2010: A YEAR OF TRANSITION AND ACHIEVEMENT
Chesapeake Energy Corporation is the second-largest producer of natural gas, a Top 15 producer of oil and natural gas liquids and the most active driller of new wells in the U.S.

Headquartered in Oklahoma City, the company’s operations are focused on discovering and developing unconventional natural gas and oil fields onshore in the U.S. Chesapeake owns leading positions in the Barnett, Haynesville, Bossier, Marcellus and Pearsall natural gas shale plays and in the Granite Wash, Cleveland, Tonkawa, Mississippian, Bone Spring, Avalon, Wolfcamp, Wolfberry, Eagle Ford, Niobrara and Utica unconventional liquids-rich plays. The company has also vertically integrated its operations and owns substantial midstream, compression, drilling and oilfield service assets. Chesapeake’s stock is listed on the New York Stock Exchange under the symbol CHK. Further information is available at www.chk.com where Chesapeake routinely posts announcements, updates, events, investor information, presentations and press releases.
Proved Reserve Growth
Bcfe at end of year

Production Growth
Average mmcfe per day for year

Total Resource Base Growth
Bcfe at end of year

*Proved and unrisked, unproved reserves

Chesapeake’s Stock Price

Chesapeake’s Five-Year and Ten-Year Common Stock Performance
The graphs below compare the performance of our common stock to the S&P 500 Stock Index and a group of peer companies for the past five and 10 years. The graph on the left assumes an investment of $100 on December 31, 2004 and the reinvestment of all dividends. The graph on the right assumes an investment of $100 on December 31, 1999 and the reinvestment of all dividends. The graphs show the value of the investment at the end of each year.

FIVE-YEAR PERFORMANCE
As of December 31

TEN-YEAR PERFORMANCE
As of December 31

(1) The 2010 peer group is comprised of Anadarko Petroleum Corp., Apache Corp., Devon Energy Corp., Encana Corp. and EOG Resources, Inc. XTO Energy, Inc. was not included in the 2010 peer group due to its acquisition by Exxon Mobil Corp.
## Financial Review

($ in millions, except per share data)

### Financial and Operating Data

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</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Natural gas and oil sales</td>
<td>$5,647</td>
<td>$5,049</td>
<td>$7,858</td>
<td>$5,624</td>
<td>$5,619</td>
<td>$3,273</td>
<td>$1,936</td>
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<tr>
<td>Marketing, gathering, compression and service operations sales</td>
<td>3,719</td>
<td>2,653</td>
<td>3,737</td>
<td>2,176</td>
<td>1,707</td>
<td>1,392</td>
<td>773</td>
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<tr>
<td><strong>Total revenues</strong></td>
<td>9,366</td>
<td>7,702</td>
<td>11,629</td>
<td>7,800</td>
<td>7,326</td>
<td>4,665</td>
<td>2,709</td>
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<tr>
<td><strong>Operating costs</strong></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Production expenses</td>
<td>893</td>
<td>876</td>
<td>889</td>
<td>640</td>
<td>490</td>
<td>317</td>
<td>205</td>
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<tr>
<td>Production taxes</td>
<td>157</td>
<td>107</td>
<td>284</td>
<td>216</td>
<td>176</td>
<td>208</td>
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<tr>
<td>General and administrative expenses</td>
<td>455</td>
<td>349</td>
<td>379</td>
<td>243</td>
<td>139</td>
<td>64</td>
<td>37</td>
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<tr>
<td>Marketing, gathering, compression and service operations expenses</td>
<td>3,560</td>
<td>2,498</td>
<td>3,648</td>
<td>2,063</td>
<td>1,590</td>
<td>1,358</td>
<td>755</td>
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<tr>
<td>Depreciation, depletion and amortization</td>
<td>1,614</td>
<td>1,615</td>
<td>2,144</td>
<td>1,988</td>
<td>1,462</td>
<td>945</td>
<td>611</td>
<td></td>
</tr>
<tr>
<td>Impairments and other</td>
<td>(116)</td>
<td>11,202</td>
<td>2,830</td>
<td>—</td>
<td>55</td>
<td>—</td>
<td>5</td>
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<tr>
<td><strong>Total operating costs</strong></td>
<td>6,561</td>
<td>16,474</td>
<td>10,772</td>
<td>5,570</td>
<td>5,972</td>
<td>3,389</td>
<td>1,727</td>
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<tr>
<td>Income (loss) from operations</td>
<td>2,805</td>
<td>(8,945)</td>
<td>1,457</td>
<td>2,650</td>
<td>3,144</td>
<td>1,773</td>
<td>992</td>
<td>1,491</td>
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<tr>
<td>Interest expense</td>
<td>(19)</td>
<td>(113)</td>
<td>(271)</td>
<td>(401)</td>
<td>(316)</td>
<td>(221)</td>
<td>(167)</td>
<td></td>
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<tr>
<td>Other income (expense)</td>
<td>243</td>
<td>(28)</td>
<td>(11)</td>
<td>15</td>
<td>26</td>
<td>10</td>
<td>5</td>
<td></td>
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<tr>
<td>Miscellaneous gains (losses)</td>
<td>(143)</td>
<td>(202)</td>
<td>(184)</td>
<td>83</td>
<td>117</td>
<td>(70)</td>
<td>(25)</td>
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<tr>
<td><strong>Total other income (expense)</strong></td>
<td>79</td>
<td>(343)</td>
<td>(466)</td>
<td>(303)</td>
<td>(173)</td>
<td>(181)</td>
<td>(107)</td>
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<tr>
<td>Income (loss) before income taxes and cumulative effect of accounting change</td>
<td>2,084</td>
<td>(9,268)</td>
<td>991</td>
<td>2,547</td>
<td>2,241</td>
<td>1,492</td>
<td>805</td>
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<td>Income tax expense (benefit):</td>
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<tr>
<td>Current</td>
<td>—</td>
<td>4</td>
<td>423</td>
<td>29</td>
<td>5</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Deferred</td>
<td>1110</td>
<td>(3,487)</td>
<td>(36)</td>
<td>863</td>
<td>1,242</td>
<td>545</td>
<td>290</td>
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<tr>
<td>Net income (loss) before cumulative effect of accounting change, net of tax</td>
<td>1,774</td>
<td>(5,805)</td>
<td>604</td>
<td>1,455</td>
<td>1,994</td>
<td>947</td>
<td>515</td>
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<tr>
<td>Net (income) loss attributable to noncontrolling interest</td>
<td>—</td>
<td>(25)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Cumulative effect of accounting change, net of tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<td><strong>Net income (loss)</strong></td>
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<td>(5,830)</td>
<td>604</td>
<td>1,455</td>
<td>1,994</td>
<td>947</td>
<td>515</td>
<td></td>
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<tr>
<td>Preferred stock dividends</td>
<td>(115)</td>
<td>(23)</td>
<td>(33)</td>
<td>(94)</td>
<td>(89)</td>
<td>(42)</td>
<td>(40)</td>
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<tr>
<td>Gain (loss) on conversion/exchange of preferred stock</td>
<td>—</td>
<td>—</td>
<td>(67)</td>
<td>(128)</td>
<td>(10)</td>
<td>(26)</td>
<td>(36)</td>
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<tr>
<td><strong>Net income (loss) available to common shareholders</strong></td>
<td>$1,663</td>
<td>$5,833</td>
<td>$504</td>
<td>$1,235</td>
<td>$1,895</td>
<td>$879</td>
<td>$439</td>
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<td>Earnings per common share – basic:</td>
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<tr>
<td>Income (loss) before cumulative effect of accounting change</td>
<td>$2.63</td>
<td>$9.57</td>
<td>$0.94</td>
<td>$2.70</td>
<td>$4.76</td>
<td>$2.73</td>
<td>$1.73</td>
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<tr>
<td>Cumulative effect of accounting change</td>
<td>—</td>
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<tr>
<td><strong>EPS – basic</strong></td>
<td>$2.63</td>
<td>$9.57</td>
<td>$0.94</td>
<td>$2.70</td>
<td>$4.76</td>
<td>$2.73</td>
<td>$1.73</td>
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<tr>
<td>Earnings per common share – diluted:</td>
<td></td>
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<tr>
<td>Income (loss) before cumulative effect of accounting change</td>
<td>$2.51</td>
<td>$9.57</td>
<td>$0.93</td>
<td>$2.63</td>
<td>$4.33</td>
<td>$2.51</td>
<td>$1.53</td>
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<tr>
<td>Cumulative effect of accounting change</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td><strong>EPS – diluted</strong></td>
<td>$2.51</td>
<td>$9.57</td>
<td>$0.93</td>
<td>$2.63</td>
<td>$4.33</td>
<td>$2.51</td>
<td>$1.53</td>
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<tr>
<td>Cash provided by (used in) operating activities (GAAP)*</td>
<td>$5,117</td>
<td>$4,356</td>
<td>$5,357</td>
<td>$4,974</td>
<td>$4,843</td>
<td>$2,407</td>
<td>$1,432</td>
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<tr>
<td>Operating cash flow (non-GAAP)*</td>
<td>$4,548</td>
<td>$4,333</td>
<td>$5,299</td>
<td>$4,675</td>
<td>$4,675</td>
<td>$2,426</td>
<td>$1,403</td>
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<td><strong>Balance Sheet Data (at end of period)</strong></td>
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</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$37,159</td>
<td>$29,914</td>
<td>$38,593</td>
<td>$39,764</td>
<td>$24,413</td>
<td>$16,114</td>
<td>$8,245</td>
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<tr>
<td>Long-term debt, net of current maturities</td>
<td>$12,640</td>
<td>$12,295</td>
<td>$13,175</td>
<td>$10,178</td>
<td>$7,187</td>
<td>$5,286</td>
<td>$3,075</td>
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<tr>
<td><strong>Stockholders’ equity (deficit)</strong></td>
<td>$15,264</td>
<td>$12,341</td>
<td>$17,017</td>
<td>$12,624</td>
<td>$11,366</td>
<td>$6,299</td>
<td>$3,163</td>
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</table>

