NEWS RELEASE

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PRNewswire

CHESAPEAKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
($ in 000's, except per share data)
(unaudited)

THREE MONTHS ENDED:	June 30, 2006 $	$/mcfe	June 30, 2005 $	$/mcfe
REVENUES:				
Oil and natural gas sales	1,186,383	8.32	772,401	6.83
Marketing sales	367,610	2.57	275,617	2.43
Service operations revenue	30,023	0.21	---	---
Total Revenues	1,584,016	11.10	1,048,018	9.26
OPERATING COSTS:				
Production expenses	120,697	0.85	72,333	0.64
Production taxes	33,923	0.24	47,253	0.42
General and administrative expenses	33,555	0.24	11,788	0.10
Marketing expenses	355,688	2.48	270,003	2.39
Service operations expense	15,667	0.11	---	---
Oil and natural gas depreciation, depletion and amortization	328,159	2.30	209,371	1.85
Depreciation and amortization of other assets	23,163	0.16	11,807	0.10
Total Operating Costs	910,852	6.38	622,555	5.50
INCOME FROM OPERATIONS	673,164	4.72	425,463	3.76
OTHER INCOME (EXPENSE):				
Interest and other income	4,974	0.03	2,005	0.02
Interest expense	(73,456)	(0.51)	(53,902)	(0.48)
Loss on repurchases or exchanges of Chesapeake debt	---	---	(68,400)	(0.60)
Total Other Income (Expense)	(68,482)	(0.48)	(120,297)	(1.06)
Income Before Income Taxes	604,682	4.24	305,166	2.70

Income Tax Expense:				
Current	---	---	---	---
Deferred	244,779	1.72	111,387	0.99
Total Income Tax Expense	244,779	1.72	111,387	0.99
NET INCOME	359,903	2.52	193,779	1.71
Preferred stock dividends	(18,228)	(0.12)	(9,859)	(0.09)
Loss on exchange/conversion of preferred stock	(9,547)	(0.07)	(4,743)	(0.04)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	332,128	2.33	179,177	1.58
EARNINGS PER COMMON SHARE:				
Basic	$0.87		$0.58	
Assuming dilution	$0.82		$0.52	
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (in 000's)				
Basic	380,675		311,181	
Assuming dilution	428,169		364,063	

CHESAPEAKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
($ in 000's, except per share data)
(unaudited)

SIX MONTHS ENDED:	June 30, 2006		June 30, 2005	
	$	$/mcfe	$	$/mcfe
REVENUES:				
Oil and natural gas sales	2,697,204	9.66	1,311,343	6.01
Marketing sales	771,977	2.76	520,125	2.39
Service operations revenue	59,402	0.21	---	---
Total Revenues	3,528,583	12.63	1,831,468	8.40
OPERATING COSTS:				
Production expenses	240,089	0.86	141,895	0.65
Production taxes	89,296	0.32	83,211	0.38
General and administrative expenses	62,346	0.22	23,855	0.11
Marketing expenses	747,048	2.67	507,279	2.33
Service operations expense	30,104	0.11	---	---
Oil and natural gas depreciation, depletion and amortization	633,116	2.27	390,339	1.79
Depreciation and amortization of other assets	47,035	0.17	21,889	0.10
Employee retirement expense	54,753	0.20	---	---

Total Operating Costs	1,903,787	6.82	1,168,468	5.36
INCOME FROM OPERATIONS	1,624,796	5.81	663,000	3.04
OTHER INCOME (EXPENSE):				
Interest and other income	14,610	0.05	5,362	0.02
Interest expense	(146,114)	(0.52)	(97,030)	(0.44)
Gain on sale of investment	117,396	0.42	---	---
Loss on repurchases or exchanges of Chesapeake debt	---	---	(69,300)	(0.32)
Total Other Income (Expense)	(14,108)	(0.05)	(160,968)	(0.74)
Income Before Income Taxes	1,610,688	5.76	502,032	2.30
Income Tax Expense:				
Current	---	---	---	---
Deferred	627,062	2.24	183,243	0.84
Total Income Tax Expense	627,062	2.24	183,243	0.84
NET INCOME	983,626	3.52	318,789	1.46
Preferred stock dividends	(37,040)	(0.13)	(15,322)	(0.07)
Loss on exchange/conversion of preferred stock	(10,556)	(0.04)	(4,743)	(0.02)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	936,030	3.35	298,724	1.37
EARNINGS PER COMMON SHARE:				
Basic	$2.50		$0.96	
Assuming dilution	$2.27		$0.88	
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (in 000's)				
Basic	374,683		310,523	
Assuming dilution	433,414		356,478	

CHESAPEAKE ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(in 000's)
(unaudited)

	June 30, 2006	December 31, 2005
Cash	$366,270	$60,027
Other current assets	1,289,467	1,123,370
Total Current Assets	1,655,737	1,183,397
Property and equipment (net)	17,775,369	14,411,887
Other assets	629,945	523,178
Total Assets	$20,061,051	$16,118,462

Current liabilities	$1,776,469	$1,964,088
Long term debt	6,330,115	5,489,742
Asset retirement obligation	171,430	156,593
Other long term liabilities	357,120	528,738
Deferred tax liability	2,435,731	1,804,978
Total Liabilities	11,070,865	9,944,139
STOCKHOLDERS' EQUITY	8,990,186	6,174,323
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$20,061,051	$16,118,462
COMMON SHARES OUTSTANDING	418,876	370,190

