CHESAPEAKE ENERGY CORP
Form DEF 14A
April 30, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ **Preliminary Proxy Statement**

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x **Definitive Proxy Statement**

¨ **Definitive Additional Materials**

¨ **Soliciting Material Pursuant to §240.14a-12**

CHESAPEAKE ENERGY CORPORATION

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x **No fee required.**

¨ **Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.**

1) **Title of each class of securities to which transaction applies:**

2) **Aggregate number of securities to which transaction applies:**

3) **Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):**

4) **Proposed maximum aggregate value of transaction:**

5) **Total fee paid:**

¨ **Fee paid previously with preliminary materials.**

¨ **Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.**

1) **Amount Previously Paid:**

2) **Form, Schedule or Registration Statement No.:**

3) Filing Party:

4) Date Filed:

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6100 North Western Avenue

Oklahoma City, Oklahoma 73118

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held On June 11, 2010

The 2010 annual meeting of shareholders of Chesapeake Energy Corporation, an Oklahoma corporation (the Company), will be held at The Skirvin Hotel, Centennial Ballroom, 1 Park Avenue, Oklahoma City, Oklahoma, on Friday, June 11, 2010 at 10:00 a.m., Central Daylight Savings Time, to consider and act upon the following matters:

1. To elect three directors, two for a three-year term and one for a one-year term;

2. To approve an amendment to our Long Term Incentive Plan;

3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010;

4. To consider six shareholder proposals, if properly presented at the meeting; and

5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Holders of record of the Company s common stock at the close of business on April 15, 2010 are entitled to notice of and to vote at the meeting. A complete list of shareholders of record entitled to vote at the meeting will be available for examination by any shareholder at the meeting and at the Company s executive offices during ordinary business hours for a period of at least ten days prior to the meeting.

To attend the meeting you will need a form of photo identification. If your shares are held in street name, you will also need to bring proof of your ownership of our common stock, such as your most recent brokerage statement.

YOUR VOTE IS IMPORTANT. YOU MAY VOTE IN ANY ONE OF THE FOLLOWING WAYS:

Use the toll-free telephone number 1-800-690-6903 from the U.S. or Canada;

Use the internet web site *www.proxyvote.com*; or

Mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope.

SHAREHOLDERS OF RECORD WHO ATTEND THE MEETING MAY REVOKE THEIR PROXIES AND VOTE IN PERSON IF THEY DESIRE. IF YOU ARE UNABLE TO ATTEND, YOU MAY LISTEN TO A LIVE AUDIOCAST OF THE MEETING ON OUR WEBSITE AT *www.chk.com.*

BY ORDER OF THE BOARD OF DIRECTORS

Jennifer M. Grigsby

Senior Vice President, Treasurer and

Corporate Secretary

Oklahoma City, Oklahoma

May 12, 2010

Important Notice Regarding the Availability of Proxy Materials

For the Shareholder Meeting to be Held on June 11, 2010:

This Proxy Statement and the Company s Annual Report for 2009 are available at:

http://www.chk.com/proxy

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CHESAPEAKE ENERGY CORPORATION

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

To Be Held On June 11, 2010

GENERAL INFORMATION

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Chesapeake Energy Corporation, an Oklahoma corporation (Chesapeake or the Company), for use at the annual meeting of shareholders of the Company to be held on the date, at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders, and any adjournment of the meeting.

This proxy statement, the accompanying form of proxy and our annual report for the year ended December 31, 2009 (the 2009 Annual Report) will be mailed on or about May 12, 2010 to shareholders of record as of April 15, 2010. Shareholders are referred to the 2009 Annual Report for information concerning the activities of the Company.

Who Can Vote

Only holders of record of Chesapeake common stock as of April 15, 2010, the record date for the meeting, are entitled to notice of and to vote at the meeting. At the close of business on April 15, 2010, there were 651,908,743 shares of our common stock outstanding and 630,398,032 shares entitled to vote at the meeting. Each outstanding share of common stock is entitled to one vote, except unvested shares of restricted stock issued to our directors, employees and consultants do not have voting rights.

Establishing a Quorum

A majority of the shares of common stock entitled to vote, present in person or by proxy, will constitute a quorum for the transaction of business at the meeting.

How to Vote

Most shareholders can vote their shares one of three ways:

- placing a toll-free telephone call from the U.S. or Canada to 1-800-690-6903;
- using the internet at *www.proxyvote.com*; or
- mailing the signed proxy card.

The telephone and internet voting procedures are designed to authenticate shareholders identities, to allow you to vote your shares and to confirm that your instructions have been properly recorded. Please refer to your proxy card or the information forwarded by your bank, broker or other nominee to see which options are available to you.

If you are a Chesapeake employee and you participate in the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan (the Plan), you will receive a proxy via email so that you may instruct the trustee of the Plan how to vote your Plan shares. If you also hold shares directly, you may receive one proxy for both your Plan shares and shares in accounts that are registered in the same name as your Plan participant name. This single proxy will allow you to simultaneously vote all of your Plan and directly-held shares as one block. **To allow sufficient time for the trustee to vote the Plan shares, your voting instructions must be received by 11:00 p.m. (CDST) on June 9, 2010.**

Please note, however, that since you only vote one time for all shares you own directly and in the Plan, your vote on each voting item will be identical across all of those shares. If you do not vote your proxy, the trustee will vote the Plan shares credited to your Plan account in the same proportion as the Plan shares of other participants for which the trustee has received proper voting instruction.

Votes Needed

The election of the director nominees will be by plurality vote (that is, the three nominees receiving the greatest number of votes will be elected). You may not cast more than one vote per share for each nominee. The affirmative vote of holders of a majority of shares of common stock present at the meeting in person or by proxy and entitled to vote will be required to approve the amendment to our Long Term Incentive Plan (provided that the total votes cast on this proposal represent over 50% of all shares of common stock outstanding), the ratification of our independent registered public accounting firm and, if properly presented at the meeting, the shareholder proposals.

How Votes Can Be Revoked

You may revoke your proxy at any time before it is voted by:

- executing and submitting a revised proxy;
- providing a written revocation to the Corporate Secretary of the Company; or
- voting in person at the meeting.

In the absence of a revocation, shares represented by the proxies will be voted at the meeting. Your attendance at the meeting will not automatically revoke your proxy. If you do not hold your shares directly, you should follow the instructions provided by your broker, bank or nominee to revoke your previously voted proxy.

How Votes Are Counted

Each proxy properly completed and returned to the Company in time for the meeting, and not revoked, will be voted in accordance with the instructions given. If there are no contrary instructions, proxies will be voted **FOR** the election of the nominees as directors, **FOR** the approval of the amendment to our Long Term Incentive Plan, **FOR** the ratification of our independent registered public accounting firm and **AGAINST** the shareholder proposals. The Company will appoint an inspector of election to tabulate all votes and to certify the results of all matters voted upon at the meeting.

It is the Company s policy (i) to count abstentions and broker non-votes for purposes of determining the presence of a quorum at the meeting; (ii) to treat abstentions as shares represented at the meeting and voting against a proposal and to disregard broker non-votes in determining results on proposals requiring a majority or higher vote; and (iii) to consider neither abstentions nor broker non-votes in determining results of plurality votes.

Under the rules of the New York Stock Exchange, brokers who hold shares on behalf of their customers have the authority to vote on certain proposals when they have not received instructions from beneficial owners. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. Your broker has discretionary authority to vote your shares in the ratification of our independent public accountants. Your broker is not empowered to vote your shares in the election of directors, on the proposal to approve the amendment to our Long Term Incentive Plan or shareholder proposals in the absence of specific instructions from you.

When the Voting Results Will Be Announced

We will announce preliminary voting results at the meeting and publish final results in a current report on Form 8-K within four business days after the meeting.

Cost of Proxy Solicitation

We will pay the cost of soliciting proxies. We have retained The Proxy Advisory Group, LLC to assist in the solicitation of proxies for a fee of $7,500, plus out-of-pocket expenses. In addition, employees and representatives of the Company may solicit proxies by mail, personally, or by telephone, facsimile transmission or email communication. We will request banks and brokers or other similar agents or fiduciaries to transmit the proxy material to the beneficial owners for their voting instructions and will reimburse their expenses in so doing.

Electronic Access to Proxy Materials and Annual Report

This proxy statement and our 2009 Annual Report are available at *www.chk.com/proxy*. If you are interested in receiving all future shareholder communications electronically, including proxy statements and annual reports, please visit *www.icsdelivery.com/chk* and register for electronic distribution. Once you register, any time we distribute materials or communications to our shareholders, you will receive an email notification containing an internet address which will direct you to these documents. You will continue to receive all shareholder communications electronically until you change this election at *www.icsdelivery.com/chk*. Electronic distribution saves the Company the cost of printing and mailing the documents to you, reduces the amount of mail you receive and is environmentally friendly by helping to conserve natural resources consumed in the printing process.

Householding

Based on Securities and Exchange Commission rules, we are permitted to send a single set of proxy materials to shareholders who share the same last name and address. This procedure is called householding and is designed to reduce our printing and postage costs. If you would like to receive a separate copy of a proxy statement or annual report, either now or in the future, please contact us by email at *investorinfo@chk.com*, by telephone at (405) 935-8000 or in writing to the following address: Attn: Investor Relations, P.O. Box 18496, Oklahoma City, Oklahoma 73154.

If you hold your shares in street name and would like additional copies of the proxy materials, or if you are currently receiving multiple copies of the proxy materials and would like to request householding, please contact your broker.

VOTING ITEM 1 ELECTION OF DIRECTORS

Pursuant to provisions of the Company s Certificate of Incorporation and Bylaws, the Board of Directors has fixed the number of directors at eight, subject to the rights of the holders of our preferred stock to nominate and elect two additional directors on the occurrence of a voting rights triggering event as defined in the preferred stock certificates of designation. Our Certificate of Incorporation and Bylaws provide for three classes of directors serving staggered three-year terms, with each class to be as nearly equal in number as possible. The terms of three directors expire at the meeting.