### Other Operating and Financial Data

- **Proved reserves in natural gas equivalents (bcfe)**: $17,096
- **Future net natural gas and oil revenues discounted at 10%****: $15,146
- **Natural gas price used in reserve report (per mcf)****: $5.52
- **Oil price used in reserve report (per bbl)****: $75.17
- **Natural gas production (bcf)**: 929
- **Oil production (mbbl)**: 184
- **Production (bcfe)**: 1,035
- **Sales price per mcf**: $0.09
- **Production expense per mcf**: $0.86
- **Production taxes per mcf**: $0.15
- **Depreciation, depletion and amortization expense per mcf**: $0.44
- **Number of employees (full-time at end of period)**: 10,021
- **Cash dividends declared per common share**: $0.30
- **Stock price (at end of period – split adjusted)**: $25.91

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* See page 14 for definition of this non-GAAP measure.
** PV-10 is the present value (10% discount rate) of estimated future gross revenues to be generated from the production of proved reserves, net of production and future development costs, using assumed prices and costs. Please see page 115 of our Form 10-K for information on the standardized measure of discounted future net cash flows.
*** Adjusted for field differentials.
**** Excludes unrealized gains (losses) natural gas and oil hedging.
### Other Operating and Financial Data

#### Balance Sheet Data (at end of period)

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</thead>
<tbody>
<tr>
<td>Production expense per mcfe</td>
<td>1,717</td>
<td>739</td>
<td>969</td>
<td>628</td>
<td>355</td>
<td>378</td>
<td>154</td>
<td>269</td>
<td>146</td>
<td>66</td>
<td>29</td>
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<tr>
<td>natural gas production (bcf)</td>
<td>925</td>
<td>835</td>
<td>775</td>
<td>655</td>
<td>526</td>
<td>422</td>
<td>322</td>
<td>240</td>
<td>161</td>
<td>144</td>
<td>116</td>
</tr>
<tr>
<td>EPS – basic $</td>
<td>15,146</td>
<td>9,449</td>
<td>15,601</td>
<td>20,573</td>
<td>13,647</td>
<td>22,934</td>
<td>10,504</td>
<td>7,333</td>
<td>3,718</td>
<td>1,647</td>
<td>6,046</td>
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<tr>
<td>Earnings per common share – basic:</td>
<td>(2.63)</td>
<td>(9.57)</td>
<td>0.94</td>
<td>2.70</td>
<td>4.76</td>
<td>2.73</td>
<td>1.73</td>
<td>1.38</td>
<td>0.18</td>
<td>1.33</td>
<td>3.52</td>
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<tr>
<td>Total other income (expense)</td>
<td>1.92</td>
<td>520</td>
<td>279</td>
<td>108</td>
<td>(856)</td>
<td>(935)</td>
<td>(173)</td>
<td>46</td>
<td>23</td>
<td>7</td>
<td>1</td>
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<tr>
<td>interest expense</td>
<td>1.18</td>
<td>113</td>
<td>271</td>
<td>401</td>
<td>316</td>
<td>221</td>
<td>167</td>
<td>154</td>
<td>112</td>
<td>98</td>
<td>86</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>1,614</td>
<td>1,615</td>
<td>2,144</td>
<td>1,988</td>
<td>1,462</td>
<td>945</td>
<td>611</td>
<td>386</td>
<td>235</td>
<td>182</td>
<td>109</td>
</tr>
<tr>
<td>See page 14 for definition of this non-GAAP measure.</td>
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</table>

Please see page 113 of our Form 10-K for information on the standardized measure of discounted future net cash flows.
DEAR FELLOW SHAREHOLDERS

2010 was a very important year of transition and achievement for Chesapeake, a year in which we initiated three very important strategic shifts: from asset gathering to asset harvesting, from focusing exclusively on natural gas to a balanced focus on natural gas and liquids and from having a leveraged balance sheet to one worthy of an investment grade rating.

2010 also marked a truly transformative year for our industry. We and a handful of our peers enhanced our capabilities to find and produce significant new resources of oil and natural gas liquids (collectively, “liquids”) in unconventional formations. Chesapeake and these other companies combined creativity, innovation and technology to reinvent the way that our industry explores for and produces natural gas and liquids.

Furthermore, 2010 was the year when global energy companies more fully recognized the importance of these developments and the tremendous opportunities that have emerged in the U.S. Through a wide variety of transactions, including several led by Chesapeake, the global energy industry made it clear that the assets owned by Chesapeake and some of its peers are the most attractive in the world. This realization has already increased the value of high-quality unconventional assets in the U.S. and, in time, should lead to higher stock prices for the leading U.S. onshore E&P companies, especially Chesapeake. Simply put, the global energy industry is beating a path to our door, and we are welcoming it with open arms.

Before we move ahead, I want to emphasize that even though 2010 was a year of transition and achievement, our stock price was essentially unchanged. Nevertheless, it was still a very strong year for the company operationally and financially. Here are the year’s highlights for your review:

- Average daily natural gas and oil production increased 14% from 2.5 billion cubic feet of natural gas equivalent (bcfe) in 2009 to 2.8 bcfe in 2010;
- Proved natural gas and oil reserves increased 20% in 2010, from 14.3 trillion cubic feet of natural gas equivalent (tcfe) to 17.1 tcfe;
- Reserve replacement for 2010 reached 375% at a drilling, completion and net acquisition cost of only $0.76 per thousand cubic feet of natural gas equivalent (mcfe);
- Realized hedging gains were $2.1 billion;
- Revenues increased 22% to $9.4 billion;
- Adjusted ebitda increased 15% to $5.1 billion;
- Operating cash flow increased 5% to $4.5 billion; and
- Adjusted earnings per fully diluted share increased 16% to $2.95.
happen to manage some of the world’s largest pools of capital and have a very long-term investment horizon. Their support is an important validation of our strategy.

**Short-Term Pain for Long-Term Gain**

Despite this all-star lineup of global partners and investors, some other investors have not yet fully recognized the benefits of our industry leadership in acquiring unconventional natural gas and liquids assets. Whether it was our leveraged balance sheet during recent tough recessionary times, our heavy focus on natural gas during a time of persistent market pessimism about natural gas prices or our large capital investments in undeveloped liquids-rich leasehold undertaken to enable Chesapeake to remain an industry leader in the years ahead, it is clear that we were less popular in the stock market in 2010 than we were in 2009, when our stock price increased by 60%.

We anticipated that some market unpopularity in 2010 would likely be the price we would pay as we positioned Chesapeake to be the leader not only in unconventional U.S. natural gas, but also in unconventional U.S. liquids. However, now that we have largely completed the investments needed to accomplish this transition to a portfolio balanced with liquids, the rebound in our stock price could be sharp as investors begin to focus more clearly on Chesapeake’s three-way transition from an asset gatherer to an asset harvester, from less natural gas exposure to more liquids exposure and from a leveraged balance sheet to one worthy of an investment grade rating.

Accordingly, in early January 2011, we announced our “25/25 Plan,” a two-year plan designed to reduce our long-term debt by 25% while still growing the company’s production by 25%. We designed this plan to articulate very clearly the benefits of becoming an asset harvester through a wide variety of transactions, including several led by Chesapeake, the global energy industry made it clear that the assets owned by Chesapeake and some of its peers are the most attractive in the world.

**Strong Partners**

Over the past few years, in addition to gathering the industry’s best assets, Chesapeake has also built the industry’s finest collection of global energy partners and energy stock investors. We have now entered into transactions with PXP, BP, Statoil, Total, CNOOC and BHP Billiton. Collectively, we have sold these companies certain assets for total consideration of $20.5 billion in the form of cash and drilling and completion carries for which our net cost was only $6.1 billion resulting in overall value creation of $14.4 billion. While these transactions have been very rewarding to our buyers, they have been truly outstanding for Chesapeake, providing us an attractive source of capital, a reduction of risk, a quick recovery of our leasehold investment in new plays and a much greater ability to capture a large resource base with decades of highly profitable drilling opportunities.

In addition, we are the only U.S. E&P company that has attracted to its stock ownership roster some of the world’s leading government-sponsored investors: Temasek Holdings (Singapore), China Investment Corporation, Korea Investment Corporation and Abu Dhabi Investment Authority. Along with our largest shareholder, Memphis, Tennessee-based Southeastern Asset Management (12%), these shareholders are some of the world’s largest and most astute investors, and who also

Through a wide variety of transactions, including several led by Chesapeake, the global energy industry made it clear that the assets owned by Chesapeake and some of its peers are the most attractive in the world.

<< Aubrey K. McClendon, Co-Founder, Chairman and Chief Executive Officer

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vs. an asset gatherer — namely, lower debt and higher returns on capital. The market has received this plan with favor to date as our stock price is already up 30% in the first quarter of 2011. In addition, having recently closed the sale of our Fayetteville Shale assets to BHP Billiton and recently initiated tender offers for repayment of at least $2.0 billion of our long-term debt, we are already close to accomplishing the 25% long-term debt reduction portion of our 25/25 Plan. Now we will focus on delivering the other part of the equation, 25% growth in production by year-end 2012.