CHESAPEAKE ENERGY CORPORATION RECONCILIATION OF SIX MONTHS ENDED JUNE 30, 2006 ADDITIONS TO OIL AND NATURAL

GAS PROPERTIES
($ in 000's, except per unit amounts)
(unaudited)

	Cost	Reserves (in mmcfe)	$/mcfe
Exploration and development costs	$1,338,205	786,027(A)	$1.70
Acquisition of proved properties	494,278	269,239	$1.84
Subtotal	1,832,483	1,055,266	$1.74
Divestitures	(73)	(89)	---
Geological and geophysical costs	71,675	---	---
Adjusted subtotal	1,904,085	1,055,177	$1.80
Revisions - price	---	(195,541)	---
Acquisition of unproved properties	1,256,132	---	---
Leasehold acquisition costs	323,856	---	---
Adjusted subtotal	3,484,073	859,636	$4.05
Tax basis step-up	81,373	---	
Asset retirement obligation and other	11,774	---	
Total	$3,577,220	859,636	$4.16

(A) Includes positive performance revisions of 352 bcfe and excludes downward revisions of 196 bcfe resulting from natural gas price declines between December 31, 2005 and June 30, 2006.

CHESAPEAKE ENERGY CORPORATION
ROLL-FORWARD OF PROVED RESERVES
(unaudited)

Mmcfe

Beginning balance, 12/31/05	7,520,690
Extensions and discoveries	434,414
Acquisitions	269,239
Divestitures	(89)
Revisions - performance	351,613
Revisions - price	(195,541)
Production	(279,428)
Ending balance, 6/30/06	8,100,898
Reserve replacement	859,636
Reserve replacement rate	308%

CHESAPEAKE ENERGY CORPORATION

SUPPLEMENTAL DATA - OIL AND NATURAL GAS SALES AND INTEREST EXPENSE

(in 000's)

(unaudited)

	THREE MONTHS ENDED June 30,		SIX MONTHS ENDED June 30,	
	2006	2005	2006	2005
Oil and Natural Gas Sales ($ in thousands):				
Oil sales	$138,241	$96,798	$262,908	$176,742
Oil derivatives - realized gains (losses)	(12,227)	(10,650)	(16,035)	(17,717)
Oil derivatives - unrealized gains (losses)	(2,564)	10,900	(3,899)	(1,942)
Total Oil Sales	123,450	97,048	242,974	157,083
Natural gas sales	774,259	635,901	1,714,577	1,171,678
Natural gas derivatives - realized gains (losses)	269,650	(33,702)	521,679	13,713
Natural gas derivatives - unrealized gains (losses)	19,024	73,154	217,974	(31,131)
Total Natural Gas Sales	1,062,933	675,353	2,454,230	1,154,260
Total Oil and Natural Gas Sales	$1,186,383	$772,401	$2,697,204	$1,311,343
Average Sales Price (excluding gains (losses) on derivatives):				
Oil ($ per bbl)	$64.51	$48.11	$61.73	$47.03
Natural gas ($ per mcf)	$5.96	$6.29	$6.75	$6.00
Natural gas equivalent ($ per mcfe)	$6.40	$6.47	$7.08	$6.19
Average Sales Price (excluding unrealized gains (losses) on derivatives):				

Oil ($ per bbl)	$58.80	$42.82	$57.97	$42.32
Natural gas ($ per mcf)	$8.04	$5.95	$8.81	$6.07
Natural gas equivalent ($ per mcfe)	$8.20	$6.08	$8.89	$6.17

Interest Expense
($ in thousands)

Interest	$73,834	$54,710	$146,732	$102,003
Derivatives - realized (gains) losses	(1,163)	(675)	(2,407)	(1,796)
Derivatives - unrealized (gains) losses	785	(133)	1,789	(3,177)
Total Interest Expense	$73,456	$53,902	$146,114	$97,030

CHESAPEAKE ENERGY CORPORATION
CONDENSED CONSOLIDATED CASH FLOW DATA
(in 000's)
(unaudited)

THREE MONTHS ENDED:	June 30, 2006	June 30, 2005
Cash provided by operating activities	$ 1,077,686	$ 507,232
Cash (used in) investing activities	(1,823,996)	(1,365,941)
Cash provided by financing activities	1,074,294	858,709

SIX MONTHS ENDED:	June 30, 2006	June 30, 2005
Cash provided by operating activities	$ 2,045,144	$ 1,019,917
Cash (used in) investing activities	(3,784,057)	(2,539,878)
Cash provided by financing activities	2,045,156	1,513,065

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(in 000's)
(unaudited)

THREE MONTHS ENDED:	June 30, 2006	March 31, 2006	June 30, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	$1,077,686	$ 967,458	$507,232
Adjustments:			
Changes in assets and liabilities	(163,520)	79,405	(53,498)

OPERATING CASH FLOW*	$ 914,166	$1,046,863	$453,734

* Operating cash flow represents net cash provided by operating activities before changes in assets and liabilities. Operating cash flow is presented because management believes it is a useful adjunct to net cash provided by operating activities under accounting principles generally accepted in the United States (GAAP). Operating cash flow is widely accepted as a financial indicator of an oil and natural gas company's ability to generate cash which is used to internally fund exploration and development activities and to service debt. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies within the oil and natural gas exploration and production industry. Operating cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing, or financing activities as an indicator of cash flows, or as a measure of liquidity.

