CHESAPEAKE ENERGY CORP
Form DEF 14A
May 03, 2013

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 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))

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):

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:

TABLE OF CONTENTS

Letter to Shareholders from our Board of Directors	
Governance Highlights	
Corporate Governance	2
Creating Shareholder Value	5
Aligning Pay and Performance	6
2013 Annual Meeting of Shareholders	8
Notice of Annual Meeting of Shareholders and Proxy Statement	

Back to Contents

Letter to Shareholders From our Board of Directors
DEAR FELLOW SHAREHOLDER,

The past year has been a defining period for Chesapeake. The makeup of our Board has changed substantially, with a new independent non-executive Chairman and six other independent directors appointed in the last twelve months. In addition, the Company saw the implementation of a CEO succession plan with regard to its co-founder, Aubrey K. McClendon. While we continue the search for the Company's next CEO, our Board recently formed a three-person Office of the Chairman that will continue to lead the Company's strategy to develop our existing assets, optimize our portfolio through targeted asset sales, strengthen our balance sheet and drive capital efficiencies throughout our organization. We believe Chesapeake's brightest days lie ahead, and we look forward to delivering maximum value to shareholders as we develop our exceptional asset base.

We view our proxy statement as a vital communications opportunity; therefore, we endeavor to provide our investors with fulsome information using plain language in a format that is clear and easy to read. We invite you to read the governance highlights that follow this letter, which supply a roadmap for our proxy statement and provide detail on the Company's significant changes over the past year in the areas of corporate governance and executive compensation. We encourage you to read the entire proxy statement and our annual report carefully before voting.

Optimal Corporate Governance Practices

As you will see throughout the governance highlights and proxy statement, we are committed to maintaining corporate governance practices that are optimal for the Company. Over the past year, we have implemented governance reforms focused on enhancing financial and management oversight, Board accountability to shareholders and corporate responsibility. We have also continued to build on the Company's engagement and outreach efforts over the past few years, further emphasizing our belief that shareholders are key participants in the governance process.

Aligning Pay and Performance

As a part of our commitment to exceptional governance practices, we want to ensure that the Company's executive compensation programs appropriately tie executive pay to Company performance. With the assistance of an independent compensation consultant, our Compensation Committee undertook a comprehensive review of the Company's executive compensation programs. As more fully described in the governance highlights and proxy statement, the Committee has implemented substantial changes designed to optimize alignment of our executives' interests with those of our shareholders, including using formulaic annual and long-term performance-based incentive plans and ending substantially all perquisites.

Promising Future

After a difficult year in which we saw decade-low natural gas prices and experienced unprecedented scrutiny, Chesapeake has emerged as a strong company with a promising future. We believe that our corporate governance and executive compensation reforms further strengthen the Company by enhancing oversight and accountability. As we look ahead, we are excited about the tremendous value creation opportunities in front of us as our dedicated management team continues to execute on our business strategy. As stewards of the Company, we are committed to acting in the best interests of Chesapeake and all its shareholders. Thank you for your investment.

Archie W. Dunham
Chairman of the Board

Bob G. Alexander

Vincent J. Intrieri

R. Brad Martin

Merrill A. "Pete" Miller, JR.

Frederic M. Poses

Louis A. Raspino

Thomas L. Ryan

Back to Contents

Governance Highlights

CORPORATE GOVERNANCE

The Board exists to serve the long-term interests of the Company and its shareholders. The Board takes this responsibility seriously and believes a key component of its role at the Company is to establish an effective corporate governance model. In the past year, the Board has implemented governance reforms focused on enhancing financial and management oversight, Board accountability to shareholders and corporate responsibility. The Board also endeavors to continually improve its shareholder outreach efforts and provide a clear understanding of the Company's corporate governance, as demonstrated by our efforts to make our proxy statement more useful to shareholders.

Ensuring Good Governance

In little more than a year, the Company has taken great strides to maximize oversight and accountability to shareholders. This underscores the Board's commitment to maintaining leading corporate governance practices that are in the best interests of Chesapeake and its shareholders.

