CHESAPEAKE ENERGY MARKETING INC
Form 424B2
January 30, 2009
Table of Contents

Filed Pursuant to Rule 424(b)(2)
Registration No. 333-156979

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Amount to be Registered	Offering Price	Amount of Registration Fee (1)(2)
Senior Notes	$ 1,000,000,000	$ 950,710,000	$ 37,362.90

(1) The registration fee, calculated in accordance with Rule 457(r), is being transmitted to the SEC on a deferred basis pursuant to Rule 456(b).
(2) Pursuant to Rule 457(p), $37,362.90 of the registration fee is being offset by the registration fee already paid in connection with securities registered by Chesapeake Energy Corporation under Registration Statement No. 333-155754, initially filed with the Securities and Exchange Commission on November 26, 2008. The offering with respect to such securities was terminated without any offers or sales of such securities having been made.

Table of Contents

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JANUARY 27, 2009

$1,000,000,000

9.50% Senior Notes due 2015

We are offering $1,000,000,000 of our 9.50% Senior Notes due 2015. We will pay interest on the notes semiannually in arrears on each February 15 and August 15, beginning on August 15, 2009, to the holders of record at the close of business on the preceding February 1 and August 1, respectively. The notes mature on February 15, 2015. The notes will be guaranteed on a senior unsecured basis by each of our existing subsidiaries other than the Chesapeake Midstream Companies, which are more fully described herein, certain de minimis subsidiaries, and certain of our future subsidiaries. The notes will be senior unsecured obligations of Chesapeake and will rank equally in right of payment with all of Chesapeake s existing and future senior debt and senior to any subordinated debt that it may incur. The notes will be effectively subordinated to the existing and future secured debt and other secured obligations of Chesapeake and the subsidiary guarantors, including debt under our revolving bank credit facility, to the extent of the value of the assets securing such debt. The notes will also be effectively subordinated to the debt of any non-guarantor subsidiaries, including the midstream revolving bank credit facility described herein.

We may redeem some or all of the notes at any time pursuant to certain make-whole provisions. If we enter into certain sale-leaseback transactions and do not reinvest the proceeds or repay certain senior debt, we must offer to repurchase the notes.

Investing in the notes involves risks. For a discussion of certain of these risks, please read the discussion of material risks described in Risk Factors beginning on page S-14.

	Price to Public(1)	Underwriting Discounts and Commissions	Proceeds to Chesapeake Energy(1)
Per Note	95.071%	1.625%	93.446 %
Total	$ 950,710,000	$ 16,250,000	$ 934,460,000

(1) Before expenses and plus accrued interest, if any, from February 2, 2009.

The underwriters expect to deliver the notes to investors on or about February 2, 2009, in book-entry form through the facilities of The Depository Trust Company.

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

Joint Book-Running Managers

Deutsche Bank Securities

Banc of America Securities LLC

Credit Suisse

Goldman, Sachs & Co.

Morgan Stanley

Wachovia Securities

Senior Co-Managers

Barclays Capital	**BMO Capital Markets**	**Jefferies & Company**
RBS Greenwich Capital	**SunTrust Robinson Humphrey**	**UBS Investment Bank**

Co-Managers

BBVA Securities	**BOSC, Inc.**	**Capital One Southcoast**
Comerica Securities	**Natixis Bleichroeder Inc.**	**Raymond James**
RBC Capital Markets	**Scotia Capital**	**TD Securities**
	Wedbush Morgan Securities Inc.	

The date of this prospectus supplement is January 28, 2009.

Table of Contents

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

PROSPECTUS

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

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

NOTICE TO INVESTORS

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

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

Table of Contents

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

Table of Contents

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 provided, the information in this section gives effect to the closing of the joint venture transaction with Statoil on November 24, 2008, which is described below under Recent Developments Marcellus Shale joint venture and the volumetric production payment transaction that closed on December 31, 2008, which is described below under Recent Developments VPP transaction.