THREE MONTHS ENDED:	June 30, 2006	March 31, 2006	June 30, 2005
NET INCOME	$ 359,903	$ 623,723	$193,779
Income tax expense	244,779	382,283	111,387
Interest expense	73,456	72,658	53,902
Depreciation and amortization of other assets	23,163	23,872	11,807
Oil and natural gas depreciation, depletion and amortization	328,159	304,957	209,371
EBITDA**	$1,029,460	$1,407,493	$580,246

** Ebitda represents net income before income tax expense, interest expense, and depreciation, depletion and amortization expense. Ebitda is presented as a supplemental financial measurement in the evaluation of our business. We believe that it provides additional information regarding our ability to meet our future debt service, capital expenditures and working capital requirements. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Ebitda is also a financial measurement that, with certain negotiated adjustments, is reported to our lenders pursuant to our bank credit agreement and is used in the financial covenants in our bank credit agreement 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 cash provided by operating activities as follows:

THREE MONTHS ENDED:	June 30, 2006	March 31, 2006	June 30, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	$1,077,686	$967,458	$507,232
Changes in assets and liabilities	(163,520)	79,405	(53,498)
Interest expense	73,456	72,658	53,902
Unrealized gains (losses) on oil and natural gas derivatives	16,460	197,615	84,054

Other non-cash items	25,378	90,357	(11,444)
EBITDA	$1,029,460	$1,407,493	$580,246

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF OPERATING CASH FLOW AND EBITDA
(in 000's)
(unaudited)

SIX MONTHS ENDED:	June 30, 2006	June 30, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	$2,045,144	$1,019,917
Adjustments:		
Changes in assets and liabilities	(84,115)	(61,561)
OPERATING CASH FLOW*	$1,961,029	$958,356

* Operating cash flow represents net cash provided by operating activities before changes in assets and liabilities. Operating cash flow is presented because management believes it is a useful adjunct to net cash provided by operating activities under accounting principles generally accepted in the United States (GAAP). Operating cash flow is widely accepted as a financial indicator of an oil and natural gas company's ability to generate cash which is used to internally fund exploration and development activities and to service debt. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies within the oil and natural gas exploration and production industry. Operating cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing, or financing activities as an indicator of cash flows, or as a measure of liquidity.

SIX MONTHS ENDED:	June 30, 2006	June 30, 2005
NET INCOME	$983,626	$318,789
Income tax expense	627,062	183,243
Interest expense	146,114	97,030
Depreciation and amortization of other assets	47,035	21,889
Oil and natural gas depreciation, depletion and amortization	633,116	390,339
EBITDA**	$2,436,953	$1,011,290

** Ebitda represents net income before income tax expense, interest expense, and depreciation, depletion and amortization expense. Ebitda is presented as a supplemental financial measurement in the evaluation of our business. We believe that it provides additional information regarding our ability to meet our future debt service, capital expenditures and working capital requirements. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Ebitda is also a financial measurement that, with certain negotiated adjustments, is reported to our lenders pursuant to our bank credit agreement and is used in the financial covenants in our bank credit agreement 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 cash provided by operating activities as follows:

SIX MONTHS ENDED:	June 30, 2006	June 30, 2005
CASH PROVIDED BY OPERATING ACTIVITIES	$2,045,144	$1,019,917
Changes in assets and liabilities	(84,115)	(61,561)
Interest expense	146,114	97,030
Unrealized gains (losses) on oil and natural gas derivatives	214,075	(33,073)
Other non-cash items	115,735	(11,023)
EBITDA	$2,436,953	$1,011,290

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON
($ in 000's, except per share amounts)
(unaudited)

THREE MONTHS ENDED:	June 30, 2006	March 31, 2006	June 30, 2005
Net income available to common shareholders	$ 332,128	$ 603,902	$ 179,177
Adjustments:			
Loss on conversion/exchange of preferred stock	9,547	1,009	4,743
Unrealized (gains) losses on derivatives, net of tax	(9,720)	(121,899)	(53,458)
Cumulative impact of new Texas margin tax	15,000	---	---
Reversal of severance tax accrual, net of tax	(7,192)	---	---
Gain on sale of investment, net of tax	---	(72,786)	---
Employee retirement expense, net of tax	---	33,947	---
Loss on repurchases or exchanges of debt, net of tax	---	---	43,434
Adjusted net income available to common shareholders*	339,763	444,173	173,896
Preferred dividends	18,228	18,812	9,859
Total adjusted net income	$ 357,991	$ 462,985	$ 183,755
Weighted average fully diluted shares outstanding**	434,915	431,723	366,677

Adjusted earnings per share assuming dilution	$ 0.82	$ 1.07	$ 0.50

* Adjusted net income available to common and adjusted earnings per share assuming dilution exclude certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to GAAP earnings because:

a. Management uses adjusted net income available to common to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
b. Adjusted net income available to common is more comparable to earnings estimates provided by securities analysts.
c. Items excluded generally are one-time items, or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

** Weighted average fully diluted shares outstanding includes shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
($ in 000's)
(unaudited)

THREE MONTHS ENDED:	June 30, 2006	March 31, 2006	June 30, 2005
EBITDA	$ 1,029,460	$ 1,407,493	$ 580,246
Adjustments, before tax:			
Unrealized (gains) losses on oil and natural gas derivatives	(16,460)	(197,615)	(84,054)
Reversal of severance tax accrual	(11,600)	---	---
Gain on sale of investment	---	(117,396)	---
Employee retirement expense	---	54,753	---
Loss on repurchases or exchanges of debt	---	---	68,400
Adjusted EBITDA*	$ 1,001,400	$ 1,147,235	$ 564,592