The Board of Directors has nominated Frank Keating, Merrill A. Miller, Jr. and Frederick B. Whittemore for re-election as directors. Upon election, Governor Keating and Mr. Miller will serve for terms expiring at the 2013 annual meeting of shareholders and until their successors are elected and

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qualified. Due to the mandatory retirement age policy of our Board of Directors, Mr. Whittemore will serve for a term expiring at the 2011 annual meeting of shareholders. Proxies cannot be voted for a greater number of persons than the number of nominees named. Other directors will continue in office until the expiration of their terms at either the 2011 or 2012 annual meeting of shareholders, as the case may be.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS.

It is the intention of the persons named in the enclosed form of proxy to vote such proxies for the election of the three nominees. The Board of Directors expects that all of the nominees will be available for election but, in the event that any of the nominees is not available, proxies received will be voted for substitute nominees to be designated by the Board or, in the event no such designation is made, proxies will be voted for a lesser number of nominees.

The following information is furnished for each person who is a director nominee or who is continuing to serve as a director of the Company after the meeting. Many of the Company s directors are either current or former chief executive officers or chairmen of large corporations or have experience operating large, complex academic, governmental or not-for-profit institutions or organizations. As such and as further discussed below, our directors have a clear understanding of and extensive experience in many of the areas that are of critical importance to the Company s proper operation and success. For the purpose of our analysis, we have determined that any director who has served as a chief executive officer or chairman of a major corporation or large complex institution generally has extensive experience with financial statement preparation, compensation determinations, regulatory compliance, corporate governance, risk management, public affairs and legal matters.

Nominees for Terms Expiring in 2013

Frank Keating, 66, has been a director of the Company since 2003. Governor Keating has been the President and Chief Executive Officer of the American Council of Life Insurers, a large trade organization based in Washington, D.C., since 2003. Governor Keating became a special agent in the Federal Bureau of Investigation in 1969 and then served as Assistant District Attorney in Tulsa County, Oklahoma. In 1972, Governor Keating was elected to the Oklahoma State House of Representatives and two years later was elected to the Oklahoma State Senate. In 1981, Governor Keating was appointed as the U.S. Attorney for the Northern District of Oklahoma and in 1985, he began seven years of service in the Ronald Reagan and George H.W. Bush administrations serving as Assistant Secretary of the Treasury, Associate Attorney General in the Justice Department and General Counsel and Acting Deputy Secretary of the Department of Housing and Urban Development. In 1994, Governor Keating was elected as Oklahoma s 25th Governor and served two consecutive four-year terms. Governor Keating is an advisory director of Stewart Information Services Corporation (NYSE:STC), a real estate information and transaction management company located in Houston, Texas. Governor Keating graduated from Georgetown University in 1966 and from the University of Oklahoma College of Law in 1969.

Through his service as Governor, Senator and a member of the House of Representatives of Oklahoma, senior-level U.S. government appointments, and other appointments and positions, Governor Keating has valuable experience and knowledge regarding many of the major issues we face as a publicly-traded energy company. He has extensive experience with national and state energy policy and other public policy matters. Governor Keating s other board and management positions have given him exposure to different industries, approaches to governance and other key issues. Additionally, Governor Keating gained specific, first-hand knowledge of the energy industry and management of energy assets through management of his family s oil and gas interests.

Merrill A. Miller, Jr., 59, has been a director of the Company since January 2007 and our lead independent director since March 2010. Mr. Miller is Chairman, President and Chief Executive Officer of National Oilwell Varco, Inc. (NYSE:NOV), a supplier of oilfield services, equipment and components to the worldwide oil and natural gas industry. Mr. Miller joined National Oilwell in 1996 as Vice President of Marketing, Drilling Systems and was promoted in 1997 to President of the company s products and technology group. In 2000, he was named President and Chief Operating Officer, in 2001 was elected President and Chief Executive Officer and in 2002 was also elected Chairman of the Board. Mr. Miller served as President of Anadarko Drilling Company from 1995 to 1996. Prior to his service at Anadarko, Mr. Miller spent fifteen years at Helmerich & Payne International Drilling Company (NYSE:HP) in Tulsa, Oklahoma, serving in various senior management positions, including Vice President, U.S. Operations. Mr. Miller graduated from the United States Military Academy, West Point, New York in 1972. Upon graduation, he served five years in the United States Army and received his MBA from Harvard Business School in 1980. Mr. Miller serves on the Board of Directors for the Offshore Energy Center, Petroleum Equipment Suppliers Association and Spindletop International, and is a member of the National Petroleum Council.

Mr. Miller has 30 years of management and executive experience in the oil and gas equipment and service industry. As a result of his positions as Chairman, President and Chief Executive Officer of National Oilwell Varco and various other executive, financial and management positions, Mr. Miller has valuable experience in managing many of the major issues that we deal with regularly, such as financial, business strategy, technology, compensation, management development, acquisitions, capital allocation, risk management, corporate governance and shareholder relations. Additionally, in Mr. Miller s current position with National Oilwell Varco, he has particularly valuable insight into issues affecting the global energy environment including global energy supply and demand and trends affecting oilfield service costs both globally and domestically. Mr. Miller also has extensive financial and accounting expertise and is one of our Audit Committee financial experts.

Nominee for Term Expiring in 2011

Frederick B. Whittemore, 79, has been a director of the Company since 1993. Mr. Whittemore has been an advisory director of Morgan Stanley since 1989 and was a managing director or partner of the predecessor firms of Morgan Stanley from 1967 to 1989. He was Vice-Chairman of the American Stock Exchange from 1982 to 1984. Mr. Whittemore graduated from Dartmouth College in 1953 and from the Amos Tuck School of Business Administration in 1954.

Over his long career in the financial services industry, Mr. Whittemore has developed invaluable insight into economic, political and capital markets trends. As one of our founding directors, Mr. Whittemore knows our Company s history and was one of our earliest investors, pre-dating the initial public offering of our common stock. Mr. Whittemore brings to our Board extensive investment advisory, financial and capital markets expertise, as well as experience analyzing the risks and business strategy of energy companies.

Directors Whose Terms Expire in 2011

Aubrey K. McClendon, 50, has served as Chairman of the Board and Chief Executive Officer since co-founding the Company in 1989. From 1982 to 1989, Mr. McClendon was an independent producer of oil and natural gas. Mr. McClendon graduated from Duke University in 1981.

As our co-founder, Chairman and CEO, Mr. McClendon sets the strategic direction of our Company with the guidance of the Board and serves as the Company s spokesman to its shareholders and other constituencies. He has extensive knowledge and experience in the energy industry gained initially from acquiring natural gas and oil leases as an independent landman in the 1980s and then

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through his hands-on management of our Company over the past 21 years. Mr. McClendon is highly regarded in the industry as a champion for natural gas and has been instrumental in the formulation and promotion of national and local initiatives that promote the potential and reality of clean, abundant, affordable, American natural gas as the best solution for our nation s future energy needs.

Don Nickles, 61, has been a member of our Board of Directors since January 2005. Senator Nickles is the founder and President of The Nickles Group, a consulting and business venture firm in Washington, D.C. Senator Nickles was elected to represent Oklahoma in the United States Senate from 1980 to 2005 where he held numerous leadership positions, including Assistant Republican Leader from 1996 to 2003 and Chairman of the Senate Budget Committee from 2003 to 2005. Senator Nickles also served on the Energy and Natural Resources Committee and the Finance Committee. Prior to his service in the U.S. Senate, Senator Nickles served in the Oklahoma State Senate from 1979 to 1980 and worked for Nickles Machine Corporation in Ponca City, Oklahoma, becoming Vice President and General Manager. Senator Nickles is also a director of Valero Energy Corporation (NYSE:VLO), an independent oil refiner headquartered in San Antonio, Texas, Washington Mutual Investors Fund (WMIF), American Funds Tax Exempt Series 1 (AFTES-1) and JP Morgan Value Opportunities Fund (JPMVOF). Senator Nickles served in the National Guard from 1970 to 1976 and graduated from Oklahoma State University in 1971.

Senator Nickles 24 years of service as a U.S. Senator, including his chairmanship of the Senate Budget Committee as well as service on the Energy and Natural Resources Committee and the Finance Committee, have given him valuable experience and perspective on many of the major issues we face as a publicly-traded energy company and tremendous insight into past and potential international, national and state energy policy and other public policy and taxation issues. Additionally, his service on Valero s board of directors has given him valuable exposure to the downstream energy sector and domestic energy supply and demand.

Directors Whose Terms Expire in 2012

Richard K. Davidson, 68, has been a member of our Board of Directors since March 2006. Mr. Davidson served as Chairman of the Board of Directors of Union Pacific Corporation (NYSE:UNP) from 1997 until February 2007 and as its Chief Executive Officer from 1997 until February 2006. He started his railroad career in 1960 with Missouri Pacific Railroad and held various positions of increasing authority before being named Vice President of Operations in 1976. In 1982, Union Pacific merged with the Missouri Pacific and Western Pacific railroads, and in 1986, Mr. Davidson was promoted to Vice President of Operations of the combined railroads. He was promoted to Executive Vice President in 1989 and became Chairman and Chief Executive Officer of Union Pacific Railroad in 1991. He was named Chairman and Chief Executive Officer of Union Pacific Corporation in 1997. Mr. Davidson is currently a member of the board of advisors of Thayer/Hidden Creek, a private equity firm headquartered in Washington, D.C., and past member of the Horatio Alger Association of Distinguished Americans. He formerly served on the board of the Association of American Railroads, as chairman of the President s National Infrastructure Advisory Council, and as a director and trustee of the Malcolm Baldridge National Quality Awards Foundation. Mr. Davidson graduated from Washburn University in 1966 and has completed the Program for Management Development at Harvard University.