Chesapeake Energy Corporation

We are the largest producer of natural gas in the United States. We own interests in approximately 40,500 producing natural gas and oil wells that are currently producing approximately 2.3 billion cubic feet equivalent, or bcfe, per day, 92% of which is natural gas. Our strategy is focused on discovering, acquiring and developing conventional and unconventional natural gas reserves onshore in the United States, primarily in the Big 4 natural gas shale plays: the Barnett Shale of north-central Texas, the Haynesville Shale of East Texas and northwestern Louisiana, the Fayetteville Shale of central Arkansas and the Marcellus Shale of the northern Appalachian Basin. We have substantial operations in various plays, both conventional and unconventional, in the Mid-Continent, Appalachian Basin, Permian Basin, Delaware Basin, South Texas, Texas Gulf Coast and Ark-La-Tex regions of the United States.

We have been developing expertise in horizontal drilling technology since the time of our initial public offering in 1993 and have focused almost exclusively on developing natural gas properties in the U.S. since 2000. We were one of the first companies to recognize the potential of unconventional natural gas properties in the U.S. during the early part of this decade. During the past five years, we have grown from the eighth largest natural gas producer in the U.S. to the largest natural gas producer, in large part as a result of our success in finding and developing unconventional natural gas assets.

In particular, we have focused on the four largest natural gas shale plays in the U.S. the Barnett, the Haynesville, the Fayetteville and the Marcellus Shales. We have the industry s largest leasehold position in the Haynesville and Marcellus Shales and the second largest position in the core and tier 1 areas in the Barnett and Fayetteville Shales. Furthermore, in three of these shale plays, we have entered into joint venture arrangements that monetize a portion of our investment in these plays and provide drilling cost carries for our retained interest. In the Haynesville Shale, we entered into a joint venture with Plains Exploration & Production Company in July 2008 in which we sold Plains a 20% interest in our Haynesville properties and received an upfront cash payment of $1.65 billion and drilling cost carries of $1.65 billion. In the Fayetteville Shale, we entered into a joint venture with BP America Production Company in September 2008 in which we sold BP a 25% interest in our Fayetteville properties and received an upfront cash payment of $1.1 billion and drilling cost carries of $0.8 billion. Most recently, we entered into a joint venture with StatoilHydro ASA in November 2008 in which we sold a 32.5% interest in our Marcellus properties and received an upfront cash payment of $1.25 billion and drilling cost carries of $2.125 billion. Collectively in these three joint ventures, we received

Table of Contents

upfront cash payments of $4.0 billion and drilling cost carries of $4.575 billion, for total consideration of $8.575 billion against a cost basis of approximately $1.2 billion in the property interests we sold. Moreover, Chesapeake retained an 80% interest in the Haynesville Shale properties, a 75% interest in the Fayetteville Shale properties and a 67.5% interest in the Marcellus Shale properties.

During the nine months ended September 30, 2008, Chesapeake continued the industry s most active drilling programs, drilling 1,435 gross (1,193 net) operated wells and participating in another 1,439 gross (195 net) wells operated by other companies. The company s drilling success rate was 99% for company-operated wells and 97% for non-operated wells. Also during the nine months ended September 30, 2008, we invested $3.852 billion in operated wells (using an average of 148 operated rigs) and $576 million in non-operated wells (using an average of 118 non-operated rigs) for total drilling, completing and equipping costs of $4.428 billion.

Chesapeake began 2008 with estimated proved reserves of 10.879 trillion cubic feet equivalent, or tcfe, and ended the third quarter of 2008 with 12.075 tcfe, an increase of 1.196 tcfe, or 11%. During the nine months ended September 30, 2008, we replaced 630 bcfe of production with an internally estimated 1.826 tcfe of new proved reserves, for a reserve replacement rate of 290%. Reserve replacement through the drillbit was 2.286 tcfe, or 363% of production, including 1.128 tcfe of positive performance revisions and 13 bcfe of positive revisions resulting from natural gas and oil price increases between December 31, 2007 and September 30, 2008. Reserve replacement through the acquisition of proved reserves was 165 bcfe. During the nine months ended September 30, 2008, we divested 638 bcfe of estimated proved reserves. For a summary of data as of and for the year ended December 31, 2008, please see Recent Developments Financial and operational update.

Since 2000, Chesapeake has invested $12.1 billion in new leasehold (net of divestitures) and 3-D seismic acquisitions and now owns the largest combined inventories of onshore leasehold (15.0 million net acres) and 3-D seismic (21.1 million acres) in the U.S. On this leasehold, the company has approximately 35,500 net drillsites representing more than a 10-year inventory of drilling projects.