Beyond the next two years, there will be many other benefits of the three-way transition we began in 2010. In fact, we are increasingly confident that we can double our cash flow and net income by year-end 2015. By accomplishing these goals and also having our historic trading multiples expand a bit, we are hopeful that we can achieve a $100 stock price by year-end 2015, perhaps creating the need for a “100/15” plan in the process! Clearly it would be an ambitious goal, and to achieve it we will need the world’s economy to continue growing, China and other emerging economies to continue their rapidly growing thirst for oil and natural gas, our new plays to meet expectations, oil prices to remain strong and natural gas prices not to weaken from where they are today.

However, Chesapeake’s growth from here on will be very mechanical with our “factories” (meaning both our individual wells and our large plays) needing only four inputs for success: land, science, people and capital. We now have gathered enough of these four inputs so that our factories can run in harvest mode for decades to come, which hopefully can lead to a $100 stock price by year-end 2015. Again, this would be a very considerable achievement, but your management team enjoys big challenges and we look forward to discussing it further with you in the quarters ahead.

**Great Assets = A Great Future**

The very significant upward trajectory of value creation that Chesapeake is on today is primarily driven by the quality of our assets, which feature dominant positions in 16 of the 20 most important major unconventional natural gas and liquids plays in the U.S. — the Barnett, Haynesville, Bossier, Marcellus, Eagle Ford, Pearsall, Niobrara and Utica shales and the Granite Wash, Cleveland, Tonkawa, Mississippian, Bone Spring, Avalon, Wolfcamp and Wolfberry tight sands and fractured carbonates. Having only missed the Bakken Shale play in the Williston Basin, having passed on the Cana Shale play in Oklahoma and having sold out of the Woodford and Fayetteville shale plays in Oklahoma and Arkansas (for overall value creation of $5.4 billion), Chesapeake’s unrivaled position in the 16 other major U.S. unconventional plays is remarkable and unprecedented and should form the foundation of further substantial value creation for Chesapeake’s shareholders for decades to come.

The gathering of these assets has been hard work for our employees and management team, and during 2010 it stretched our balance sheet and tested the patience of some of our shareholders. What is clear now, however, is that we have created a tremendous storehouse of value and an abundance of opportunities for bountiful harvests for years to come for our shareholders.

Given the importance of these 16 unconventional plays, I have provided below a brief summary of our position in each of them:

**Barnett Shale** — Discovered in the 1990s, the Barnett is the granddaddy of all U.S. shale plays. Chesapeake acquired its first assets in the Barnett in 2001, and in 2005 we began aggressively leasing in the core of the play in Johnson and Tarrant counties. Today we own approximately 220,000 net leasehold acres, on which we estimate we could drill up to 2,300 future net wells in addition to our 965 net wells currently producing. We are currently using 18 rigs to develop this inventory of drill sites and our gross operated production in the Barnett recently set a record of more than 1.3 bcfe per day.

Our most important development in the Barnett Shale during 2010 was closing the joint venture agreement on 25% of our assets in the Barnett to Paris-based Total, the fifth-largest oil company in the world. Total paid...
Developing America’s fuel in the backyard of America’s team: a Chesapeake rig drills deep in the Barnett Shale near Cowboys Stadium in Arlington, Texas.
Growing Demand for U.S. Natural Gas Will Drive Improved Prices in the Years Ahead

Several factors are emerging in the U.S. that will drive increased demand for natural gas, which in turn could improve out year natural gas prices:

Growing momentum for CNG passenger and LNG long-haul truck vehicles
Enormous cost savings are available to consumers and businesses that chose to use natural gas as an alternative transportation fuel ($1.39 per gallon for CNG in Oklahoma, for example, compared to $3.75–$4.00 per gallon for gasoline and diesel).

Growing industrial demand
With recent low prices for domestic natural gas, U.S. industries that utilize natural gas as a feedstock in their manufacturing processes have a significant cost advantage compared with international peers whose feedstock is indexed either to oil or global natural gas prices.

Continuing and accelerating shift from coal to natural gas for U.S. electrical power generation
To clean our environment, dozens of aging coal-powered electricity plants will be retired in the next decade and replaced with the cleaner alternative of natural gas. A combination of shifting power sources and higher utilization within existing gas-fired power plants will likely increase natural gas demand by 10–15 bcf per day over the next decade.

Conversion of U.S. LNG import facilities to LNG export facilities
With increasing demand for natural gas around the world and the abundance of U.S. natural gas reserves, producers will be able to tap into higher-margin markets in Europe, South America and Asia once export capabilities are available potentially beginning in 2015.

Construction of U.S. gas-to-liquids (GTL) plants
Converting natural gas to a room temperature liquid would allow U.S. natural gas producers to sell products based on world oil prices instead of domestic natural gas prices. Technological advancements continue to gain traction and may make GTL a realistic possibility by 2016.

U.S. natural gas producers are rapidly moving to a more liquids-rich production base
Due to the premium margins realized in the U.S. when producing liquids as compared to natural gas, there is a meaningful shift of producers targeting liquids-rich drilling prospects. This shift will ultimately help bring U.S. natural gas markets back into balance by reducing the rigs and capital available for natural gas drilling.

$2.25 billion in cash and drilling carries for its 25% stake in the Barnett, and we are extremely proud to have Total as one of our premier joint venture partners.

Haynesville Shale — The Haynesville Shale in Northwest Louisiana and East Texas is the shale play of which we are most proud (to date) because it was discovered by Chesapeake’s own geoscientists and engineers. We conducted our geoscientific investigation of the Haynesville in 2005–06 and tested our theories through drilling in 2007. In 2008 we formed an innovative joint venture agreement with our well-respected industry partner, Houston-based Plains Exploration & Production Company, to which we sold 20% of our Haynesville (and Bossier) assets for approximately $3.2 billion in cash and drilling carries.

The Haynesville Shale is now the nation’s largest producing natural gas shale play, having just recently passed the Barnett Shale in production (in last year’s letter, I incorrectly estimated it would take until 2014 for the Haynesville to reach this achievement, a testament to the play’s enormous productive potential). Ultimate recoveries from the Haynesville could exceed 250 tcfe, likely making it one of the five largest natural gas fields in the world. Today, we are producing from more than 260 net wells in the Haynesville on our 530,000 net leasehold acres, are currently drilling with 35 rigs and estimate we could drill up to 6,300 additional net wells in the years ahead. Our gross operated production in the Haynesville recently set a record of nearly 1.6 bcfe per day.

Bossier Shale — This shale overlies about one-third of our Haynesville acreage and is the first of our two “sleeper” natural gas shale plays. The reason is that in Louisiana, leases often restrict the lessee (i.e., the producer) to only holding future drilling rights down through the deepest formation drilled. Because the Bossier lies above the Haynesville,
horizontal wells drilled just to the Bossier may not always hold Haynesville rights. Therefore, Chesapeake and other producers have been drilling aggressively to hold all rights through the Haynesville before the initial three-year term of a typical lease expires. As a result, there has not been much drilling to the Bossier to date. However, once our leases are held by production (HBP) by Haynesville drilling (we expect to be largely complete with HBP drilling by year-end 2011 and completely finished by year-end 2012), we will begin developing the Bossier Shale more aggressively in 2013. In the Bossier play, we own 205,000 net leasehold acres and estimate we could drill up to 2,600 net wells in the years ahead.

Marcellus Shale — We first became aware of the Marcellus in 2005 when we were negotiating our $2.2 billion acquisition of Appalachia’s second-largest natural gas producer, Columbia Natural Resources, LLC. In 2007 we aggressively accelerated our Marcellus leasehold acquisition efforts and began to prepare for our first drilling activities. By early 2008, we had determined the Marcellus could be prospective over an area of approximately 15 million net acres (approximately five times larger than the prospective Haynesville core area and 10 times larger than the Barnett core area).

After acquiring 1.8 million net leasehold acres, we entered into a joint venture agreement in late 2008 with Oslo-based Statoil, one of the largest and most respected European energy companies. In this transaction, we sold Statoil 32.5% of our Marcellus assets for $3.575 billion in cash and drilling carries. Today, having sold 22.5% of our original 1.8 million net leasehold acres, we have returned to owning 1.7 million net leasehold acres in the play and are the industry’s leading leasehold owner, largest producer and most active developer. We are producing from more than 100 net wells in the Marcellus on our 1.7 million net acres, are currently drilling with 32 rigs and estimate we could drill up to 21,000 additional net wells in the years ahead.

Colony and Texas Panhandle Granite Wash — These liquids-rich plays generate the company’s highest returns (routinely more than 100%) and provided the inspiration for the company to find other liquids-rich plays in 2010. The Granite Wash, and other plays with liquids-rich gas production streams, provide the strongest economics in the industry today because they possess the best of both worlds: high-volume natural gas production along with significant volumes of highly valued liquids that dramatically increase investment returns.

We are producing from approximately 150 net Granite Wash wells, are currently drilling with 16 rigs and estimate we could drill up to 1,700 additional net wells on our 215,000 net leasehold acres in the years ahead. Based on current NYMEX futures prices for natural gas and oil, each Granite Wash well should generate approximately $11.5 million of present value (or up to an undiscounted total of $19.5 billion for all 1,700 wells), making it obvious why finding, leasing and developing more unconventional liquids-rich plays was Chesapeake’s number one priority for 2010. We were very successful
with these new play efforts, the most notable of which are described in the sections below.