Mr. Davidson s career with Union Pacific, a large industrial company that consumes and transports energy (among many other commodities and goods), provides particularly valuable insight into the needs and concerns of large industrial energy consumers including their sensitivity to energy prices and the manner in which such consumers manage their exposure to volatility in energy prices. Additionally, due to Mr. Davidson s experience as Chairman and Chief Executive Officer of Union Pacific and through his various other executive, financial and management positions, Mr. Davidson has

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valuable experience in managing many of the major issues, such as financial, business strategy, technology, compensation, management development, acquisitions, capital allocation, risk management, corporate governance and shareholder relations, that we deal with regularly.

V. Burns Hargis, 64, has been a member of our Board of Directors since September 2008. Mr. Hargis has been the President of Oklahoma State University since March 2008. Before being named OSU President, Mr. Hargis was Vice Chairman of BOK Financial Corporation (NASDAQ:BOKF) from 1997 to 2008 and is currently a director of BOK, a financial holding company based in Tulsa, Oklahoma. Before joining BOK, he practiced law in Oklahoma City for 28 years, most recently with the firm of McAfee & Taft. In 1967, Mr. Hargis entered the United States Army as a Commissioned 2nd Lieutenant, Military Intelligence, and was honorably discharged as a Captain, U.S. Army Reserves, Finance Corps in 1977. Mr. Hargis is a former President of the Oklahoma County Bar Association, former President of the Oklahoma Bar Foundation and is a Fellow of the American Bar Foundation. Mr. Hargis previously served as Vice-Chairman of the Oklahoma State Election Board, the Oklahoma Constitutional Revision Commission, Chairman of the Oklahoma Commission for Human Services, Chairman of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges of Oklahoma State University and a member of the Commission of the North Central Association of Colleges and Schools. Mr. Hargis graduated from Oklahoma State University in 1967 with a degree in Accounting and from the University of Oklahoma College of Law in 1970.

Mr. Hargis extensive public service in Oklahoma and his expertise in corporate law and public policy are invaluable to our Board. Additionally, Mr. Hargis financial and banking experience is particularly relevant to his service on our Audit Committee and qualifies him as an Audit Committee financial expert. Under Mr. Hargis leadership, Oklahoma State University has developed many innovative ways to manage its system-wide energy consumption, including the conversion of its vehicle fleet to compressed natural gas (CNG) and is recognized as an ENERGY STAR Partner by ENERGY STAR, a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy, for its strategic approach to energy management. In addition, Mr. Hargis career in the legal profession brings considerable benefit to the Company as it addresses the various legal proceedings that companies the size of Chesapeake routinely face.

Charles T. Maxwell, 78, has been a director of the Company since 2002. Mr. Maxwell has been a Senior Energy Analyst with Weeden & Co., an institutional brokerage firm located in Greenwich, Connecticut, from late 1999 to the present. Entering the oil and natural gas industry in 1957, Mr. Maxwell worked for what is now ExxonMobil for eleven years in the U.S., Europe, the Middle East and Africa. In 1968, Mr. Maxwell joined Cyrus J. Lawrence, an institutional research and brokerage firm, as an oil analyst. He was ranked by *Institutional Investor Magazine* as No. 1 in his field in 1972, 1974, 1977, and 1981 through 1986. He rose to the position of Managing Director of Cyrus J. Lawrence/Morgan Grenfell and retired from the firm in 1997, several years after it was acquired by Deutsche Bank. Mr. Maxwell is a director of American DG Energy Inc., a provider of on-site electric power through cogeneration, based in Waltham, Massachusetts. He is also a director of Daleco Resources Corporation (DLOV.OB), a minerals and oil and gas exploration and production company located in West Chester, Pennsylvania; and Lescarden, Inc. (LCAR.OB), a biotechnology company in New York. Mr. Maxwell graduated from Princeton University in 1953 and Oxford University in 1957.

Mr. Maxwell s distinguished career in the energy industry and as an energy analyst provides the Board with helpful perspective on global energy markets, potential OPEC decisions and initiatives and macro-economic trends affecting the energy industry in general. Mr. Maxwell has long been considered one of the foremost energy experts in the industry, and the Company has benefited from his deep insights into Middle Eastern politics and socioeconomic trends over the years. In addition, Mr. Maxwell frequently provides information about the possible future direction of natural gas and oil prices, which has been helpful to the Company in executing its highly successful natural gas and oil hedging program.

CORPORATE GOVERNANCE

The Board of Directors is responsible to the Company s shareholders for the oversight of the Company and recognizes the importance and necessity that an effective corporate governance environment plays in the Board s ability to adequately oversee, advise and monitor the Company. The Board has adopted a set of Corporate Governance Principles that address the role, composition and functioning of the Board which is posted on the Company s website at *www.chk.com* in the Corporate Governance section under About .

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics applicable to all directors, officers and employees of the Company, including our principal executive officer, principal financial officer and principal accounting officer. The Code of Business Conduct and Ethics is posted on the Company s website at *www.chk.com* in the Corporate Governance section under About . Waivers of provisions of the Code as to any director or executive officer and amendments to the Code must be approved by the Audit Committee of the Board. We will post on our website required disclosure about any such waiver or amendment within four business days of Audit Committee approval.

Communications to the Board

The Company has established a Director Access Line whereby shareholders and other interested parties wishing to communicate directly with our non-employee directors may leave telephone messages for the directors. The Director Access Line number is 1-866-291-3401. Alternatively, shareholders and other interested parties can send written communications to non-employee directors as follows:

Chesapeake Energy Corporation Board of Directors

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

P.O. Box 18496

Oklahoma City, OK 73154

All calls received by the Director Access Line will be reported promptly to the Company s Corporate Secretary. Depending upon the subject matter of the communication, the Corporate Secretary will:

- Handle the inquiry where director input is not deemed necessary, such as a request for information about the Company;
- Forward the communication to the non-employee directors; or
- Not forward the communication if it clearly relates to an inappropriate or irrelevant topic, such as a commercial solicitation.

A copy of each communication and any disposition of non substantive communications since the prior quarterly Board meeting is provided to the directors at each regular quarterly meeting of the Board.

Board Independence

In 2010, the Board, through its Nominating and Corporate Governance Committee, evaluated the independence of each director in accordance with the NYSE s corporate governance listing standards, a portion of which are posted on the Company s website at *www.chk.com* in the Corporate Governance section under About . During this review, the Committee considered transactions and relationships

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between the Company (and/or any of its executive officers) and each director or any member of his immediate family, including those transactions disclosed on page 51 under Transactions with Related Persons . Based on this review, the Committee affirmatively determined that all directors other than Mr. McClendon, due to his employment with the Company, are independent.

In assessing director independence, the Committee considered the business the Company conducted in 2007, 2008 and 2009, including payments made by the Company to National Oilwell Varco, Inc. (NOV), for which Mr. Miller serves as Chairman, President and Chief Executive Officer, and payments made by the Company to BOK Financial Corporation (BOK), for which Mr. Hargis served as Vice Chairman until March 2008 and since then has served as a director. The Company s business transactions with NOV and BOK were all conducted in the ordinary course of business. Payments made to NOV represented approximately 1% of NOV s gross revenues during each of the last three years, well below the NYSE s 2% of gross revenues threshold, and the Company s payments to BOK were nominal during the review period. The Committee also considered transactions and relationships with Oklahoma State University, for which Mr. Hargis has served as President since March 2008, including contributions and support for scholarships and faculty chair endowment, university athletics and various sponsorships and training programs. The Committee specifically considered the employment by the Company of Governor Keating s son and daughter-in-law during 2009 in non-executive positions. The Committee determined that all transactions and relationships it considered during its review were not material transactions or relationships with the Company and did not impair the independence of any of the affected directors.

Board Leadership Structure

Mr. Aubrey K. McClendon currently serves as Chairman of the Board of Directors and as Chief Executive Officer of the Company. This arrangement has proven effective for the Company in the past and the Board believes it will continue to best serve the interests of the Company and its shareholders in the future.

The Board of Directors believes that no single organizational structure is best and most effective in all circumstances. Accordingly, the Board retains the flexibility to determine the organizational structure that best enables the Company to confront the challenges and risks it faces. In determining that the current organizational structure best serves the interests of the Company and its shareholders, the Board considers several factors to be compelling. First, as one of the Company s founders, Mr. McClendon brings unparalleled knowledge and experience, as well as an intimate understanding of the Company s operations and culture, to the roles of Chairman and CEO. Second, Mr. McClendon has historically led Board meetings in his capacity as Chairman and, as the only member of management on the Board, is uniquely qualified to lead discussions concerning the Company s strategic initiatives and goals. Accordingly, the Board believes that consolidating these positions in Mr. McClendon most effectively coalesces the leadership and advisory roles of the Board with the strategic and operational expertise of the Company s management team.

The Company is committed to strong corporate governance. As discussed under Board Independence above, except for the Chairman, all members of the Board of Directors are independent. Recently, the Board of Directors appointed Mr. Miller as the lead independent director of the Board. As lead independent director, Mr. Miller s duties include the following:

- Chair any meeting of the Board at which the Chairman is not present, including executive sessions of the non-management directors.
- May call meetings of the non-management directors.
- Serve as a liaison between the non-management directors and the Chairman.

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Along with the Chairman, approve: (a) the agenda for Board meetings; (b) the information sent to the Board for such meetings; and (c) the schedule for such meetings to assure there is sufficient time for discussion of the items included on the agenda.

Be available for consultation and direct communication with major shareholders on a reasonable basis.

In sum, the Board has determined that vesting the positions of Chairman and CEO in Mr. McClendon in conjunction with a lead independent director provides unified leadership and vision for the Company while retaining strong corporate governance standards. The Board will review its leadership structure annually and when a new CEO is appointed.

Executive Sessions

Non-employee directors meet regularly in executive session, including after each scheduled quarterly Board meeting.

Board Role in Risk Oversight

It is management s responsibility, subject to the oversight of the Board of Directors, to monitor and, to the extent possible, mitigate the negative impact of uncertainty in the business environment on our operations and our financial objectives. The Company maintains an enterprise risk management (ERM) program overseen by its Vice President of Risk Management, who reports directly to the Senior Vice President, Treasurer and Corporate Secretary. Significant risks and the possible approaches to mitigate such risk are reviewed by senior management at periodic meetings and presented to the Board or one of its three committees (Audit, Compensation and Nominating and Corporate Governance) to assess the impact on our strategic objectives and risk tolerance levels. The Company s internal audit group has access to ERM meetings to add perspective and insight regarding potential risks facing the Company.