We are an Oklahoma corporation. Our principal offices are located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, and our telephone number is 405-848-8000.

Recent Developments

Capital resources update

Through the middle of 2008, we increased our capital expenditure budget for 2008 and 2009 several times in response to higher leasehold acquisition costs and in order to accelerate leasehold acquisition and drilling in the Haynesville Shale and other plays. During the second half of 2008, in response to a significant decrease in natural gas prices, deteriorating global economic conditions and outlook and concerns about a potential over supply of natural gas in the U.S. market, we significantly reduced our planned capital expenditures through year-end 2010 in order to bring our planned operating and capital expenditures within our anticipated internally generated cash flow.

Cash flow from operations is our primary source of liquidity used to fund operating expenses and capital expenditures. Cash provided by operating activities was $4.305 billion during the nine months ended September 30, 2008 compared to $3.389 billion during the nine

Table of Contents

months ended September 30, 2007. The $916 million increase during the first nine months of 2008 was primarily due to higher natural gas and oil prices and higher volumes of natural gas and oil production. Changes in market prices for natural gas and oil directly impact the level of our cash flow from operations. While declines in natural gas or oil prices affect the amount of cash flow that is generated from operations, we currently have approximately 82% of our anticipated 2009 natural gas production hedged through swaps and collars at an average swap and floor price of $7.63 per thousand cubic feet, or mcf, including only 2% of our anticipated production hedged through swaps with knockout provisions, much of which is concentrated in the 2009 fourth quarter.

Our $3.5 billion revolving bank credit facility and our $460 million midstream revolving bank credit facility, discussed more fully below, provide us with additional liquidity. In response to the difficulties faced by several financial institutions, we borrowed the remaining capacity under our revolving bank credit facility at the end of the third quarter of 2008. As a result, we had borrowings of $3.474 billion and letters of credit of $14 million outstanding, and no additional borrowing capacity, under our revolving bank credit facility as of September 30, 2008. At January 26, 2009, we had $3.45 billion and letters of credit of $26 million outstanding, and $12 million of additional borrowing capacity, under that facility. Additionally, Chesapeake Midstream Operating had $440 million of outstanding borrowings, and $20 million of additional borrowing capacity, under its midstream revolving bank credit facility.

Although we believe we have developed an operating and capital budget for 2009 and 2010 that will allow us to fund our business within our anticipated internally generated cash flow, cash resources and other sources of liquidity, such sources historically have not been sufficient to fund all of our expenditures. As a result, we have relied on capital markets financings and asset monetization transactions, such as sales of producing properties, undeveloped acreage and non-strategic assets, joint venture arrangements and volumetric production payment, or VPP, transactions to provide us with additional capital. Since March 31, 2008, these types of transactions have provided approximately $12.1 billion of new capital, and up to $4.575 billion of our future drilling and completion costs in the Haynesville, Fayetteville and Marcellus Shales will be funded by our joint venture partners. These transactions are summarized below:

- From April through July of 2008, we issued 51.75 million shares of our common stock, $800 million of our 7.25% Senior Notes due 2018 and $1.380 billion of our 2.25% Contingent Convertible Senior Notes due 2038, resulting in aggregate net proceeds to us of $4.734 billion.

- In May, August and December of 2008, we completed three separate VPP transactions involving approximately 285 bcfe of proved reserves and net production (at the time of sale) of 153 mmcfe per day from wells in Texas, Oklahoma and Kansas, resulting in aggregate net proceeds to us of $1.6 billion.

- In July of 2008, we entered into a joint venture with Plains Exploration & Production Company to develop our Haynesville Shale leasehold in Northwest Louisiana and East Texas, under the terms of which (1) Plains acquired a 20% interest in our approximately 550,000 net acres of Haynesville Shale leasehold for $1.65 billion in cash, subject to customary post-closing adjustments, (2) Plains agreed to fund 50% of our 80% share of the costs associated with drilling and completing future Haynesville Shale joint venture wells over a multi-year period, up to an additional $1.65 billion, and (3) Plains will have the right to a 20% participation in any additional leasehold we acquire in the Haynesville Shale.

Table of Contents

In August of 2008, we sold 90,000 net acres of leasehold and producing natural gas properties with net production (at the time of sale) of 50 mmcfe per day in the Arkoma Basin Woodford Shale play in Oklahoma to BP America Production Company for $1.7 billion in cash.