* Adjusted EBITDA excludes certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to EBITDA because:

a. Management uses adjusted EBITDA to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
b. Adjusted EBITDA is more comparable to earnings estimates provided by securities analysts.

c. Items excluded generally are one-time items, or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED NET INCOME AVAILABLE TO COMMON
($ in 000's, except per share amounts)
(unaudited)

SIX MONTHS ENDED:	June 30, 2006	June 30, 2005
Net income available to common shareholders	$ 936,030	$ 298,724
Adjustments:		
Loss on conversion/exchange of preferred stock	10,556	4,743
Unrealized (gains) losses on derivatives, net of tax	(131,619)	18,985
Cumulative impact of new Texas margin tax	15,000	---
Reversal of severance tax accrual, net of tax	(7,192)	---
Gain on sale of investment, net of tax	(72,786)	---
Employee retirement expense, net of tax	33,947	---
Loss on repurchases or exchanges of debt, net of tax	---	44,006
Adjusted net income available to common shareholders*	783,936	366,458
Preferred dividends	37,040	15,322
Total adjusted net income	$ 820,976	$ 381,780
Weighted average fully diluted shares outstanding**	433,414	359,136
Adjusted earnings per share assuming dilution	$ 1.89	$ 1.06

* Adjusted net income available to common and adjusted earnings per share assuming dilution exclude certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to GAAP earnings because:

a. Management uses adjusted net income available to common to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
b. Adjusted net income available to common is more comparable to earnings estimates provided by securities analysts.
c. Items excluded generally are one-time items, or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

** Weighted average fully diluted shares outstanding includes shares that were considered antidilutive for calculating earnings per share in accordance with GAAP.

CHESAPEAKE ENERGY CORPORATION
RECONCILIATION OF ADJUSTED EBITDA
($ in 000's)
(unaudited)

SIX MONTHS ENDED:	June 30, 2006	June 30, 2005
EBITDA	$ 2,436,953	$ 1,011,290
Adjustments, before tax:		
Unrealized (gains) losses on oil and natural gas derivatives	(214,075)	33,073
Reversal of severance tax accrual	(11,600)	---
Gain on sale of investment	(117,396)	---
Employee retirement expense	54,753	---
Loss on repurchases or exchanges of debt	---	69,300
Adjusted EBITDA*	$ 2,148,635	$ 1,113,663

*Adjusted EBITDA excludes certain items that management believes affect the comparability of operating results. The company discloses these non-GAAP financial measures as a useful adjunct to EBITDA because:

a. Management uses adjusted EBITDA to evaluate the company's operational trends and performance relative to other oil and natural gas producing companies.
b. Adjusted EBITDA is more comparable to earnings estimates provided by securities analysts.
c. Items excluded generally are one-time items, or items whose timing or amount cannot be reasonably estimated. Accordingly, any guidance provided by the company generally excludes information regarding these types of items.

SCHEDULE "A"

CHESAPEAKE'S OUTLOOK AS OF JULY 27, 2006

Quarter Ending September 30, 2006; Year Ending December 31, 2006; Year Ending

December 31, 2007.

We have adopted a policy of periodically providing investors with guidance on certain factors that affect our future financial performance. As of July 27, 2006, we are using the following key assumptions in our projections for the third quarter of 2006, the full-year 2006 and the full-year 2007.

The primary changes from our June 5, 2006 Outlook are in italicized bold in the table and are explained as follows:

1) We have updated the projected effect of changes in our hedging

positions;
2) Production, certain costs and capital expenditure assumptions have been updated;
3) We have shown our projections for the quarter ending September 30, 2006 for the first time.

	Quarter Ending 9/30/2006	Year Ending 12/31/2006	Year Ending 12/31/2007
Estimated Production (A):			
Oil - mbbls	2,000	8,400	8,400
Natural gas - bcf	136 - 140	531 - 541	595 - 605
Natural gas equivalent - bcfe	148 - 152	581 - 591	645 - 655
Daily natural gas equivalent midpoint - in mmcfe	1,630	1,605	1,781
NYMEX Prices (B) (for calculation of realized hedging effects only):			
Oil - $/bbl	$56.25	$61.67	$56.25
Natural gas - $/mcf	$6.96	$7.57	$7.50
Estimated Realized Hedging Effects (based on assumed NYMEX prices above):			
Oil - $/bbl	$7.26	$1.92	$11.43
Natural gas - $/mcf	$1.89	$1.99	$1.89
Estimated Differentials to NYMEX Prices:			
Oil - $/bbl	6 - 8%	7 - 9%	6 - 8%
Natural gas - $/mcf	8 - 12%	10 - 15%	9 - 13%
Operating Costs per Mcfe of Projected Production:			
Production expense	$0.85-0.95	$0.85-0.95	$0.90-1.00
Production taxes (generally 6.0% of O&G revenues) (C)	$0.38-0.42	$0.41-0.46	$0.41-0.46
General and administrative	$0.15-0.20	$0.15-0.20	$0.15-0.20
Stock-based compensation (non-cash)	$0.05-0.07	$0.06-0.08	$0.08-0.10
DD&A of oil and natural gas assets	$2.35-2.40	$2.30-2.40	$2.40-2.50
Depreciation of other assets	$0.18-0.22	$0.18-0.22	$0.24-0.28
Interest expense (D)	$0.55-0.59	$0.54-0.58	$0.60-0.65
Other Income per Mcfe:			
Marketing and other income	$0.02-0.04	$0.04-0.06	$0.04-0.06
Service operations income	$0.10-0.12	$0.08-0.12	$0.10-0.15