A significant portion of the Board s oversight of the risks facing the Company is initially addressed by the Board s independent committees. The Audit Committee, in addition to overseeing the integrity of our financial statements and our compliance with legal and regulatory requirements, is primarily responsible for overseeing the ERM process which oversight includes regular meetings with the internal audit group and the Company s independent auditors. The Nominating and Corporate Governance Committee oversees Board composition, leadership structures and corporate governance matters. As described below, the Compensation Committee considers the impact of risks faced by the Company as part of its oversight of our compensation program and its impact on management retention, development and succession. A number of other processes at the Board level support our risk management effort, including Board reviews of our long-term strategic plans, capital budget and certain capital projects, hedging policy, significant acquisitions and divestitures, capital markets transactions and the delegation of authority to our management.

Our Compensation Committee and Employee Compensation and Benefits Committee do not believe our compensation programs encourage excessive or inappropriate risk taking for the following reasons:

Our employees receive both fixed and variable compensation. The fixed (salary) portion provides a steady income regardless of the Company s stock performance. This allows executives to focus on the Company s business without an excessive focus on the Company s stock price performance.

We utilize restricted stock grants, rather than stock options, as variable compensation in recognition of employee and corporate performance. Our restricted stock awards typically vest over four years, which discourages short-term risk taking.

Our stock ownership guidelines encourage a long-term perspective by our executives.

Our compensation programs have been in place for many years and we have seen no evidence that they encourage excessive risk taking.

Essentially all of our employees participate in our compensation programs regardless of business unit, which encourages consistent behavior across the Company.

Corporate Governance Impact on Board Structure

We recognize shareholders are increasingly focused on corporate governance, including a number of popular proposals that have received significant exposure in the media. In addition, many institutional shareholders have started separating the evaluation of companies governance structures from the evaluation of the investment value. The Company has historically maintained a strong dialogue with our shareholders because we believe it facilitates better understanding on both sides of the relationship. In this new environment we continue to work on expanding and strengthening that dialogue.

The Board is committed to implementing the best corporate governance practices for our shareholders but also believes that multiple wholesale changes to the structure of the Board are inappropriate since the interplay of such multiple changes could adversely impact the operation of the Board. After careful consideration of the various alternatives, consultation with various governance advisors and discussions with several of our shareholders, the non-management directors decided to appoint a lead independent director for our Board. The lead independent director s duties are disclosed on the Company s website and discussed on page 9 of this proxy statement.

At the Company s 2009 Annual Meeting, shareholder proposals that recommended annual elections for all of our directors and majority voting in those director elections received majority votes from our shareholders. The Company and our Board take seriously shareholder proposals, especially proposals that receive majority votes from our shareholders. As a result, over the past year our independent Nominating and Corporate Governance Committee and the Board have consulted with outside experts and actively considered the proposals. The Board believes strongly that it is not advisable, in light of the unique circumstances of our industry, to adopt majority voting or to declassify our Board. The oil and natural gas industry is highly cyclical due to short term volatility in commodity prices, which are outside our control. For a number of reasons (some apparent and some not apparent) the volatility in energy prices is magnified in the stock price for independent exploration and production companies, such as us. The Board believes that the resulting cyclical nature of our business exposes independent exploration and production companies, more so than companies not operating in extractive industries, to short-term opportunism that arises from the divergence between the shorter term focus of the stock market and the longer term focus of industry participants. The Board believes the risks from implementing these proposals far outweigh any benefits and that implementing these proposals would be detrimental to the long-term interests of the Company and its constituencies. For these reasons, the Board has decided to implement neither annual elections nor a majority voting standard.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

During 2009, the Board of Directors held four meetings in person and six meetings by telephone conference. Additionally, management frequently discusses matters with the directors on an informal basis. The Board of Directors has a standing Compensation Committee, an Audit Committee and a Nominating and Corporate Governance Committee. Each director attended, either in person or by telephone conference, at least 80% of the Board and committee meetings held while serving as a director or committee member in 2009. The Company expects the directors to attend annual meetings of shareholders. All of the Company s directors attended the 2009 annual meeting of shareholders.

Compensation Committee

The Compensation Committee is responsible for establishing the Company s compensation program and overseeing the implementation of the Company s compensation system for its executives. The Committee s objective is to develop an executive compensation system that encourages both short-term and long-term performance aligned with shareholders interests and is competitive with the Company s peers.

Messrs. Whittemore and Maxwell and Governor Keating serve on the Compensation Committee. During 2009, the Compensation Committee held three meetings in person and three meetings by telephone conference. Messrs. Whittemore and Maxwell and Governor Keating are independent, as determined by the Board of Directors in accordance with the NYSE corporate governance listing standards. A copy of the Compensation Committee Charter, as approved by the Committee and the Board of Directors, is posted on the Company s website at *www.chk.com* in the Corporate Governance section under About .

The Compensation Committee has delegated primary authority for the administration of the Company s compensation program with respect to all employees who are not executive officers to the Employee Compensation and Benefits Committee (ECBC). The ECBC is chaired by Mr. McClendon, our chairman and chief executive officer, and further consists of our executive vice president chief financial officer, executive vice president chief operating officer, senior vice president human and corporate resources, senior vice president general counsel, senior vice president treasurer and corporate secretary, vice president compensation and benefits and vice president human resources. For purposes of granting equity compensation to employees who are not executive officers, the ECBC consists of Mr. McClendon and all other members of the ECBC act in an advisory capacity only. The ECBC held four meetings during 2009.

Director Compensation. The full Board, rather than the Compensation Committee, is responsible for establishing and approving director cash compensation. The Board analyzes its director compensation package on an annual basis at the Board s meeting in March of each year. Adjustments to director compensation are subsequently considered and approved by the Board at its meeting in June. Cash compensation adjustments approved by the Board in June are effective July 1 and annual restricted stock awards to directors are approved by the Compensation Committee at its June meeting.

Employee Compensation. We review the cash and equity compensation for substantially all of the Company s employees, including executive officers, on a semi-annual basis, in June and December. With respect to the June compensation review, salary adjustments are effective July 1, cash bonuses are normally paid prior to the last business day in July and restricted stock is normally awarded on the first trading day of July. With respect to the December compensation review, salary adjustments are effective on January 1 of the following year, cash bonuses are normally paid prior to the last business day in January and restricted stock is normally awarded on the first trading day of January. Certain

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employees of our drilling and service operations subsidiaries (approximately 2,300 employees) do not receive equity compensation other than through 401(k) plan matches. Our union employees (approximately 150 employees) receive cash compensation in accordance with the offer we implemented following the expiration of the union s collective bargaining agreement in 2007 and do not receive equity compensation. The Compensation Committee and the ECBC may review the compensation of the Company s employees and senior management, including executive officers, at various times during the year, other than in connection with the regular June and December compensation reviews, if we determine such a review is necessary or appropriate.

Executive Officer Compensation. Messrs. McClendon, Rowland and Dixon are responsible for analyzing, developing and recommending base salary adjustments, cash bonuses and restricted stock awards with respect to the executive officers, including themselves, for review, discussion and approval by the Compensation Committee at its regularly scheduled meetings in June and December of each year.

Senior Management Compensation. Messrs. McClendon, Rowland and Dixon, collectively representing the ECBC, are responsible for developing and approving base salary adjustments, cash bonuses and restricted stock awards for employees representing the Company s senior management team. These employees include senior vice presidents, vice presidents and our other management-level employees.

All Other Employee Compensation. The Company s human resources department coordinates the semi-annual compensation review process for all other employees through an automated program that allows supervisors to provide performance assessments and to propose compensation adjustments for their subordinates. Each supervisor s performance assessments and compensation proposals are sequentially reviewed, adjusted, approved and forwarded upward through the organization. The human resources department then aggregates the data by department and each department head meets with Messrs. McClendon, Rowland and Dixon, representing the ECBC, for final discussion, adjustment and approval of base salary, cash bonuses and restricted stock awards with respect to all employees under the department head. Additionally, compensation adjustments for employees who are members of an executive officer s or director s immediate family are submitted by the ECBC to the Compensation Committee for review and approval along with executive officer compensation. Governor Keating recused himself with respect to decisions regarding the compensation of his son and daughter-in-law.

Internal Pay Equity and Tally Sheets. In performing semi-annual reviews of executive compensation, the Compensation Committee reviews a spreadsheet showing internal pay equity within the senior management group. This spreadsheet shows the base salary, cash bonus and equity compensation for our senior management levels (including the CEO, executive vice presidents, senior vice presidents, vice presidents and our other management-level employees) for the prior three years. Additionally, the Committee reviews tally sheets prepared by management which aggregate all components of cash, non-cash and equity compensation, calculates estimates of compensation payments due under various termination scenarios and estimates wealth accumulation over time from equity compensation at various stock prices.

Compensation Consultants. Neither the Compensation Committee nor the ECBC employs the services of compensation consultants in determining or recommending executive officer and director compensation.

Audit Committee

The Audit Committee assists the Board of Directors in overseeing (i) the integrity of the Company s financial statements; (ii) the Company s compliance with legal and regulatory requirements; (iii) the independent auditor s qualifications and independence; and (iv) the performance of the

Company s internal auditors and independent auditor. In so doing, it is the responsibility of the Audit Committee to maintain free and open communication between the directors, the independent auditor and the management of the Company.

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor for the purpose of preparing or issuing audit reports or performing other audit, review or attest services for the Company. The independent auditor reports directly to the Audit Committee. PricewaterhouseCoopers LLP (PwC) served as the Company s independent auditor during 2009 and was appointed by the Audit Committee to serve in that capacity for 2010, and we are seeking ratification of such appointment by the Company s shareholders at the meeting. See Voting Item 3 on page 62.

