non-property related expenses, such as corporate general and administrative expenses and debt service, or to depreciation, depletion and amortization. Estimated future net revenue and the present value thereof differ from future net cash flows and the standardized measure thereof only because the former do not include the effects of estimated future income tax expenses ($5.6 billion as of December 31, 2007). Management uses future net revenue, which is calculated without deducting estimated future income tax expenses, and the present value thereof as one measure of the value of the company s current proved reserves and to compare relative values among peer companies without regard to income taxes. We also understand that securities analysts and rating agencies use this measure in similar ways. While future net revenue and present value are based on prices, costs and discount factors which are consistent from company to company, the standardized measure of discounted future net cash flows is dependent on the unique tax situation of each individual company.

Future prices and costs may be materially higher or lower than the prices and costs as of the date of any estimate. A change in price of $0.10 per mcf for natural gas and $1.00 per barrel for oil would result in a change in our December 31, 2007 present value of estimated future net revenue of proved reserves of approximately $390 million and $56 million, respectively.

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Summary Production, Sales, Prices and Expenses Data

The following table sets forth information regarding the production volumes, natural gas and oil sales, average sales prices received, other operating income and expenses for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2007	2006	2005	2008	2007
Net Production:					
Natural gas (mmcf)	654,969	526,459	422,389	187,772	140,792
Oil (mbbl)	9,882	8,654	7,698	2,746	2,143
Natural gas equivalent (mmcfe)	714,261	578,383	468,577	204,248	153,650
Natural Gas and Oil Sales ($ in millions):					
Natural gas sales	$ 4,117	$ 3,343	$ 3,231	$ 1,432	$ 888
Natural gas derivatives realized gains (losses)	1,214	1,269	(367)	268	415
Natural gas derivatives unrealized gains (losses)	(139)	467	37	(1,002)	(297)
Total natural gas sales	5,192	5,079	2,901	698	1,006
Oil sales	678	527	402	258	113
Oil derivatives realized gains (losses)	(11)	(15)	(34)	(53)	18
Oil derivatives unrealized gains (losses)	(235)	28	4	(130)	(12)
Total oil sales	432	540	372	75	119
Total natural gas and oil sales	$ 5,624	$ 5,619	$ 3,273	$ 773	$ 1,125
Average Sales Price (excluding gains (losses) on derivatives):					
Natural gas ($ per mcf)	$ 6.29	$ 6.35	$ 7.65	$ 7.63	$ 6.31
Oil ($ per bbl)	$ 68.64	$ 60.86	$ 52.20	$ 94.14	$ 52.80
Natural gas equivalent ($ per mcfe)	$ 6.71	$ 6.69	$ 7.75	$ 8.28	$ 6.52
Average Sales Price (excluding unrealized gains (losses) on derivatives):					
Natural gas ($ per mcf)	$ 8.14	$ 8.76	$ 6.78	$ 9.05	$ 9.26
Oil ($ per bbl)	$ 67.50	$ 59.14	$ 47.77	$ 74.73	$ 61.13
Natural gas equivalent ($ per mcfe)	$ 8.40	$ 8.86	$ 6.90	$ 9.33	$ 9.33
Other Operating Income ($ per mcfe):					
Natural gas and oil marketing	$ 0.10	$ 0.09	$ 0.07	$ 0.11	$ 0.10
Service operations	$ 0.06	$ 0.11	$	$ 0.03	$ 0.08
Expenses ($ per mcfe):					
Production expenses	$ 0.90				