Book Tax Rate (approximately

equal to 95% deferred)	38%	38%	38%
Equivalent Shares Outstanding:			
Basic	418 mm	397 mm	423 mm
Diluted	484 mm	459 mm	488 mm
Capital Expenditures:			
Drilling, leasehold and seismic	$900-1,100 mm	$3,700-4,000 mm	$3,800-4,100 mm

(A) Production forecast for Q3 2006 and calendar 2006 excludes provisions for possible production curtailments that the industry and Chesapeake may experience as a result of high pipeline pressures and/or early filling of U.S. natural gas storage facilities.
(B) Oil NYMEX prices have been updated for actual contract prices through June 2006 and natural gas NYMEX prices have been updated for actual contract prices through July 2006.
(C) Severance tax per mcfe is based on NYMEX prices of $56.25 per bbl of oil and $6.80 to $7.60 per mcf of natural gas during Q3 2006, $57.35 per bbl of oil and $7.50 to $8.50 per mcf of natural gas during calendar 2006 and $56.25 per bbl of oil and $7.50 to $8.50 per mcf of natural gas during calendar 2007.
(D) Does not include gains or losses on interest rate derivatives (SFAS 133).

Commodity Hedging Activities

The company utilizes hedging strategies to hedge the price of a portion of its future oil and natural gas production. These strategies include:

(i) For swap instruments, we receive a fixed price for the hedged commodity and pay a floating market price, as defined in each instrument, to the counterparty. The fixed-price payment and the floating-price payment are netted, resulting in a net amount due to or from the counterparty.
(ii) For cap-swaps, Chesapeake receives a fixed price and pays a floating market price. The fixed price received by Chesapeake includes a premium in exchange for a "cap" limiting the counterparty's exposure. In other words, there is no limit to Chesapeake's exposure but there is a limit to the downside exposure of the counterparty.
(iii) Basis protection swaps are arrangements that guarantee a price differential of oil or natural gas from a specified delivery point. Chesapeake receives a payment from the counterparty if the price differential is greater than the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract.

Commodity markets are volatile, and as a result, Chesapeake's hedging activity is dynamic. As market conditions warrant, the company may elect to settle a hedging transaction prior to its scheduled maturity date and lock in the gain or loss on the transaction.

Chesapeake enters into oil and natural gas derivative transactions in order to mitigate a portion of its exposure to adverse market changes in oil and natural gas prices. Accordingly, associated gains or loses from the derivative transactions are reflected as adjustments to oil and natural gas sales. All realized gains and losses from oil and natural gas derivatives are included in oil and natural gas sales in the month of related production. Pursuant to SFAS 133, certain derivatives do not qualify for designation as cash flow hedges. Changes in the fair value of these non-qualifying derivatives that occur prior to their maturity (i.e. because of temporary fluctuations in value) are reported currently in the consolidated statement of operations as unrealized gains (losses) within oil and natural gas sales.

Following provisions of SFAS 133, changes in the fair value of derivative instruments designated as cash flow hedges, to the extent effective in offsetting cash flows attributable to hedged risk, are recorded in other comprehensive income until the hedged item is recognized in earnings. Any change in fair value resulting from ineffectiveness is recognized currently in oil and natural gas sales.

Excluding the swaps assumed in connection with the acquisition of CNR which are described below, the company currently has the following natural gas swaps in place:

	Open Swaps in Bcf's	Avg. NYMEX Strike Price Of Open Swaps	Gain (Loss) from Locked Swaps	Avg. NYMEX Price Including Open & Locked Positions	Assuming Natural Gas Production in Bcf's of:	% Hedged Open Swap Positions as a % of Estimated Total Natural Gas Production
2006:						
Q1	93.8	$10.81	-$0.09	$10.72	124.1	76%
Q2	101.4	$8.82	-$0.05	$8.77	129.8	78%
Q3	117.9	$8.80	-$0.05	$8.75	138.0	85%
Q4	114.9	$9.46	-$0.04	$9.42	144.1	80%
Total 2006(A)	428.0	$9.42	-$0.05	$9.37	536.0	80%
Total 2007	392.1	$9.99	-$0.03	$9.96	600.0	65%
Total 2008	329.4	$9.53	---	$9.53	642.0	51%
Total 2009	3.7	$9.02	---	$9.02	687.0	1%

(A) Certain hedging arrangements include swaps with knockout prices ranging from $3.75 to $5.50 covering 43.0 bcf in 2006, $5.75 to $6.50 covering 53.9 bcf in 2007 and $5.75 to $6.50 covering 69.5 bcf in 2008, respectively.

Note: Not shown above are collars covering 0.2 bcf of production in 2006 at a weighted average floor and ceiling of $6.00 and $9.70 and call options covering 7.3 bcf of production in 2006 at a weighted average price of $12.50, 25.6 bcf of production in 2007 at a weighted average price of $10.53 and 7.3 bcf of production in 2008 at a weighed average price of $12.50.