Chesapeake Governance Evolution

Back to Contents

Board Leadership Structure

The Company's leadership structure has evolved over the past year with the separation of the Chairman and CEO roles and appointment of Archie W. Dunham as the Company's independent, non-executive Chairman of the Board. Through the appointment of a non-executive Chairman, the Board has further strengthened its independent leadership, which the Board believes is a critical aspect of effective governance. On March 29, 2013, the Company announced the establishment of a three-person Office of the Chairman while the Board continues its search for the Company's next CEO. The Office of the Chairman consists of Mr. Dunham, Steven C. Dixon, the Company's Acting CEO and Chief Operating Officer, and Domenic J. Dell'Osso, Jr., the Company's Executive Vice President and Chief Financial Officer. The Office of the Chairman provides oversight of strategic, operational and financial matters as well as certain day-to-day management responsibilities.

See page 5 of the proxy statement for more details on the Company's Board leadership structure.

Back to Contents

Members of the Chesapeake Board

The Board has changed significantly over the past year. In June 2012, the Board appointed an independent, non-executive Chairman and four other new independent directors. The Board also recently appointed Louis A. Raspino to the Board and as the chairman of the Audit Committee and Thomas L. Ryan to the Board and as a member of the Audit Committee. As the Company has previously announced, shareholders will vote on all directors at the 2013 annual meeting. The Board believes that each member of the Board is well qualified to guide the Company in maximizing shareholder value.

Board Balance

The Board seeks a mix of directors with the qualities that will achieve the ultimate goal of a well-rounded, diverse Board that thinks critically yet functions effectively by reaching informed decisions. The Nominating, Governance and Social Responsibility Committee's charter was recently amended to ensure that diverse candidates are included in all director searches, taking into account race, gender, age, culture, thought and geography. The Committee and the Board believe that a boardroom with a wide array of talents and perspectives leads to innovation, critical thinking and enhanced discussion. Additionally, the Committee expects each of the Company's directors to have proven leadership, sound judgment, integrity and a commitment to the success of the Company. The charts below illustrate the Board's tenure, experience and qualifications.

Tenure, Experience and Qualifications

See page 9 of the proxy statement for the biographies of each of the Company's directors.

Back to Contents

CREATING SHAREHOLDER VALUE

2012 was a year of substantial accomplishment. The Company continued its transition to an operational focus on asset development, having concluded its large-scale leasehold acquisition phase, and exited ancillary businesses that are no longer integral parts of its overall business strategy. Further, low natural gas prices in 2012 and early 2013 confirmed the Company's strategy, initiated in 2011, to focus on increasing liquids production. In 2012, the Company executed asset sales of approximately $12 billion of assets and delivered one of the best liquids growth stories in the industry, with liquids production up approximately 54% on average relative to 2011.

Key 2012 Operational Achievements

In 2012, Chesapeake delivered the following major operational accomplishments:

- We increased liquids production by 54%, or approximately 46,770 bbls per day. Chesapeake's year-over-year oil production growth was 84%, or approximately 38,950 bbls per day, and natural gas liquids production growth was 19%, or approximately 7,820 bbls per day.

- We increased production by 19% (net of asset sales) to an average of 3.89 bcfe per day, consisting of approximately 3.08 bcf of natural gas (80% on a natural gas equivalent basis) and approximately 133,550 bbls of liquids, consisting of approximately 85,420 bbls of oil (13% on a natural gas equivalent basis) and approximately 48,130 bbls of natural gas liquids (7% on a natural gas equivalent basis).

- We added 5.0 tcfe, or 840 million barrels of oil equivalent (mmboe), of new proved reserves (net of nonprice-related revisions) through the drillbit; however, primarily as a result of lower natural gas prices, the Company recorded downward price-related revisions of 5.4 tcfe, or 902 mmboe, during 2012.

Core of the Core Strategy

In 2012, we embarked on a two-year asset divestiture program to fund our capital expenditures, reduce our financial leverage and focus our operational efforts on our best plays. In pursuing our "core of the core" strategy, we sold nearly $12 billion of assets and built on already strong liquids production growth and cost discipline trends. Some of our major asset sales in 2012 included:

- Sale of Permian Basin assets in three separate transactions for total net cash proceeds of approximately $3.1 billion plus $466 million of additional consideration, subtantially all of which we have received or expect to receive in 2013.