**Eagle Ford Shale** — This South Texas shale is distinctive from the other shale plays described above because it has three components: an oil play, a wet natural gas play and a dry natural gas play. During 2009–10, Chesapeake acquired approximately 600,000 Eagle Ford net leasehold acres, all of which were in the liquids-rich portions of the play. Our initial wells were very successful, and in late 2010 we sold 33.3% of our assets in the play to Beijing-based Chinese National Offshore Oil Company (CNOOC) for $2.2 billion in cash and drilling carries. This was CNOOC’s first investment in the U.S. onshore E&P industry, and we are proud that it chose Chesapeake as its first U.S. onshore partner. We are currently drilling with 16 rigs in this play and expect to accelerate our drilling to 40 rigs by year-end 2013. We believe our 470,000 net leasehold acre position could support the drilling of up to 5,500 additional net wells in the years ahead.

**Pearsall Shale** — This shale underlies most of our Eagle Ford acreage and is the second “sleeper” of our natural gas shale plays. We have two rigs dedicated to testing this formation, and our first few wells have significantly exceeded our expectations. This formation is found about 3,000–4,000 feet deeper than the Eagle Ford and so for the play to become competitive with our other natural gas shale plays, we will need natural gas prices to strengthen from where they are today. We believe this will likely occur in 2013 at the latest. We believe our 350,000 net acre Pearsall leasehold position could support the drilling of up to 3,000 additional net wells.

**Niobrara Shale** — The Niobrara is a two-basin play, covering substantial portions of both the Powder River Basin of east-central Wyoming and the DJ Basin of southeastern Wyoming and northeastern Colorado. During 2008–10, Chesapeake acquired approximately 800,000 net leasehold acres in these two liquids-rich basins, and in early 2011 we sold 33.3% of our assets in the play to CNOOC for approximately $1.3 billion.

A Chesapeake discovery, Louisiana’s Haynesville Shale recently passed the Barnett Shale to become the nation’s largest producing shale play. The Haynesville comes with an added attraction — much of it is overlain by another prolific natural gas-producing formation, the Bossier Shale.
in cash and drilling carries. This was CNOOC’s second investment with Chesapeake and its second investment in the U.S. onshore E&P industry. We are currently drilling with five rigs in this play and expect to accelerate our drilling to 15 rigs by year-end 2013. We believe our leasehold position could support the drilling of up to 7,600 additional net wells.

Cleveland, Tonkawa and Mississippian Plays — These three liquids-rich plays of the Anadarko Basin should become significant contributors to our growth in the years ahead. The Cleveland and Tonkawa plays are tight sandstones located in western Oklahoma and the eastern Texas Panhandle, and they provide returns that are some of the very best in the company. We have acquired approximately 600,000 net leasehold acres prospective for these plays and have drilled 75 net wells to date. We are currently using eight rigs and believe our leasehold could support the drilling of up to an additional 3,700 net wells.

The Mississippian fractured carbonate is primarily an oil play and is located on the Anadarko Basin shelf of northern Oklahoma and southern Kansas. We have acquired approximately 900,000 net leasehold acres prospective for this play and have drilled 40 net wells to date. We are currently using four rigs and believe our leasehold could support the drilling of up to an additional 6,000 net wells. This is an area where we anticipate bringing in a joint venture partner later in 2011 or in early 2012.

Bone Spring, Avalon, Wolfcamp and Wolfberry Plays — These four liquids-rich plays of the Permian Basin should also become significant contributors to our growth in the years ahead. To date, we have acquired approximately 560,000 net leasehold acres that we believe are prospective for these plays and have drilled 155 net wells. We are currently using eight rigs and believe our leasehold could support the drilling of up to an additional 4,400 net wells.

Utica Shale — Chesapeake has high hopes for this emerging shale play in eastern Ohio, especially because it would become the fourth large unconventional play (along with the Haynesville and Bossier shales and the Mississippian carbonate) that Chesapeake has discovered. In addition, we believe the play will have three distinct components (oil, in cash and drilling carries. This was CNOOC’s second investment with Chesapeake and its second investment in the U.S. onshore E&P industry. We are currently drilling with five rigs in this play and expect to accelerate our drilling to 15 rigs by year-end 2013. We believe our leasehold position could support the drilling of up to 7,600 additional net wells.

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**Fracking Operations Transparency**

Natural gas and oil operations continue to grow and expand across the country as vast new resources are unlocked through the process of hydraulic fracturing, or “fracking,” a proven technology that has been used safely and successfully in the completion of more than 1 million U.S. wells since 1949.

During the fracking process, a mixture of approximately 99% water and sand, combined with a small amount of chemical additives, is pumped at high pressure into a targeted formation to create small fissures or fractures in the surrounding rock or shale. These fractures are kept propped open by the sand to allow the natural gas or oil to freely flow into a wellbore.

In our continuing efforts to educate the public and alleviate common misconceptions about hydraulic fracturing, Chesapeake became one of the first energy companies to disclose the additives used in the process. We are actively participating in a national, publicly accessible web-based registry developed by the Ground Water Protection Council and the Interstate Oil and Gas Compact Commission, with support of the U.S. Department of Energy. The registry allows for fracking additives to be reported on a well-by-well basis and offers public access to that material on its website. Chesapeake began loading well completion data onto the registry on February 15, 2011, for wells where completion reports have been filed with the appropriate state agencies.

To view the listings and learn more about the fracking process, the additives used and measures taken to protect fresh ground water aquifers, visit www.fracfocus.org.
as the best employees in the industry. From our beginning 22 years ago with 10 employees in Oklahoma City to employing more than 10,000 people across 15 states today, Chesapeake has always focused on building first-class human resources within a distinctive corporate culture. Talk to Chesapeake employees and you will note genuine pride and great enthusiasm about the company and the critical role that we play in delivering increasing quantities of clean and affordable American natural gas and valuable and reliable liquids to energy consumers across the country.

Chesapeake employees are distinctive in other ways as well. They are much younger than the industry average, with half of our almost 4,000 Oklahoma City-based headquarters employees 33 years old or younger. Their enthusiasm and willingness to learn create an atmosphere of vitality and energy at Chesapeake, important ingredients of our distinctive culture. These attributes, along with a vibrant and attractive corporate headquarters campus, low levels of bureaucracy, great assets and a well-executed corporate strategy combine to create our culture of success and innovation.

This has generated extremely positive external feedback as Chesapeake was recently recognized for the fourth consecutive year as one of the FORTUNE 100 Best Companies to Work For® (3) in the U.S. In fact, we moved up to #32 overall and #1 in our industry — we are very proud of having created and sustained what is now considered the best place to work in all of the U.S. energy production industry.

In addition, we were honored in December 2010 at the 12th Annual Platts Global Energy Awards as finalists for CEO of the Year, Community Development Program of the Year, Deal of the Year, Energy Producer of the Year and the Industry Leadership Award. Chesapeake was one of only two companies selected as a finalist in five or more categories. The company was also honored in 2010 with a Certificate of Recognition for our military reserve recruiting efforts, named a 2010 Best Diversity Company by Engineering & Information Technology Magazine and recognized for Best Investor Relations in Energy Sector and Best Investor Relations Website at the 2010 IR Magazine U.S. Awards.

Recent Events and a Better Way Forward
You may be aware that I have been outspoken in attempting to persuade our country’s political leadership to recognize that the discovery of vast resources of unconventional natural gas and oil in the U.S. is a complete game changer for our country from an economic, national security and environmental perspective. After two years of my best efforts and the efforts of many others in the industry, most notably T. Boone Pickens,
Developing great assets begins with great people, such as the hardworking crews of Nomac, Chesapeake’s wholly owned drilling subsidiary. Employees take pride in the critical roles they play in finding and delivering natural gas to their fellow Americans.
I am pleased to report that we have apparently finally convinced President Barack Obama and Congressional leadership to recognize that the energy path America is on today is completely unsustainable. There appears to be growing recognition that it is spectacularly dangerous for America to continue importing 9 million barrels of oil per day and exporting more than $1 billion per day in national wealth to oil exporting countries. America’s undiminished appetite for foreign oil has created the largest wealth transfer in the history of the world. The political leadership in Washington, D.C., has not seemed overly concerned about this issue until recently. However, after President Obama’s recent speech calling

Rig lights come on at twilight in the Permian Basin of Texas, where crews drill around the clock in the liquids-rich Bone Spring play. This is the newest in a series of energy booms that has enabled West Texas cities like Midland to prosper for almost 100 years.

• Adjusted EBITDA is net income (loss) before interest expense, income tax expense, and depreciation, depletion and amortization expense, as adjusted to remove the effects of certain items that management believes affect the comparability of operating results.
• Operating cash flow is cash provided by operating activities before changes in assets and liabilities.
• Adjusted earnings per fully diluted share is net income (loss) per share available to Chesapeake common stockholders, assuming dilution, as adjusted to remove the effects of certain items that management believes affect the comparability of operating results.

(1) Reserve replacement is calculated by dividing net reserve additions from all sources by actual production for the corresponding period. We calculate drilling and net acquisition cost per mcfe by dividing total drilling and net proved property acquisition costs incurred during the year (excludes certain costs primarily related to net unproved property acquisitions, geological and geophysical costs and deferred taxes related to corporate acquisitions) by total proved reserve additions excluding price-related revisions.

(2) A non-GAAP financial measure, as defined below. Please refer to the Investors section of our website at www.chk.com for reconciliations of non-GAAP financial measures to comparable financial measures calculated in accordance with generally accepted accounting principles.