The company has the following natural gas basis protection swaps in place:

	Mid-Continent Volume in Bcf's	NYMEX less*:	Appalachia Volume in Bcf's	NYMEX plus*:
2006	130.1	$0.32	---	$---
2007	137.2	0.33	36.5	0.35
2008	118.6	0.27	36.6	0.35
2009	86.6	0.29	18.2	0.31
Totals	472.5	$0.30	91.3	$0.34

* weighted average

We assumed certain liabilities related to open derivative positions in connection with the CNR acquisition in November 2005. In accordance with SFAS 141, these derivative positions were recorded at fair value in the purchase price allocation as a liability of $592 million ($469 million as of June 30, 2006). The recognition of the derivative liability and other assumed liabilities resulted in an increase in the total purchase price which was allocated to the assets acquired. Because of this accounting treatment, only cash settlements for changes in fair value subsequent to the acquisition date for the derivative positions assumed result in adjustments to our oil and natural gas revenues upon settlement. For example, if the fair value of the derivative positions assumed does not change, then upon the sale of the underlying production and corresponding settlement of the derivative positions, cash would be paid to the counterparties and there would be no adjustment to oil and natural gas revenues related to the derivative positions. If, however, the actual sales price is different from the price assumed in the original fair value calculation, the difference would be reflected as either a decrease or increase in oil and natural gas revenues, depending upon whether the sales price was higher or lower, respectively, than the prices assumed in the original fair value calculation. For accounting purposes, the net effect of these acquired hedges is that we hedged the production volumes listed below at their fair values on the date of our acquisition of CNR.

Pursuant to SFAS 149 "Amendment of SFAS 133 on Derivative Instruments and Hedging Activities", the derivative instruments assumed in connection with the CNR acquisition are deemed to contain a significant financing element and all cash flows associated with these positions are reported as financing activity in the statement of cash flows.

The following details the CNR derivatives (natural gas swaps) we have assumed:

	Open Swaps in Bcf's	Avg. NYMEX Strike Price Of Open Swaps (per Mcf)	Avg. Fair Value Upon Acquisition of Open Swaps (per Mcf)	Initial Liability Acquired (per Mcf)	Assuming Natural Gas Production in Bcf's of:	% Hedged Open Swap Positions as a % of Estimated Total Natural Gas Production
2006:						
Q1	7.9	$4.91	$12.14	($7.23)	124.1	6%
Q2	10.5	$4.86	$9.97	($5.11)	129.8	8%
Q3	10.6	$4.86	$9.95	($5.09)	138.0	8%
Q4	10.6	$4.86	$10.38	($5.52)	144.1	7%
Total 2006	39.6	$4.87	$10.51	($5.64)	536.0	7%
Total						

2007	42.0	$4.82	$9.18	($4.36)	600.0	7%
Total 2008	38.4	$4.67	$8.01	($3.34)	642.0	6%
Total 2009	18.3	$5.18	$7.28	($2.10)	687.0	3%

Note: Not shown above are collars covering 3.7 bcf of production in 2009 at an average floor and ceiling of $4.50 and $6.00, respectively.

The company also has the following crude oil swaps in place:

	Open Swaps in mbbls	Avg. NYMEX Strike Price	Assuming Oil Production in mbbls of:	% Hedged Open Swap Positions as % of Total Estimated Production
2006:				
Q1	1,109.5	$60.03	2,116	52%
Q2	1,379.5	$61.85	2,143	64%
Q3	1,747.0	$64.83	2,000	87%
Q4	1,840.0	$65.64	2,141	86%
Total 2006(A)	6,076.0	$63.52	8,400	72%
Total 2007	6,110.0	$71.42	8,400	73%
Total 2008	5,032.0	$71.45	8,000	63%
Total 2009	182.5	$66.10	8,000	2%

(A) Certain hedging arrangements include swaps with knockout prices ranging from $40.00 to $60.00 covering 654.5 mbbls in 2006, $45.00 to $60.00 covering 1,460.0 mbbls in 2007 and $45.00 to $60.00 covering 1,098.0 mbbls in 2008, respectively.

SCHEDULE "B"

CHESAPEAKE'S PREVIOUS OUTLOOK AS OF JUNE 5, 2006
(PROVIDED FOR REFERENCE ONLY)

NOW SUPERSEDED BY OUTLOOK AS OF JULY 27, 2006

Quarter Ending June 30, 2006; Year Ending December 31, 2006; Year Ending December 31, 2007.

We have adopted a policy of periodically providing investors with guidance on certain factors that affect our future financial performance. As of June 5, 2006, we are using the following key assumptions in our projections for the second quarter of 2006, the full-year 2006 and the full-year 2007.

The primary changes from our May 1, 2006 Outlook are in italicized bold in the table and are explained as follows:

1) We have updated the projected effect of changes in our hedging positions;
2) Production, certain costs and capital expenditures have increased as a result of the acquisitions announced today; and
3) Share count has been adjusted to reflect our tender offer to convert our 4.125% preferred stock and 5.0% preferred stock to common stock, recent repurchases of common stock and an expected preferred equity offering in the near future.