In September of 2008, we entered into a joint venture with BP America Production Company to develop our Fayetteville Shale leasehold in Arkansas, under the terms of which (1) BP acquired a 25% interest in our approximately 540,000 net acres of Fayetteville Shale leasehold for $1.1 billion in cash, (2) BP agreed to fund 100% of our 75% share of the costs associated with drilling and completing future Fayetteville Shale joint venture wells over a multi-year period, up to an additional $800 million, and (3) BP will have the right to a 25% participation in any additional leasehold we acquire in the Fayetteville Shale.

In November of 2008, we closed a joint venture transaction with StatoilHydro ASA to develop our Marcellus Shale leasehold in Appalachia resulting in cash proceeds to us of $1.25 billion. This transaction is described below under Marcellus Shale joint venture.

While we expect to be able to fund our 2009 and 2010 operating and capital expenditure requirements with our anticipated internally generated cash flow, cash resources and other sources of liquidity, we plan to continue to engage in asset monetization transactions in order to create additional value from our proved and unproved properties and to increase our financial flexibility. We may also consider alternative sources of public or private investment in the company or its subsidiaries. For example, we are currently marketing an additional VPP transaction involving certain of our South Texas assets, and we have resumed plans to sell either a minority interest in our non-Appalachian midstream natural gas business or specific midstream assets. Proceeds from a midstream transaction would be used to fund a portion of the costs associated with building the midstream infrastructure in various shale plays, primarily in the Haynesville Shale. While we believe that our anticipated internally generated cash flow, cash resources and other sources of liquidity will allow us to fully fund our operating and capital expenditure requirements, further deterioration of the economy and other factors could require us to fund these expenditures from further monetization transactions or further curtail our spending. Please read Risk Factors beginning on page S-14 of this prospectus supplement.

Our net debt as a percentage of total capitalization (total capitalization is the sum of net debt and stockholders equity) was 43% as of September 30, 2008 and 47% as of December 31, 2007. The average maturity of our long-term debt is over eight years with an average interest rate of approximately 5.4%. No scheduled principal payments are required under our outstanding senior notes until 2013 when $864 million is due.

For more information, please read Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2007 and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, both of which are incorporated herein by reference.

Midstream restructuring and midstream revolving bank credit facility

In 2008, we transferred substantially all of our midstream assets outside of Appalachia to a group of existing and newly formed wholly owned subsidiaries, which we refer to as our midstream subsidiaries. The midstream subsidiaries, their parent, Chesapeake Midstream

Table of Contents

Partners, L.P., and its principal operating subsidiary, Chesapeake Midstream Operating, L.L.C., which we refer to collectively as the Chesapeake Midstream Companies, were each designated as unrestricted subsidiaries under Chesapeake s relevant indentures and revolving bank credit facility and were released from their guarantee obligations under all of Chesapeake s indentures, revolving bank credit facility and secured hedging facilities. The Chesapeake Midstream Companies will not guarantee the notes offered hereby.

On October 16, 2008, Chesapeake Midstream Partners and Chesapeake Midstream Operating entered into a $460 million revolving bank credit facility. The midstream revolving bank credit facility is secured by substantially all of the assets of the Chesapeake Midstream Companies and guaranteed by the midstream subsidiaries. The midstream revolving bank credit facility matures in October 2013, has initial availability of $460 million and may be expanded up to $750 million at the option of Chesapeake Midstream Operating, subject to additional bank participation. Chesapeake Midstream Operating plans to utilize the facility to fund capital expenditures associated with building additional natural gas gathering and other systems associated with Chesapeake s drilling program and for general corporate purposes related to its midstream operations. The midstream revolving bank credit facility contains a covenant restricting Chesapeake Midstream Partners from paying dividends or distributions to Chesapeake.

At September 30, 2008, on a pro forma basis to give effect to the completion of the restructuring transactions described in the preceding paragraphs, the total assets and total liabilities of the Chesapeake Midstream Companies were approximately $1.9 billion and $1.7 billion, respectively. For the nine-month period ended September 30, 2008, the Chesapeake Midstream Companies generated $235 million and $63 million of our revenues and net income, respectively.