(3) FORTUNE 100 Best Companies to Work For® listed in the magazine’s February 7, 2011 issue.
The combination of these vast new discoveries of unconventional natural gas and liquids provides America with a unique future pathway toward greater energy independence, an industrial renaissance, economic rejuvenation and greater national security. I remain fully confident that the marketplace understands this and that over time the U.S. will more fully embrace and utilize clean, affordable, abundant American natural gas and increased domestic oil production as the best alternatives to burning environmentally challenged coal and expensive and dangerous foreign oil.

There is now a clear road ahead toward a more sustainable, affordable, dynamic and independent future if America embraces the remarkable gift of energy abundance that Chesapeake has helped discover in the U.S. You have my commitment, and the commitment of more than 10,000 other Chesapeake employees, that every day we are working hard to create shareholder value and a better future for our communities, our states and our country through the continued discovery and development of unconventional natural gas and liquids.

Best regards,

Aubrey K. McClendon
Chairman and Chief Executive Officer
April 15, 2011
AMERICA’S PREMIER ENERGY RESOURCE BASE

Chesapeake is the second-largest producer of U.S. natural gas and a Top 15 producer of U.S. oil and natural gas liquids. The company has built a large resource base of high-quality U.S. assets in the Barnett, Haynesville, Bossier, Marcellus and Pearsall natural gas shale plays and in the Granite Wash, Cleveland, Tonkawa, Mississippian, Bone Spring, Avalon, Wolfcamp, Wolfberry, Eagle Ford, Niobrara and Utica unconventional liquids plays. In 2010 Chesapeake increased its focus on applying the geoscientific and horizontal drilling expertise gained from developing unconventional natural gas shale plays to unconventional liquids-rich plays. Our goal is to reach a balanced mix of natural gas and liquids revenue as quickly as possible through organic drilling. We invested approximately $4.7 billion in 2010, net of divestitures, primarily in liquids-rich acreage to provide the foundation for this shift toward more profitable plays.

We own interests in approximately 46,000 producing natural gas and oil wells, and in 2010 we produced approximately 1.035 trillion cubic feet of natural gas equivalent (tcfe) for an average of 2.8 billion cubic feet of natural gas equivalent (bcfe) per day. At year-end 2010, our proved reserves were 17.1 trillion cubic feet of natural gas equivalent, of which 90% were natural gas and all were onshore in the U.S. We have also captured an inventory of up to 115,000 unrisked net future drilling opportunities — almost 50 years worth of drilling opportunities — on approximately 13.2 million net leasehold acres in the U.S. The following highlights Chesapeake’s ownership position in our key operating areas.
Unconcerned by a Chesapeake drilling rig, antelope continue their daily routines in southeastern Wyoming’s Powder River Basin where the company is developing the promising Niobrara Play.
1. **Barnett Shale**  Chesapeake is the second-largest producer of natural gas, the most active driller and the largest leasehold owner in the Core and Tier 1 sweet spots of Tarrant and Johnson counties. In January 2010, Chesapeake completed a joint venture and sold 25% of its assets in the Barnett to Total E&P USA, Inc., a wholly owned subsidiary of Paris-based Total S.A. (NYSE:TOT, FP:TOT) for $2.25 billion in cash and drilling carries. During 2010 approximately $480 million of Chesapeake’s drilling and completion costs in the Barnett were paid by Total. Total will fund 60% of our share of future drilling and completion costs until an additional $970 million of our costs have been funded, which we expect to occur by year-end 2013. We anticipate using an average of approximately 18 operated rigs in 2011 to further develop our 220,000 net acres of Barnett Shale leasehold, of which 205,000 net leasehold acres are located in the prime Core and Tier 1 areas. On this acreage, we estimate we could drill up to 2,300 net wells in the years to come.

2. **Bossier Shale**  The Bossier Shale overlies about one-third of our Haynesville Shale acreage. We estimate we could drill up to 2,600 net wells on our Bossier Shale acreage in the future to develop our 205,000 net acres of Bossier Shale leasehold. Because the Bossier lies above the Haynesville, horizontal wells drilled just to the Bossier may not always hold Haynesville rights. As a result, Chesapeake and other producers are drilling aggressively to hold all rights through the Haynesville before the initial three-year term of a typical lease expires, therefore not much Bossier drilling is yet underway. However, once our leases are HBP (held by production) by Haynesville drilling, we plan to focus on developing the Bossier Shale more aggressively beginning most likely in 2013.

3. **Haynesville Shale**  In early 2008, Chesapeake announced its discovery of the Haynesville Shale, which is located in northwestern Louisiana and East Texas, a reservoir that likely will become one of the two largest natural gas fields in the U.S. (along with the Marcellus) and one of the five largest in the world. The Haynesville Shale is now the nation’s largest producing shale play. We are the largest leaseholder, largest producer and most active driller of new wells in the Haynesville Shale play. We estimate that we could drill up to 6,300 net wells on our Haynesville Shale acreage in the future and plan to utilize an average of approximately 29 operated rigs in 2011 to further develop our 530,000 net acres of Haynesville Shale leasehold. During 2011 we anticipate spending approximately $1.65 billion, or 32% of our total budget, for exploration and development activities in the Haynesville Shale. In 2011 we anticipate reducing our rig count beginning mid year as we complete drilling objectives to hold our leasehold through establishing initial production.

4. **Marcellus Shale**  Chesapeake is the industry’s leading leaseholder owner, largest producer and most active developer in the Marcellus Shale play that spans from northern West Virginia across much of Pennsylvania into southern New York. The Marcellus is located in the highest gas-consuming region of the U.S. and therefore receives the best natural gas prices in the nation. We estimate we could drill up to 21,000 net wells on our Marcellus acreage in the future and plan to utilize an average of approximately 32 operated rigs in 2011 to further develop our 1.7 million net acres of Marcellus Shale leasehold. During 2010 approximately $600 million of Chesapeake’s drilling costs in the Marcellus were paid by its joint venture partner, Oslo-based Statoil (NYSE:STO, OSE:STL). During 2011 and 2012, 75% of Chesapeake’s drilling and completion costs in the Marcellus, up to $1.4 billion, will be paid by STO. We expect that over time, the Marcellus Shale will become the largest natural gas field in the U.S. and the second-largest in the world.

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**2010 Total Production:**
- **Barnett Shale:** 175 bcf, -27%, 17%**
- **Bossier Shale:** 0 bcf, NM, NM
- **Haynesville Shale:** 240 bcf, +182%, 23%
- **Marcellus Shale:** 55 bcf, +175%, 5%

**12/31/10 Proved Reserves:**
- **Barnett Shale:** 3,060 bcf, -11%, 18%**
- **Bossier Shale:** 10 bcf, NM, NM
- **Haynesville Shale:** 860 bcf, +231%, 5%
- **Marcellus Shale:** 3,570 bcf, +95%, 21%

**12/31/10 Net Leasehold Acres:**
- **Barnett Shale:** 530,000, +2%, 4%
- **Bossier Shale:** 205,000, +14%, 2%
- **Haynesville Shale:** 1,670,000, +3%, 13%
- **Marcellus Shale:** 1,670,000, +3%, 13%
**LIQUIDS-RICH AREAS**

5 **Anadarko Basin** The Anadarko Basin is home to four of Chesapeake’s liquids-rich plays, which we anticipate will become significant contributors to our growth in the years ahead. Chesapeake was one of the first to utilize modern horizontal drilling methods and has assembled an unrivaled leasehold position in numerous horizontal liquids-rich plays in the basin. Chesapeake will continue drilling with a focus on the Granite Wash, where rates of return are the highest in our company, and with an increasing focus on the Cleveland, Tonkawa and Mississippian liquids-rich unconventional plays. We estimate we could drill up to 11,400 net wells on our Anadarko Basin acreage in the future and plan to utilize an average of 31 operated rigs in 2011 to further develop our current 1.7 million net leasehold acres.

6 **Eagle Ford Shale** As part of a growing emphasis on increasing oil and natural gas liquids production, Chesapeake has built the industry’s second-largest leasehold position in the Eagle Ford Shale play in South Texas. In 2010 Chesapeake increased its leasehold from 80,000 net acres at the beginning of the year to more than 600,000 net acres. In November 2010, Chesapeake completed a $2.2 billion Eagle Ford Shale joint venture agreement with Beijing-based CNOOC Limited (NYSE:CEO), whereby CNOOC acquired a 33.3% interest in 600,000 net leasehold acres in the Eagle Ford Shale. CNOOC paid Chesapeake approximately $1.12 billion in cash at closing and will pay 75% of Chesapeake’s share of drilling and completion expenditures until the $1.08 billion carry obligation has been funded, which Chesapeake expects to occur by year-end 2012. Our focus has been in the wet gas and oil prone portions of the play. We estimate we could drill up to 5,500 net wells on our Eagle Ford acreage and plan to utilize an average of 23 operated rigs in 2011 to further develop our leasehold position in the Eagle Ford Shale. In addition, we believe that the Pearsall Shale should be prospective for natural gas underneath approximately 75% of our Eagle Ford leasehold.

7 **Permian Basin** Chesapeake has built a strong position of approximately 1.2 million net leasehold acres in the Permian Basin including 560,000 net leasehold acres in the Bone Spring, Avalon, Wolfcamp and Wolfberry unconventional liquids plays. This area has the potential to deliver significant upside as we move toward increasing our oil production substantially in the years ahead. We have developed multiple new horizontal oil projects in this area, where we plan to utilize an average of approximately eight operated rigs in 2011 to further develop our leasehold in the Permian and Delaware basins and estimate we could drill up to 4,400 net wells.