Messrs. Davidson, Hargis and Miller served on the Audit Committee in 2009. Breene M. Kerr served on and chaired the Audit Committee until his retirement from the Board in June 2009. Mr. Hargis is the Audit Committee s current chairman. The Committee held eight meetings during 2009. Messrs. Davidson, Hargis and Miller are all independent, as determined by the Board in accordance with Section 10A of the Securities Exchange Act of 1934 and the NYSE corporate governance listing standards and Messrs. Hargis and Miller are designated by the Board as audit committee financial experts , as defined in Item 407(d) of Regulation S-K. For the relevant experience of Messrs. Davidson, Hargis and Miller, please refer to their respective biographies on pages 5, 6 and 7. The full text of the Committee s charter is available on the Company s website at *www.chk.com* in the Corporate Governance section under About .

Audit Committee Report

In connection with fulfilling its responsibilities under the Audit Committee charter, the Committee met with management and PwC, our independent registered public accounting firm, and discussed and reviewed the Company s audited financial statements as of and for the year ended December 31, 2009. The Committee also discussed with PwC the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Committee reviewed and discussed with PwC the auditor s independence from the Company and its management. As part of that review, PwC provided the Committee the written disclosures and letter required by Public Company Accounting Oversight Board Rule 3526, *Communication with Audit Committees Concerning Independence.*

Based on these reviews and discussions, the Committee recommended to the Board of Directors that the audited financial statements be included in the Company s 2009 Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

Members of the Audit Committee:

V. Burns Hargis, Chairman

Richard K. Davidson

Merrill A. Miller, Jr.

Nominating and Corporate Governance Committee

The duties and objectives of the Nominating and Corporate Governance Committee are described under the Nominating and Corporate Governance Committee Report below. Mr. Whittemore, Governor Keating and Senator Nickles served on the Nominating and Corporate Governance Committee in 2009. The Nominating and Corporate Governance Committee met once in 2009. Each of the Committee members is independent, as determined by the Board of Directors in accordance with the NYSE s corporate governance listing standards. A copy of the Nominating and Corporate Governance Committee charter, as approved by the Committee and the Board of Directors, is posted on the Company s website at *www.chk.com* in the Corporate Governance section under About .

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Nominating and Corporate Governance Committee Report

The Nominating and Corporate Governance Committee is responsible for identifying and recommending qualified candidates to the Board for nomination as members of the Board and for recommending to the Board the corporate governance principles applicable to the Company.

The Committee periodically assesses, and advises the Board, whether the current size of the Board is sufficient to function effectively as a body, assesses the diversity of skills and experience among the current Board and considers skill sets that would complement those of the current Board and provide value-added perspective.

It is challenging to identify highly qualified candidates who are willing to serve on public company boards. Therefore, we believe it is essential to continuously and actively identify and evaluate candidates, on an informal basis, that would potentially be willing to serve as a director on the Board at some future time. We may also use our network of contacts, or may engage, as we deem appropriate, a professional search firm to identify potential candidates. In addition, we will consider director candidates recommended by shareholders.

The Committee has no minimum qualifications for candidates. In general, however, we review and evaluate both incumbent and potential new directors, in an effort to achieve diversity of skills and experience among our directors, in light of the following criteria:

- experience in business, government, education, technology or public interests;
- high-level managerial experience in large organizations;
- breadth of knowledge regarding the Company s business or industry;
- specific skills, experience or expertise related to an area of importance to the Company such as energy production, consumption, distribution or transportation, government policy, finance or law;
- moral character and integrity;
- commitment to shareholders interests;
- an understanding of a Board s fiduciary responsibilities to the shareholders and a director s duty to represent all shareholders as opposed to individual constituencies;
- ability to apply sound and independent business judgment;
- ability to provide insights and practical wisdom based on experience and expertise;
- ability to read and understand financial statements; and

ability to devote the time necessary to carry out the duties of a director, including attendance at meetings and consultation on Company matters.

Qualified candidates for nomination to the Board are considered without regard to race, color, religion, gender, ancestry or national origin.

On an annual basis, in advance of the annual meeting of shareholders, we will recommend to the Board a slate of nominees to be submitted to the Company s shareholders at the next annual meeting. The Board has the authority to accept, modify or reject the slate of nominees recommended by the Committee.

The Committee, with the approval of the full Board, may determine from time to time that it is in the best interests of the Company and its shareholders to add a new director to the Board between annual meeting dates. If such determination is made, we will evaluate potential candidates, as described above and may make a formal recommendation to the Board that a potential candidate be appointed to the Board to serve until the next annual meeting of the Company s shareholders.

We will consider candidates recommended by a shareholder and such recommendations will receive the same consideration that the Committee s candidates receive.

Members of the Nominating and Corporate Governance Committee:

Frank Keating, Chairman

Don Nickles

Frederick B. Whittemore

2009 Directors Compensation

Non-employee director compensation was not changed in 2009 and continues to consist of (i) an annual retainer of $55,000, payable in quarterly installments of $13,750; (ii) $15,000 and $3,500 payable for each board meeting attended in person and telephonically, respectively, not to exceed $110,000 per year; and (iii) an annual grant of 12,500 shares of restricted stock, 25% of which vests immediately upon award and the remaining 75% of which vests ratably over the three years following the date of award. The annual grant of restricted stock is made from our Long Term Incentive Plan (see page 54, Voting Item 2 Proposal to Amend Long Term Incentive Plan). In 2009, the annual award was made on June 15, 2009. No additional compensation is paid to directors for participating on or chairing a Board committee. Directors are also reimbursed for travel and other expenses directly related to their service as directors.

To best align the Board s and shareholders interests, the Board focuses on the number of shares awarded annually to directors rather than the grant date fair value of such awards. The Board believes the value of restricted stock upon vesting, which cannot be predicted at the time an award is made, is a better measure of value of compensation to the director than the grant date fair value of an award. Due to this focus on the number of shares awarded annually, our annual proxy statement disclosures of non-employee director equity compensation may fluctuate from year to year based on the SEC s requirement to disclose the value of such awards based on the grant date fair value when, instead, the Board decided to hold non-employee director compensation flat by awarding the same number of shares to each non-employee director as was awarded in the prior year. Based on the grant date fair value of our non-employee director restricted stock awards in 2008 and 2009, our non-employee directors equity compensation decreased by approximately $555,000 for each non-employee director since the same number of shares were awarded each year.

Directors are eligible to defer any or all of their annual retainers and/or meeting fees through the Company s deferred compensation plan on a tax-favored basis. Deferrals into the plan are not matched or subsidized by the Company nor are they eligible for above-market or preferential earnings. Please refer to the narrative to the Nonqualified Deferred Compensation Table for 2009 on page 49 for more information about the plan. In addition, the Company has established a guideline for non-employee directors to hold at least 15,000 shares of the Company s common stock at all times while serving as a director. Newly appointed directors are generally given one year from the date of appointment to comply with this stock ownership guideline. Failure to comply with this guideline or potential deferrals of the guideline due to hardship are addressed on a case by case basis by the Board.

Under the Company s 2003 Stock Award Plan for Non-Employee Directors, 10,000 shares of our common stock are awarded to each newly appointed non-employee director on his or her first day of service.

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Under the Company s policy regarding the use of fractionally-owned company aircraft, our directors are provided access to fractionally-owned company aircraft for travel to and from Board meetings. For Board meetings and other Company activities at which the attendance of a director s spouse and immediate family members are also requested by the Company, we make tax gross-up payments to the director associated with the taxable compensation attributable to the spouse/family member travel. In addition, each non-employee director is entitled to personal use of fractionally-owned company aircraft seating eight passengers or fewer for up to 40 hours of flight time per calendar year in North America, the Caribbean and Mexico. We apply the Internal Revenue Service s Standard Industry Fare Level (SIFL) valuation methodology to determine the taxable compensation attributable to our directors personal usage of fractionally-owned company aircraft.

The following table sets forth the compensation earned by our non-employee directors in 2009:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(a)	Option Awards ($)(b)	All Other Compensation ($)(c)	Total ($)
Richard K. Davidson	$ 136,000	$ 287,250	$	$ 142,350	$ 565,600
V. Burns Hargis	136,000	287,250		119,516	542,766
Frank Keating(d)	117,500	287,250		125,988	530,738
Breene M. Kerr(e)	71,500			640,834	712,334
Charles T. Maxwell	129,000	287,250		1,232	417,482
Merrill A. Miller, Jr.	129,000	287,250		107,522	523,772
Don Nickles	136,000	287,250		131,437	554,687
Frederick B. Whittemore	136,000	287,250		52,376	475,626

(a) Reflects the aggregate grant date fair value of 2009 restricted stock awards computed in accordance with applicable financial accounting standards. On June 15, 2009, each of the non-employee directors received an award of 12,500 shares of restricted stock. As of December 31, 2009, the aggregate number of shares of unvested restricted stock held by each of the non-employee directors, except Mr. Hargis, was 18,750 shares. As of December 31, 2009, Mr. Hargis held 9,375 shares of unvested restricted stock.

(b) The Company granted no stock options in 2007, 2008 or 2009. As of December 31, 2009, the aggregate numbers of shares of common stock subject to stock options held by each of the non-employee directors were as follows: Mr. Maxwell, 120,000 shares; Senator Nickles, 25,000 shares; and Mr. Whittemore, 72,500 shares. As of December 31, 2009, Messrs. Davidson, Hargis and Miller and Governor Keating held no stock options.