Marcellus Shale joint venture

On November 24, 2008, we entered into a joint venture with a U.S. subsidiary of StatoilHydro ASA under which Statoil acquired a 32.5% interest in our Marcellus Shale assets in Appalachia for $3.375 billion, leaving us with a 67.5% working interest in those assets. The assets include approximately 1.8 million net acres of leasehold, of which Statoil owns approximately 600,000 net acres and Chesapeake owns approximately 1.2 million net acres. Statoil paid us $1.25 billion in cash at closing, which was used for general corporate purposes, and will pay a further $2.125 billion from 2009 to 2012 by funding 75% of our 67.5% share of drilling and completion expenditures until the $2.125 billion obligation has been funded. Statoil will have the right to a 32.5% participation in any additional leasehold acquired by Chesapeake in the Marcellus Shale play. Additionally, Chesapeake and Statoil are evaluating opportunities for an international strategic alliance to jointly explore unconventional natural gas opportunities worldwide.

Exchanges of convertible notes for common stock

During the fourth quarter of 2008, we privately exchanged, pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended (the Securities Act), approximately $765 million in aggregate principal amount of our 2.75% Contingent Convertible Senior Notes due 2035, our 2.50% Contingent Convertible Senior Notes due 2037 and our 2.25% Contingent Convertible Senior Notes due 2038 for an aggregate of 23,913,203 shares of our common stock.

VPP transaction

On December 31, 2008, we completed a VPP transaction with affiliates of Argonaut Private Equity in which we sold proved reserves of approximately 98 bcfe with net production (at the time of sale) of approximately 60 mmcfe per day in the Anadarko and Arkoma Basins for net proceeds of approximately $412 million, which was used for general corporate purposes.

Financial and operational update

On January 27, 2009, we announced the following financial and operational information related to the 2008 fourth quarter and full year, which are based on weighted average natural gas and oil well head prices at December 31, 2008 of $5.12 per mcf of natural gas and $41.60 per barrel of oil:

- average daily production for the 2008 fourth quarter of 2.32 bcfe, flat compared to the 2.32 bcfe produced per day in the 2008 third quarter and an increase of 97 mmcfe, or 4%, over the 2.22 bcfe produced per day in the 2007 fourth quarter;

- full year 2008 production of 843 bcfe, including 775 bcf (92% on a natural gas equivalent basis) of natural gas and 11.220 mmbbls (8% on a natural gas equivalent basis) of oil;

- average daily production for the full year 2008 of 2.30 bcfe, consisting of 2.119 bcf of natural gas and 31 mbbls of oil; and

- year-end 2008 estimated proved reserves of approximately 12.1 tcfe, an increase of 1.2 tcfe, or 11%, over year-end 2007 estimated proved reserves of 10.9 tcfe.

We also announced that, due to lower commodity prices at December 31, 2008, we anticipate reporting a non-cash impairment expense of approximately $1.7 billion, net of tax, for the 2008 fourth quarter. We account for our natural gas and oil properties using the full cost method of accounting, which limits the amount of costs we can capitalize and requires us to write off these costs if the carrying value of natural gas and oil assets in the evaluated portion of our full cost pool exceeds the sum of the present value of expected future cash flows of proved reserves using a 10% pre-tax discount rate based on constant pricing and cost assumptions and the present value of certain natural gas and oil hedges. We anticipate reporting an additional impairment of certain investments and other fixed assets of approximately $130 million, net of tax, for the 2008 fourth quarter.

Table of Contents

THE OFFERING

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

Issuer	Chesapeake Energy Corporation.
Notes Offered	$1,000,000,000 in aggregate principal amount of 9.50% Senior Notes due 2015.
Maturity Date	February 15, 2015.
Interest	Interest on the notes will accrue at an annual rate of 9.50%. Interest will be paid semi-annually in arrears on February 15 and August 15 of each year, commencing August 15, 2009.
Guarantees	The notes will be unconditionally guaranteed, jointly and severally, by (i) each of our existing subsidiaries, other than the Chesapeake Midstream Companies and certain de minimis subsidiaries, and (ii) each of our future subsidiaries that guarantees any other indebtedness of us or a subsidiary guarantor in excess of $5 million. The guarantee will be released if we dispose of the subsidiary guarantor or it ceases to guarantee certain other indebtedness of us or any other subsidiary guarantor.