8 **Rockies** Chesapeake is the second-largest leasehold owner in the Niobrara Shale, Frontier and Codell plays in the Powder River and Denver Julesburg (DJ) basins of Wyoming and Colorado. In February 2011, Chesapeake completed a $1.3 billion joint venture agreement with CNOOC, whereby CNOOC acquired a 33.3% interest in Chesapeake’s approximately 800,000 net leasehold acres in the Powder River and DJ basins. CNOOC paid Chesapeake approximately $570 million in cash at closing and will pay 75% of Chesapeake’s share of drilling and completion expenditures until the $520 million carry obligation has been funded, which Chesapeake expects to occur by year-end 2014. We plan to utilize an average of approximately 11 rigs in 2011 to further develop our current 535,000 net leasehold acres with our partner and estimate that we could drill up to 7,600 net wells.

Note: Figures do not add to company totals.  
* Compared to last year  
** % of company total  
*** Bossier Shale acreage overlaps with Haynesville Shale acreage  
NM Not meaningful
What innovations and advancements have led to CHK’s ability to produce liquids from shales and other tight reservoirs?

During the past five years, Chesapeake and a few other leaders in the independent E&P industry have developed expertise in exploiting shales and other tight reservoir formations targeting natural gas through the combination of horizontal drilling and advanced fracture stimulation techniques. This has allowed the commercialization of plays that were previously uneconomic, most notably in shale formations. Part of our success in producing liquids from tight reservoirs has come from the company’s ability to extend the technological advances gained in the development of tight natural gas formations to new formations known to contain substantial liquids. This led to our first liquids-rich play discovery in the Colony Granite Wash in 2007. As we have increased our focus on liquids-rich plays, we have benefited from a growing understanding and mapping of petrophysical properties in unconventional formations as well as an enhanced understanding of the geochemical nature of liquids-rich reservoirs. This has allowed Chesapeake to better identify formations most likely to generate liquids-rich production, including more than a dozen new plays for the company. We have subsequently improved the success of our liquids-rich plays through the use of optimal wellbore lateral lengths, better placement of well laterals though advanced wellbore steering techniques and customized fracture stimulation designs for liquids-rich plays that allow the company to achieve a greater stimulated rock volume in low permeability reservoirs. Finally, the advancements Chesapeake has made in developing liquids-rich plays have been made possible through the use of our proprietary Reservoir Technology Center that has become the industry’s most advanced shale core laboratory.

It is often said that the energy industry has an aging work force that is fast approaching retirement age. How is Chesapeake addressing this?

It is no secret that there is a shortage of experienced professionals in the natural gas and oil industry. The industry downturn of the 1980s and 1990s discouraged many from pursuing energy careers. In the following decades, strong competition from other industries lured away many of the best and brightest science and technology graduates, and today many experienced professionals who stayed in the industry through the downturn are approaching retirement age. As a result, one of our industry’s greatest challenges over the past 10 years has been to develop a new generation of natural gas and oil professionals who have the knowledge and experience required to meet the nation’s growing energy needs.

In 2000 Chesapeake was one of the first companies to recognize this trend and to understand how recruiting and training a new generation of energy professionals would impact the company’s future success and its ability to compete in the industry. At that time, Chesapeake formulated a business strategy to address future staffing needs and decided to create a world-class college recruiting and intern program to recruit the most promising industry talent. Today, Chesapeake hosts more than 150 interns every summer in its internship program, many of whom go on to become full-time Chesapeake employees upon graduation. In addition, we have 350 students who receive scholarships through Chesapeake programs, and our staff of college recruiters has developed strong relationships with professors, department heads and career counselors at the more than 31 universities where we actively recruit.

As a result of these efforts, young professionals in a wide range of disciplines, from scientists and engineers to land management and legal specialists, are being groomed to take over the reins as they learn the business through mentoring, extensive training, development opportunities and challenging work assignments. They are generously rewarded with excellent compensation and benefits, as well as an industry-leading working environment that encourages camaraderie and teamwork. The success of Chesapeake’s strategy is apparent: the average age of the company’s geoscience, land and engineering departments has dropped from 49 in 2000 to 36 today. In addition, the average age of the company’s 4,000 Oklahoma City headquarters employees is 33. Even as some of Chesapeake’s employees retire, the company is well equipped with a seasoned work force that is prepared to support and lead the way in Chesapeake’s continued growth.
What advantages does CHK’s unique vertical integration strategy provide?

Chesapeake has built a large inventory of low-risk natural gas and liquids-rich plays that we plan to develop aggressively over the next two decades. As a result, we know that our company will consistently utilize a tremendous (and growing) amount of oilfield services for this resource development. This high level of planned drilling activity will create value for the provider of oilfield services, and Chesapeake’s strategy is to capture a portion of this value for our shareholders rather than transfer it to third-party vendors whose interests and investments are not always aligned with ours. To date, Chesapeake has invested in drilling rigs, rental tools, water management equipment, trucking, compression equipment, midstream services, and most recently pressure pumping and fracture stimulation equipment. Chesapeake’s activities require a high level of planning and project coordination that is best accomplished through vertical integration and ownership of the oilfield services we utilize. This approach creates a multitude of cost savings, an alignment of interests, operational synergies, greater capacity of equipment, increased safety and better coordinated logistics. In addition, Chesapeake’s control of a large portion of the oilfield service equipment it utilizes provides a unique advantage to control the timing of leasehold development. Simply put, faster development of resources maximizes the present value of leasehold. This has been a key advantage for Chesapeake over the past three years as the company has monetized leasehold investments at premium values through our joint ventures.

Will U.S. natural gas prices reconnect with world natural gas prices?

Natural gas is a premium product and a cleaner-burning fuel than coal or oil-related products, including gasoline, diesel and heating oil. Despite this fact, over the past two years natural gas has received a low price in the U.S. market relative to coal and oil-related products, primarily as a result of a temporary surplus of production. This surplus has been principally caused by high levels of drilling activity as producers focused on holding by production (HBP) leasehold in new highly productive, low cost natural gas shale plays. In essence, producers reinvented U.S. supply ahead of reinventing of U.S. demand. We believe HBP-incentivized drilling on natural gas plays will largely come to an end in 2012, and U.S. demand will soon also be reinvented to allow U.S. natural gas prices to reconnect to price parity with world natural gas prices that have risen to more than double U.S. natural gas prices.

This surge in world natural gas prices has been in response to $100+ oil prices and surging global liquefied natural gas (LNG) demand. In our view, the arbitrage in value between competing fuels is simply too wide. Capital and ideas will flow toward projects that make the most of this price disparity, Chesapeake and other companies are working to create the ability to export natural gas from the U.S. Gulf Coast and other regions in the form of LNG to premium Pacific Rim, European and South American markets, perhaps as soon as 2015. This initiative will also be aided by the widening of the Panama Canal to accommodate large LNG vessels. Furthermore, we believe that the current price disparity between natural gas and oil will increasingly lead to greater use of natural gas in the U.S. transportation system. Whether it be compressed natural gas (CNG) for medium and light-duty vehicles, LNG for heavy-duty vehicles or the commercialization of gas-to-liquids (GTL) natural gas refineries that supplement the U.S. liquid fuel supply stream, we believe that the marketplace will increasingly utilize and embrace natural gas. Chesapeake is working with industry, public policymakers and potential partners on each of these demand reinvention opportunities. Natural gas is clean, affordable, abundant and American. Why shouldn’t it trade at a BTU premium in the years ahead?

Why is an investment grade rating on its debt securities important to CHK?

We believe that Chesapeake will benefit in multiple ways from an investment grade rating on our debt securities, which we hope to achieve in 2012 or 2013. First, a higher rating would obviously lower the company’s borrowing costs over time. In addition, other less easily quantifiable benefits will also accrue to Chesapeake. Higher debt ratings would result in lower costs on long-term firm transportation contracts that we enter into in order to market our natural gas and oil production as well as facilitate our ability to enter into long-term contracts to sell our natural gas production to international buyers in the form of LNG. An improved rating will also enhance Chesapeake’s ability to further attract world-class energy companies to participate in our joint venture projects, which profitably monetize a portion of our leasehold investments and also accelerate the development of our resource base. Finally, and perhaps most importantly, we believe that reduced financial leverage and an investment grade rating will lead to a higher stock price and provide further interest from worldwide equity investors.
CHESAPEAKE’S COMMITMENT TO BEING A GOOD NEIGHBOR

Through volunteer programs and responsible operations, we strive to be the best neighbor possible in every one of our operating areas by investing in our communities.
Employees lend a helping hand at Rebuilding Together in Oklahoma City as part of Operation Blue. This annual volunteer initiative provides employees company time to work on projects in their communities.
Chesapeake’s sense of civic commitment provides a bountiful harvest of benefits to cities large and small. We partner with groups and organizations across all of our operating areas to improve the communities our employees, contractors, vendors, land and mineral owners call home. We believe the success of our business depends on the strength, goodwill and vitality of those communities. Most importantly, we believe it is the responsibility of every successful business to share success with its neighbors. In 2010 we gave more than $25 million to charitable organizations and projects across our operating areas, primarily focusing on community development, education, health and medical and social services.

**Economic Impact**

While much of the U.S. is still struggling to recover from the economic recession, the positive impact of natural gas and oil operations has provided a valuable economic recovery stimulus for states that are home to exploration and development activities. As the nation’s second-largest producer of natural gas, a Top 15 producer of liquids and most active driller of new wells, Chesapeake’s arrival in a new play stimulates economic activity, augments personal income through jobs and royalty payments, generates substantial tax revenue and sustains communities throughout its operating areas.