-

Sale of all of our interests in Chesapeake Midstream Partners, L.P., now Access Midstream Partners, L.P., and the sole member of its general partner for cash proceeds of $2.0 billion.

•

Sale of Chesapeake Midstream Operating, L.L.C., which held a substantial majority of our midstream business, to Access Midstream Partners, L.P. for cash proceeds of approximately $2.2 billion, subject to post-closing adjustments.

•

Monetization of certain of our producing assets in the Anadarko Basin Granite Wash through a ten-year volumetric production payment for proceeds of approximately $744 million.

For more information regarding the Company's performance, see our 2012 annual report.

Back to Contents

ALIGNING PAY AND PERFORMANCE

Response to 2012 “Say on Pay” Vote

At our 2012 annual meeting of shareholders, approximately 80% of shares were cast “against” our named executive officer compensation. Shortly thereafter, in June 2012, the Board appointed five new independent directors, as discussed earlier in these governance highlights. The Compensation Committee, entirely comprised of new members, two of which were appointed to the Board at the recommendation of our largest shareholder, considered the results of the advisory vote and believed it conveyed our shareholders’ dissatisfaction with the Company’s executive compensation in light of performance. The Compensation Committee engaged in a comprehensive review of the Company’s executive compensation system, considering the outcome from the 2012 annual meeting as well as ongoing dialogue with our shareholders, with a goal of ensuring that the Company’s compensation programs appropriately tie executive pay to Company performance. To assist in its review, the Compensation Committee engaged Frederic W. Cook & Co., Inc. as its independent compensation consultant.

The Compensation Committee’s decisions regarding the Company’s executive compensation system in 2012 included the following:

- Reduced 2012 total CEO compensation by approximately $1 million, including no 2012 annual incentive compensation, following a reduction of 2011 total CEO compensation of over $3 million.

- Pursued a compensation philosophy that emphasizes pay for performance and targets peer median compensation levels.

- Exercised downward discretion to further reduce payouts calculated based on a formulaic assessment of Company performance under the annual incentive program in 2012 to an average of approximately 50% of 2011 annual incentive payouts for the named executive officers and, after considering Mr. McClendon’s recommendation to such effect, awarded no annual incentive compensation to Mr. McClendon.

- Held base salaries flat in 2012 for the majority of our named executive officers.

- Entered into new executive employment agreements that contain substantial changes, including the elimination of “single-trigger” change-of-control cash payments and cash payments upon death or disability.

- Significantly reduced perquisites for executive officers, including eliminating, or further limiting in the case of Mr. McClendon, personal use of fractionally owned Company aircraft.

Additional traits of the redesigned executive compensation system are summarized below, with asterisks indicating new or enhanced elements of the compensation system since the beginning of 2012:

What We Do	What We Don't Do
Award annual incentive compensation and over 50% of long-term compensation subject to achievement of objective pre-established performance goals tied to operational and strategic objectives*	No tax gross ups for executive officers

Back to Contents

2012 Pay for Performance Alignment

For 2012, the Compensation Committee adopted a comprehensive, market-based approach to the design and administration of our executive compensation system that is linked to the Company's strategic plan. As shown below, our redesigned compensation system continues to utilize base salary and restricted stock awards and features the following performance-based components: (i) annual incentive awards and (ii) performance share unit (PSU) awards under our Long Term Incentive Plan.

Under our 2012 performance-based executive compensation system, we have:

- Introduced a substantial portion of "at-risk" compensation
- Replaced annual discretionary cash bonuses with performance-based annual incentive awards
- Reformulated long-term incentive awards to include a mix of PSU awards and restricted stock awards
- Allocated a substantial portion of the total compensation for each executive officer to compensation elements that align the interests of our executive officers with our shareholders

2013 Executive Compensation System

For 2013, the connection between pay and performance is further reflected in the Compensation Committee's executive compensation decisions, including:

- Entered into new executive employment agreements that contain substantial changes from the Company's previous executive employment agreements, including the elimination of "single-trigger" change-of-control cash payments and cash payments upon death or disability.
- Maintained base salaries at 2012 levels, except with regard to Mr. Dixon, whose base salary was increased in connection with his appointment as Acting CEO effective April 1, 2013.
- Implemented a new Annual Incentive Plan and based annual incentive opportunities on the Company's performance relative to eleven pre-established objective operational and financial performance goals.