At September 30, 2008, on a pro forma basis to give effect to the completion of the restructuring transactions described above under Recent Developments Midstream restructuring and midstream revolving bank credit facility, the total assets and total liabilities of the Chesapeake Midstream Companies were approximately $1.9 billion and $1.7 billion, respectively. For the nine-month period ended September 30, 2008, the Chesapeake Midstream Companies generated $235 million and $63 million of our revenues and net income, respectively.

Ranking	The notes will be unsecured and will rank equally in right of payment to all of our existing and future senior indebtedness. The notes will rank senior in right of payment to all of our future subordinated indebtedness. The notes will be effectively subordinated to our and our guarantor subsidiaries existing and future secured debt and other secured obligations, including debt under our revolving bank credit facility, to the extent of the value of the assets securing such debt. The notes will also be effectively subordinated to the debt of any non-guarantor subsidiaries, including the debt of the Chesapeake Midstream Companies. Please read Description of Notes Ranking.

Table of Contents

As of September 30, 2008, we had approximately $14.3 billion in principal amount of senior indebtedness outstanding, $3.474 billion of which was secured. Upon completion of this offering and the application of the net proceeds therefrom as described under Use of Proceeds, and after giving effect to the other transactions described under Capitalization, we would have had, on a pro forma basis as of September 30, 2008, approximately $14.1 billion in principal amount of senior indebtedness outstanding, $2.98 billion of which would have been secured. As of January 26, 2009, we had outstanding borrowings of $3.45 billion, and $12 million of additional borrowing capacity, under our revolving bank credit facility, and Chesapeake Midstream Operating had outstanding borrowings of $440 million, and $20 million of additional borrowing capacity, under its revolving bank credit facility.

Make-Whole Redemption	We may redeem some or all of the notes at any time prior to maturity by the payment of a make-whole premium described under Description of Notes Make-Whole Redemption.
Restrictive Covenants	The indenture governing the notes will contain covenants that limit our ability and certain of our subsidiaries ability to:

- incur certain secured indebtedness;
- enter into sale-leaseback transactions; and
- consolidate, merge or transfer assets.

The covenants are subject to a number of exceptions and qualifications. See Description of Notes Certain Covenants.

Use of Proceeds	We expect the net proceeds to us from this offering, after deducting the underwriting discount and estimated expenses of the offering, to be approximately $934 million. We intend to use the net proceeds from this offering to repay outstanding indebtedness under our revolving bank credit facility, which we anticipate reborrowing from time to time to fund our drilling and leasehold acquisition initiatives and for general corporate purposes. Affiliates of certain of the underwriters in this offering are lenders under our revolving bank credit facility and will receive a substantial portion of the proceeds from this offering. Please see Use of Proceeds on page S-25 of this prospectus supplement.

Table of Contents

Book-Entry, Delivery and Form	Initially, the notes will be represented by one or more permanent global certificates in definitive, fully registered form deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company.

Risk Factors

You should carefully consider all information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein as set out in the section entitled Where You Can Find More Information beginning on page S-62 of this prospectus supplement. In particular, you should evaluate the specific risk factors set forth in the section entitled Risk Factors in this prospectus supplement for a discussion of risks relating to an investment in the notes.

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, 2007, 2006 and 2005 and the nine months ended September 30, 2008 and 2007. This data was derived from our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007 and from our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the nine months ended September 30, 2008, each of which is incorporated by reference herein. The financial data below should be read together with, and is qualified in its entirety by reference to, our historical consolidated financial statements and the accompanying notes and the Management s Discussion and Analysis of Financial Condition and Results of Operations which are set forth in such Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