In addition to the general economic impact of our activities on local economies, the company’s tax contributions are substantial. In 2010 Chesapeake paid approximately $675 million in taxes, including ad valorem, severance, sales, employer, and corporate income and franchise taxes. These taxes pay for ongoing government services and also build and maintain schools, recreational facilities, and parks and roads — at a time when state and local governments are still feeling the pinch of recession. We are proud to support America’s economy with our growth while also helping to protect the environment through the greater use of clean-burning natural gas and reducing the country’s dependence on expensive foreign oil.

Chesapeake also makes contributions that help improve lives and economies in cities where we operate: $25 million in 2010 alone. For example, this past year we donated $200,000 to establish the Chesapeake Environmental and Recycling Center at Goodwill Industries of Central Oklahoma. The center will provide an additional 80 jobs to disabled Oklahomans, as well as help Goodwill recycle 10 million pounds a year, which equates to one-third of the goods that otherwise would have been destined for Oklahoma City-area landfills. In West Virginia, we helped fund construction of the Morgantown Market Place, a permanent site for the city’s farmers’ market, creating more business opportunities for local farmers.

Chesapeake also supports local chambers of commerce and city councils in all of its operating areas. In the Haynesville Shale last year, we awarded grants to the Shelby County, Sabine Parish and Coushatta-Red River chambers of commerce to help fund tourism, business communications and chamber events. In Texas, we assisted more than 250 civic, professional and community service organizations throughout Johnson, Tarrant and western Dallas counties, and sponsored memberships in 35 local Texas chambers of commerce. By helping local chambers and businesses grow and thrive, we are creating stronger economies.

We also hire locally whenever possible to help stimulate the local economy, and we provide training when the local work force isn’t yet qualified for the jobs we have open. For example, when Chesapeake began operating in the Marcellus Shale of West Virginia and Pennsylvania, finding experienced rig workers was a challenge. To meet that need, Chesapeake’s wholly owned subsidiary, Nomac Drilling, built the 40,000-square-foot Eastern Training Center and Housing Facility in Bradford County, near Sayre, Pennsylvania. The campus opened in 2010 and serves as a housing facility and training ground for 266 workers at a time. Nomac and Chesapeake host regular job fairs in the region and we provide training when the local work force isn’t yet qualified for the jobs we have open.

We also established the Chesapeake Energy Presidential Scholars Program at the Oklahoma City University Meinders School of Business, making a $5.0 million commitment to be distributed over the next five years. The Chesapeake Scholars Program will provide up to $25,000 per year in tuition support America’s economy with our growth while also helping to protect the environment through the greater use of clean-burning natural gas and reducing the country’s dependence on expensive foreign oil.

**Educational Impact**

We are also proud to help prepare tomorrow’s leaders today. In 2010 Chesapeake supported universities, schools, academic chairs, scholarships and other educational programs with contributions totaling $5.4 million.

Investing in programs that promote technology and innovation is a key to our country’s success. That’s why we gave $1.0 million to establish the Chesapeake Energy dormitory for students at the Oklahoma School for Science and Mathematics (OSSM), a public, tuition-free, residential high school located in Oklahoma City for juniors and seniors with exceptional abilities. The extremely competitive school is helping train the next generation of scientists and mathematicians.

We also established the Chesapeake Energy Presidential Scholars Program at the Oklahoma City University Meinders School of Business, making a $5.0 million commitment to be distributed over the next five years. The Chesapeake Scholars Program will provide up to $25,000 per year in tuition support America’s economy with our growth while also helping to protect the environment through the greater use of clean-burning natural gas and reducing the country’s dependence on expensive foreign oil.
to selected students pursuing careers in finance, economics, accounting, marketing, business administration, computer science and information technology. In addition, scholars will take part in a Chesapeake Presidential Leadership Course facilitated by faculty members in coordination with designated Chesapeake leadership coaches, including a Chesapeake senior vice president and OCU alumni.

In 2007 Chesapeake launched a scholarship program in Texas with an initial $1.25 million contribution, challenging the cities of Fort Worth and Dallas to match its gift within a year. The cities responded and matched the gift, so Chesapeake in 2008 added another $1.25 million to the fund, bringing the total to $3.75 million. The Chesapeake Scholarship Fund currently funds the cost of higher education for 48 minority students. The fund provides each student $20,000 a year for up to four years at the school of their choice. To date more than $1.0 million has been distributed to deserving local students.

To help ensure the training of qualified geologists, engineers, landmen and energy lawyers in the next generation, we award scholarships to students pursuing energy-related degrees. We also help mentor them through Chesapeake’s Peak Program. Junior- and senior-level scholarship recipients are paired with Chesapeake employee mentors who help develop students’ knowledge and provide career advice. There are currently 25 mentors and 40 scholarship recipients participating in the Peak Program.

Our recruiting team also initiated a strategic military recruitment effort during the past two years to hire former military personnel to work in a variety of leadership and crew positions. This effort earned Chesapeake an honor from G.I. JOBS magazine when we were named a 2011 Top 100 Military-Friendly Employer. Chesapeake currently employs 37 men and women who formerly served as junior military officers and more than 100 former servicemen and servicewomen who joined the company through a program called Troops 2 Roughnecks.

In addition to our specific scholarship programs, one-time educational donations and recruitment efforts, in 2010 we gave more than $1.8 million to fund higher education for nearly 400 other students in 12 states through our Chesapeake Scholars program. Chesapeake’s scholarships help recruit the best and brightest students and provide educational opportunities in communities where we operate. In Oklahoma City, more than 400 employees volunteer for up to an hour a week on company time at four local public schools. Chesapeake’s program has grown to become the largest corporate mentoring program in Oklahoma.

**Community Impact**

Chesapeake employees have been enriching their hometowns as volunteers for many years. We formalized those efforts in 2009 by establishing an official employee volunteer program, the H.E.L.P. (Helping Energize Local Progress) initiative, wherein employees are invited to volunteer each month for a variety of organizations from food pantries to animal shelters. Through that program, employees donated more than 26,000 hours to their communities in 2009.

In the summer of 2010, Chesapeake took the H.E.L.P. Initiative to a higher level through the launch of Operation Blue. From Memorial Day through Labor Day, each employee was given four hours of company time to complete the volunteer project of their choice. Our employees eagerly accepted the challenge, and in three months more than 4,900 employees donated 30,900 hours of service to 519 organizations in more than 96 communities across the country. Operation Blue is now an annual volunteer program in which employees roll up their sleeves in the communities they call home.

Chesapeake’s contributions take many forms: financial and equipment donations, volunteerism and scholarships. Last year, we made numerous in-kind donations of laptops, reconditioned Chesapeake fleet vehicles and subsidized office space. These contributions provide essential operating tools as nonprofit organizations across the nation attempt to serve more people — often with lower budgets — in tough economic times.

For example, in Louisiana we donated 12 vehicles in 2010, including one to the Panola College Oil and Natural Gas Technology Program, which teaches students about the natural gas industry and provides them with hands-on technical training. Across many of the company’s operating areas, we’ve donated computers to deserving students, schools and organizations through Chesapeake’s Discovering Tomorrow’s Leaders program. In 2010 the company equipped 14 students with laptops and donated 70 computers to schools or supporting nonprofit organizations.

Chesapeake partners with other companies and organizations to meet basic, practical needs in hundreds of communities. An example is our sponsorship of the annual Day of Caring at the Ganus Center of Harding University in White County, Arkansas. During the event, approximately 1,200 uninsured or underinsured residents received a day of free medical, dental and eye screenings.

To help cultivate an appreciation for the great outdoors, in 2010 Chesapeake provided $25,000 to REAL School Gardens, a Fort Worth-based organization that establishes gardens at approximately 70 lower income elementary schools in North Texas. At L.M. Terrell Elementary School, students, parents, teachers and volunteers from Chesapeake and other groups worked together to prepare vegetable gardens and flower beds. In addition to teamwork skills and gardening, students learned about nutrition and took home food from the garden’s bounty.

We supported servicemen and servicewomen by partnering with the Shreveport Chapter of Operation Support Our Troops, Inc. Our contribution helped offset the postage to send more than 100 care packages to troops overseas. The shipment was the largest in the organization’s history and included Christmas cards, games and nonperishable food items.

By investing in the communities where we operate and the people whose lives we touch, we ensure a stronger today and a more hopeful tomorrow.
As we explore for and produce clean, affordable, abundant, American natural gas, we provide an important solution to our nation’s energy challenges and its quest for energy independence. With at least a 200-year supply of natural gas located right here in the U.S., this versatile fuel can be used to not only heat homes, create electricity and meet America’s transportation needs, but also to fuel the country’s future by creating jobs and stimulating local and national economies through investment and taxes.

Environmentally Friendly Operations
At Chesapeake, we realize that the way a great product is produced is as important as the product itself. For example, we have helped pioneer the use of multiwell padsites to drill up to 16 wells from a single location, greatly reducing our land and road use and overall environmental footprint. We use the latest horizontal and directional drilling technology to place wells at a safe distance from homes, schools and businesses. In addition, we build and maintain access roads and work to eliminate soil erosion near our sites, as well as restore local vegetation.

We implement advanced, modern protective measures known as Best Management Practices (BMPs) to help ensure energy development is conducted in an environmentally responsible manner. Procedures are implemented throughout our operations to protect freshwater aquifers and reduce environmental impacts. BMPs protect wildlife, air quality, water and landscapes as we work to develop vitally needed domestic energy sources.