(c) Reflects personal use of fractionally-owned company aircraft, including gross-up payments for taxes incurred when family members accompany non-employee directors to attend Company meetings and activities at the request of the Company in the amount of $2,165 for Mr. Davidson, $4,029 for Mr. Hargis, $2,198 for Governor Keating, $1,232 for Mr. Maxwell, $1,524 for Mr. Miller, and $1,589 for Senator Nickles. The value of the personal use of fractionally-owned company aircraft is based on the incremental cost to the Company determined by the number of flight hours multiplied by the hourly variable operating costs. The variable operating costs include the cost of fuel, trip-related maintenance, crew travel expenses, on-board catering, landing fees and trip-related parking/hangar costs. Since the fractionally-owned company aircraft are used primarily for business travel, we do not include the fixed costs that do not change based on the usage, such as purchase costs and maintenance costs not related to trips. For Mr. Kerr, this amount also reflects an award of 2,500 shares that was granted to Mr. Kerr on June 15, 2009 with a grant date fair value of $57,450 as compensation for Mr. Kerr s director emeritus service to the Company for the year following his retirement as a director. The amount for Mr. Kerr also includes $447,000, which represents the fair value as of June 12, 2009 of 18,750 shares of restricted stock previously awarded to him. Mr. Kerr was one of our founding directors, and in recognition of his service as a director for 16 years, the Company accelerated the vesting of his restricted stock upon his retirement.

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(d) Governor Keating deferred 100% of his 2009 cash retainer and meeting fees into the Deferred Compensation Plan. Please refer to the narrative to the Nonqualified Deferred Compensation Table for 2009 on page 49 for more information about the Deferred Compensation Plan.

(e) Mr. Kerr retired as a director at the conclusion of the annual meeting in June 2009 and continues to serve as a director emeritus.

INFORMATION REGARDING OFFICERS

Executive Officers

In addition to Mr. McClendon, the following are also executive officers of the Company as of the record date.

Marcus C. Rowland, 57, was appointed Executive Vice President in 1998 and has been the Company s Chief Financial Officer since 1993. He served as Senior Vice President from 1997 to 1998 and as Vice President Finance from 1993 until 1997. From 1990 until he joined the Company, Mr. Rowland was Chief Operating Officer of Anglo-Suisse, L.P. assigned to the White Nights Russian Enterprise, a joint venture of Anglo-Suisse, L.P. and Phibro Energy Corporation, a major foreign operation which was granted the right to engage in oil and gas operations in Russia. Prior to his association with White Nights Russian Enterprise, Mr. Rowland owned and managed his own natural gas and oil company and prior to that was Chief Financial Officer of a private exploration company in Oklahoma City from 1981 to 1985. Mr. Rowland is a Certified Public Accountant. Mr. Rowland graduated from Wichita State University in 1975.

Steven C. Dixon, 51, has been Executive Vice President Operations and Geosciences and Chief Operating Officer since February 2010. Mr. Dixon served as Executive Vice President Operations and Chief Operating Officer from February 2006 to February 2010 and as Senior Vice President Production from 1995 to February 2006. He also served as Vice President Exploration from 1991 to 1995. Mr. Dixon was a self-employed geological consultant in Wichita, Kansas from 1983 through 1990. He was employed by Beren Corporation in Wichita, Kansas from 1980 to 1983 as a geologist. Mr. Dixon graduated from the University of Kansas in 1980.

Douglas J. Jacobson, 56, has been Executive Vice President Acquisitions and Divestitures since April 2006. He served as Senior Vice President Acquisitions and Divestitures from 1999 to March 2006. Prior to joining the Company, Mr. Jacobson was employed by Samson Investment Company from 1980 until 1999, where he served as Senior Vice President Project Development and Marketing from 1996 to 1999. Prior to joining Samson, Mr. Jacobson was employed by Peat, Marwick, Mitchell & Co. Mr. Jacobson has served on various Oklahoma legislative commissions which have addressed issues in the oil and gas industry, including the Commission of Oil and Gas Production Practices and the Natural Gas Policy Commission. Mr. Jacobson is a Certified Public Accountant and graduated from John Brown University in 1976 and from the University of Arkansas in 1977.

Martha A. Burger, 57, has served as Senior Vice President Human and Corporate Resources since March 2007. Ms. Burger s prior positions with the Company included the following: Treasurer from 1995 to March 2007, Senior Vice President Human Resources from 2000 to March 2007, Vice President Human Resources from 1998 to 2000, Human Resources Manager from 1996 to 1998, Corporate Secretary from 1999 to 2000, and various accounting positions with the Company, including Assistant Controller Operations, from 1994 to 1995. Ms. Burger was employed by Hadson Corporation as Assistant Treasurer from 1989 to 1993 and served as Vice President and Controller of Hadson Corporation from 1993 to 1994. Prior to joining Hadson Corporation, Ms. Burger was employed by The Phoenix Resource Companies, Inc. as Assistant Treasurer and by Arthur Andersen & Co. Ms. Burger graduated from the University of Central Oklahoma in 1982 and from Oklahoma City University in 1992.

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Henry J. Hood, 49, was appointed General Counsel in April 2006, and has served as Senior Vice President Land and Legal since 1997. He served as Vice President Land and Legal from 1995 to 1997. Mr. Hood was retained as a consultant to the Company during the two years prior to his joining the Company, and he was associated with the law firm of White, Coffey, Galt & Fite from 1992 to 1995. He was associated with or a partner of the law firm of Watson & McKenzie from 1987 to 1992. Mr. Hood is a member of the Oklahoma and Texas Bar Associations. Mr. Hood graduated from Duke University in 1982 and from the University of Oklahoma College of Law in 1985.

Michael A. Johnson, 44, has served as Senior Vice President Accounting, Controller and Chief Accounting Officer since 2000. He served as Vice President of Accounting and Financial Reporting from 1998 to 2000 and as Assistant Controller from 1993 to 1998. From 1991 to 1993, Mr. Johnson served as Project Manager for Phibro Energy Production, Inc., a Russian joint venture. From 1987 to 1991, he was employed by Arthur Andersen & Co. Mr. Johnson is a Certified Public Accountant and graduated from the University of Texas at Austin in 1987.

Jennifer M. Grigsby, 41, has served as Senior Vice President and Treasurer since March 2007 and as Corporate Secretary since 2000. She served as Vice President from April 2006 to March 2007 and as Assistant Treasurer from 1998 to March 2007. From 1995 to 1998, she served in various accounting positions with the Company. Ms. Grigsby was employed by Commander Aircraft Company as Supervisor of Finance and Human Resources from 1994 to 1995 and by Deloitte & Touche LLC from 1991 to 1994. Ms. Grigsby is a Certified Public Accountant and Certified Equity Professional. She graduated from Oklahoma State University in 1991 and from Oklahoma City University in 1999.

Other Officers

Jeffrey A. Fisher, 50, has been Senior Vice President Production since February 2006. He was Vice President Operations for Chesapeake s Southern Division from July 2005 to February 2006 and served as Operations Manager from 2003 to July 2005. Prior to joining Chesapeake, Mr. Fisher held the position of Asset Manager for BP from 2000 to 2003. From 1993 to 2000, Mr. Fisher worked for Vastar Resources as Engineering Manager. Mr. Fisher began his professional career with ARCO in 1983 as an engineer and served in various technical and managerial positions in the exploration, production and midstream business segments of ARCO until 1993. Mr. Fisher serves on the Oklahoma State University Advisory Board for the College of Engineering, Architecture & Technology and is a member of the Society of Petroleum Engineers. Mr. Fisher graduated from Oklahoma State University in 1983.

James C. Johnson, 52, has served as President of Chesapeake Energy Marketing, Inc., a wholly-owned subsidiary of the Company, since 2000. He served as Vice President Contract Administration for the Company from 1997 to 2000 and as Manager Contract Administration from 1996 to 1997. From 1980 to 1996, Mr. Johnson held various gas marketing and land positions with Enogex, Inc., Delhi Gas Pipeline Corporation, TXO Production Corp. and Gulf Oil Corporation. Mr. Johnson is a member of the Natural Gas & Energy Association of Oklahoma and graduated from the University of Oklahoma in 1980.

Stephen W. Miller, 53, has served as Senior Vice President Drilling since 2001. He served as Vice President Drilling from 1996 to 2001 and as District Manager College Station District from 1994 to 1996. Mr. Miller held various engineering positions in the oil and gas industry from 1980 to 1993. Mr. Miller is a registered Professional Engineer and a member of the Society of Petroleum Engineers. Mr. Miller graduated from Texas A & M University in 1980.

Jeffrey L. Mobley, 41, has been Senior Vice President Investor Relations and Research since February 2006 and was Vice President Investor Relations and Research from May 2005 to February

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2006. From 2002 to May 2005, Mr. Mobley was Vice President of Equity Research at Raymond James & Associates focusing on the exploration and production sector. From 1998 to 2002, Mr. Mobley worked in energy investment banking for Prudential Securities and ABN Amro Securities. Mr. Mobley also worked in the Principal Investments Group and Energy Finance Group at Enron Capital & Trade Resources from 1995 to 1998. Mr. Mobley is a CFA Charterholder and graduated from New Mexico State University in 1991 and the Wharton School of Business at the University of Pennsylvania in 1995.

Thomas S. Price, Jr., 58, has served as Senior Vice President Corporate Development and Government Relations since April 2005. He was Senior Vice President Investor and Government Relations from April 2003 to April 2005, Senior Vice President Corporate Development from 2000 to 2003, Vice President Corporate Development from 1992 to 2000 and a consultant to the Company during the prior three years. He was employed by Kerr-McGee Corporation, Oklahoma City, from 1988 to 1989 and by Flag-Redfern Oil Company from 1984 to 1988. Mr. Price is on the executive committee of the New Mexico Oil and Gas Association and a board member of the Oklahoma Independent Petroleum Association. Mr. Price graduated from the University of Central Oklahoma in 1983, from the University of Oklahoma in 1989 and from the American Graduate School of International Management in 1992.

J. Mike Stice, 51, was appointed Chief Executive Officer of Chesapeake Midstream Partners, LLC, a joint venture company owned 50/50 by the Company and Global Infrastructure Partners, a New York-based private equity fund focused on infrastructure investing, in September 2009 and has served as Senior Vice President Natural Gas Projects of the Company and President and Chief Operating Officer of Chesapeake Midstream Development, L.P. a wholly-owned subsidiary of the Company, since November 2008. Prior to joining Chesapeake, Mr. Stice spent 27 years with ConocoPhillips and its predecessor companies, where he most recently served as President of ConocoPhillips Qatar, responsible for the development, management and construction of natural gas liquefaction and regasification (LNG) projects. While at ConocoPhillips, he also served as Vice President of Global Gas LNG, as President of Gas and Power and as President of Energy Solutions in addition to other roles in ConocoPhillips midstream business units. Mr. Stice graduated from the University of Oklahoma in 1981 and from Stanford University in 1995.