•

Reduced target payout of long-term incentive awards for named executive officers by approximately 10% from 2012 target levels.

CEO Separation Arrangements

On April 1, 2013, Mr. McClendon ceased serving as President and CEO of the Company and as a director of its Board. On April 18, 2013, the Company and Mr. McClendon entered into a Founder Separation and Services Agreement, effective January 29, 2013. The agreement provides that Mr. McClendon will receive all of the rights, benefits and obligations owed to him for a termination without cause under his employment agreement.

For more information regarding our executive compensation, please refer to page 24 of our proxy statement.

Back to Contents

2013 ANNUAL MEETING OF SHAREHOLDERS

Please cast your vote right away on all of the proposals listed below to ensure that your shares are represented.

Vote Right Away

Even if you plan to attend our annual meeting in person, please read this proxy statement with care and vote right away using any of the following methods. **In all cases, have your proxy card or voting instruction form in hand and follow the instructions.**

		More information	**Board recommendation**	**Votes required for approval**
PROPOSAL 1	To elect directors	Page 8	FOR each nominee	50% of votes cast
PROPOSAL 2	To vote on a proposal to declassify our Board	Page 12	FOR	66 2/3% issued and outstanding
PROPOSAL 3	To vote on a proposal to implement proxy access	Page 13	FOR	66 2/3% issued and outstanding
PROPOSAL 4	To vote on a proposal to eliminate supermajority voting requirements	Page 15	FOR	66 2/3% issued and outstanding
PROPOSAL 5	To vote on a proposal to amend our 2003 Stock Award Plan for Non-Employee Directors	Page 18	FOR	Majority of votes cast*
PROPOSAL 6	To approve our named executive officer compensation	Page 55	FOR	Majority of votes cast
PROPOSAL 7	To vote on a proposal to amend our Long Term Incentive Plan	Page 56	FOR	Majority of votes cast*
PROPOSAL 8	To vote on a proposal to adopt our Annual Incentive Plan	Page 61	FOR	Majority of votes cast
PROPOSAL 9	To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm	Page 64	FOR	Majority of votes cast
PROPOSALS 10-12	Shareholder proposals	Pages 65-69	AGAINST each proposal	Majority of votes cast

** Total votes cast also must represent a majority of shares entitled to vote.*

This page intentionally left blank.

Notice of Annual Meeting of Shareholders
June 14, 2013

10:00 a.m.

Chesapeake Energy Corporation, 6100 North Western Avenue, Oklahoma City, Oklahoma

To the Shareholders of Chesapeake:

The 2013 annual meeting of shareholders of Chesapeake will be held at Chesapeake's corporate headquarters on Friday, June 14, 2013 at 10:00 a.m., local time, for the following purposes:

1.

To elect directors;

2.

To vote on a proposal to declassify our Board;

3.

To vote on a proposal to implement proxy access;

4.

To vote on a proposal to eliminate supermajority voting requirements;

5.

To vote on a proposal to amend our 2003 Stock Award Plan for Non-Employee Directors;

6.

To approve our named executive officer compensation;

7.

To vote on a proposal to amend our Long Term Incentive Plan;

8.

To vote on a proposal to adopt our Annual Incentive Plan;

9.

To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm;

10.

To consider three shareholder proposals, if properly presented at the meeting; and

11.

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

In order to vote on the matters brought before the meeting, you may complete and mail the proxy card, vote by telephone or vote on the Internet, as explained on the proxy card. Holders of record of the Company's common stock at the close of business on April 15, 2013 are entitled to notice of, and to vote at, the meeting.

If you plan to attend the meeting, you must request an admission ticket in advance. For details, please refer to page 3 of the proxy statement.

By Order of the Board of Directors

Jennifer M. Grigsby

Senior Vice President, Treasurer and Corporate Secretary

May 3, 2013

Oklahoma City, Oklahoma

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on June 14, 2013:

This proxy statement and the Company's annual report for 2012 are available at www.chk.com/proxy.

Proxy Statement

Table of Contents

WELCOME TO THE CHESAPEAKE ANNUAL MEETING	1	
Meeting Information	1	
CORPORATE GOVERNANCE	4	
Board of Directors	4	
VOTING ITEM 1: Election of Directors		8
VOTING ITEM 2: Proposal to Declassify our Board		12
VOTING ITEM 3: Proposal to Implement Proxy Access		13
VOTING ITEM 4: Proposal to Eliminate Supermajority Voting Requirements		15
Director Compensation	16	
VOTING ITEM 5: Proposal to Amend 2003 Stock Award Plan for Non-Employee Directors		18
Transactions with Related Persons	19	
Beneficial Ownership	22	
EXECUTIVE COMPENSATION	24	
Compensation Discussion and Analysis	24	
Executive Compensation Tables	41	
Post-Employment Compensation	48	
VOTING ITEM 6: Shareholder Advisory Vote to Approve Named Executive Officer Compensation		55
VOTING ITEM 7: Proposal to Amend Long Term Incentive Plan		56
VOTING ITEM 8: Proposal to Adopt Annual Incentive Plan		61
VOTING ITEM 9: Ratification of Independent Registered Public Accounting Firm		64
SHAREHOLDER PROPOSALS	65	
VOTING ITEM 10: Shareholder Proposal Relating to Creation of Risk Oversight Committee		65
VOTING ITEM 11: Shareholder Proposal Relating to Re-Incorporation in Delaware		66
VOTING ITEM 12: Shareholder Proposal Relating to Accelerated Vesting of Senior Executives' Equity Awards Upon a Change of Control		68
OTHER MATTERS	70	

Back to Contents

WELCOME TO THE CHESAPEAKE ANNUAL MEETING

Meeting Information

Our Board of Directors is soliciting your proxy to vote your shares at our 2013 annual meeting of shareholders. In connection with this solicitation, we are providing you with a Notice of Internet Availability of Proxy Materials and access to these proxy materials, which include this 2013 proxy statement, the proxy card for our 2013 annual meeting and our 2012 annual report. Unless the context otherwise requires, the terms "we," "our," "us," the "Company" or "Chesapeak as used in this proxy statement refer to Chesapeake Energy Corporation. Our annual meeting will be held on June 14, 2013 at 10:00 a.m. at Chesapeake's corporate headquarters located at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118.

Shareholders of record on April 15, 2013, the record date, are entitled to notice of, and to vote at the meeting and any adjournment or postponement thereof. On the record date, there were 669,415,840 shares of our common stock outstanding and 653,677,421 shares entitled to vote at the meeting. A majority of the shares of common stock entitled to vote must be represented at the annual meeting, in person or by proxy, to constitute a quorum and to transact business. Each outstanding share of common stock is entitled to one vote, except unvested shares of our restricted stock issued prior to January 1, 2013 to our directors, employees and consultants, which do not have voting rights.

Notice of Internet Availability of Proxy Materials

In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission, or SEC, instead of mailing a printed copy of our proxy materials, including our annual report, to each shareholder of record, we now generally furnish proxy materials to our shareholders on the Internet at *www.chk.com/proxy*. Unless you have previously signed up to receive your materials in paper, you will receive a document entitled *Notice of Internet Availability of Proxy Materials*, which we also refer to as the Notice, and will not receive a printed copy of the proxy materials unless you specifically request them. Instead, the Notice will provide instructions for using the Internet to access and review all of the information contained in the proxy materials. The Notice also provides you instructions for submitting your proxy via the Internet. Instructions for requesting printed proxy materials are included in the Notice. Notices are distributed by mail, unless you previously signed up to receive your proxy materials electronically, in which case they will be emailed to you. Below is a summary of the various delivery methods:

- *Shareholders who previously signed up to receive proxy materials electronically.* If you previously signed up to receive proxy materials electronically, we will send the Notice to you via e-mail, to the last e-mail address you have supplied to us. We will e-mail electronic Notices on or about May 3, 2013.

- *Shareholders who previously signed up to receive printed proxy materials by mail.* If you previously submitted a valid election to receive all proxy materials in printed format, we will send you a full set of printed proxy materials, including our annual report. We will begin mailing these materials on or about May 6, 2013.