Implemented throughout the entire life cycle of a well, BMPs can be as simple as strategically placing a berm, or land barrier, on locations to control surface water runoff. Others involve cutting-edge operational technologies such as utilizing the most advanced techniques offered in drilling fluids, well casing and cement design. Regardless of complexity, all BMPs are based on the idea that the environmental footprint of energy development should be as small and temporary as possible.

These practices are continually evolving and further improving as Chesapeake and the industry develop new innovative techniques and approaches to business.

In addition to our BMPs, Chesapeake has also initiated several innovative internal programs focused on water recycling and greener hydraulic fracturing processes.

Aqua Renew®
Created to meet the challenge of reducing our water usage, Chesapeake’s Aqua Renew® program uses state-of-the-art technology to recycle produced water. Since the company’s preliminary reclamation project in 2006, our focus on water reuse and conservation has become a company-wide endeavor, stretching from the Barnett Shale of North Texas to the Marcellus Shale of northern Pennsylvania.

The Aqua Renew program has yet to find a limit to how much recycled water could be used without compromising well production. In fact, our Marcellus Shale operations are treating and recycling virtually 100% of produced water (more than 10 million gallons per month) for reuse in our hydraulic fracturing operations. Properly conducted modern fracking is a highly engineered, controlled, sophisticated and safe procedure.

With such large volumes of recycled water, the company is seeing more than just environmental advantages. We estimate that this

Green operations — Chesapeake’s Best Management Practices ensure our operations are as environmentally friendly as possible, while protecting our employees, neighbors and the areas where we operate.
process is saving the company an average of $12 million per year in the Marcellus Shale alone.

**Green Frac®**

Chesapeake’s **Green Frac** program was launched in October 2009 to evaluate the types of additives typically used in the fracking process. As an industry-leading program, **Green Frac** is a decisive move toward an even greener fluid system. By reviewing all of the ingredients typically used in each fracking operation, the program identifies additives that can be removed and tests alternatives. To date, the company has eliminated 25% of the additives used in frack fluids in most of its shale plays.

**Green Frac** is also establishing simple guidelines for the company and its vendors to select fracking ingredients that present minimal risks to people and the environment. These guidelines will also be used to increase public understanding of the process and its necessity in the production of American natural gas.

**Employees**

From state-of-the-art training facilities to extensive health and wellness programs, Chesapeake provides employees with the skills they need to succeed both in the field and at the office while creating a well-rounded environment for employees and their families.

Chesapeake’s commitment to employee health and wellness is also evident at our 72,000-square-foot fitness center, which provides Oklahoma City headquarters employees and their families with on-site access to state-of-the-art health equipment, recreation leagues and group exercise classes. For employees who work outside of our headquarters, we subsidize family fitness memberships and recreational entry fees.

To further promote healthy lifestyles, the company-wide Living Well program provides financial incentives for employees who participate in regular exercise, education, motivation and intervention. In 2010 more than 6,900 employees participated in Chesapeake’s Living Well program with more than 70% earning financial awards.

In addition, we provide discounted or free memberships to organizations such as Weight Watchers and cover the cost of most registration fees for local races and fitness events. Throughout the year the company also hosts a number of health-related classes and programs, including our award-winning Live Better Forever program, a dynamic new Your Life Matters mental health initiative and Lunch and Learn seminars.

From our extensive required safety training to our award-winning health and wellness benefits, Chesapeake is dedicated to providing quality resources to ensure the health and well-being of each of our employees.
Our Board of Directors is responsible to our shareholders for the oversight of the company and for the implementation and operation of an effective and sound corporate governance environment. We believe that effective corporate governance contributes to long-term corporate performance. An effective governance structure should reinforce a culture of corporate integrity, foster the company’s pursuit of long-term strategic goals of growth and profit and ensure quality and continuity of corporate leadership. Our directors will continue to be diligent in their efforts to preserve the public trust while fostering the long-term success of the company.
OFFICERS

Aubrey K. McClendon
Chairman of the Board
and Chief Executive Officer

Steven C. Dixon
Executive Vice President –
Operations and Geosciences
and Chief Operating Officer

Douglas J. Jacobson
Executive Vice President –
Acquisitions and Divestitures

Domenic J. Dell’Osso, Jr.
Executive Vice President
and Chief Financial Officer

Martha A. Burger
Senior Vice President –
Human and Corporate Resources

Jeffrey A. Fisher
Senior Vice President –
Production

Jennifer M. Grigsby
Senior Vice President,
Treasurer and Corporate Secretary

Henry J. Hood
Senior Vice President – Land
and Legal and General Counsel

James C. Johnson
Senior Vice President –
Energy Marketing

Michael A. Johnson
Senior Vice President –
Accounting, Controller
and Chief Accounting Officer

Stephen W. Miller
Senior Vice President – Drilling

Jeffrey L. Mobley
Senior Vice President –
Investor Relations and Research

Thomas S. Price, Jr.
Senior Vice President –
Corporate Development
and Government Relations

J. Mike Stlice
Senior Vice President – Natural Gas
Projects and Chief Executive Officer
Chesapeake Midstream Partners, L.P.

Cathy L. Tompkins
Senior Vice President –
Information Technology
and Chief Information Officer
We would like to thank each of Chesapeake’s 10,021 employees who brought a unique combination of experience, talent and positive attitude to the company in 2010. Last year the company was honored for the fourth consecutive year with inclusion in the FORTUNE 100 Best Companies to Work For® at #32, the highest-ranking company in the energy production industry.
SLIGO, LOUISIANA Website planning is critical to the development of regions where one project can be stacked atop another, such as the Haynesville and Bossier shales in northwestern Louisiana.
TOWANDA, PENNSYLVANIA. Working 24 hours a day, crews in the Marcellus Shale drill for natural gas in this enormous play spanning the Appalachian region from West Virginia through Pennsylvania.
OKLAHOMA CITY, OKLAHOMA Largest in the industry, Chesapeake’s Geographic Information Systems department employs more than 60 geographers, cartographers and specialists.

Christophers Morgan James Morgan Justin Morgan John Morgan Joseph Morgan Michael Morgan Rachel Morgan

2010 ANNUAL REPORT
supplies valuable weather information for the company’s field operating teams and hectaraging program.
Corporate Headquarters
6100 North Western Avenue
Oklahoma City, OK 73118
(405) 935-8000

Internet Address
Company financial information, public disclo-
sures and other information are available through
Chesapeake’s website at www.chk.com.

Common Stock
Chesapeake Energy Corporation’s common stock
is listed on the New York Stock Exchange (NYSE)
under the symbol CHK. As of March 31, 2011, there
were approximately 415,000 beneficial owners
of our common stock.

Common Stock Dividends
During 2010 the company declared a cash div-
idend of $0.075 per share on March 8, June 21,
September 1 and December 20 for a total div-
idend declared of $0.30 per share.

Independent Public Accountants
PricewaterhouseCoopers LLP
6120 South Yale, Suite 1850
Tulsa, OK 74136
(918) 524-1200

Stock Transfer Agent and Registrar
Communication concerning the transfer of shares,
lost certificates, duplicate mailings or change of
address notifications should be directed to our
transfer agent:
Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
(800) 884-4225
www.computershare.com

Trustee for the Company’s Senior Notes
The Bank of New York Mellon Trust Company, N.A.
101 Barclay Street, 8th Floor
New York, NY 10286
www.bnymellon.com

Forward-looking Statements
This report includes “forward-looking statements”
that give our current expectations or forecasts
of future events. They include estimates of nat-
ural gas and oil reserves, expected production,
assumptions regarding future natural gas and
oil prices, planned drilling activity and capital
expenditures, and future asset sales, as well as
statements concerning anticipated cash flow and
liquidity, business strategy and other plans and
objectives for future operations. 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 af-
fected by inaccurate assumptions or by known
or unknown risks and uncertainties.

Factors that could cause actual results to differ
materially from expected results are described
under “Risk Factors” in Item 1A of our 2010 Annual
Report on Form 10-K included in this report. We
caution you not to place undue reliance on for-
ward-looking statements, and we undertake no
obligation to update this information. We urge
you to carefully review and consider the disclo-
sures made in this report and our other filings
with the Securities and Exchange Commission
(SEC) regarding the risks and factors that may
affect our business.

The SEC requires natural gas and oil companies, in
filings made with the SEC, to disclose proved re-
serves and permits the optional disclosure of
probable and possible reserves. While Chesapeake
has elected not to report probable and possible
reserves in its filings with the SEC, we have pro-
vided estimates in this report of what we consider
to be our “total resource base.” This term includes
our estimated proved reserves as well as “risked
and unrisked unproved resources,” which repre-
sent Chesapeake’s internal estimates of volumes of
natural gas and oil that are not classified as proved
reserves but are potentially recoverable through
exploratory drilling or additional drilling or recovery
techniques. Our estimates of unproved resources
are not intended to correspond to probable and
possible reserves, as defined by SEC regulations,
and are by their nature more speculative than
estimates of proved reserves and accordingly are
subject to substantially greater risk of being ac-
tually realized by the company.

2011
<table>
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<th>High</th>
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<th>Last</th>
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<td>First Quarter</td>
<td>$35.95</td>
<td>$25.93</td>
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2010
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<tr>
<td>Fourth Quarter</td>
<td>$26.43</td>
<td>$20.97</td>
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<td>23.00</td>
<td>19.68</td>
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<td>25.55</td>
<td>19.62</td>
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<tr>
<td>First Quarter</td>
<td>29.22</td>
<td>22.10</td>
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2009
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<td>$22.06</td>
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<tr>
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<td>16.92</td>
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<td>16.43</td>
</tr>
<tr>
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2008
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<tr>
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<td>74.00</td>
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