Cathlyn L. Tompkins, 48, was appointed Senior Vice President Information Technology and Chief Information Officer in January 2006. Ms. Tompkins served as Vice President Information Technology from July 2005 to January 2006. Prior to joining Chesapeake in 2004 as Director Applications and Programming, Ms. Tompkins spent 20 years in IT management and technical positions at various companies including Devon Energy Corporation, Ocean Energy, Inc., Cabot Oil and Gas Corporation, Price Waterhouse LLP and Shell Oil Company. Ms. Tompkins graduated from the University of Alabama in 1983.

Retired Officers

J. Mark Lester retired from the Company on January 31, 2010. Mr. Lester served as Executive Vice President Exploration from April 2006 to January 2010. He served as Senior Vice President Exploration from 1995 to March 2006 and served as Vice President Exploration from 1989 to 1995. From 1986 to 1989, Mr. Lester was self-employed and acted as a consultant to Messrs. McClendon and Tom L. Ward. He was employed by various independent oil companies in Oklahoma City from 1980 to 1986, and was employed by Union Oil Company of California from 1977 to 1980 as a geophysicist. Mr. Lester graduated from Purdue University in 1975 and 1977. Mr. Lester has agreed to serve as a consultant for the company focusing on developing new geological play types.

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SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

Security Ownership

The table below sets forth (i) the name and address and beneficial ownership of each person known by management to own beneficially more than 5% of our outstanding common stock, and (ii) the beneficial ownership of common stock of our nominees, directors and executive officers listed in the Summary Compensation Table below and by all directors and executive officers of the Company as a group. Unless otherwise noted, information is given as of the record date and the persons named below have sole voting and/or investment power with respect to such shares.

	Common Stock			
Beneficial Owner	**Outstanding Shares**	**Share Equivalents**	**Total Ownership**	**Percent of Class**
Southeastern Asset Management, Inc. 6410 Poplar Ave., Suite 900 Memphis, TN 38119	76,534,039		76,534,039(a)	11.7%
FMR LLC. 82 Devonshire Street Boston, MA 02109	50,466,058	5,064,073(b)	55,530,131(b)	8.5%
BlackRock Inc. 40 East 52nd Street New York, NY 10022	37,268,428		37,268,428(c)	5.7%
Aubrey K. McClendon	899,951(d)		899,951	(1)
Steven C. Dixon	335,129(e)(f)	175,000(g)	510,129	(1)
Douglas J. Jacobson	354,293(e)	10,000(g)	364,293	(1)
J. Mark Lester	319,583(e)(h)		319,583	(1)
Frederick B. Whittemore	232,290(i)	72,500(g)	304,790	(1)
Charles T. Maxwell	37,750(j)	120,000(g)	157,750	(1)
Richard K. Davidson	91,250		91,250	(1)
Marcus C. Rowland	80,565(e)		80,565	(1)
Don Nickles	46,275	25,000(g)	71,275	(1)
Merrill A. Miller, Jr.	43,750		43,750	(1)
Frank Keating	30,000		30,000	(1)
V. Burns Hargis	16,125		16,125	(1)
All directors and executive officers as a group	2,909,982	567,550(g)	3,477,532	0.53%

(1) Less than 1%.

(a) This information is as of December 31, 2009, as reported in a Schedule 13G/A filed jointly by Southeastern Asset Management, Inc. and O. Mason Hawkins on February 5, 2010. The Schedule 13G/A reports (i) sole power to vote or to direct the vote of 42,949,799 shares; (ii) shared power to vote or direct the vote of 25,596,576 shares with Longleaf Partners Funds Trust; (iii) no power to vote 7,987,664 shares; (iv) sole power to dispose or to direct the disposition of 50,937,463 shares; and (v) shared power to dispose or to direct the disposition of 25,596,576 shares with Longleaf Partners Funds Trust.

(b) This information is as of December 31, 2009, as reported in a Schedule 13G/A filed jointly by FMR LLC (FMR), Edward C. Johnson 3d (Johnson) and Fidelity Management & Research Company (Fidelity) on February 16, 2010. The Schedule 13G/A reports that Johnson and FMR each has sole power to dispose of or to direct the disposition of 55,530,131 shares and that FMR has sole power to vote or direct the voting of 6,344,839 shares, as follows: (i) Johnson and FMR, through its control of Fidelity, a wholly owned subsidiary of FMR, each has sole power to dispose of the 49,029,779 shares owned by the funds that Fidelity advises; (ii) FMR beneficially owns 13,168 shares through Strategic Advisers, Inc., its wholly owned subsidiary; (iii) Johnson and FMR, through its control of Pyramis Global Advisors, LLC, an indirect wholly owned subsidiary of FMR (PGALLC), each has sole power to vote or to direct the vote of and to dispose of 1,240,508 shares owned by the institutional accounts or funds advised by PGALLC; (iv) Johnson and FMR, through its control of Pyramis Global Advisors Trust Company, an indirect wholly owned subsidiary of FMR (PGATC), each has sole dispositive power over 1,387,589 shares and sole power to vote or to direct the voting of 1,329,326 shares owned by the institutional accounts managed by PGATC; and (v) FIL Limited (FIL), whose Chairman is Johnson, has sole power to vote or to direct the vote of 3,761,487 shares, sole dispositive power over 3,859,087 shares and no power to vote or direct the voting of 97,600 shares held by the international funds that FIL advises. Shares reported include beneficial ownership by the following entities: Fidelity Management & Research Company (49,029,779 shares, including share equivalents of 174,729 shares of common stock issuable upon conversion of 77,000 shares of 4.5% convertible preferred stock; share equivalents of 535,734 shares of common stock issuable upon conversion of $20.875 million principal amount of 2.75% convertible senior notes due 2035; share equivalents of 3,168,944 shares of common stock issuable upon conversion of $163.171 million principal amount of 2.50% convertible senior notes due 2037; and share equivalents of 12,458 shares of common stock issuable upon conversion of $1.07 million principal amount of 2.25% convertible senior notes due 2038); Strategic Advisers, Inc. (13,168 shares); Pyramis Global Advisors, LLC (1,240,508 shares, including share equivalents of 127,756 shares of common stock issuable upon conversion of 56,300 shares of 4.5% convertible preferred stock; share equivalents of 134,967 shares of common stock issuable upon conversion of $5.259 million principal amount of 2.75% convertible senior notes due 2035; share equivalents of 173,313 shares of common stock issuable upon conversion of $8.924 million principal amount of 2.50% convertible senior notes due 2037; and share equivalents of 93,282 shares of common stock issuable upon conversion of $8.012 million principal amount of 2.25% convertible senior notes due 2038); Pyramis Global Advisors Trust Company (1,387,589 shares, including share equivalents of 5,219 shares of common stock issuable upon conversion of 2,300 shares of 4.5% convertible preferred stock; share equivalents of 38,625 shares of common stock issuable upon conversion of $1.505 million principal amount of 2.75% convertible senior notes due 2035; share equivalents of 376,243 shares of common stock issuable upon conversion of $19.373 million principal amount of 2.50% convertible senior notes due 2037; and share equivalents of 9,314 shares of common stock issuable upon conversion of $800,000 principal amount of 2.25% convertible senior notes due 2038), and FIL Limited (3,859,087 shares, including share equivalents of 211,489 shares of common stock issuable upon conversion of 93,200 shares of 4.5% convertible preferred stock and share equivalents of 2,000 shares of common stock issuable upon conversion of $103,000 principal amount of 2.50% convertible senior notes due 2037).

(c) This information is as of December 31, 2009, as reported in a Schedule 13G filed by BlackRock, Inc. on January 29, 2010. The Schedule 13G reports sole power to vote or to direct the vote of and to dispose or to direct the disposition of 37,268,428 shares.

(d) Includes (i) 13,671 shares held by Chesapeake Investments, an Oklahoma limited partnership of which Mr. McClendon is sole general partner; (ii) 108,653 shares purchased on behalf of Mr. McClendon in the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan; (iii) 70,894 shares of vested common stock purchased on behalf of Mr. McClendon in the Chesapeake Energy Corporation Deferred Compensation Plan; and (iv) 2,788 shares held by Mr. McClendon s immediate family members sharing the same household.

(e) Includes shares held in the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan (Steven C. Dixon, 25,402 shares; Douglas J. Jacobson, 14,903 shares; J. Mark Lester, 25,235 shares; and Marcus C. Rowland, 2,268 shares) and shares of vested common stock held in the Chesapeake Energy Corporation Deferred Compensation Plan (Steven C. Dixon, 33,084 shares; Douglas J. Jacobson, 15,945 shares; J. Mark Lester, 27,926 shares; and Marcus C. Rowland, 37,368 shares).

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(f) Includes 10,000 shares held by the Faretheewell Foundation and 100,000 shares held in a grantor retained annuity trust.

(g) Represents shares of common stock which can be acquired through the exercise of stock options on the record date or within 60 days thereafter.

(h) Includes 4,125 shares held by the Lester Family Foundation. Mr. Lester retired from the Company on January 31, 2010.

(i) Includes 41,750 shares held by Mr. Whittemore as trustee of the Whittemore Foundation.

