CHESAPEAKE ENERGY CORP
Form 424B5
September 07, 2005
Table of Contents

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

Filed pursuant to Rule 424(b)(5)

Registration No. 333-119313

Subject to Completion, dated September 6, 2005

PROSPECTUS SUPPLEMENT

(To Prospectus dated August 12, 2005)

8,000,000 Shares

Chesapeake Energy Corporation

Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol CHK. On September 6, 2005, the last reported sale price of our common stock was $32.49 per share.

Investing in our common stock involves risks. See Supplemental Risk Factors beginning on page S-11 of this prospectus supplement and Risk Factors beginning on page 2 of the accompanying prospectus.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Chesapeake (before expenses)	$	$

We have granted the underwriters a 30-day option to purchase up to an additional 1,200,000 shares from us on the same terms and conditions as set forth above if the underwriters sell more than 8,000,000 shares of common stock in this offering.

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

Lehman Brothers, on behalf of the underwriters, expects to deliver the shares on or about September , 2005.

Joint Book-Running Managers

LEHMAN BROTHERS

BANC OF AMERICA SECURITIES LLC

CREDIT SUISSE FIRST BOSTON

DEUTSCHE BANK SECURITIES

RAYMOND JAMES

Senior Co-Managers

BEAR, STEARNS & CO. INC. **CITIGROUP** **GOLDMAN, SACHS & CO.**

MORGAN STANLEY **UBS INVESTMENT BANK** **WACHOVIA SECURITIES**

Co-Managers

GILFORD SECURITIES INCORPORATED
HARRIS NESBITT
HOWARD WEIL INCORPORATED
JEFFERIES & COMPANY, INC.
JOHNSON RICE & COMPANY L.L.C.
PRITCHARD CAPITAL PARTNERS, LLC
SIMMONS & COMPANY INTERNATIONAL

September , 2005

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement	Page
Prospectus Supplement Summary	S-1
Supplemental Risk Factors	S-11
Use of Proceeds	S-17
Capitalization	S-18
Price Range of Common Stock	S-20
Dividend Policy	S-21
Certain United States Federal Tax Considerations For Non-United States Holders	S-22
Underwriting	S-25
Legal Matters	S-28
Experts	S-28

Prospectus	Page
About This Prospectus	1
About Chesapeake Energy Corporation	1
Risk Factors	2
Where You Can Find More Information	4
Forward Looking Statements	5
Use of Proceeds	6
Ratio of Earnings to Fixed Charges And Combined Fixed Charges And Preferred Dividends	6
Description of Debt Securities	7
Description of Capital Stock	15
Description of Depositary Shares	26
Plan of Distribution	28
Legal Matters	29
Experts	30

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. 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 supplement 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.

Table of Contents

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 over-allotment option.

Chesapeake

We are the third largest independent producer of natural gas in the U.S. and own interests in approximately 21,500 producing oil and gas wells. At June 30, 2005, approximately 90% of our proved reserves (by volume) were natural gas, and approximately 64% of our proved oil and natural gas reserves were located in our primary operating area the Mid-Continent region of the United States, which includes Oklahoma, Arkansas, Kansas and the Texas Panhandle. In addition, we are building significant secondary operating areas 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-central Texas and the Ark-La-Tex areas of East Texas and northern Louisiana.

As of December 31, 2004, our estimated proved reserves were 4,902 bcfe. As of June 30, 2005, our internally estimated proved reserves had grown to 5,850 bcfe, an increase of 948 bcfe, or 19%. During the first half of 2005, we replaced our 218 bcfe of production with an internally estimated 1,166 bcfe of new proved reserves, for a reserve replacement rate of 535%. Reserve replacement through the drillbit was 583 bcfe, or 268% of production (including 43 bcfe from positive performance revisions and 25 bcfe from oil and natural gas price increases), and reserve replacement through acquisitions was 583 bcfe, or 267% of production.

From January 1, 1998 through June 30, 2005, we have been one of the most active consolidators of onshore U.S. natural gas assets, having purchased approximately 4.5 tcfe of proved reserves at a total cost of approximately $7.1 billion (including amounts paid for unproved leasehold but excluding $809 million of deferred taxes in connection with certain corporate acquisitions), pro forma for our recent and pending acquisitions.

During the first half of 2005, we were especially active in the acquisitions market. Acquisition expenditures totaled $1.8 billion in this period (including amounts paid for unproved leasehold but excluding $252 million of deferred taxes in connection with certain corporate acquisitions), pro forma for our recent and pending acquisitions. Through these acquisitions, we will have acquired an internally estimated 696 bcfe of proved oil and natural gas reserves at a cost of $1.54 per mcfe (excluding amounts paid for unproved leasehold and $0.36 per mcfe of deferred taxes in connection with certain corporate acquisitions).

During the first half of 2005, we led the nation in drilling activity with average utilization of 71 operated rigs and 65 non-operated rigs. Through this drilling activity, we drilled 413 (305 net) operated wells and participated in another 505 (60 net) wells operated by other companies and we added approximately 515 bcfe of proved oil and natural gas reserves. Our success rate was 98% for both operated and non-operated wells. As of June 30, 2005, our proved developed reserves were 63% of our total proved reserves. In the first half of 2005, we invested $118 million in leasehold (exclusive of leases acquired through acquisitions) and 3-D seismic data.

We intend to use the net proceeds from this offering to repay amounts borrowed under our revolving bank credit facility. Please see Use of Proceeds.

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

Table of Contents

Business Strategy

Since our inception in 1989, our goal has been to create value for investors by building one of the largest onshore natural gas resource bases in the United States. For the past seven years, our strategy to accomplish this goal has been to build the dominant operating position in the Mid-Continent region, the third largest gas supply region in the U.S. In building this industry-leading position in the Mid-Continent, we have integrated an aggressive and technologically advanced drilling program with an active property consolidation program focused on small to medium-sized corporate and property acquisitions. We have also been building significant secondary operating areas 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-central Texas and the Ark-La-Tex areas of East Texas and northern Louisiana. We believe significant elements of our successful Mid-Continent strategy have been transferred to these areas.

Key elements of this business strategy are further explained below:

Make High-Quality Acquisitions. Our acquisition program is focused on small to medium-sized acquisitions of natural gas properties that offer high-quality, long-lived production and significant development and higher potential deep drilling opportunities. From January 1, 1998 through June 30, 2005 pro forma for our recent and pending acquisitions, we have acquired $5.6 billion of such proved properties (largely through 62 separate transactions of greater than $10 million each) at an estimated average cost of $1.23 per mcfe of proved reserves (excluding amounts paid for unproved leasehold and $0.18 per mcfe of deferred taxes in connection with certain corporate acquisitions). The vast majority of these acquisitions either increased our ownership in existing wells or fields or added additional drilling locations in the Mid-Continent, and more recently in our secondary operating areas. Because our operating areas contain many smaller companies seeking liquidity opportunities and larger companies seeking to divest of non-core assets, we expect to continue to find additional attractive acquisition opportunities in the future.

Grow through the Drillbit. One of our most distinctive characteristics is our ability to increase reserves and production through the drillbit. We are currently utilizing 73 operated drilling rigs and 61 non-operated drilling rigs to conduct the most active drilling program in the United States. We focus both on finding significant new natural gas reserves and developing existing proved reserves, principally at deeper depths than the industry average. For the past seven years, we have been aggressively investing in leasehold, 3-D seismic information and human capital to be able to take advantage of the favorable drilling economics that exist today. While U.S. natural gas production has been declining during the past few years, we are one of the few mid- to large-cap companies that have been able to increase production, as we have successfully done for the past 15 consecutive years and 16 consecutive quarters. In the Mid-Continent, our drilling program remains the most active in the region and is supported by our ownership of the region s largest leasehold and 3-D seismic inventories.

Build Regional Scale. We believe one of the keys to success in the natural gas exploration industry is to build significant operating scale in a limited number of operating areas. Achieving such scale provides many benefits, the most important of which are higher per unit revenues, lower per unit operating costs, greater rates of drilling success, higher returns from more easily integrated acquisitions and higher returns on drilling investments. We first began pursuing this focused strategy in the Mid-Continent in late 1997 and we are now the largest natural gas producer, the most active driller and the most active acquirer of leasehold and producing properties in the Mid-Continent. We believe this region, which trails only the Gulf Coast and Rocky Mountain basins in current U.S. gas production, has many attractive characteristics. These characteristics include long-lived natural gas properties with predictable decline curves; multi-pay geological targets that decrease drilling risk and have resulted in a drilling success rate of 93% over the past sixteen years; favorable basis differentials to benchmark commodity

Table of Contents

prices; generally lower service costs than in more competitive or more remote basins; and a favorable regulatory environment with virtually no federal land ownership. We believe our secondary operating areas possess many of these same favorable characteristics.

Focus on Low Costs. By minimizing lease operating costs and general and administrative expense through focused activities and increased scale, we have been able to deliver attractive financial returns through all phases of the commodity price cycle. We believe our low cost structure is the result of management s effective cost-control programs, a high-quality asset base and the extensive and competitive services, gas processing and transportation infrastructures that exist in our key operating areas. As of June 30, 2005, we operated approximately 9,900 wells, or approximately 80% of our daily production.

Improve our Balance Sheet. We have made significant progress in improving our balance sheet over the past seven years. From December 31, 1998 through June 30, 2005, we have increased our shareholders equity by $4.1 billion ($4.6 billion pro forma for our proposed offering of preferred stock and this offering) through a combination of earnings and common and preferred equity issuances. As of June 30, 2005, our debt as a percentage of total capitalization (total capitalization is the sum of debt and stockholders equity) was 52%, compared to 137% as of December 31, 1998. As of June 30, 2005, on a pro forma basis for our recent private placement of senior notes, our proposed offering of preferred stock and this offering, our debt to total capitalization ratio was 50%. We plan to continue improving our balance sheet in the years ahead.

Based on our view that natural gas will be in a tight supply/high demand relationship in the U.S. during at least the next few years because of flat to declining supply and growing demand for this clean-burning, domestically-produced fuel, we believe our focused natural gas acquisition, exploitation and exploration strategy should provide substantial value-creating growth opportunities in the years ahead. Our goal is to increase our overall production by 10% to 20% per year, with growth at an annual rate of 5 to 10% generated organically through the drillbit and the remaining growth generated through future acquisitions. We have reached or exceeded this overall production goal in 10 of our 12 years as a public company.

