CHESAPEAKE ENERGY CORP
Form 424B5
March 26, 2008

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

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-130196

Subject to completion, dated March 26, 2008

Prospectus Supplement

(To Prospectus dated December 8, 2005)

Chesapeake Energy Corporation

20,000,000 Shares

Common Stock

We are offering 20,000,000 shares of common stock in this offering. We will receive all of the net proceeds from the sale of such common stock.

Our common stock is listed on the New York Stock Exchange under the symbol CHK. The last reported sale price of our common stock on March 25, 2008 was $46.40 per share.

Investing in our common stock involves risk. See Risk Factors beginning on page S-8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to Chesapeake	$	$

The underwriters may also purchase up to an additional 3,000,000 shares of common stock from us at the same price per share within 30 days from the date of this prospectus supplement. If the underwriters exercise the option in full, the total underwriting discount and commission will be $ and the total net proceeds, before expenses, to us will be $.

The underwriters expect to deliver the shares against payment in New York, New York on April , 2008.

Joint Book-Running Managers

Deutsche Bank Securities

Banc of America Securities LLC

Lehman Brothers

The date of this prospectus supplement is March , 2008

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PROSPECTUS SUPPLEMENT SUMMARY

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

Chesapeake

We are the third largest producer of natural gas in the United States (first among independents). We own interests in approximately 38,500 producing oil and natural gas wells that are currently producing approximately 2.3 billion cubic feet equivalent, or bcfe, per day, 92% of which is natural gas. Our strategy is focused on discovering, acquiring and developing conventional and unconventional natural gas reserves onshore in the U.S., east of the Rocky Mountains.

Our most important operating area has historically been the *Mid-Continent region* of Oklahoma, Arkansas, southwestern Kansas and the Texas Panhandle. At December 31, 2007, 47% of our estimated proved oil and natural gas reserves were located in the Mid-Continent region. During the past five years, we have also built significant positions in various conventional and unconventional plays in the *Fort Worth Basin* in north-central Texas; the *Appalachian Basin*, principally in West Virginia, eastern Kentucky, eastern Ohio, Pennsylvania and southern New York; the *Permian and Delaware Basins* of West Texas and eastern New Mexico; the *Ark-La-Tex* area of East Texas and northern Louisiana; and the *South Texas and Texas Gulf Coast regions*. We have established a top-three position in nearly every major unconventional play onshore in the U.S. east of the Rockies, including the Barnett Shale, the Arkansas Fayetteville Shale, the Appalachian Basin Devonian and Marcellus Shales, the Arkoma and Ardmore Basin Woodford Shale in Oklahoma, the Delaware Basin Barnett and Woodford Shales in West Texas, and the Alabama Conasauga and Chattanooga Shales.

As of December 31, 2007, we had 10.879 trillion cubic feet equivalent, or tcfe, of proved reserves, of which 93% were natural gas and all of which were onshore. During 2007, we produced an average of 1.957 bcfe per day, a 23% increase over the 1.585 bcfe per day produced in 2006. We replaced our 714 bcfe of production with an internally estimated 2.637 tcfe of new proved reserves for a reserve replacement rate of 369%. Reserve replacement through the drillbit was 2.468 tcfe, or 346% of production (including 1.248 tcfe of positive performance revisions, of which 1.207 tcfe relates to infill drilling and increased density locations, and 97 bcfe of positive revisions resulting from oil and natural gas price increases between December 31, 2006 and December 31, 2007), and reserve replacement through acquisitions was 377 bcfe, or 53% of production. During 2007, we divested 208 bcfe of proved reserves. As a result, our proved reserves grew by 21% during 2007, from approximately 9.0 tcfe to approximately 10.9 tcfe. Of our 10.9 tcfe of proved reserves, 64% were proved developed reserves.

During 2007, Chesapeake continued the industry s most active drilling program and drilled 1,992 gross (1,695 net) operated wells and participated in another 1,679 gross (224 net) wells operated by other companies. The company s drilling success rate was 99% for company- operated wells and 97% for non-operated wells. Also during 2007, we invested $4.3 billion in operated wells (using an average of 140 operated rigs) and $708 million in non-operated wells (using an average of 105 non-operated rigs). Total costs incurred in oil and natural gas acquisition, exploration and development activities during 2007, including seismic, unproved properties, leasehold, capitalized interest and internal costs, non-cash tax basis step-up and asset retirement obligations, were $7.6 billion.

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

Recent Developments

Declaration of dividend

On March 14, 2008, our Board of Directors declared a quarterly dividend of $0.0675 per share of our common stock payable on April 15, 2008 to common stockholders of record on April 1, 2008. Holders of record as of April 1, 2008 of the shares of our common stock being issued in this offering will be entitled to receive such dividend.