	Year Ended December 31,			Nine Months Ended September 30,	
	2007	2006	2005	2008	2007
	($ in millions, except per share data)				
Statement of Operations Data:					
Revenues:					
Natural gas and oil sales	$ 5,624	$ 5,619	$ 3,273	$ 5,587	$ 4,164
Natural gas and oil marketing sales	2,040	1,577	1,392	2,934	1,446
Service operations revenue	136	130		127	101
Total revenues	7,800	7,326	4,665	8,648	5,711
Operating costs:					
Production expenses	640	490	317	658	461
Production taxes	216	176	208	250	151
General and administrative expenses	243	139	64	288	168
Natural gas and oil marketing expenses	1,969	1,522	1,358	2,864	1,394
Service operations expense	94	68		104	67
Natural gas and oil depreciation, depletion and amortization	1,835	1,359	894	1,518	1,314
Depreciation and amortization of other assets	154	104	51	125	120
Employee retirement expense		55			
Total operating costs	5,151	3,913	2,892	5,807	3,675
Income from operations	2,649	3,413	1,773	2,841	2,036
Other income (expense):					
Interest and other income	15	26	10	(13)	12
Interest expense	(406)	(301)	(220)	(212)	(279)
Loss on repurchases or exchanges of Chesapeake debt			(70)	(31)	
Consent solicitation fees				(10)	
Gain on sale of investments	83	117			83
Total other income (expense)	(308)	(158)	(280)	(266)	(184)
Income before income taxes	2,341	3,255	1,493	2,575	1,852
Income tax expense:					
Current	29	5		196	19
Deferred	861	1,247	545	795	685
Total income tax expense	890	1,252	545	991	704
Net Income	1,451	2,003	948	1,584	1,148
Preferred stock dividends	(94)	(89)	(42)	(27)	(77)
Loss on conversion/exchange of preferred stock	(128)	(10)	(26)	(67)	

Net income available to common shareholders	$ 1,229	$ 1,904	$ 880	$ 1,490	$ 1,071
Earnings per common share basic	$ 2.69	$ 4.78	$ 2.73	$ 2.85	$ 2.37
Earnings per common share assuming dilution	$ 2.62	$ 4.35	$ 2.51	$ 2.73	$ 2.23
Cash dividends declared per common share	$ 0.2625	$ 0.23	$ 0.195	$ 0.2175	$ 0.195

Table of Contents

	Year Ended December 31,			Nine Months Ended September 30,	
	2007	2006	2005	2008	2007
	($ in millions, except ratios)				
Cash Flow Data:					
Cash provided by operating activities	$ 4,932	$ 4,843	$ 2,407	$ 4,305	$ 3,389
Cash used in investing activities	7,922	8,942	6,921	8,201	6,488
Cash provided by financing activities	2,988	4,042	4,567	5,859	3,098
Other Financial Data:					
Ratio of earnings to fixed charges(1)(2)	4.2x	7.3x	5.6x	5.1x	4.6x
Ratio of total debt to EBITDA	2.3x	1.5x	2.1x		
EBITDA(3)	$ 4,736	$ 5,019	$ 2,658	$ 4,430	$ 3,565
Balance Sheet Data:					
Total assets	$ 30,734	$ 24,417	$ 16,118	$ 40,018	$ 29,889
Long-term debt, net	10,950	7,376	5,490	14,345	10,872
Stockholders equity	12,130	11,251	6,174	16,407	12,004

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

(2) The ratio of earnings to fixed charges for the years ended December 31, 2003 and 2004 was 4.0x and 4.8x, respectively.

(3) EBITDA represents net income before income tax expense, interest expense, natural gas and oil depreciation, depletion and amortization and depreciation and amortization of other assets. EBITDA is presented as a supplemental financial measurement in the evaluation of our business. We believe that it provides additional information regarding our ability to meet our future debt service, capital expenditures and working capital requirements. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. EBITDA is also a financial measurement that, with certain negotiated adjustments, is reported to our lenders pursuant to our revolving bank credit facility and is used in the financial covenants in our revolving bank credit facility and our senior note indentures. EBITDA is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income, income from operations or cash flow provided by operating activities prepared in accordance with GAAP. EBITDA is reconciled to net income and cash provided by operating activities as follows:

	Year Ended December 31,			Nine Months Ended September 30,	
	2007	2006	2005	2008	2007
	($ in millions)				
Net income	$ 1,451	$ 2,003	$ 948	$ 1,584	$ 1,148
Income tax expense	890	1,252	545	991	704
Interest expense	406	301	220	212	279
Natural gas and oil depreciation, depletion and amortization	1,835	1,359	894	1,518	1,314
Depreciation and amortization of other assets	154	104	51	125	120
EBITDA	$ 4,736	$ 5,019	$ 2,658	$ 4,430	$ 3,565
Cash provided by operating activities	$ 4,932	$ 4,843	$ 2,407	$ 4,305	$ 3,389
Change in assets and liabilities	(325)	(798)	19	142	90
Interest expense	406	301	220	212	279
Unrealized gains (losses) on natural gas and oil derivatives	(375)	496	41	80	(113)
Other non-cash items	98	177	(29)	(309)	(80)
EBITDA	$ 4,736	$ 5,019	$ 2,658	$ 4,430	$ 3,565