	Quarter Ending 6/30/2006	Year Ending 12/31/2006	Year Ending 12/31/2007
Estimated Production:			
Oil - mbbls	2,000	8,000	8,000
Natural gas - bcf	127 - 132	533 - 543	592 - 602
Natural gas equivalent - bcfe	139 - 144	581 - 591	640 - 650
Daily natural gas equivalent midpoint -in mmcfe	1,555	1,605	1,767
NYMEX Prices(A) (for calculation of realized hedging effects only):			
Oil - $/bbl	$58.39	$56.72	$52.50
Natural gas - $/mcf	$7.16	$7.54	$7.00
Estimated Realized Hedging Effects (based on assumed NYMEX prices above):			
Oil - $/bbl	$2.62	$4.83	$9.39
Natural gas - $/mcf	$1.68	$2.00	$2.19
Estimated Differentials to NYMEX Prices:			
Oil - $/bbl	6 - 8%	6 - 8%	6 - 8%
Natural gas - $/mcf	8 - 12%	9 - 13%	9 - 13%
Operating Costs per Mcfe of Projected Production:			
Production expense	$0.85 - 0.95	$0.85 - 0.95	$0.90 - 1.00
Production taxes (generally 6.0% of O&G revenues)(B)	$0.40 - 0.45	$0.41 - 0.46	$0.36 - 0.41
General and administrative	$0.15 - 0.20	$0.15 - 0.20	$0.15 - 0.20
Stock-based compensation (non-cash)	$0.05 - 0.07	$0.06 - 0.08	$0.08 - 0.10
DD&A of oil and natural gas assets	$2.25 - 2.35	$2.30 - 2.40	$2.40 - 2.50
Depreciation of other assets	$0.16 - 0.20	$0.18 - 0.22	$0.24 - 0.28
Interest expense(C)	$0.52 - 0.57	$0.52 - 0.57	$0.53 - 0.58

Other Income per Mcfe:			
Marketing and other income	$0.02 - 0.04	$0.04 - 0.06	$0.04 - 0.06
Service operations income	$0.10 - 0.15	$0.10 - 0.15	$0.10 - 0.15
Book Tax Rate (approximately 95% deferred)	37.5%	37.5%	37.5%
Equivalent Shares Outstanding:			
Basic	379 mm	380 mm	389 mm
Diluted	434 mm	441 mm	452 mm
Capital Expenditures:			
Drilling, leasehold and seismic	$900-1,000 mm	$3,500-3,800 mm	$3,500-3,800 mm

(A) Oil NYMEX prices have been updated for actual contract prices through April 2006 and natural gas NYMEX prices have been updated for actual contract prices through May 2006.
(B) Severance tax per mcfe is based on NYMEX prices of $58.39 per bbl of oil and $7.20 to $8.20 per mcf of natural gas during Q2 2006, $56.72 per bbl of oil and $7.35 to $8.35 per mcf of natural gas during calendar 2006, and $52.50 per bbl of oil and $6.50 to $7.50 per mcf of natural gas during calendar 2007.
(C) Does not include gains or losses on interest rate derivatives (SFAS 133).

Commodity Hedging Activities

The company utilizes hedging strategies to hedge the price of a portion of its future oil and natural gas production. These strategies include:

(i) For swap instruments, we receive a fixed price for the hedged commodity and pay a floating market price, as defined in each instrument, to the counterparty. The fixed-price payment and the floating-price payment are netted, resulting in a net amount due to or from the counterparty.
(ii) For cap-swaps, Chesapeake receives a fixed price and pays a floating market price. The fixed price received by Chesapeake includes a premium in exchange for a "cap" limiting the counterparty's exposure. In other words, there is no limit to Chesapeake's exposure but there is a limit to the downside exposure of the counterparty.
(iii) Basis protection swaps are arrangements that guarantee a price differential of oil or natural gas from a specified delivery point. Chesapeake receives a payment from the counterparty if the price differential is greater than the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract.

Commodity markets are volatile, and as a result, Chesapeake's hedging activity is dynamic. As market conditions warrant, the company may elect to settle a hedging transaction prior to its scheduled maturity date and lock in the gain or loss on the transaction.

Chesapeake enters into oil and natural gas derivative transactions in order to mitigate a portion of its exposure to adverse market changes in oil and natural gas prices. Accordingly, associated gains or losses from the derivative transactions are reflected as adjustments to oil and natural gas sales. All realized gains and losses from oil and natural gas derivatives are included in oil and natural gas sales in the month of related production. Pursuant to SFAS 133, certain derivatives do not qualify for designation as cash flow hedges. Changes in the fair value of these non-qualifying derivatives that occur prior to their maturity (i.e. because of temporary fluctuations in value) are reported currently in the consolidated statement of operations as unrealized gains (losses) within oil and natural gas sales.

Following provisions of SFAS 133, changes in the fair value of derivative instruments designated as cash flow hedges, to the extent effective in offsetting cash flows attributable to hedged risk, are recorded in other comprehensive income until the hedged item is recognized in earnings. Any change in fair value resulting from ineffectiveness is recognized currently in oil and natural gas sales.