Operational update

On March 24, 2008, we announced three new unconventional natural gas discoveries the Haynesville Shale in Louisiana and the Colony Granite Wash and Mountain Front Granite Wash in Oklahoma and five new unconventional oil projects. We announced plans to increase drilling and leasehold acquisition activities in these new plays as well as in our existing plays in the Barnett Shale in north Texas, the Fayetteville Shale in Arkansas and the Marcellus and Lower Huron Shales in Appalachia. In order to exploit these new discoveries and to increase the pace of drilling and leasehold acquisition in our existing plays, we announced that we plan to spend an additional $275 million in 2008 and $675 million in 2009, bringing our total budgeted drilling and leasehold capital expenditures, net of estimated proceeds from planned monetizations of oil and natural gas properties, from $5,175 million to $5,450 million in 2008 and from $5,175 million to $5,850 million in 2009. See Risk Factors Exploration and development drilling may not result in commercially productive reserves.

We had previously planned to fund our 2008 and 2009 capital expenditures through cash flow from operations, borrowings under our revolving credit facility, and from previously announced producing property monetizations and the sale of a minority interest in a private partnership for the company s midstream assets. These initiatives remain on track for completion in the second quarter of 2008, although it is possible that current uncertainty in the financial markets could impact this timing. Considering that uncertainty and the increasing number of opportunities available, we announced on March 24, 2008, that we now expect to fund some or all of these additional expenditures through the public capital markets.

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The Offering

Common stock offered by Chesapeake	20,000,000 shares(1)
Common stock outstanding after this offering	534,137,249 shares(1)(2)
Use of Proceeds	We expect the net proceeds to us from this offering, after deducting underwriting discounts and commissions and estimated expenses of the offering payable by us, to be approximately $. We intend to use the net proceeds from this offering to initially repay outstanding indebtedness under our revolving bank credit facility, which may be reborrowed from time to time to fund our recently announced drilling and land acquisition initiatives and for other general corporate purposes. Affiliates of certain of the underwriters in this offering are lenders under our existing revolving bank credit facility and will receive a substantial portion of the proceeds from this offering. Please see Use of Proceeds.
New York Stock Exchange Symbol	CHK
Transfer agent and registrar	Computershare Trust Company, N.A.

(1) Excludes shares that may be issued to the underwriters pursuant to their option to purchase additional shares. If the underwriters exercise their option to purchase such additional shares in full, the total number of shares of common stock offered will be 23,000,000, and the total number of shares of our common stock outstanding after this offering will be 537,137,249. We had 514,137,249 shares of our common stock outstanding at March 25, 2008.

(2) Includes 20,910,456 shares of unvested restricted stock issued to our employees, officers and directors under our equity incentive compensation plans. Excludes 3,833,606 shares of common stock potentially issuable upon the exercise of outstanding stock options at a weighted average price of $7.69 as of March 25, 2008. Also excludes, as of March 25, 2008:

1,031,175 shares of our common stock potentially issuable upon the conversion of 143,768 shares of our outstanding 6.25% Mandatory Convertible Preferred Stock at an adjusted conversion price of $34.8551;

19,432 shares of our common stock potentially issuable upon the conversion of 5,000 shares of our outstanding 5.00% Cumulative Convertible Preferred Stock (Series 2005) at an adjusted conversion price of $25.7308;

7,810,800 shares of our common stock potentially issuable upon the conversion of 3,450,000 shares of our outstanding 4.50% Cumulative Convertible Preferred Stock at an adjusted conversion price of $44.1690;

14,719,425 shares of our common stock potentially issuable upon the conversion of 5,750,000 shares of our outstanding 5.00% Cumulative Convertible Preferred Stock (Series 2005B) at an adjusted conversion price of $39.0645;

184,200 shares of our common stock potentially issuable upon the conversion of 3,062 shares of our outstanding 4.125% Cumulative Convertible Preferred Stock at an adjusted conversion price of $16.6232;

17,663,103 shares of our common stock potentially issuable upon the conversion of our $690,000,000 principal amount of 2.75% Contingent Convertible Senior Notes due 2035 at an adjusted conversion price of $39.0645;

47,982,330 shares of our common stock potentially issuable upon the conversion of our $1,650,000,000 principal amount of 2.50% Contingent Convertible Senior Notes due 2037 at an adjusted conversion price of $51.5815; and

499,723 shares of treasury stock.

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Risk Factors

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

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Summary Consolidated Financial Data

The following tables set forth summary consolidated financial data as of and for each of the three years ended December 31, 2007, 2006 and 2005. This data was derived from our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007 which is incorporated by reference herein, except for the financial data as of December 31, 2005, which is derived from our audited consolidated financial statements not included in our most recent Annual Report on Form 10-K. The financial data below should be read together with, and are qualified in their entirety by reference to, our historical consolidated financial statements and the accompanying notes and the Management s Discussion and Analysis of Financial Condition and Results of Operations which are set forth in such Annual Report on Form 10-K.