(j) Includes 15,000 shares held by the Maxwell Family Living Trust and 15,000 shares held in bank or brokerage margin accounts or escrow accounts securing brokerage accounts.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who beneficially own more than 10% of the Company s common stock to file reports of ownership and subsequent changes with the Securities and Exchange Commission. Based only on a review of copies of such reports and written representations delivered to the Company by such persons, the Company believes that there were no violations of Section 16(a) by such persons during 2009.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

Chesapeake is the second-largest producer of natural gas and the most active driller of new wells in the U.S. We also make investments for future growth largely in new leasehold in emerging plays and to further solidify our leasehold position in our existing plays. As part of our program to fund our leasehold investments and other capital costs while reducing our financial leverage, we periodically sell or monetize some of our assets. Over the past two years we have successfully monetized $12.4 billion of assets (in which our cost basis was only $2.9 billion) by selling joint venture interests in four of our shale plays and by selling our entire interest in the Woodford Shale. The drilling carries from the three 2008 joint ventures also allowed the Company to maintain development during a period of low gas prices and low drilling costs, thereby leveraging the benefit from the monetization transactions. The following table provides information about these innovative transactions ($ in millions):

	Transaction Date	Initial Payment	Drilling Credit	Total	Drilling Credit Remaining
Plains Exploration & Production Company (PXP) (20% of the Haynesville)	July 2008	$ 1,650	$ 1,508(a)	$ 3,158	$
BP America (BP) (100% of the Woodford)	July 2008	1,695		1,695	
BP America (BP) (25% of the Fayetteville)	September 2008	1,100	800	1,900	
Statoil (STO) (32.5% of the Marcellus)	November 2008	1,250	2,125	3,375	1,963(b)
Total S. A. (TOT) (25% of the Barnett)	January 2010	800	1,450	2,250	1,450(c)
Total		**$ 6,495**	**$ 5,883**	**$ 12,378**	**$ 3,413**

(a) Our joint venture agreement was amended in 2009 to permit PXP to accelerate the payment of its remaining joint venture drilling carries as of September 30, 2009 in exchange for an approximate 12% reduction in the total amount of drilling carry obligations due to Chesapeake. As a result, on September 29, 2009, Chesapeake received $1.1 billion in cash from PXP and beginning in the 2009 fourth quarter Chesapeake and PXP each began paying their proportionate working interest costs on drilling.

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(b) As of December 31, 2009.

(c) As of January 26, 2010.

During 2009, our executive management team also led the Company to deliver strong operational results and performance despite significant market and global challenges impacting the natural gas and oil industry, including a 53% decrease in natural gas prices in 2009. Our 2009 results and performance included the following:

- estimated natural gas and oil proved reserves increased by 18%;
- proved reserve replacement rate was 343%;
- drillbit reserve replacement was 364% of production;
- $2.3 billion of natural gas and oil hedging gains realized;
- average daily production increased by 8%; and
- common stock price increased by 60%, from $16.17 to $25.88 per share.

In addition to these accomplishments, the Company received the following awards in 2009 and the first quarter of 2010:

- In recognition of the Company s technical excellence and innovation and vision to change the way the energy industry works, we were named Energy Producer of the Year at the 11th Annual Platts Global Energy Awards and also received the Industry Leadership Award. The Company was also a finalist for the Deal of the Year, CEO of the Year and Community Development Program of the Year awards. We were one of only two companies to receive multiple awards and one of only three companies selected as a finalist in five or more categories. The Energy Producer of the Year Award specifically recognizes excellence in the upstream energy sector for companies that have set world-class standards for exploring for and finding new resources, maximizing technical excellence and innovation in resource extraction, and bringing complex or difficult projects to completion on schedule and in budget. This was the second time in three years that Platts has named the Company Energy Producer of the Year;
- We were selected by the U.S. Environmental Protection Agency as the Natural Gas STAR Production Partner of the Year in recognition of our commitment to high environmental standards;
- In recognition of our innovative fleet programs that significantly reduce energy consumption and lower carbon emissions, we were chosen as the co-winner in the Sedan Non-Mandated Clean Air Area category by the NAFA s 2010 Sustainable Fleet Awards Program;
- We received *Oil and Gas Investor* magazine s Best Corporate Citizen Award;
- Our 2009 multi-counterparty secured natural gas and oil hedging facility was named Deal of the Year by Energy Risk, an Incisive Media publication;

In recognition of our commitment to provide transparent, comprehensive and insightful information regarding Chesapeake and the energy industry to our shareholders, our Investor Relations department received the following awards:

Best Investor Relations in the Energy Sector and Best Investor Relations Website at the 2010 *IR Magazine* U.S. awards program. Chesapeake was also selected as a finalist in the Grand Prix for Best Overall Investor Relations among large cap companies and Best Use of Conferencing; and

Best Investor Relations Program in North America and Best Investor Relations Officer in North America by Investors Choice at their 2010 Global Rankings awards ceremony;

We were recognized for the third year in a row on the Fortune 100 Best Companies to Work For® 2010 list, moving up 39 spots to rank #34 in the 2010 list; and

We were ranked #296 in the 2010 Fortune 500 list (*Fortune* magazine s annual ranking of America s largest corporations). Additionally, we were ranked #9 among all Fortune 500 companies for total return to shareholders over the past ten years.

We attribute a meaningful portion of the Company s achievements to our compensation system which is designed to encourage both short-term and long-term performance that is aligned with our shareholders interests. The Company s approach to compensation includes important practices such as stock ownership guidelines for all executive officers; emphasis on equity compensation for long-term incentive and retention; performance feedback provided to executives and employees twice a year; awards of restricted stock to substantially all employees of the Company; and awards of special incentive bonuses in recognition of extraordinary achievement.

Management

This Compensation Discussion and Analysis (CD&A) discusses the compensation program for our Chief Executive Officer (CEO), Chief Financial Officer (CFO), and the other three most highly compensated executive officers during 2009 (together with the CEO and CFO, the Named Executive Officers or NEOs):

1. Aubrey K. McClendon, CEO, is the co-founder of the Company and has served as our CEO since the Company s inception in 1989.

2. Marcus C. Rowland, CFO, joined the company as our CFO in 1992 prior to our initial public offering in 1993 and has served as an Executive Vice President (EVP) for the past 12 years.

3. Steven C. Dixon, Executive Vice President Operations and Geosciences and our Chief Operating Officer (COO), has been with the Company for 19 years and has served as a Vice President, Senior Vice President and, for the past four years, an EVP and COO.

4. Douglas J. Jacobson, Executive Vice President Acquisition and Divestitures, has been with the Company for 11 years and has served as a Vice President, Senior Vice President and, for the past three years, an EVP.

5. J. Mark Lester was our Executive Vice President Exploration prior to his retirement on January 31, 2010. Mr. Lester had been an employee of the Company since its inception in 1989, serving as a Vice President, Senior Vice President and, for the past four years, an EVP.

In this CD&A, references to executive officers include the NEOs and the Company s other executive officers. All of the Company s employees (other than approximately 150 employees who are union members and approximately 2,300 of our drilling subsidiary employees) are eligible to participate in the main components of our compensation program base salary, cash bonuses, restricted stock awards and 401(k) plan matching contributions.

Compensation Objectives and Process

When we set compensation, our objectives are to:

attract, retain and motivate employees with the competence, knowledge and experience to promote the growth and profitability of the Company;

- encourage both short-term and long-term performance that is aligned with our shareholders interests;
- pay for performance that is, a majority of an executive officer s total compensation is a function of individual and corporate performance results; and
- ensure that performance-based compensation does not encourage excessive risk taking.

The Compensation Committee generally reviews executive officer compensation on a semi-annual basis, as described on page 12 under Compensation Committee , and approves adjustments as it deems appropriate. Our CEO, CFO, COO, Senior Vice President Human and Corporate Resources and Senior Vice President Treasurer and Corporate Secretary provide the Compensation Committee with detailed analyses and recommendations regarding each element of executive officer compensation, including tally sheets and summaries of wealth accumulation from equity compensation (as discussed later in this CD&A), to facilitate the Compensation Committee s reviews.

The Company has not utilized any specific tools or contracted for services to benchmark its total compensation, or any material element of compensation, to peer companies or other benchmarks. However, the Company does review and consider the executive compensation programs of its peers at least annually to ensure the Company s compensation programs remain competitive.

Compensation Design

Our compensation program is designed to take into consideration and reward the following performance factors:

- Individual performance for example, the employee s contributions to the development and execution of the Company s business plan and strategies, performance of the executive s department or functional unit, level of responsibility and longevity with the Company;
- Company performance including operational performance of the Company with respect to our production, reserves, operating costs, drilling results, risk management activities and asset acquisitions and monetizations as well as financial performance of the Company with respect to our cash flow, net income, cost of capital, general and administrative costs and common stock price performance; and
- Intangibles for example, leadership ability, demonstrated commitment to the organization, motivational skills, attitude and work ethic.

Use of Judgment

The Compensation Committee believes that the effectiveness of our compensation system depends largely on the application of the participants collective experiences and judgment in the compensation process. The Compensation Committee has reviewed the potential incorporation of objective performance criteria into the Company s executive compensation program and determined that the Company s current compensation arrangements are in the best interests of the Company. The Compensation Committee believes objective performance criteria cannot differentiate the executive officers individual and collective contributions to the Company from the impact of external factors beyond the Company s control (for example, extreme economic crises and the volatility in natural gas and oil prices). Moreover, the Compensation Committee believes reliance on objective metrics (for example, natural gas production) may encourage the executive officers to undertake operational risks or activities that could be contrary to the long-term interests of the Company based on external factors that the executive cannot control (for example, increasing natural gas production during a period of uncertain or depressed pricing). Therefore, the Compensation Committee continues to highly value the subjectivity it retains in its review of executive compensation.

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The Company believes virtually all relevant operational and financial performance metrics that might be used as performance measures for executive compensation are contingent upon the prices we receive or expect to receive from the sale of our natural gas and oil, which are impossible to accurately predict. Over the past decade, natural gas and oil prices have been highly volatile and are generally driven by factors that are beyond the control of our executive officers, including weather conditions, supply and demand imbalances, the price and availability of alternative fuels, economic and political conditions, interruptions in transportation capacity and numerous other factors. Therefore, such financial and operational performance metrics are frequently not effective indicators of the performance of our executive officers over a specific time horizon. The following are examples that demonstrate this point: