CHESAPEAKE ENERGY CORP
Form 424B2
August 10, 2010
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-168509

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Offered	Amount to be Registered	Offering Price	Amount of Registration Fee [1]
Senior Notes	$2,000,000,000	$2,000,000,000	$142,600

(1) The registration fee, calculated in accordance with Rule 457(r), is being transmitted to the SEC on a deferred basis pursuant to Rule 456(b).

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PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED AUGUST 3, 2010

$600,000,000 6.875% Senior Notes due 2018

$1,400,000,000 6.625% Senior Notes due 2020

We are offering $2.0 billion in aggregate principal amount of our Senior Notes, consisting of $600,000,000 of our 6.875% Senior Notes due 2018 and $1,400,000,000 of our 6.625% Senior Notes due 2020 (together, the notes). We will pay interest on the notes semiannually in arrears on each February 15 and August 15, beginning on February 15, 2011, to the holders of record at the close of business on the preceding February 1 and August 1, respectively. The 2018 notes will mature on August 15, 2018 and the 2020 notes will mature on August 15, 2020. The notes will be guaranteed on a senior unsecured basis by each of our existing subsidiaries, (other than the Chesapeake Midstream Companies, which are more fully described herein, and certain de minimis subsidiaries) and certain of our future subsidiaries, subject to our right, more fully described herein, to obtain the release of such guarantees under certain circumstances. The notes will be senior unsecured obligations of Chesapeake and will rank equally in right of payment with all of Chesapeake s existing and future senior debt and senior to any subordinated debt that it may incur. The notes will be effectively subordinated to the existing and future secured debt and other secured obligations of Chesapeake and the subsidiary guarantors, including debt under our corporate revolving bank credit facility and our multi-counterparty secured hedging facility, to the extent of the value of the assets securing amounts outstanding under such facilities. The notes will also be effectively subordinated to the debt of any non-guarantor subsidiaries, including the obligations of the Chesapeake Midstream Companies under the midstream credit facility described herein.

The 2018 notes and the 2020 notes will be treated as separate series of debt securities under the same indenture. We may redeem some or all of the 2018 notes at any time on or after August 15, 2013 at the redemption prices listed in this prospectus supplement under Description of Notes Optional Redemption, plus accrued and unpaid interest, if any, to the date of redemption. In addition, we may redeem some or all of either series of notes at any time at a redemption price equal to 100% of the principal amount of the notes plus a make-whole premium, plus accrued and unpaid interest, if any, to the date of redemption, described in this prospectus supplement under Description of Notes Optional Redemption. If we or certain of our subsidiaries enter into certain sale-leaseback transactions and do not reinvest the proceeds or repay certain senior debt, we must offer to repurchase the notes.

Investing in the notes involves risks. See Risk Factors beginning on page S-11.

	Price to Public(1)	Underwriting Discounts	Proceeds to Chesapeake Energy(1)
Per 2018 Note	100%	1.625%	98.375%
Total	$600,000,000	$9,750,000	$590,250,000
Per 2020 Note	100%	1.625%	98.375%
Total	$1,400,000,000	$22,750,000	$1,377,250,000

(1) Before expenses and plus any accrued interest from August 17, 2010.

The underwriters expect to deliver the notes to investors on or about August 17, 2010, in book-entry form through the facilities of The Depository Trust Company.

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

Joint Book-Running Managers

Credit Suisse
BofA Merrill Lynch
Barclays Capital
Morgan Stanley
Wells Fargo Securities

Senior Co-Managers

BNP PARIBAS	**Citi**	**Credit Agricole CIB**
Deutsche Bank Securities	**Goldman, Sachs & Co.**	**RBS**
SunTrust Robinson Humphrey		**UBS Investment Bank**

Co-Managers

BBVA Securities	**BMO Capital Markets**	**BOSC, Inc.**
Capital One Southcoast	**Comerica Securities**	**Macquarie Capital**
Mitsubishi UFJ Securities	**Natixis Bleichroeder Inc.**	**PNC Capital Markets LLC**
RBC Capital Markets	**Scotia Capital**	**TD Securities**
	US Bancorp	

The date of this prospectus supplement is August 9, 2010.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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

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

this prospectus supplement.

NOTICE TO INVESTORS

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

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

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

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SUMMARY

This summary highlights selected information from this prospectus supplement and the accompanying prospectus but may not contain all information that may be important to you and is qualified in its entirety by the more detailed information included or incorporated by reference into this prospectus supplement or the accompanying prospectus. This prospectus supplement and the accompanying prospectus include specific terms of this offering, information about our business and financial data. We encourage you to read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein in their entirety, including the information set forth under the heading Risk Factors in this prospectus supplement. before making an investment decision.

The terms 2018 notes and 2020 notes refer to the 6.875% Senior Notes due 2018 and the 6.625% Senior Notes due 2020, respectively, issued by Chesapeake. The term notes refers to both series of notes collectively. In addition, certain statements include forward-looking information that involves risks and uncertainties. See Forward-Looking Statements.

Chesapeake

We are one of the largest producers of natural gas in the United States. We own interests in approximately 44,400 producing natural gas and oil wells that are currently producing approximately 2.9 billion cubic feet equivalent, or bcfe, per day, 89% of which is natural gas. Our strategy is focused on discovering and developing unconventional natural gas and oil fields onshore in the U.S., primarily in our Big 6 shale plays: the Barnett Shale in the Fort Worth Basin of north-central Texas, the Haynesville and Bossier Shales in the Ark-La-Tex area of northwestern Louisiana and East Texas, the Fayetteville Shale in the Arkoma Basin of central Arkansas, the Marcellus Shale in the northern Appalachian Basin of West Virginia, Pennsylvania and New York and the Eagle Ford Shale in South Texas. We also have substantial operations in the Granite Wash Plays of western Oklahoma and the Texas Panhandle regions as well as various other plays, both conventional and unconventional, in the Mid-Continent, Appalachian Basin, Permian Basin, Delaware Basin, South Texas, Texas Gulf Coast and Ark-La-Tex regions of the U.S. We have vertically integrated our operations and own substantial midstream, compression, drilling and oilfield service assets.

We announced earlier this year that we are extending our strategy to apply the horizontal drilling expertise we have gained in our natural gas plays to unconventional oil reservoirs. Our goal is to reach a balanced mix of natural gas and liquids revenue as quickly as possible through organic drilling, rather than through acquisitions. The transition is already apparent in the mix of natural gas and oil and natural gas liquids wells we are drilling. In 2010, we expect that approximately 32% of our drilling and completion capital expenditures will be allocated to liquids plays, compared to 10% in 2009, and we are projecting that these expenditures will reach 55% in 2012. Our production of oil and natural gas liquids has been increasing in 2010 as we develop our new unconventional oil plays, particularly in the Granite Wash and the Eagle Ford Shale. We have built leasehold positions and established production in 12 disclosed and other undisclosed liquids-rich plays. We now own approximately 2.4 million net leasehold acres in liquids-rich plays.

We began 2010 with estimated proved reserves of 14.254 trillion cubic feet equivalent, or tcfe, and ended the first half of 2010 with 15.459 tcfe, an increase of 1.205 tcfe, or 8.5%. During the first half of 2010, we replaced 487 bcfe of production with an internally estimated 1.692 tcfe of new proved reserves, for a reserve replacement rate of 348%. Proved reserve movement in the first half of 2010 included 2.226 tcfe of extensions, 428 bcfe of positive performance revisions and 121 bcfe of positive revisions resulting from an increase in the twelve-month trailing average natural gas and oil prices between December 31, 2009 and June 30, 2010. During the first half of 2010, we acquired 35 bcfe of estimated proved reserves and divested 1.118 tcfe of estimated proved reserves.

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During the first half of 2010, we continued the industry s most active drilling program, drilling 687 gross operated wells (440 net wells with an average working interest of 64%) and participating in another 562 gross wells operated by other companies (73 net wells with an average working interest of 13%). The company s drilling success rate was 99% for both company-operated wells and non-operated wells. Also during the first half of 2010, we invested $2.003 billion in operated wells (using an average of 122 operated rigs) and $303 million in non-operated wells (using an average of 108 non-operated rigs) for total drilling, completing and equipping costs of $2.306 billion (net of carries).

Our total production for the first half of 2010 was 486.6 bcfe, comprised of 436.8 bcf of natural gas (90% on a natural gas equivalent basis) and 8.3 million barrels (mmbbls) of oil and natural gas liquids (10% on a natural gas equivalent basis). Daily production for the first half of 2010 averaged 2.688 bcfe, an increase of 278 mmcfe, or 12%, over the 2.410 bcfe produced per day in the first half of 2009.

Since 2000, we have built the largest combined inventories of onshore leasehold (13.9 million net acres as of June 30, 2010) and 3-D seismic (25.5 million acres as of June 30, 2010) in the U.S. and the largest inventory of U.S. natural gas shale play leasehold (2.8 million net acres as of June 30, 2010), and we now own the largest inventory of leasehold in two of the Top 3 new unconventional liquids-rich plays the Eagle Ford Shale and the Niobara Shale. We are currently using 133 operated drilling rigs to further develop our inventory of approximately 40,000 net drillsites.

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

Recent Developments

Concurrent Tender Offers and Consent Solicitations

On August 3, 2010, we commenced tender offers to purchase for cash up to $1.5 billion in principal amount of three series of our senior notes, consisting of up to $300 million in principal amount of our 7.00% Senior Notes due 2014 (the 2014 Notes), up to $600 million in principal amount of our 6.625% Senior Notes due 2016 (the 2016 Notes) and up to $600 million in aggregate principal amount of our 6.25% Senior Notes due 2018 (the Tender Offer 2018 Notes and, together with the 2014 Notes and the 2016 Notes, the Tender Offer Notes). In conjunction with the tender offers, we are also soliciting from holders of the Tender Offer Notes consents to certain proposed amendments to the applicable indentures to eliminate substantially all of the restrictive covenants and certain events of default and related provisions contained in the indentures. The tender offers and consent solicitations expire at 12:00 midnight (New York City time) on August 30, 2010, unless extended. Holders of the Tender Offer Notes who validly tender (and do not validly withdraw) their notes and validly deliver (and do not validly revoke) their consents to the amendments described above at or prior to 5:00 p.m. (New York City time) on August 16, 2010 (unless extended) will be eligible to receive the total consideration being offered in the tender offers and consent solicitations, which is equal to $1,026.50 per $1,000 principal amount of the 2014 Notes, $1,036.25 per $1,000 principal amount of the 2016 Notes and $1,034.00 per $1,000 principal amount of the Tender Offer 2018 Notes, with respect to Tender Offer Notes accepted for purchase by us. Holders of the Tender Offer Notes who validly tender (and do not validly withdraw) their notes after 5:00 p.m. (New York City time) on August 16, 2010 (unless extended) but prior to the expiration date of the tender offers and consent solicitations will receive $1,001.50 per $1,000 principal amount of the 2014 Notes, $1,011.25 per $1,000 principal amount of the 2016 Notes and $1,009.00 per $1,000 principal amount of the Tender Offer 2018 Notes with respect to Tender Offer Notes accepted for purchase by us. We will also pay accrued and unpaid interest on any Tender Offer Notes tendered and accepted for purchase by us up to, but not including, the applicable settlement date.

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The tender offers are conditioned upon a number of customary conditions, including our raising at least $1.6 billion in gross proceeds from this or a similar offering. The tender offers are being made on the terms and subject to the conditions set forth in the Offer to Purchase and Consent Solicitation Statement dated August 3, 2010 relating to the tender offers. We are permitted, among other things, to amend or terminate the tender offers, and there is no assurance that the tender offers will be consummated in accordance with their terms, or at all. This offering is not conditioned upon the successful consummation of the tender offers.

The tender offers are part of our strategic and financial plan to increase shareholder value and reduce debt that we announced on May 10, 2010. Upon the successful completion of the tender offers and redemptions described above, we will have repaid all series of our outstanding senior notes that were issued under indentures containing our most restrictive covenants.

Initial Public Offering of Chesapeake Midstream Partners, L.P.

On August 3, 2010, Chesapeake Midstream Partners, L.P. (CHKM), which we formed with Global Infrastructure Partners (GIP), our midstream joint venture partner, to own, operate, develop and acquire midstream assets, completed an initial public offering of 24,437,500 common units representing limited partner interests. In connection with the closing of the offering, we and GIP contributed the interests of the midstream joint venture s operating subsidiary to CHKM, and CHKM will continue the business that had been conducted by the midstream joint venture. Common units owned by public security holders represent 17.7% of all outstanding limited partner interests, and we and GIP hold 42.3% and 40.0%, respectively, of all outstanding limited partner interests. The limited partners, collectively, have a 98% interest in CHKM, and the general partner, which is owned and controlled 50/50 by us and GIP, has a 2% interest in CHKM. CHKM s common units are listed on the New York Stock Exchange and traded under the symbol CHKM.

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THE OFFERING

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

Issuer	Chesapeake Energy Corporation.
Notes Offered	$2.0 billion in aggregate principal amount of our Senior Notes, consisting of:

$600,000,000 in aggregate principal amount of 6.875% Senior Notes due 2018; and

$1,400,000,000 in aggregate principal amount of 6.625% Senior Notes due 2020.

The 2018 notes and the 2020 notes will be treated as separate series of debt securities under the same indenture.

Maturity Date	August 15, 2018 for the 2018 notes.

August 15, 2020 for the 2020 notes.

Interest	Interest on the 2018 notes will accrue at an annual rate of 6.875% and interest on the 2020 notes will accrue at an annual rate of 6.625%. Interest will be paid semi-annually in arrears on February 15 and August 15 of each year, commencing February 15, 2011.
Guarantees	The notes will be unconditionally guaranteed, jointly and severally, by (i) each of our existing subsidiaries, other than Chesapeake Midstream Development, L.P. and its subsidiaries and its general partner (the Chesapeake Midstream Companies) and certain de minimis subsidiaries, and (ii) each of our future subsidiaries that guarantees any other indebtedness of us or a subsidiary guarantor in excess of $25 million. The guarantee will be released automatically if we dispose of the subsidiary guarantor or it ceases to guarantee certain other indebtedness of us or any other subsidiary guarantor. See Description of Notes Guarantees.

At June 30, 2010, the total assets and total liabilities of our non-guarantor subsidiaries were approximately $2.44 billion and $2.38 billion, respectively. For the six-month period ended June 30, 2010, our non-guarantor subsidiaries generated $110 million and $33 million of our revenues and net income (loss) attributable to Chesapeake, respectively.