	Years Ended December 31,		
	2007	2006	2005
	($ in millions, except per share data)		
Statement of Operations Data:			
Revenues:			
Oil and natural gas sales	$ 5,624	$ 5,619	$ 3,273
Oil and natural gas marketing sales	2,040	1,577	1,392
Service operations revenue	136	130	
Total revenues	7,800	7,326	4,665
Operating costs:			
Production expenses	640	490	317
Production taxes	216	176	208
General and administrative expenses	243	139	64
Oil and natural gas marketing expenses	1,969	1,522	1,358
Service operations expense	94	68	
Oil and natural gas depreciation, depletion and amortization	1,835	1,359	894
Depreciation and amortization of other assets	154	104	51
Employee retirement expense		55	
Total operating costs	5,151	3,913	2,892
Income from operations	2,649	3,413	1,773
Other income (expense):			
Interest and other income	15	26	10
Interest expense	(406)	(301)	(220)
Gain on sale of investments	83	117	
Loss on repurchases or exchanges of Chesapeake senior notes			(70)
Total other income (expense)	(308)	(158)	(280)
Income before income taxes	2,341	3,255	1,493
Income tax expense:			
Current	29	5	
Deferred	861	1,247	545
Total income tax expense	890	1,252	545
Net Income	1,451	2,003	948
Preferred stock dividends	(94)	(89)	(42)
Loss on conversion/exchange of preferred stock	(128)	(10)	(26)
Net income available to common shareholders	$ 1,229	$ 1,904	$ 880

Earnings per common share basic	$ 2.69	$ 4.78	$ 2.73
Earnings per common share assuming dilution	$ 2.62	$ 4.35	$ 2.51
Cash dividends declared per common share	$ 0.2625	$ 0.23	$ 0.195
Cash Flow Data:			
Cash provided by operating activities	$ 4,932	$ 4,843	$ 2,407
Cash used in investing activities	7,922	8,942	6,921
Cash provided by financing activities	2,988	4,042	4,567
Balance Sheet Data:			
Total assets	$ 30,734	$ 24,417	$ 16,118
Long-term debt, net	10,950	7,376	5,490
Stockholders equity	12,130	11,251	6,174

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Summary Reserve Information

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

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

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

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

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Summary Production, Sales, Price and Expense Data

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

	Years Ended December 31, 2007	2006	2005
Net Production:			
Oil (mbbl)	9,882	8,654	7,698
Natural gas (mmcf)	654,969	526,459	422,389
Natural gas equivalent (mmcfe)	714,261	578,383	468,577
Oil and Natural Gas Sales ($ in millions):			
Oil sales	$ 678	$ 527	$ 402
Oil derivatives realized gains (losses)	(11)	(15)	(34)
Oil derivatives unrealized gains (losses)	(235)	28	4
Total oil sales	432	540	372
Natural gas sales	4,117	3,343	3,231
Natural gas derivatives realized gains (losses)	1,214	1,269	(367)
Natural gas derivatives unrealized gains (losses)	(139)	467	37
Total natural gas sales	5,192	5,079	2,901
Total oil and natural gas sales	$ 5,624	$ 5,619	$ 3,273
Average Sales Price (excluding gains (losses) on derivatives):			
Oil ($ per bbl)	$ 68.64	$ 60.86	$ 52.20
Natural gas ($ per mcf)	$ 6.29	$ 6.35	$ 7.65
Natural gas equivalent ($ per mcfe)	$ 6.71	$ 6.69	$ 7.75
Average Sales Price (excluding unrealized gains (losses) on derivatives):			
Oil ($ per bbl)	$ 67.50	$ 59.14	$ 47.77
Natural gas ($ per mcf)	$ 8.14	$ 8.76	$ 6.78
Natural gas equivalent ($ per mcfe)	$ 8.40	$ 8.86	$ 6.90
Other Operating Income ($ per mcfe):			
Oil and natural gas marketing	$ 0.10	$ 0.09	$ 0.07
Service operations	$ 0.06	$ 0.11	$
Expenses ($ per mcfe):			
Production expenses	$ 0.90	$ 0.85	$ 0.68
Production taxes	$ 0.30	$ 0.31	$ 0.44
General and administrative expenses	$ 0.34	$ 0.24	$ 0.14
Oil and natural gas depreciation, depletion and amortization	$ 2.57	$ 2.35	$ 1.91
Depreciation and amortization of other assets	$ 0.22	$ 0.18	$ 0.11
Interest expense(a)	$ 0.51	$ 0.52	$ 0.47

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