Company Strengths

We believe the following six characteristics distinguish our past performance and differentiate our future growth potential from other independent natural gas producers:

High-Quality Asset Base. Our producing properties are characterized by long-lived reserves, established production profiles and an emphasis on onshore natural gas. Based upon current production and proved reserve estimates, and including estimates for our recent and pending acquisitions, our proved reserves-to-production ratio, or reserve life, is approximately 13 years. In each of our operating areas, our properties are concentrated in locations that enable us to establish substantial economies of scale in drilling and production operations and facilitate the application of more effective reservoir management practices. We intend to continue building our asset base in each of our operating areas through a balance of acquisitions, exploitation and exploration. As of June 30, 2005, we operated properties accounting for approximately 80% of our daily production volumes. This large percentage of operated properties provides us with a high degree of operating flexibility and cost control.

Low-Cost Producer. Our high-quality asset base, the work ethic of our employees, our hands-on management style and our location in Oklahoma City have enabled us to achieve a low operating and administrative cost structure. During the first half of 2005, our operating costs per unit of production were $1.14 per mcfe, which consisted of general and administrative expenses of $0.11 per mcfe (including non-cash stock-based compensation of $0.02 per mcfe), production expenses of $0.65 per mcfe and production taxes of $0.38 per mcfe. We believe this is one of the lowest cost structures among publicly traded, mid- to large-cap independent oil and natural gas producers.

Table of Contents

Successful Acquisition Program. Our experienced asset acquisition team focuses on enhancing and expanding our existing assets in each of our operating areas. These areas are characterized by long-lived natural gas reserves, low lifting costs, multiple geological targets, favorable basis differentials to benchmark commodity prices, well-developed oil and gas transportation infrastructures and considerable potential for further consolidation of assets. Since 1998, and including our recently announced acquisitions, we have completed $5.6 billion in acquisitions at an average cost of $1.23 per mcfe of proved reserves (excluding amounts paid for unproved leasehold and $0.18 per mcfe of deferred taxes in connection with certain corporate acquisitions). We believe we are well-positioned to continue making attractive small and medium-sized acquisitions as a result of our extensive track record of identifying, completing and integrating multiple successful acquisitions, our large operating scale and our knowledge and expertise in the regions in which we operate.

Large Inventory of Drilling Projects. During the 16 years since our inception, we have been among the five most active drillers of new wells in the United States. Presently we are the most active driller in the U.S. (with 73 operated and 61 non-operated rigs drilling) and the most active driller in the Mid-Continent (with 42 operated and 54 non-operated rigs drilling). Through this high level of activity over the years, we have developed an industry-leading expertise in drilling deep vertical and horizontal wells in search of large natural gas accumulations in challenging reservoir conditions. In addition, we believe that our large 10.8 million acre 3-D seismic inventory, much of which is proprietary to us, provides significant informational advantages over our competitors. As a result of our aggressive leasehold acquisition and seismic acquisition strategies, we have been able to accumulate an onshore leasehold position of approximately 4.1 million net acres and have acquired rights to 10.8 million acres of onshore 3-D seismic data to help evaluate our expansive acreage inventory. On this very large acreage position, our technical teams have identified 14,100 exploratory and developmental drill sites, representing a backlog of more than nine years of future drilling opportunities at current drilling rates.

Hedging Program. We have used and intend to continue using hedging programs to reduce the risks inherent in producing oil and natural gas, commodities that are frequently characterized by significant price volatility. We believe this price volatility is likely to continue in the years ahead and that we can use this volatility to our benefit by taking advantage of prices when they reach levels that management believes are either unsustainable for the long-term or provide unusually high rates of return on our invested capital. Between January 1, 2001 and June 30, 2005, we have increased our oil and gas revenues by over $25.1 million from realized gains through our successful hedging programs, while significantly reducing the risks associated with our aggressive growth strategy during that time. We currently have gas hedges in place covering 69% of our anticipated gas production for the second half of 2005 and 37% of our anticipated gas production for 2006 at average NYMEX prices of $7.17 and $7.93 per mcf, respectively. In addition, we have 51% of our anticipated oil production hedged for the second half of 2005 and 51% of our anticipated oil production hedged for 2006 at average NYMEX prices of $53.46 and $59.65 per barrel of oil, respectively.

Entrepreneurial Management. Our management team formed the company in 1989 with an initial capitalization of $50,000. Since then, our management team has guided the company through various operational and industry challenges and extremes of oil and gas prices to create the third largest independent producer of natural gas in the U.S. with an enterprise value of approximately $16.4 billion (based on a common stock price of $31.00 per share and pro forma for the pending preferred stock offering and this offering). Our co-founders, Aubrey K. McClendon and Tom L. Ward, have been business partners in the oil and gas industry for 22 years and beneficially own, as of September 6, 2005, approximately 19.5 million and 19.9 million of our common shares, respectively. They have each indicated an interest in purchasing up to $10.0 million of common stock in this offering at the price offered to the public.

Table of Contents

Recent Developments

We recently announced a series of transactions intended to improve our capitalization.

Recent and Pending Acquisitions. In July 2005, we acquired oil and natural gas assets from Hallwood Energy III L.P. for cash consideration of approximately $249.5 million. In addition, we have acquired or plan to acquire $160 million of oil and natural gas assets in the third quarter of 2005. We believe these recent and pending acquisitions will add an internally estimated 113 bcfe to our proved reserves, 99% of which are natural gas and 45% of which are proved developed. These acquisitions are expected to initially add approximately 33 mmcfe of natural gas equivalent to our daily production. Approximately $210 million of the aggregate purchase price will be allocated to unproved properties. The properties are located in our secondary operating areas of the Barnett Shale, East Texas and the Permian Basin. We have closed all but one of the acquisitions scheduled to close in the third quarter of 2005. There is no assurance that the pending acquisition for approximately $45.0 million will be completed or that our internal estimates of the reserves and production being acquired will prove correct.

Recent Private Offering of Senior Notes. On August 16, 2005, we completed a private placement of $600 million of 6.50% Senior Notes due 2017. We used the net proceeds of this offering of approximately $584.8 million to repay outstanding borrowings under our revolving bank credit facility.

Pending Public Offering of Preferred Stock. We are concurrently offering 2,500,000 shares of preferred stock (plus up to 375,000 additional shares subject to the underwriters over-allotment option) pursuant to our existing shelf registration statement. Each share of preferred stock will be entitled to cumulative dividends of $ payable quarterly, when, and if declared by our board of directors. Each share of preferred stock may be converted at any time, at the option of the holder into approximately shares of our common stock based upon an initial conversion price of $ per common share, subject in each case to specified adjustments. The offering is expected to close concurrently with this offering and provide net proceeds of approximately $242.9 million. The closing of this offering is conditioned on the closing of our pending public offering of preferred stock.

Table of Contents

The Offering

Common stock offered by Chesapeake	8,000,000 shares (1)
Common stock outstanding after this offering	337,110,208 shares (1) (2)
Use of Proceeds	The net proceeds to us from this offering, after deducting discounts to the underwriters and estimated expenses of the offering, will be approximately $238.5 million. Net proceeds to us, together with a portion of the net proceeds from our proposed public offering of preferred stock, are expected to be used to repay indebtedness under our revolving bank credit facility, which may be reborrowed for general corporate purposes, including to fund costs of our drilling program and our pending and possible future acquisitions. Please read Use of Proceeds.
New York Stock Exchange Symbol	CHK

(1) Excludes shares that may be issued to the underwriters pursuant to their over-allotment option. If the underwriters exercise their over-allotment option in full, the total number of shares of common stock offered will be 9,200,000, and the total number of shares of our common stock outstanding after this offering will be 338,310,208. We had 329,110,208 shares of our common stock outstanding at September 6, 2005.

(2) Excludes shares of common stock potentially issuable upon the exercise of stock options, which as of September 6, 2005 included 20,735,860 shares potentially issuable upon the exercise of outstanding stock options at a weighted average price of $6.15 and 6,556,065 shares of common stock reserved for issuance upon exercise of future additional options or awards of restricted stock, if granted under our stock compensation plans. Also excludes, as of September 6, 2005:

- 492,247 shares of common stock potentially issuable upon conversion of the 101,275 shares of our outstanding issue of 6.00% Cumulative Convertible Preferred Stock at an initial conversion price of $10.287 per share;
- 9,681,863 shares of common stock potentially issuable upon conversion of the 1,588,180 shares of our outstanding issue of 5.00% Cumulative Convertible Preferred Stock (Series 2003) at an initial conversion price of $16.40 per share;
- 9,965,309 shares of common stock potentially issuable upon conversion of the 165,935 shares of our outstanding issue of 4.125% Cumulative Convertible Preferred Stock at an initial conversion price of $16.65 per share;
- 17,853,060 shares of common stock potentially issuable upon conversion of the 4,600,000 shares of our outstanding issue of 5.00% Cumulative Convertible Preferred Stock (Series 2005) at an initial conversion price of $25.766 per share; and
- 5,329,341 shares of treasury stock.

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 Supplemental Risk Factors in this prospectus supplement and the section entitled Risk Factors in the accompanying prospectus for a discussion of risks relating to an investment in our common stock.

Table of Contents

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, 2004, 2003 and 2002 and six months ended June 30, 2005 and 2004. 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, 2004 and from our unaudited condensed consolidated financial statements included in our quarterly report on Form 10-Q for the six months ended June 30, 2005, each of which is incorporated by reference herein. The financial data below should be read together with, and are qualified in their 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 our annual report on Form 10-K.