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

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	As of June 30, 2010, we had approximately $11.265 billion in principal amount of senior indebtedness outstanding, $1.521 billion of which was secured. After giving effect to the transactions described in Capitalization, including the completion of this offering and the application of the net proceeds therefrom as described under Use of Proceeds, we would have had, on a pro forma basis as of June 30, 2010, approximately $11.367 billion in principal amount of senior indebtedness outstanding, $1.723 billion of which would have been secured.
Optional Redemption	We may redeem some or all of the 2018 notes at any time on or after August 15, 2013 at the redemption prices listed under Description of Notes Optional Redemption, plus accrued and unpaid interest, if any, to the date of redemption. In addition, we may redeem some or all of either series of notes at any time prior to maturity at a price equal to 100% of the principal amount of the notes plus a make-whole premium, plus accrued and unpaid interest, if any, to the date of redemption, described under Description of Notes Optional Redemption.
Restrictive Covenants	The indenture governing the notes contains covenants that limit our ability and certain of our subsidiaries ability to: create liens securing certain indebtedness; enter into certain sale-leaseback transactions; and consolidate, merge or transfer assets. The covenants are subject to a number of exceptions and qualifications. See Description of Chesapeake Debt Securities Certain Covenants in the accompanying prospectus.
Use of Proceeds	We expect the net proceeds to us from this offering, after deducting the underwriting discounts and estimated expenses, to be approximately $1.967 billion. We intend to use the net proceeds from this offering to pay the purchase price or redemption price of the Tender Offer Notes and for general corporate purposes, which may include repaying indebtedness under our corporate revolving bank credit facility. See Recent Developments Concurrent Tender Offers and Consent Solicitations and Use of Proceeds.
Book-Entry, Delivery and Form	Initially, the notes will be represented by one or more permanent global certificates in definitive, fully registered form deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company.
Conflicts of Interest	Mr. V. Burns Hargis is a member of the Board of Directors of BOK Financial Corporation, the parent of BOSC, Inc., which is an underwriter in this offering, and serves on our Board of Directors.

Risk Factors

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

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables set forth summary consolidated financial data as of and for each of the three years ended December 31, 2009, 2008 and 2007 and the six months ended June 30, 2010 and 2009. This data (other than balance sheet data for 2007, which was derived from previously filed audited financial statements) was derived from our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009 and from our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the six months ended June 30, 2010, each of which is incorporated by reference herein. Operating results for interim periods are not necessarily indicative of the results that may be expected for a full year period. The historical financial information may not be indicative of our future performance. The financial data below should be read together with, and is qualified in its entirety by reference to, our historical consolidated financial statements and the accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing in such Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

	Years Ended December 31,			Six Months Ended June 30,	
	2009	2008	2007	2010	2009
	($ in millions, except per share data)				
Statement of Operations Data:					
Revenues:					
Natural gas and oil sales	$ 5,049	$ 7,858	$ 5,624	$ 3,059	$ 2,494
Marketing, gathering and compression sales	2,463	3,598	2,040	1,637	1,084
Service operations revenue	190	173	136	114	90
Total Revenues	7,702	11,629	7,800	4,810	3,668
Operating Costs:					
Production expenses	876	889	640	421	451
Production taxes	107	284	216	85	46
General and administrative expenses	349	377	243	215	164
Marketing, gathering and compression expenses	2,316	3,505	1,969	1,578	1,023
Service operations expense	182	143	94	102	87
Natural gas and oil depreciation, depletion and amortization	1,371	1,970	1,835	647	742
Depreciation and amortization of other assets	244	174	153	103	115
Impairment of natural gas and oil properties and other assets	11,130	2,830			9,635
Loss on sale of other property and equipment	38				
Restructuring costs	34				34
Total Operating Costs	16,647	10,172	5,150	3,151	12,297
Income (loss) from operations	(8,945)	1,457	2,650	1,659	(8,629)
Other Income (expense):					
Interest (expense) income	(113)	(271)	(401)	(9)	(8)
Loss on redemptions or exchanges of Chesapeake debt	(40)	(4)		(71)	(2)
Impairment of investments	(162)	(180)			(162)
Gain on sale of investments			83		
Other income (expense)	(28)	(11)	15	35	5
Total Other Income (Expense)	(343)	(466)	(303)	(45)	(167)
Income (loss) before income taxes	(9,288)	991	2,347	1,614	(8,796)

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Years Ended December 31,			Six Months Ended June 30,	
2009	2008	2007	2010	2009
($ in millions, except per share data)				