Excluding the swaps assumed in connection with the acquisition of CNR which are described below, the company currently has the following natural gas swaps in place:

	Open Swaps in Bcf's	Avg. NYMEX Strike Price Of Open Swaps	Avg. NYMEX Price Gain (Loss) from Locked Swaps	Avg. NYMEX Price Including Open & Locked Positions	Assuming Natural Gas Production in Bcf's of:	% Hedged Open Swap Positions as a % of Estimated Total Natural Gas Production
2006:						
Q1	93.8	$10.81	-$0.09	$10.72	124.1	76%
Q2	101.4	$8.82	-$0.05	$8.77	129.5	78%
Q3	117.9	$8.80	-$0.05	$8.75	138.5	85%
Q4	114.9	$9.46	-$0.04	$9.42	145.9	79%
Total 2006(A)	428.0	$9.42	-$0.05	$9.37	538.0	80%
Total 2007(A)	370.2	$9.98	-$0.04	$9.94	597.0	62%
Total 2008(A)	311.1	$9.50	---	$9.50	637.0	49%
Total 2009	3.7	$9.02	---	$9.02	682.0	1%

(A) Certain hedging arrangements include swaps with knockout prices ranging from $3.75 to $5.50 covering 43.0 bcf in 2006, $5.75 to $6.50 covering 32.0 bcf in 2007 and $5.75 to $6.50 covering 51.2 bcf in 2008, respectively.

Note: Not shown above are collars covering 0.2 bcf of production in 2006 at a weighted average floor and ceiling of $6.00 and $9.70 and call options covering 7.3 bcf of production in 2006 at a weighted average price of $12.50, 25.6 bcf of production in 2007 at a weighted average price of $10.53 and 7.3 bcf of production in 2008 at a weighed average price of $12.50.

The company has the following natural gas basis protection swaps in place:

	Mid-Continent		Appalachia	
	Volume in Bcf's	NYMEX less*:	Volume in Bcf's	NYMEX plus*:
2006	130.1	$0.32	---	$---
2007	137.2	0.33	36.5	0.35
2008	118.6	0.27	36.6	0.35
2009	86.6	0.29	18.2	0.31
Totals	472.5	$0.30	91.3	$0.34

* weighted average

We assumed certain liabilities related to open derivative positions in connection with the CNR acquisition. In accordance with SFAS 141, these derivative positions were recorded at fair value in the purchase price allocation as a liability of $592 million ($523 million as of March 31, 2006). The recognition of the derivative liability and other assumed liabilities resulted in an increase in the total purchase price which was allocated to the assets acquired. Because of this accounting treatment, only cash settlements for changes in fair value subsequent to the acquisition date for the derivative positions assumed result in adjustments to our oil and natural gas revenues upon settlement. For example, if the fair value of the derivative positions assumed does not change, then upon the sale of the underlying production and corresponding settlement of the derivative positions, cash would be paid to the counterparties and there would be no adjustment to oil and natural gas revenues related to the derivative positions. If, however, the actual sales price is different from the price assumed in the original fair value calculation, the difference would be reflected as either a decrease or increase in oil and natural gas revenues, depending upon whether the sales price was higher or lower, respectively, than the prices assumed in the original fair value calculation. For accounting purposes, the net effect of these acquired hedges is that we hedged the production volumes listed below at their fair values on the date of our acquisition of CNR.

Pursuant to SFAS 149 "Amendment of SFAS 133 on Derivative Instruments and Hedging Activities", the derivative instruments assumed in connection with the CNR acquisition are deemed to contain a significant financing element and all cash flows associated with these positions are reported as financing activity in the statement of cash flows.

The following details the CNR derivatives (natural gas swaps) we have assumed:

	Open Swaps in Bcf's	Avg. NYMEX Strike Price Of Open Swaps (per Mcf)	Avg. Fair Value Upon Acquisition of Open Swaps (per Mcf)	Initial Liability Acquired (per Mcf)	Assuming Natural Gas Production in Bcf's of:	% Hedged Open Swap Positions as a % of Estimated Total Natural Gas Production
2006:						
Q1	7.9	$4.91	$12.14	($7.23)	124.1	6%
Q2	10.5	$4.86	$9.97	($5.11)	129.5	8%
Q3	10.6	$4.86	$9.95	($5.09)	138.5	8%
Q4	10.6	$4.86	$10.38	($5.52)	145.9	7%
Total						

2006	39.6	$4.87	$10.51	($5.64)	538.0	7%
Total 2007	42.0	$4.82	$9.18	($4.36)	597.0	7%
Total 2008	38.4	$4.67	$8.01	($3.34)	637.0	6%
Total 2009	18.3	$5.18	$7.28	($2.10)	682.0	3%

Note: Not shown above are collars covering 3.7 bcf of production in 2009 at an average floor and ceiling of $4.50 and $6.00, respectively.

The company also has the following crude oil swaps in place:

	Open Swaps in mbbls	Avg. NYMEX Strike Price	Assuming Oil Production in mbbls of:	% Hedged Open Swap Positions as % of Total Estimated Production
2006:				
Q1	1,109.5	$60.03	2,116	52%
Q2	1,379.5	$61.85	2,000	69%
Q3	1,625.0	$63.90	1,942	84%
Q4	1,656.0	$63.76	1,942	85%
Total 2006(A)	5,770.0	$62.63	8,000	72%
Total 2007	4,452.0	$68.79	8,000	56%
Total 2008	3,843.0	$69.50	8,000	48%
Total 2009	182.5	$66.26	8,000	2%

(A) Certain hedging arrangements include swaps with knockout prices ranging from $40.00 to $42.00 covering 501.5 mbbls in 2006, $45.00 covering 182.5 mbbls in 2007 and $45.00 covering 183.0 mbbls in 2008, respectively.

PRNewswire -- July 27
END FIRST AND FINAL ADD

SOURCE: Chesapeake Energy Corporation

Web site: http://www.chkenergy.com/

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https://investors.chk.com/2006-07-27-FIRST-ADD-DATH033-Chesapeake-Energy-Corporation-Earnings