	Years Ended December 31,			Six Months Ended June 30,	
	2004	2003	2002	2005	2004
				(unaudited)	
	($ in thousands, except per share data)				
Statement of Operations Data:					
Revenues:					
Oil and gas sales	$ 1,936,176	$ 1,296,822	$ 568,187	$ 1,311,343	$ 819,458
Oil and gas marketing sales	773,092	420,610	170,315	520,125	317,963
Total revenues	2,709,268	1,717,432	738,502	1,831,468	1,137,421
Operating costs:					
Production expenses	204,821	137,583	98,191	141,895	94,398
Production taxes	103,931	77,893	30,101	83,211	37,687
General and administrative expenses:					
General and administrative (excluding stock-based compensation)	32,217	22,808	17,262	18,932	15,586
Stock-based compensation	4,828	945	356	4,923	2,541
Oil and gas marketing expenses	755,314	410,288	165,736	507,279	310,779
Oil and gas depreciation, depletion and amortization	582,137	369,465	221,189	390,339	256,651
Depreciation and amortization of other assets	29,185	16,793	14,009	21,889	12,455
Provision for legal settlements	4,500	6,402			
Total operating costs	1,716,933	1,042,177	546,844	1,168,468	730,097
Income from operations	992,335	675,255	191,658	663,000	407,324
Other income (expense):					
Interest and other income	4,476	2,827	7,340	5,362	2,678
Interest expense	(167,328)	(154,356)	(112,031)	(97,030)	(75,351)
Loss on repurchases or exchanges of Chesapeake debt	(24,557)	(20,759)	(2,626)	(69,300)	(6,925)
Loss on investment in Seven Seas		(2,015)	(17,201)		
Total other income (expense)	(187,409)	(174,303)	(124,518)	(160,968)	(79,598)
Income before income taxes and cumulative effect of accounting change	804,926	500,952	67,140	502,032	327,726
Income tax expense (benefit):					
Current		5,000	(1,822)		
Deferred	289,771	185,360	28,676	183,243	117,981
Total income tax expense	289,771	190,360	26,854	183,243	117,981

Net income before cumulative effect of accounting change, net of tax	515,155	310,592	40,286	318,789	209,745
Cumulative effect of accounting change, net of income taxes of $1,464,000		2,389			
Net Income	515,155	312,981	40,286	318,789	209,745
Preferred stock dividends	(39,506)	(22,469)	(10,117)	(15,322)	(19,512)
Loss on conversion/exchange of preferred stock	(36,678)			(4,743)	
Net income available to common shareholders	$ 438,971	$ 290,512	$ 30,169	$ 298,724	$ 190,233
Earnings per common share basic:					
Income before cumulative effect of accounting change	$ 1.73	$ 1.36	$ 0.18	$ 0.96	$ 0.80
Cumulative effect of accounting change		0.02			
	$ 1.73	$ 1.38	$ 0.18	$ 0.96	$ 0.80

Table of Contents

	Years Ended December 31,			Six Months Ended June 30,	
	2004	2003	2002	2005	2004
				(unaudited)	
	($ in thousands, except per share data)				
Earnings per common share assuming dilution:					
Income before cumulative effect of accounting change	$ 1.53	$ 1.20	$ 0.17	$ 0.88	$ 0.67
Cumulative effect of accounting change		0.01			
	$ 1.53	$ 1.21	$ 0.17	$ 0.88	$ 0.67
Cash dividends declared per common share	$ 0.170	$ 0.135	$ 0.060	$ 0.095	$ 0.080
Cash Flow Data:					
Cash provided by operating activities before changes in assets and liabilities	$ 1,418,803	$ 903,929	$ 412,517	$ 1,018,746	$ 641,727
Cash provided by operating activities	1,448,555	945,602	432,531	1,080,307	670,557
Cash used in investing activities	3,381,204	2,077,217	779,745	2,539,878	1,599,450
Cash provided by financing activities	1,898,964	924,559	477,257	1,452,675	964,549
Other Financial Data:					
Ratio of earnings to fixed charges(1)	4.8x	4.0x	1.5x	4.4x	4.5x
Ratio of earnings to fixed charges and preference dividends(1)	3.7x	3.3x	1.3x	3.8x	3.4x

	As of December 31,			As of June 30,	
	2004	2003	2002	2005	2004
				(unaudited)	
	($ in thousands)				
Balance Sheet Data:					
Total assets	$ 8,244,509	$ 4,572,291	$ 2,875,608	$ 10,657,886	$ 6,340,724
Long-term debt, net of current maturities	3,075,109	2,057,713	1,651,198	4,125,929	2,464,078
Stockholders equity	3,162,883	1,732,810	907,875	3,851,646	2,439,184

(1) For purposes of determining the ratios of earnings to fixed charges and earnings to fixed charges and preference dividends, earnings are defined as net income before income taxes, cumulative effect of accounting changes, pretax gain or loss of equity investees, 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), and 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.

Table of Contents

Summary Reserve Information

The following table sets forth our estimated proved reserves and the present value of the proved reserves as of December 31, 2004 (based on our weighted average wellhead prices at December 31, 2004 of $39.91 per barrel of oil and $5.65 per mcf of gas). These prices were based on the cash spot prices for oil and natural gas at December 31, 2004.

	Oil (mbbl)	Gas (mmcf)	Gas Equivalent (mmcfe)	Percent of Proved Reserves	Present Value ($ in thousands)
Mid-Continent	46,726	3,157,081	3,437,439	70%	$ 7,112,733
South Texas and Texas Gulf Coast	2,162	377,163	390,136	8	1,067,889
Permian Basin	28,722	309,279	481,614	10	1,026,401
Ark-La-Tex (including Barnett Shale)	5,299	515,055	546,848	11	1,221,565
Other	5,051	15,411	45,714	1	75,802
Total	87,960	4,373,989	4,901,751	100%	$ 10,504,390(a)

(a) The standardized measure of discounted future net cash flows at December 31, 2004 was $7.6 billion.

As of December 31, 2004, the present value of our proved developed reserves as a percentage of total proved reserves was 70%, and the volume of our proved developed reserves as a percentage of total proved reserves was 66%. Natural gas reserves accounted for 89% of the volume of total proved reserves at December 31, 2004.

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, 2004 present value of proved reserves of approximately $215 million and $40 million, respectively.

Table of Contents

Summary Production, Sales, Prices and Expenses Data

The following table sets forth certain information regarding the production volumes, oil and gas sales, average sales prices received and expenses associated with sales of natural gas and oil for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2004	**2003**	**2002**	**2005**	**2004**
Net Production:					
Oil (mbbl)	6,764	4,665	3,466	3,758	3,138
Gas (mmcf)	322,009	240,366	160,682	195,259	146,608
Gas equivalent (mmcfe)	362,593	268,356	181,478	217,807	165,436
Oil and Gas Sales ($ in thousands):					
Oil sales	$ 260,915	$ 132,630	$ 88,495	$ 176,742	$ 107,961
Oil derivatives realized gains (losses)	(69,267)	(12,058)	(1,092)	(17,717)	(21,208)
Oil derivatives unrealized gains (losses)	3,454	(9,440)	(7,369)	(1,942)	(7,489)
Total oil sales	$ 195,102	$ 111,132	$ 80,034	$ 157,083	$ 79,264
Gas sales	$ 1,789,275	$ 1,171,050	$ 470,913	$ 1,171,678	$ 775,317
Gas derivatives realized gains (losses)	(85,634)	(5,331)	97,138	13,713	(8,462)
Gas derivatives unrealized gains (losses)	37,433	19,971	(79,898)	(31,131)	(26,661)
Total gas sales	$ 1,741,074	$ 1,185,690	$ 488,153	$ 1,154,260	$ 740,194
Total oil and gas sales	$ 1,936,176	$ 1,296,822	$ 568,187	$ 1,311,343	$ 819,458
Average Sales Price: (excluding gains (losses) on derivatives):					
Oil ($ per bbl)	$ 38.57	$ 28.43	$ 25.53	$ 47.03	$ 34.40
Gas ($ per mcf)	$ 5.56	$ 4.87	$ 2.93	$ 6.00	$ 5.29
Gas equivalent ($ per mcfe)	$ 5.65	$ 4.86	$ 3.08	$ 6.19	$ 5.34
Average Sales Price: (excluding unrealized gains (losses) on derivatives):					
Oil ($ per bbl)	$ 28.33	$ 25.85	$ 25.22	$ 42.32	$ 27.65
Gas ($ per mcf)	$ 5.29	$ 4.85	$ 3.54	$ 6.07	$ 5.23
Gas equivalent ($ per mcfe)	$ 5.23	$ 4.79	$ 3.61	$ 6.17	$ 5.16
Expenses ($ per mcfe):					
Production expenses	$ 0.56	$ 0.51	$ 0.54	$ 0.65	$ 0.57
Production taxes	$ 0.29	$ 0.29	$ 0.17	$ 0.38	$ 0.23
General and administrative expenses:					
General and administrative expenses (excluding stock-based compensation)	$ 0.09	$ 0.08	$ 0.10	$ 0.09	$ 0.09
Stock-based compensation	$ 0.01	$ 0.00	$ 0.00	$ 0.02	$ 0.02
Oil and gas depreciation, depletion and amortization	$ 1.61	$ 1.38	$ 1.22	$ 1.79	$ 1.55
Depreciation and amortization of other assets	$ 0.08	$ 0.06	$ 0.08	$ 0.10	$ 0.08
Interest expense(a)	$ 0.45	$ 0.55	$ 0.61	$ 0.46	$ 0.46

(a) Includes the effects of realized gains or (losses) from hedging, but does not include the effects of unrealized gains or (losses) from hedging.

Table of Contents

SUPPLEMENTAL RISK FACTORS

You should carefully consider the following factors as well as other information contained in this prospectus supplement, the accompanying prospectus and the documents we have incorporated herein by reference before deciding to invest in our common stock.

Oil and gas prices are volatile. A decline in prices could adversely affect our financial position, financial results, cash flows, access to capital and ability to grow.

Our revenues, operating results, profitability and future rate of growth depend primarily upon the prices we receive for the oil and gas we sell. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. The amount we can borrow from banks is subject to periodic redeterminations based on prices specified by our bank group at the time of redetermination. In addition, we may have ceiling test write-downs in the future if prices fall significantly.

Historically, the markets for oil and gas have been volatile and they are likely to continue to be volatile. Wide fluctuations in oil and gas prices may result from relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and other factors that are beyond our control, including:

- worldwide and domestic supplies of oil and gas;
- weather conditions;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the availability of pipeline capacity;
- the price and level of foreign imports;
- domestic and foreign governmental regulations and taxes;
- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- political instability or armed conflict in oil-producing regions; and

- the overall economic environment.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and gas price movements with any certainty. Declines in oil and gas prices would not only reduce revenue, but could reduce the amount of oil and gas that we can produce economically and, as a result, could have a material adverse effect on our financial condition, results of operations and reserves. Further, oil and gas prices do not necessarily move in tandem. Because approximately 89% of our reserves at December 31, 2004 are natural gas reserves, we are more affected by movements in natural gas prices.

Our level of indebtedness and preferred stock may adversely affect operations and limit our growth, and we may have difficulty making debt service payments on our indebtedness as such payments become due.

As of June 30, 2005, we had long term indebtedness of approximately $4.1 billion, with $455 million drawn under our revolving bank credit facility. Our long-term indebtedness represented 52% of our total book capitalization at June 30, 2005. As of September 2, 2005, we had approximately $418 million drawn under our revolving bank credit facility. We expect to continue to be highly leveraged in the forseeable future.

Our level of indebtedness and preferred stock affects our operations in several ways, including the following:

- a portion of our cash flows from operating activities must be used to service our indebtedness and pay dividends on our preferred stock and is not available for other purposes;

- we may be at a competitive disadvantage as compared to similar companies that have less debt;
- the covenants contained in the agreements governing our outstanding indebtedness and future indebtedness may limit our ability to borrow additional funds, pay dividends and make certain investments and may also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;
- additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes may have higher costs and more restrictive covenants;
- changes in the credit ratings of our debt may negatively affect the cost, terms, conditions and availability of future financing, and lower ratings will increase the interest rate and fees we pay on our revolving bank credit facility; and
- we may be more vulnerable to general adverse economic and industry conditions.

We may incur additional debt, including significant secured indebtedness, or issue additional series of preferred stock in order to make future acquisitions or to develop our properties. A higher level of indebtedness and/or additional preferred stock increases the risk that we may default on our obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. General economic conditions, oil and gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control. We may not be able to generate sufficient cash flow to pay the interest on our debt, and future working capital, borrowings or equity financing may not be available to pay or refinance such debt. Factors that will affect our ability to raise cash through an offering of our capital stock or a refinancing of our debt include financial market conditions, the value of our assets and our performance at the time we need capital.

In addition, our bank borrowing base is subject to periodic redetermination. A lowering of our borrowing base could require us to repay indebtedness in excess of the borrowing base, or we might need to further secure the lenders with additional collateral.

Competition in the oil and natural gas industry is intense, and many of our competitors have greater financial and other resources than we do.

We operate in the highly competitive areas of oil and natural gas acquisition, development, exploitation, exploration and production. We face intense competition from both major and other independent oil and natural gas companies in each of the following areas:

- seeking to acquire desirable producing properties or new leases for future exploration; and
- seeking to acquire the equipment and expertise necessary to develop and operate our properties.

Many of our competitors have financial and other resources substantially greater than ours, and some of them are fully integrated oil companies. These companies may be able to pay more for development prospects and productive oil and natural gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. Our ability to develop and exploit our oil and natural gas properties and to acquire additional properties in the future will depend upon our ability to successfully

conduct operations, evaluate and select suitable properties and consummate transactions in this highly competitive environment.

Significant capital expenditures are required to replace our reserves.

Our exploration, development and acquisition activities require substantial capital expenditures. Historically, we have funded our capital expenditures through a combination of cash flows from operations, our

revolving bank credit facility and debt and equity issuances. Future cash flows are subject to a number of variables, such as the level of production from existing wells, prices of oil and gas, and our success in developing and producing new reserves. If revenue were to decrease as a result of lower oil and gas prices or decreased production, and our access to capital were limited, we would have a reduced ability to replace our reserves. If our cash flow from operations is not sufficient to fund our capital expenditure budget, we may not be able to access additional bank debt, debt or equity or other methods of financing on an economic basis to meet these requirements.

If we are not able to replace reserves, we may not be able to sustain production.

Our future success depends largely upon our ability to find, develop or acquire additional oil and gas reserves that are economically recoverable. Unless we replace the reserves we produce through successful development, exploration or acquisition activities, our proved reserves and production will decline over time. In addition, approximately 34% of our total estimated proved reserves (by volume) at December 31, 2004 were undeveloped. By their nature, estimates of undeveloped reserves are less certain. Recovery of such reserves will require significant capital expenditures and successful drilling operations. Our reserve estimates reflect that our production rate on producing properties will decline approximately 26% from the beginning until the end of 2005. Thus, our future oil and natural gas reserves and production and, therefore, our cash flow and income are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional recoverable reserves.

The actual quantities and present value of our proved reserves may prove to be lower than we have estimated.

This prospectus supplement and the documents incorporated by reference herein contain estimates of our proved reserves and the estimated future net revenues from our proved reserves. These estimates are based upon various assumptions, including assumptions required by the SEC relating to oil and gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The process of estimating oil and gas reserves is complex. The process involves significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. Therefore, these estimates are inherently imprecise.

Actual future production, oil and gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves most likely will vary from these estimates. Such variations may be significant and could materially affect the estimated quantities and present value of our proved reserves. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development drilling, prevailing oil and gas prices and other factors, many of which are beyond our control. Our properties may also be susceptible to hydrocarbon drainage from production by operators on adjacent properties.

At December 31, 2004, approximately 34% of our estimated proved reserves (by volume) were undeveloped. Recovery of undeveloped reserves requires significant capital expenditures and successful drilling operations. These reserve estimates include the assumption that we will make significant capital expenditures to develop the reserves, including approximately $1.0 billion in 2005. You should be aware that the estimated costs may not be accurate, development may not occur as scheduled and results may not be as estimated.

You should not assume that the present values referred to in this prospectus supplement and the documents incorporated by reference herein represent the current market value of our estimated oil and gas reserves. In accordance with SEC requirements, the estimates of our present values are based on prices and costs as of the date of the estimates. The December 31, 2004 present value is based on weighted average oil and gas wellhead prices of $39.91 per barrel of oil and $5.65 per mcf of natural gas. Actual future prices and costs may be materially higher or lower than the prices and costs as of the date of an estimate.

Table of Contents

Any changes in consumption by oil and gas purchasers or in governmental regulations or taxation will also affect actual future net cash flows.

The timing of both the production and the expenses from the development and production of oil and gas properties will affect both the timing of actual future net cash flows from our proved reserves and their present value. In addition, the 10% discount factor, which is required by the SEC to be used in calculating discounted future net cash flows for reporting purposes, is not necessarily the most accurate discount factor. The effective interest rate at various times and the risks associated with our business or the oil and gas industry in general will affect the accuracy of the 10% discount factor.

Acquisitions may prove to be worth less than we paid because of uncertainties in evaluating recoverable reserves and potential liabilities.

Our recent growth is due in part to acquisitions of exploration and production companies, producing properties and undeveloped leasehold. We expect acquisitions will also contribute to our future growth. Successful acquisitions require an assessment of a number of factors, including estimates of recoverable reserves, exploration potential, future oil and gas prices, operating costs and potential environmental and other liabilities. Such assessments are inexact and their accuracy is inherently uncertain. In connection with our assessments, we perform a review of the acquired properties which we believe is generally consistent with industry practices. However, such a review will not reveal all existing or potential problems. In addition, our review may not permit us to become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. We do not inspect every well. Even when we inspect a well, we do not always discover structural, subsurface and environmental problems that may exist or arise. We are generally not entitled to contractual indemnification for preclosing liabilities, including environmental liabilities. Normally, we acquire interests in properties on an as is basis with limited remedies for breaches of representations and warranties. As a result of these factors, we may not be able to acquire oil and gas properties that contain economically recoverable reserves or be able to complete such acquisitions on acceptable terms.

Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties, which may have substantially different operating and geological characteristics or be in different geographic locations than our existing properties. It is our current intention to continue focusing on acquiring properties with development and exploration potential located in the Mid-Continent, the South Texas and Texas Gulf Coast regions, the Permian Basin of West Texas and eastern New Mexico, the Barnett Shale area of north-central Texas and the Ark-La-Tex areas of East Texas and northern Louisiana. To the extent that we acquire properties substantially different from the properties in our primary operating regions or acquire properties that require different technical expertise, we may not be able to realize the economic benefits of these acquisitions as efficiently as in our prior acquisitions.

Exploration and development drilling may not result in commercially productive reserves.

We do not always encounter commercially productive reservoirs through our drilling operations. The new wells we drill or participate in may not be productive and we may not recover all or any portion of our investment in wells we drill or participate in. The seismic data and other technologies we use do not allow us to know conclusively prior to drilling a well that oil or gas is present or may be produced economically. The cost of drilling, completing and operating a well is often uncertain, and cost factors can adversely affect the economics of a project. Our efforts will be unprofitable if we drill dry wells or wells that are productive but do not produce enough reserves to return a profit after drilling, operating and other costs. Further, our drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

- increases in the cost of, or shortages or delays in the availability of, drilling rigs and equipment;

unexpected drilling conditions;

title problems;

- pressure or irregularities in formations;
- equipment failures or accidents;
- adverse weather conditions; and
- compliance with environmental and other governmental requirements.

Future price declines may result in a write-down of our asset carrying values.

We utilize the full cost method of accounting for costs related to our oil and gas properties. Under this method, all such costs (for both productive and nonproductive properties) are capitalized and amortized on an aggregate basis over the estimated lives of the properties using the unit-of-production method. However, these capitalized costs are subject to a ceiling test which limits such pooled costs to the aggregate of the present value of future net revenues attributable to proved oil and gas reserves discounted at 10% plus the lower of cost or market value of unproved properties. The full cost ceiling is evaluated at the end of each quarter using the prices for oil and gas at that date, adjusted for the impact of derivatives accounted for as cash flow hedges. A significant decline in oil and gas prices from current levels, or other factors, without other mitigating circumstances, could cause a future writedown of capitalized costs and a non-cash charge against future earnings. Our aggregate present value of future net revenues plus the value of the unproved properties would equal the recorded net book value of our oil and gas properties at December 31, 2004, assuming an index price of approximately $3.90 per mcf for gas and assuming the price of oil remains constant at $43.39 per barrel for oil. If index prices were to fall below these levels, we could experience a write-down of the book value of our oil and gas assets.

Our hedging activities may reduce the realized prices received for our oil and gas sales and require us to provide collateral for hedging liabilities.

In order to manage our exposure to price volatility in marketing our oil and gas, we enter into oil and gas price risk management arrangements for a portion of our expected production. Commodity price hedging may limit the prices we actually realize and therefore reduce oil and gas revenues in the future. The fair value of our oil and gas derivative instruments outstanding as of June 30, 2005 was a liability of approximately $118.2 million. In addition, our commodity price risk management transactions may expose us to the risk of financial loss in certain circumstances, including instances in which:

- our production is less than expected;
- there is a widening of price differentials between delivery points for our production and the delivery point assumed in the hedge arrangement; or
- the counterparties to our contracts fail to perform under the contracts.

Some of our commodity price and interest rate risk management arrangements require us to deliver cash collateral or other assurances of performance to the counterparties in the event that our payment obligations exceed certain levels. As of June 30, 2005, we were required to post

a total of $50 million of collateral with our counterparties through letters of credit issued under our bank credit facility with respect to commodity price and financial risk management transactions. As of September 2, 2005, we were required to post $70 million of collateral with our counterparties through letters of credit. Future collateral requirements are uncertain and will depend on arrangements with our counterparties and highly volatile natural gas and oil prices.

Lower oil and gas prices could negatively impact our ability to borrow.

Our revolving bank credit facility limits our borrowings to $1.25 billion, based on our borrowing base. The borrowing base is determined periodically at the discretion of the banks and is based in part on oil and gas prices. Additionally, some of our indentures contain covenants limiting our ability to incur indebtedness in addition to that incurred under our bank credit facility. These indentures limit our ability to incur additional indebtedness unless we meet one of two alternative tests. The first alternative is based on our adjusted consolidated net

Table of Contents

tangible assets (as defined in all of our indentures), which is determined using discounted future net revenues from proved oil and gas reserves as of the end of each year. The second alternative is based on the ratio of our adjusted consolidated EBITDA (as defined in all of our indentures) to our adjusted consolidated interest expense over a trailing twelve-month period. As of the date of this prospectus, we are permitted to incur significant additional indebtedness under both of these debt incurrence tests. Lower oil and gas prices in the future could reduce our adjusted consolidated EBITDA, as well as our adjusted consolidated net tangible assets, and thus could reduce our ability to incur additional indebtedness.

Oil and gas drilling and producing operations can be hazardous and may expose us to environmental liabilities.

Oil and gas operations are subject to many risks, including well blowouts, cratering and explosions, pipe failure, fires, formations with abnormal pressures, uncontrollable flows of oil, natural gas, brine or well fluids, and other environmental hazards and risks. Our drilling operations involve risks from high pressures and from mechanical difficulties such as stuck pipes, collapsed casings and separated cables. If any of these risks occurs, we could sustain substantial losses as a result of:

- injury or loss of life;
- severe damage to or destruction of property, natural resources and equipment;
- pollution or other environmental damage;
- clean-up responsibilities;
- regulatory investigations and penalties; and
- suspension of operations.

Our liability for environmental hazards includes those created either by the previous owners of properties that we purchase or lease or by acquired companies prior to the date we acquire them. We maintain insurance against some, but not all, of the risks described above. Our insurance may not be adequate to cover casualty losses or liabilities. Also, in the future we may not be able to obtain insurance at premium levels that justify its purchase.

Reserve estimates of properties acquired in 2005 have not been prepared by independent petroleum engineers. Our internal estimates may not be as reliable as estimates of those reserves by independent engineers.

Our estimates of proved reserves attributed to our 2005 acquisitions, including our pending acquisitions described under Summary Chesapeake, included herein or incorporated by reference in this prospectus supplement have not been reviewed or reported on by independent petroleum engineers. These estimates were prepared by our own engineers and professionals using criteria otherwise in compliance with SEC rules. Furthermore, our internal reserve estimates for these acquisitions are based upon data available to us which may not be as complete as data available on our other properties. Oil and gas pricing can affect estimates of quantities of proved reserves due to the impact of pricing on

ultimate economic recovery. Estimates prepared by independent engineers might be different than our internal estimates.

The loss of key personnel could adversely affect our business.

We depend, and will continue to depend in the foreseeable future, on the services of our officers and key employees with extensive experience and expertise in evaluating and analyzing producing oil and gas properties and drilling prospects, maximizing production from oil and gas properties, marketing oil and gas production, and developing and executing financing and hedging strategies. Our ability to retain our officers and key employees is important to our continued success and growth. The unexpected loss of the services of one or more of these individuals could have a detrimental effect on our business. We do not maintain key person life insurance on any of our personnel.

Table of Contents

USE OF PROCEEDS

The net proceeds from this offering will be approximately $238.5 million, after deducting underwriters discounts and the estimated expenses of the offering. We intend to use the net proceeds from this offering, together with a portion of the net proceeds from our proposed public offering of preferred stock, to repay amounts outstanding under our revolving bank credit facility. At September 2, 2005, approximately $418.0 million was outstanding under our revolving bank credit facility, approximately $249.5 million of which was used to fund our recent Hallwood acquisition. Funds repaid on our revolving bank credit facility may be reborrowed for general corporate purposes, including to fund costs of our drilling program, our pending acquisitions and possible future acquisitions. As of June 30, 2005, the average interest rate on the borrowings outstanding under our revolving bank credit facility was 4.6%.

Table of Contents

CAPITALIZATION

The following table shows our unaudited capitalization as of June 30, 2005:

- on a historical basis;
- on a pro forma basis to reflect (i) our exchange of $102.3 million of our 4.125% cumulative convertible preferred stock for 6.6 million shares of our common stock, (ii) our exchange of $13.7 million of our 5% cumulative convertible preferred stock (Series 2003) for 0.9 million shares of our common stock, (iii) the completion of our recent and pending acquisitions and (iv) our issuance of $600 million in aggregate principal amount of our 6.50% Senior Notes due 2017;
- on a pro forma basis as adjusted to reflect the consummation of this offering (assuming no exercise of the underwriters over-allotment option); and
- on a pro forma basis as further adjusted to reflect our pending offering of 2.5 million shares of our % cumulative convertible preferred stock ($100 per share liquidation value) (assuming no exercise of the underwriters over-allotment option) and the application of approximately $242.9 million in estimated net proceeds. The closing of this offering is conditioned on the closing of the public offering of preferred stock.

Table of Contents

This table should be read in conjunction with, and is qualified in its entirety by reference to, our historical financial statements and the accompanying notes included in our annual report on Form 10-K for the year ended December 31, 2004, and our quarterly report on Form 10-Q for the quarter ended June 30, 2005, which are incorporated by reference herein.

	As of June 30, 2005			
	Historical	Pro Forma	Pro Forma As Adjusted	Pro Forma As Further Adjusted
	(in thousands)			
Cash and cash equivalents	$	$	$	$ 201,110
Long-term debt:				
Revolving bank credit facility	$ 455,000	$ 280,215	$ 41,765	$
8.375% Senior Notes due 2008	7,990	7,990	7,990	7,990
8.125% Senior Notes due 2011	7,583	7,583	7,583	7,583
9.000% Senior Notes due 2012	1,140	1,140	1,140	1,140
7.500% Senior Notes due 2013	363,823	363,823	363,823	363,823
7.000% Senior Notes due 2014	300,000	300,000	300,000	300,000
7.500% Senior Notes due 2014	300,000	300,000	300,000	300,000
7.750% Senior Notes due 2015	300,408	300,408	300,408	300,408
6.375% Senior Notes due 2015	600,000	600,000	600,000	600,000
6.625% Senior Notes due 2016	600,000	600,000	600,000	600,000
6.875% Senior Notes due 2016	670,437	670,437	670,437	670,437
6.500% Senior Notes due 2017		600,000	600,000	600,000
6.250% Senior Notes due 2018	600,000	600,000	600,000	600,000
Interest rate derivatives	6,820	6,820	6,820	6,820
Discount, net of premium, on Senior Notes	(87,272)	(92,887)	(92,887)	(92,887)
Total long-term debt	$ 4,125,929	$ 4,545,529	$ 4,307,079	$ 4,265,314
Stockholders equity:				
Preferred stock, $0.01 par value, 20,000,000 authorized				
6.00% Cumulative Convertible Preferred Stock, 101,375 shares issued and outstanding, entitled in liquidation to $5.1 million	5,069	5,069	5,069	5,069
5.00% Cumulative Convertible Preferred Stock (Series 2003), 1,725,000 and 1,588,180 (pro forma, pro forma as adjusted and pro forma as further adjusted) shares issued and outstanding, entitled in liquidation to $172.5 million and $158.8 million (pro forma, pro forma as adjusted and pro forma as further adjusted)	172,500	158,818	158,818	158,818
4.125% Cumulative Convertible Preferred Stock, 268,250 and 165,935 (pro forma, pro forma as adjusted and pro forma as further adjusted) shares issued and outstanding, entitled in liquidation to $268.3 million and $165.9 million (pro forma, pro forma as adjusted and pro forma as further adjusted)	268,250	165,935	165,935	165,935
5.00% Cumulative Convertible Preferred Stock (Series 2005), 4,600,000 shares issued and outstanding, entitled in liquidation to $460.0 million	460,000	460,000	460,000	460,000
% Cumulative Convertible Preferred Stock, 2,500,000 shares issued and outstanding, entitled in liquidation to $250.0 million (pro forma as further adjusted)				250,000
Common Stock, $.01 par value, 500,000,000 shares authorized, 323,872,133, 331,295,506 (pro forma) and 339,295,506 (pro forma as adjusted and pro forma as further adjusted) shares issued and outstanding	3,239	3,313	3,393	3,393
Paid-in capital	2,521,395	2,637,318	2,875,688	2,868,563
Retained earnings	537,016	537,016	537,016	537,016
Accumulated other comprehensive income (loss), net of tax of $20,556,000	(35,762)	(35,762)	(35,762)	(35,762)
Unearned compensation	(53,970)	(53,970)	(53,970)	(53,970)
Less: treasury stock, at cost; 5,329,341 common shares	(26,091)	(26,091)	(26,091)	(26,091)
Total stockholders equity	3,851,646	3,851,646	4,090,096	4,332,971
Total capitalization	7,977,575	8,397,175	8,397,175	8,598,285

Table of Contents

PRICE RANGE OF COMMON STOCK

Our common stock is traded on the New York Stock Exchange under the symbol CHK. The following table sets forth the range of high and low sales prices per share of our common stock for each calendar quarter.

	Sales Price	
	High	Low
2003:		
First Quarter	$ 8.64	$ 7.27
Second Quarter	$ 11.45	$ 7.45
Third Quarter	$ 10.97	$ 9.17
Fourth Quarter	$ 14.00	$ 10.66
2004:		
First Quarter	$ 13.98	$ 11.70
Second Quarter	$ 15.05	$ 12.68
Third Quarter	$ 16.24	$ 13.69
Fourth Quarter	$ 18.31	$ 15.17
2005:		
First Quarter	$ 23.65	$ 15.06
Second Quarter	$ 24.00	$ 17.74
Third Quarter (through September 6, 2005)	$ 33.16	$ 22.90

On September 6, 2005, the closing sale price of our common stock, as reported by the New York Stock Exchange, was $32.49 per share. On that date, there were approximately 1,300 holders of record. We believe we have over 193,000 beneficial owners of our common stock.

Table of Contents

DIVIDEND POLICY

The following table sets forth the amount of dividends per share declared on Chesapeake common stock during the two years ended December 31, 2004 and the first two quarters of 2005:

	2005	2004	2003
First Quarter	$ 0.045	$ 0.035	$ 0.030
Second Quarter	$ 0.050	$ 0.045	$ 0.035
Third Quarter		$ 0.045	$ 0.035
Fourth Quarter		$ 0.045	$ 0.035

In the third quarter of 2005 we began paying a $0.05 per quarter cash dividend on our common stock. We intend to continue to pay this quarterly dividend; however, the payment of future cash dividends will depend upon, among other things, our financial condition, funds from operations, the level of our capital and development expenditures, our future business prospects and any contractual restrictions.

Our revolving bank credit facility and the indentures governing most of our senior notes contain restrictions on our ability to declare and pay cash dividends. Under the revolving bank credit facility and the indentures, we may not pay any cash dividends on our common or preferred stock if an event of default has occurred. Additionally, the indentures restrict cash dividends if we have not met one of two debt incurrence tests set forth in the indentures, or if immediately after giving effect to the dividend payment, we have paid total dividends and made other restricted payments in excess of the permitted amounts. As of June 30, 2005, our fixed charge coverage ratio for purposes of the debt incurrence test was 5.79 to 1.00, compared to 2.25 to 1.00 required in our most restrictive indentures. Our adjusted consolidated net tangible assets exceeded 200% of our total indebtedness, as required in our most restrictive indentures, by more than $1.5 billion.

The certificates of designation for our 6.00% Cumulative Convertible Preferred Stock, our 5.00% Cumulative Convertible Preferred Stock (Series 2003), our 4.125% Cumulative Convertible Preferred Stock and our 5.00% Cumulative Convertible Preferred Stock (Series 2005) prohibit payment of cash dividends on our common stock unless we have declared and paid (or set apart for payment) full accumulated dividends on such series of our preferred stock.

Table of Contents

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS

FOR NON-UNITED STATES HOLDERS

The following is a general discussion of the principal United States federal income and estate tax consequences of the ownership and disposition of our common stock by a non-U.S. holder. As used in this discussion, the term non-U.S. holder means a beneficial owner of our common stock that is not, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation or partnership (including any entity treated as a corporation or partnership for U.S. federal income tax purposes) created or organized in or under the laws of the United States, or of any political subdivision of the United States (unless, in the case of a partnership, U.S. Treasury Regulations are adopted which provide otherwise);
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust, or if it has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

An individual may be treated as a resident of the United States in any calendar year for U.S. federal income tax purposes, instead of a nonresident, by, among other ways, being present in the United States for at least 31 days in that calendar year and for an aggregate of at least 183 days during a three-year period including in the current calendar year. For purposes of the 183-day calculation, all of the days present in the current year, onethird of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year are counted. Residents are taxed for U.S. federal income tax purposes as if they were U.S. citizens. This discussion does not consider:

- U.S. state or local or non-U.S. tax consequences;
- all aspects of U.S. federal income and estate taxes or specific facts and circumstances that may be relevant to a particular non-U.S. holder s tax position, including the fact that in the case of a non-U.S. holder that is an entity treated as a partnership for U.S. federal income tax purposes, the U.S. tax consequences of holding and disposing of our common stock may be affected by certain determinations made at the partner level;
- the tax consequences for the stockholders, partners or beneficiaries of a non-U.S. holder;
- special tax rules that may apply to particular non-U.S. holders, such as financial institutions, insurance companies, tax-exempt organizations, U.S. expatriates, broker-dealers, and traders in securities; or

special tax rules that may apply to a non-U.S. holder that holds our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment.

The following discussion is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, existing and proposed U.S. Treasury Regulations and administrative and judicial interpretations, all as of the date of this prospectus, and all of which are subject to change, retroactively or prospectively. The following summary assumes that a non-U.S. holder holds our common stock as a capital asset (that is, as investment).

Each non-U.S. holder should consult a tax advisor regarding the U.S. Federal, state, local and non- U.S. income and other tax consequences of acquiring, holding and disposing of shares of our common stock.

Table of Contents

Distributions on Common Stock

In the event that we make cash distributions on our common stock, these distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends paid to non-U.S. holders of our common stock that are not effectively connected with the non-U.S. holder s conduct of a U.S. trade or business will be subject to U.S. withholding tax at a 30% rate, or if a tax treaty applies, a lower rate specified by the treaty. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

Dividends that are effectively connected with a non-U.S. holder s conduct of a trade or business in the United States and, if an income tax treaty applies, are attributable to a permanent establishment in the United States, are taxed on a net income basis at the regular graduated rates and in the manner applicable to United States persons. In that case, we will not have to withhold U.S. federal withholding tax if the non-U.S. holder complies with applicable certification and disclosure requirements. In addition, a branch profits tax may be imposed at a 30% rate, or a lower rate under an applicable income tax treaty, on dividends received by a foreign corporation that are effectively connected with its conduct of a trade or business in the United States.

A non-U.S. holder that claims the benefit of an applicable income tax treaty generally will be required to satisfy applicable certification and other requirements. However:

- in the case of common stock held by a foreign partnership, the certification requirement will generally be applied to the partners of the partnership and the partnership will be required to provide certain information;
- in the case of common stock held by a foreign trust, the certification requirement will generally be applied to the trust or the beneficial owners of the trust depending on whether the trust is a foreign complex trust, foreign simple trust or foreign grantor trust as defined in the U.S. Treasury Regulations; and
- look-through rules will apply for tiered partnerships, foreign simple trusts and foreign grantor trusts.

A non-U.S. holder that is a foreign partnership or a foreign trust is urged to consult its own tax advisor regarding the special certification requirements applicable to it.

A non-U.S. holder that is eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for refund with the U.S. Internal Revenue Service.

Gain on Disposition of Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax on gain recognized on a disposition of our common stock unless:

the gain is effectively connected with the non-U.S. holder s conduct of a trade or business in the United States and, if an income tax treaty applies, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States; in these cases, the gain will be taxed on a net income basis at the rates and in the manner applicable to United States persons, and if the non-U.S. holder is a foreign corporation, the branch profits tax described above may also apply;

the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and meets other requirements; or

we are or have been a United States real property holding corporation for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that the non-U.S. holder held our common stock.

Table of Contents

Generally, a corporation is a United States real property holding corporation if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. We believe that we are a United States real property holding corporation for U.S. federal income tax purposes. However, the tax relating to stock in a United States real property holding corporation generally will not apply to a non-U.S. holder whose holdings, direct and indirect, at all times during the applicable period, constituted 5% or less of our common stock, provided that our common stock was regularly traded on an established securities market.

U.S. Federal Estate Tax

Common stock owned or treated as owned by an individual who is a non-U.S. holder for U.S. federal estate tax purposes at the time of death will be included in the individual s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise, and therefore may be subject to U.S. federal estate tax.

Information Reporting and Backup Withholding Tax

Dividends paid to you may be subject to information reporting and U.S. backup withholding. If you are a non-U.S. holder you will be exempt from this backup withholding tax if you properly provide a Form W-8BEN certifying that you are a non-U.S. holder or otherwise meet documentary evidence requirements for establishing that you are a non-U.S. holder, or you otherwise establish an exemption.

The gross proceeds from the disposition of our common stock may be subject to information reporting and backup withholding. If you sell your common stock outside the United States through a non-U.S. office of a non- U.S. broker and the sales proceeds are paid to you outside the United States, then the U.S. backup withholding and information reporting requirements generally will not apply to that payment. However, U.S. information reporting, but not backup withholding, will generally apply to a payment of sales proceeds, even if that payment is made outside the United States, if you sell your common stock through a non-U.S. office of a broker that:

- is a United States person;
- derives 50% or more of its gross income in specific periods from the conduct of a trade or business in the United States;
- is a controlled foreign corporation for U.S. tax purposes; or
- is a foreign partnership, if at any time during its tax year:
  - one or more of its partners are United States persons who in the aggregate hold more than 50% of the income or capital interests in the partnership; or
  - the foreign partnership is engaged in a U.S. trade or business;

unless the broker has documentary evidence in its files that you are a non-U.S. person and certain other conditions are met, or you otherwise establish an exemption.

If you receive payments of the proceeds of a sale of our common stock to or through a U.S. office of a broker, the payment is subject to both U.S. backup withholding and information reporting unless you properly provide a Form W-8BEN certifying that you are a non-U.S. person or you otherwise establish an exemption.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your U.S. federal income tax liability by timely filing a properly completed claim for refund with the U.S. Internal Revenue Service.

Table of Contents

UNDERWRITING

Under the terms and conditions contained in an underwriting agreement, dated September , 2005, each of the underwriters named below, for whom Lehman Brothers Inc., Banc of America Securities LLC, Credit Suisse First Boston LLC, Deutsche Bank Securities Inc. and Raymond James & Associates, Inc. are acting as representatives, have severally agreed to purchase from us the following respective numbers of shares of common stock.

Underwriters	Number of Shares
Lehman Brothers Inc.	
Banc of America Securities LLC	
Credit Suisse First Boston LLC	
Deutsche Bank Securities Inc.	
Raymond James & Associates, Inc.	
Bear, Stearns & Co. Inc.	
Citigroup Global Markets Inc.	
Goldman, Sachs & Co.	
Morgan Stanley & Co. Incorporated	
UBS Securities LLC	
Wachovia Capital Markets, LLC	
Gilford Securities Incorporated	
Harris Nesbitt Corp.	
Howard Weil Incorporated	
Jefferies & Company, Inc.	
Johnson Rice & Company L.L.C.	
Pritchard Capital Partners, LLC	
Simmons & Company International	
Total	8,000,000

The underwriting agreement provides that the underwriters obligation to purchase shares of common stock depends on the satisfaction of the conditions contained in the underwriting agreement including, without limitation:

- the obligation to purchase all of the shares of common stock offered hereby, if any of the shares are purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in the financial markets; and
- we deliver customary closing documents to the underwriters.

We have been advised by the underwriters that they propose to offer the common stock initially at the public offering price set forth on the cover page of this prospectus supplement and to certain selected dealers (who may include the underwriters) at such public offering price less a concession not to exceed $ per share. The underwriters or such selected dealers may reallow a commission to certain other dealers not to exceed $ per share. After the initial public offering of the common stock, the public offering price, the concession to selected dealers and the reallowance to the other dealers may be changed by the underwriters.

Over-Allotment Options

We have granted to the underwriters an option to purchase up to an additional 1,200,000 shares of common stock at the initial public offering price, less the underwriting discounts and commissions, shown on the cover

page of this prospectus supplement, solely to cover over-allotments, if any. This option may be exercised at any time up to 30 days after the date of this prospectus supplement. If the underwriters exercise this option, each of the underwriters will be committed (subject to certain conditions) to purchase a number of additional shares of common stock proportionate to its initial commitment as indicated in the preceding table.

Commissions and Expenses

The following table summarizes the underwriting discount we will pay to the underwriters. The underwriting discount is equal to the public offering price less the amount paid to us. The underwriting discount is equal to % of the public offering price. The amounts shown below assume both no exercise and full exercise of the underwriters over-allotment option.

	No Exercise	Full Exercise
Per share	$	$
Total	$	$

We estimate that the total expenses of the offering, not including the underwriting discount, will be approximately $250,000 net of reimbursements from the underwriters. The underwriters have agreed to pay certain expenses of up to $100,000 in connection with the offering.

Indemnification

We have agreed to indemnify the underwriters against liabilities relating to the offering, including liabilities under the Securities Act, and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement and to contribute to payments that the underwriters may be required to make for these liabilities.

Lock-Up Agreements

Except for the common stock offered hereby and the preferred stock pursuant to our proposed public offering of shares of preferred stock (including the underwriters over-allotment option), we have agreed not to offer, sell, contract to sell or otherwise issue any shares of common stock or other capital stock or securities convertible into or exchangeable for, or any rights to acquire, common stock or other capital stock, with certain exceptions, prior to the expiration of 90 days from the date of this prospectus supplement without the prior written consent of Lehman Brothers Inc. on behalf of the underwriters. Aubrey K. McClendon and Tom L. Ward have agreed not to, directly or indirectly, offer, sell or otherwise dispose of shares of our common stock or any securities convertible into or exchangeable for, or any rights to acquire, our common stock or our other capital stock for 90 days following the date of this prospectus supplement without the prior written consent of Lehman Brothers Inc. on behalf of the underwriters.

Stabilization, Short Positions and Penalty Bids

The representatives may engage in over-allotment, stabilizing transactions, syndicate covering transactions, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Exchange Act of 1934:

Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by

either exercising their over-allotment option and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Listing

Our shares of common stock are listed on the NYSE under the symbol CHK .

Affiliations

Lehman Brothers Inc., Banc of America Securities LLC, Credit Suisse First Boston LLC, Deutsche Bank Securities Inc., UBS Securities LLC, Bear, Stearns & Co. Inc., Citigroup Global Markets Inc., Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co., Wachovia Capital Markets, LLC, Harris Nesbitt Corp. and Raymond James & Associates, Inc. have from time to time provided, and in the future may provide, certain investment banking and financial advisory services to us and our affiliates, for which they have received, and in the future would receive, customary fees. Each of the underwriters listed in the table above may act as an underwriter for our pending public offering of preferred stock and will receive customary fees in connection therewith. In addition, affiliates of each of Banc of America Securities LLC, Credit Suisse First Boston LLC, Deutsche Bank Securities Inc., UBS Securities LLC, Wachovia Capital Markets, LLC and Harris Nesbitt Corp. are lenders under our existing bank credit facility.

Electronic Distribution

A prospectus in electronic format may be made available on the internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to

place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter s or selling group member s website and any information contained in any other website maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus supplement forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

LEGAL MATTERS

The validity of the issuance of the common stock offered by this prospectus supplement will be passed upon for us by Commercial Law Group, P.C., Oklahoma City, Oklahoma. Certain other legal matters will be passed upon for us by Vinson & Elkins L.L.P., Houston, Texas. The underwriters are being represented by Cravath Swaine & Moore LLP, New York, New York. Vinson & Elkins L.L.P. and Cravath, Swaine & Moore LLP will rely upon Commercial Law Group, P.C. as to all matters of Oklahoma law.

EXPERTS

The financial statements and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement by reference to our annual report on Form 10-K for the year ended December 31, 2004 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Estimates of the oil and gas reserves of Chesapeake Energy Corporation and related future net cash flows and the present values thereof, included in Chesapeake s Annual Report on Form 10-K for the year ended December 31, 2004, were based in part upon reserve reports prepared by Netherland, Sewell & Associates, Inc., Lee Keeling and Associates, Inc., Ryder Scott Company, L.P., LaRoche Petroleum Consultants, Ltd., H.J. Gruy and Associates, Inc. and Miller and Lents, Ltd., independent petroleum engineers. We have incorporated these estimates in reliance on the authority of each such firm as experts in such matters.

Table of Contents

Prospectus

$600,000,000

Chesapeake Energy Corporation

Debt Securities

Preferred Stock

Depositary Shares

Common Stock

We may from time to time offer and sell common stock, preferred stock, depositary shares and debt securities. This prospectus provides you with a general description of the securities that may be offered. Each time securities are sold, we will provide one or more supplements to this prospectus that will contain additional information about the specific offering and the terms of the securities being offered. The supplements may also add, update or change information contained in this prospectus. You should carefully read this prospectus and any accompanying prospectus supplement before you invest in any of our securities.

Our common stock is listed for trading on the New York Stock Exchange under the symbol CHK. Our executive offices are located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, and our telephone number is (405) 848-8000.

INVESTING IN OUR SECURITIES INVOLVES RISKS. PLEASE READ CAREFULLY THE SECTION ENTITLED RISK FACTORS BEGINNING ON PAGE 2 OF THIS PROSPECTUS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is August 12, 2005.

Table of Contents

TABLE OF CONTENTS

	Page
About This Prospectus	1
About Chesapeake Energy Corporation	1
Risk Factors	2
Where You Can Find More Information	4
Forward-Looking Statements	5
Use of Proceeds	6
Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Dividends	6
Description of Debt Securities	7
Description of Capital Stock	15
Description of Depositary Shares	26
Plan of Distribution	28
Legal Matters	29
Experts	30

You should rely only on the information included or incorporated by reference in this prospectus and any accompanying prospectus supplement. We have not authorized any dealer, salesman or other person to provide you with additional or different information. This prospectus and any accompanying prospectus supplement are not an offer to sell or the solicitation of an offer to buy any securities other than the securities to which they relate and are not an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction. You should not assume that the information in this prospectus or any accompanying prospectus supplement or in any document incorporated by reference in this prospectus or any accompanying prospectus supplement is accurate as of any date other than the date of the document containing the information.

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, which we refer to as the SEC, using a shelf registration process. Under this shelf process, we may, over time, sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of $600 million. This prospectus provides you with a general description of the securities we may offer pursuant to this prospectus. Each time we sell securities, we will provide one or more prospectus supplements that will contain specific information about the terms of that offering. This prospectus does not contain all of the information included in the registration statement. For a complete understanding of the offering of securities, you should refer to the registration statement relating to this prospectus, including its exhibits. A prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any accompanying prospectus supplement together with the additional information described under the heading Where You Can Find More Information.

ABOUT CHESAPEAKE ENERGY CORPORATION

We are the third largest independent producer of natural gas in the U.S. and own interests in approximately 21,500 producing oil and gas wells. At June 30, 2005, approximately 90% of our proved reserves (by volume) were natural gas, and approximately 64% of our proved oil and natural gas reserves were located in our primary operating area the Mid-Continent region of the United States, which includes Oklahoma, Arkansas, Kansas and the Texas Panhandle. In addition, we are building significant secondary operating areas in the South Texas and Texas Gulf Coast regions, the Permian Basin of western Texas and eastern New Mexico, the Barnett Shale area of north-central Texas and Ark-La-Tex area of eastern Texas and northern Louisiana.

Unless the context requires otherwise or unless otherwise noted, all references in this prospectus or any accompanying prospectus supplement to Chesapeake, we, us or our are to Chesapeake Energy Corporation and its subsidiaries.

Table of Contents

RISK FACTORS

Your investment in our securities will involve risks. Before deciding whether an investment in our securities is appropriate for you, you should carefully consider the risks described below, in addition to the other information and risk factors contained in, or incorporated by reference into, this prospectus, including any risk factors contained in any annual report on Form 10-K incorporated by reference and any accompanying prospectus supplement.

Risks Related to Our Capital Stock

We may not be able to pay cash dividends on our capital stock.

We are required to pay all declared dividends on our preferred stock in cash. Our existing indentures limit, and any indentures and other financing agreements that we enter into in the future will likely limit, our ability to pay cash dividends on our capital stock. Specifically, under our existing indentures, we may pay cash dividends and make other distributions on or in respect of our capital stock, including our preferred and common stock, only if certain financial tests are met.

Under Oklahoma law, cash dividends on capital stock may only be paid from surplus or, if there is no surplus, from the corporation s net profits for the then current or the preceding fiscal year. Unless we continue to operate profitably, our ability to pay cash dividends on our capital stock would require the availability of adequate surplus, which is defined as the excess, if any, of our net assets (total assets less total liabilities) over our capital. Further, even if adequate surplus is available to pay cash dividends on the preferred stock and common stock (if declared), we may not have sufficient cash to pay dividends on our preferred stock or common stock, as the case maybe.

Our certificate of incorporation, bylaws, the Oklahoma General Corporation Act and our shareholder rights agreement contain provisions that could discourage an acquisition or change of control of our company.

Our shareholder rights agreement and the Oklahoma Business Combination Statute, together with certain provisions of our certificate of incorporation and bylaws, may make it more difficult to effect a change in control of our company, to acquire us or to replace incumbent management. These provisions could potentially deprive our stockholders of opportunities to sell shares of our stock at above-market prices. Please read Description of Capital Stock Anti-Takeover Provisions.