Table of Contents

Summary Reserve Information

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

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

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

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

Table of Contents

Summary Production, Sales, Prices and Expenses Data

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

	Year Ended December 31,			Nine Months Ended September 30,	
	2007	2006	2005	2008	2007
Net Production:					
Natural gas (mmcf)	654,969	526,459	422,389	579,423	467,197
Oil (mbbl)	9,882	8,654	7,698	8,372	7,147
Natural gas equivalent (mmcfe)	714,261	578,383	468,577	629,655	510,079
Natural Gas and Oil Sales ($ in millions):					
Natural gas sales	$ 4,117	$ 3,343	$ 3,231	$ 5,046	$ 2,918
Natural gas derivatives realized gains (losses)	1,214	1,269	(367)	(174)	890
Natural gas derivatives unrealized gains (losses)	(139)	467	37	325	(58)
Total natural gas sales	5,192	5,079	2,901	5,197	3,750
Oil sales	678	527	402	915	443
Oil derivatives realized gains (losses)	(11)	(15)	(34)	(280)	26
Oil derivatives unrealized gains (losses)	(235)	28	4	(245)	(55)
Total oil sales	432	540	372	390	414
Total natural gas and oil sales	$ 5,624	$ 5,619	$ 3,273	$ 5,587	$ 4,164
Average Sales Price (excluding gains (losses) on derivatives):					
Natural gas ($ per mcf)	$ 6.29	$ 6.35	$ 7.65	$ 8.71	$ 6.25
Oil ($ per bbl)	$ 68.64	$ 60.86	$ 52.20	$ 109.28	$ 61.91
Natural gas equivalent ($ per mcfe)	$ 6.71	$ 6.69	$ 7.75	$ 9.47	$ 6.59
Average Sales Price (excluding unrealized gains (losses) on derivatives):					
Natural gas ($ per mcf)	$ 8.14	$ 8.76	$ 6.78	$ 8.41	$ 8.15
Oil ($ per bbl)	$ 67.50	$ 59.14	$ 47.77	$ 75.82	$ 65.55
Natural gas equivalent ($ per mcfe)	$ 8.40	$ 8.86	$ 6.90	$ 8.75	$ 8.39
Other Operating Income ($ per mcfe):					
Natural gas and oil marketing	$ 0.10	$ 0.09	$ 0.07	$ 0.11	$ 0.10
Service operations	$ 0.06	$ 0.11	$	$ 0.04	$ 0.07
Expenses ($ per mcfe):					
Production expenses	$ 0.90	$ 0.85	$ 0.68	$ 1.04	$ 0.90
Production taxes	$ 0.30	$ 0.31	$ 0.44	$ 0.40	$ 0.30
General and administrative expenses	$ 0.34	$ 0.24	$ 0.14	$ 0.46	$ 0.33
Natural gas and oil depreciation, depletion and amortization	$ 2.57	$ 2.35	$ 1.91	$ 2.41	$ 2.58
Depreciation and amortization of other assets	$ 0.22	$ 0.18	$ 0.11	$ 0.20	$ 0.24
Interest expense(1)	$ 0.51	$ 0.52	$ 0.47	$ 0.35	$ 0.52

(1) Includes the effects of realized gains or (losses) from interest rate derivatives, but does not include the effects of unrealized gains or (losses) and is net of amounts capitalized.

Table of Contents

RISK FACTORS

In addition to the other information set forth elsewhere or incorporated by reference in this prospectus supplement, the following factors relating to our company and the offering should be considered carefully before making an investment in the notes offered hereby.

Risks Related to Our Business

Natural gas and oil 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 natural gas and oil 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 if prices fall significantly, as has been the case in the past three months.

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

- worldwide and domestic supplies of natural gas and oil;
- weather conditions;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the proximity and capacity of natural gas pipelines and other transportation facilities;
- the price and level of foreign imports;