Risks Related to Debt Securities

If an active trading market does not develop for a series of debt securities sold pursuant to this prospectus, you may be unable to sell any such debt securities or to sell any such debt securities at a price that you deem sufficient.

Unless otherwise specified in an accompanying prospectus supplement, any debt securities sold pursuant to this prospectus will be new securities for which there currently is no established trading market. We may not list any debt securities sold pursuant to this prospectus on a national securities exchange. While the underwriters of a particular offering of debt securities may advise us that they intend to make a market in those debt securities, the underwriters will not be obligated to do so and may stop their market making at any time. No assurance can be given:

- that a market for any series of debt securities will develop or continue;
- as to the liquidity of any market that does develop; or
- as to your ability to sell any debt securities you may own or the price at which you may be able to sell your debt securities.

Table of Contents

Holders of any debt securities sold pursuant to this prospectus will be effectively subordinated to all of our secured indebtedness and to all liabilities of our subsidiaries.

Holders of our secured indebtedness, including the indebtedness under our credit facilities, have claims with respect to our assets constituting collateral for their indebtedness that are prior to the claims of any debt securities sold pursuant to this prospectus. In the event of a default on such debt securities or our bankruptcy, liquidation or reorganization, those assets would be available to satisfy obligations with respect to the indebtedness secured thereby before any payment could be made on debt securities sold pursuant to this prospectus. Accordingly, the secured indebtedness would effectively be senior to such series of debt securities to the extent of the value of the collateral securing the indebtedness. To the extent the value of the collateral is not sufficient to satisfy the secured indebtedness, the holders of that indebtedness would be entitled to share with the holders of the debt securities issued pursuant to this prospectus and the holders of other claims against us with respect to our other assets.

In addition, holders of debt securities issued and sold pursuant to this prospectus will be effectively subordinated to claims of third party creditors, including holders of indebtedness, and preferred shareholders of our subsidiaries. Claims of those creditors, including trade creditors, secured creditors, governmental taxing authorities, holders of indebtedness or guarantees issued by our subsidiaries and preferred shareholders of our subsidiaries, will generally have priority as to the assets of our subsidiaries over our claims and equity interests. As a result, holders of our indebtedness, including the holders of the debt securities sold pursuant to this prospectus, will be effectively subordinated to all those claims.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports and other information with the SEC. You may inspect and copy such material at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference room. You can also find our SEC filings at the SEC s website at www.sec.gov and on our website at www.chkenergy.com (click on Investor Relations and then SEC Filings). Information contained on our website is not part of this prospectus.

In addition, our reports and other information concerning us can be inspected at the New York Stock Exchange, 20 Broad Street, New York, New York 10005, where our common stock is listed.

The following documents we filed with the SEC pursuant to the Exchange Act are incorporated herein by reference:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2004;
- our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2005 and June 30, 2005; and
- our current reports on Form 8-K filed on January 3, 2005, January 20, 2005, January 31, 2005, February 2, 2005, February 22, 2005, March 15, 2005, March 24, 2005, April 13, 2005 (four reports of the same date, one such report as amended on April 25, 2005), April 14, 2005 (two reports of the same date), April 19, 2005, April 25, 2005 (two reports of the same date), May 2, 2005, May 23, 2005 (two reports of the same date), June 7, 2005, June 10, 2005, June 13, 2005, June 16, 2005, June 21, 2005 (two reports of the same date), June 23, 2005, June 30, 2005, July 1, 2005 (two reports of the same date), July 8, 2005, July 11, 2005, July 12, 2005, July 19, 2005, July 22, 2005 (such report as amended on July 22, 2005), August 5, 2005 and August 11, 2005 (excluding any information furnished pursuant to Item 2.02 or Item 7.01 of any such Current Report on Form 8-K); and
- our definite proxy statement dated April 29, 2005 filed on Schedule 14A relating to the 2005 Annual Meeting of Shareholders.

All documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished pursuant to Item 9 or Item 12 on any current report on Form 8-K) subsequent to the date of this filing and prior to the termination of this offering shall be deemed to be incorporated in this prospectus and to be a part hereof from the date of the filing of such document. Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for all purposes to the extent that a statement contained in this prospectus, or in any other subsequently filed document which is also incorporated or deemed to be incorporated by reference, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We will provide without charge to each person to whom this prospectus is delivered, upon written or oral request of such person, a copy of any or all documents incorporated by reference in this prospectus. Requests for such copies should be directed to Jennifer M. Grigsby, Secretary, Chesapeake Energy Corporation, 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, by mail, or if by telephone at (405) 848-8000.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus includes and incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements give our current expectations or forecasts of future events. They include statements regarding oil and gas reserve estimates, planned capital expenditures, the drilling of oil and gas wells and future acquisitions, the impact of recently completed acquisitions, expected oil and gas production, cash flow and anticipated liquidity, business strategy and other plans and objectives for future operations and expected future expenses and use of net operating loss carryforwards. 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 our most recent annual report on Form 10-K which is incorporated by reference into this prospectus, and include:

- the volatility of oil and 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;
- uncertainties inherent in estimating quantities of oil and gas reserves, projecting future rates of production and the timing of development expenditures;
- our ability to replace reserves and sustain production;
- uncertainties in evaluating oil and gas reserves of acquired properties and associated potential liabilities;
- the effect of oil and gas prices on our borrowing ability;
- unsuccessful exploration and development drilling;
- declines in the values of our oil and gas properties resulting in ceiling test write-downs;
- lower prices realized on oil and gas sales and collateral required to secure hedging liabilities resulting from our commodity price risk management activities;

- adverse effects of governmental and environmental regulation;

- losses possible from pending or future litigation; 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 prospectus or as of the date of the report or document in which they are contained, and we undertake no obligation to update such information. We urge you to carefully review and consider the disclosures made in this prospectus and our reports filed with the SEC and incorporated by reference herein that attempt to advise interested parties of the risks and factors that may affect our business.

Table of Contents

USE OF PROCEEDS

Except as may otherwise be described in an accompanying prospectus supplement, the net proceeds from the sale of the securities offered pursuant to this prospectus and any accompanying prospectus supplement will be used for general corporate purposes. Any specific allocation of the net proceeds of an offering of securities to a specific purpose will be determined at the time of the offering and will be described in an accompanying prospectus supplement.

RATIOS OF EARNINGS TO FIXED CHARGES AND COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS

For purposes of determining the ratios of earnings to fixed charges and combined fixed charges and preferred dividends, earnings are defined as net income (loss) before income taxes, cumulative effect of accounting change, pre-tax gain or loss of equity investees, 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) and amortization of debt expenses and discount or premium relating to any indebtedness. Preferred dividends consist of preferred stock dividends grossed up to reflect the pre-tax amount.

	Year Ended December 31,					Six Months Ended June 30,
	2000	2001	2002	2003	2004	2005
Ratio of earnings to fixed charges	3.1x	4.4x	1.5x	4.0x	4.8x	4.4x
Ratio of earnings to combined fixed charges and preferred dividends	2.8x	4.2x	1.3x	3.3x	3.7x	3.8x

Table of Contents

DESCRIPTION OF DEBT SECURITIES

We will issue our debt securities under an indenture among us, as issuer, and The Bank of New York, as Trustee. The debt securities will be governed by the provisions of the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939. We and the Trustee may enter into supplements to the Indenture from time to time.

This description is a summary of the material provisions of the debt securities and the Indenture. We urge you to read the form of the Indenture filed as an exhibit to the registration statement of which this prospectus is a part because the Indenture, and not this description, govern your rights as a holder of debt securities.

General

The Debt Securities. Any series of debt securities that we issue will be our general obligations. The Indenture does not limit the total amount of debt securities that we may issue. We may issue debt securities under the Indenture from time to time in separate series, up to the aggregate amount authorized for each such series.

We will prepare a prospectus supplement and either an indenture supplement or a resolution of our board of directors and an accompanying officers certificate relating to any series of debt securities that we offer, which will include specific terms relating to some or all of the following:

- the form and title of the debt securities;
- the total principal amount of the debt securities;
- the date or dates on which the debt securities may be issued;
- the portion of the principal amount which will be payable if the maturity of the debt securities is accelerated;
- any right we may have to defer payments of interest by extending the dates payments are due and whether interest on those deferred amounts will be payable;
- the dates on which the principal and premium, if any, of the debt securities will be payable;
- the interest rate which the debt securities will bear and the interest payment dates for the debt securities;
- any optional redemption provisions;

any sinking fund or other provisions that would obligate us to repurchase or otherwise redeem the debt securities;

any changes to or additional Events of Default;

any affirmative or negative covenants relating to such series, including, without limitation, financial and other covenants that restrict our 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;
- create restrictions on the payment of dividends or other amounts to us from our Restricted Subsidiaries;
- incur liens;
- engage in transactions with affiliates;

Table of Contents

- sell assets;
- consolidate, merge or transfer assets; and
- designate a Restricted Subsidiary as an Unrestricted Subsidiary; and

any other terms of the debt securities.

Unless otherwise indicated in an accompanying prospectus supplement, Restricted Subsidiary means any subsidiary of our company other than an Unrestricted Subsidiary. Unless otherwise indicated in an accompanying prospectus supplement relating to a particular series of debt securities, our board of directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary.

Unless otherwise indicated in an accompanying prospectus supplement, Unrestricted Subsidiary means:

(a) any subsidiary of an Unrestricted Subsidiary; and

(b) any subsidiary of our company or of a Restricted Subsidiary that is designated as an Unrestricted Subsidiary by a resolution adopted by our board of directors.

This description of debt securities will be deemed modified, amended or supplemented by any description of any series of debt securities set forth in a prospectus supplement related to that series.

The prospectus supplement will also describe any material United States federal income tax consequences or other special considerations regarding the applicable series of debt securities, including those relating to:

- debt securities with respect to which payments of principal, premium or interest are determined with reference to an index or formula, including changes in prices of particular securities, currencies or commodities;
- debt securities with respect to which principal, premium or interest is payable in a foreign or composite currency;
- debt securities that are issued at a discount below their stated principal amount, bearing no interest or interest at a rate that at the time of issuance is below market rates; and
- variable rate debt securities that are exchangeable for fixed rate debt