-

All other shareholders. If you have not submitted any elections, we will send you a printed Notice by mail. We will begin mailing Notices on or about May 3, 2013.

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. You will continue to receive all shareholder communications electronically until you change this election at *www.icsdelivery.com/chk*. Electronic distribution saves us 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.

Voting Methods

You may vote your shares through one of the following methods:

- *In person at the annual meeting*. All shareholders of record may vote in person at the meeting. Beneficial owners may vote in person at the meeting if they have a legal proxy from their bank, broker or other intermediary.

- *By telephone or Internet.* All shareholders of record may vote by telephone from the U.S., Puerto Rico and Canada, using the toll-free telephone number on the proxy card, or through the Internet, using the procedures and instructions described on the proxy card. Beneficial owners may vote by telephone or Internet if their bank, broker or other intermediary makes those methods available, in which case they will include the instructions with the proxy materials. Shareholders may also vote through the Internet via *www.proxyvote.com*.

- *By written proxy.* All shareholders of record can vote by written proxy card. If you received a printed copy of these proxy materials by mail, you may vote by signing, dating and mailing the enclosed proxy card, or if you are a beneficial owner, you may request a written proxy card or a vote instruction form from your bank, broker or other intermediary.

Back to Contents

If you are a Chesapeake employee and you participate in the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan, or the 401(k) Plan, you may receive a proxy via email so that you may instruct the trustee of the 401(k) Plan how to vote your 401(k) Plan shares. If you also hold shares directly, you may receive one proxy for both your directly held and 401(k) Plan shares which will allow you to vote those shares as one block. Please note, however, that since you only vote one time for all shares you own directly and in the 401(k) Plan, your vote on each voting item will be identical across all of those shares. To allow sufficient time for the trustee to vote the 401(k) Plan shares, your voting instructions must be received by 10:59 p.m. (CDT) on June 12, 2013. If you do not vote your proxy, the trustee will vote the 401(k) Plan shares credited to your 401(k) Plan account in the same proportion as the 401(k) Plan shares of other participants for which the trustee has received proper voting instructions.

Voting Instructions

Your shares of Chesapeake stock will be voted in accordance with your instructions. If you return the proxy card but do not specify voting instructions on the proxy card, the shares will be voted:

- **FOR** all director nominees (see page 8);
- **FOR** the proposal to declassify our Board (see page 12);
- **FOR** the proposal to implement proxy access (see page 13);
- **FOR** the proposal to eliminate supermajority voting requirements (see page 15);
- **FOR** the amendment to our 2003 Stock Award Plan for Non-Employee Directors (see page 18);
- **FOR** the shareholder advisory vote to approve named executive officer compensation (see page 55);
- **FOR** the amendment to our Long Term Incentive Plan (see page 56);
- **FOR** the adoption of our Annual Incentive Plan (see page 61);
-

FOR ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm (see page 64); and

•

AGAINST voting items 10-12 (see pages 65-69).

In the absence of instructions to the contrary, proxies will be voted in accordance with the judgment of the person exercising the proxy on any other matter properly presented at the annual meeting.

Under the rules of the New York Stock Exchange, or NYSE, 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 only in the ratification of the appointment of our independent public accountants. In the absence of specific instructions from you, your broker is not empowered to vote your shares on any other matter to be voted on at the meeting.

Votes Necessary on Ballot Items

Voting Item	**Vote Required to Elect or Approve**
• Election of Director Nominees	• Each director must receive a number of "for" votes equal to or greater than votes cast "against" with respect to such director, or such director will comply with the Company's resignation procedures.
• Declassify Board • Implement Proxy Access • Eliminate Supermajority Voting Requirements	• Each proposal requires the affirmative vote of sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding common stock of the Company.
• Amendment to 2003 Stock Award Plan for Non-Employee Directors • Amendment to Long Term Incentive Plan	• Each proposal requires the affirmative vote of a majority of shares of common stock present, in person or by proxy. In addition, the NYSE requires that the total votes cast on each proposal must represent greater than fifty percent (50%) of all shares entitled to vote.
•	•

Shareholder Advisory Vote to Approve Named Executive Officer Compensation • Annual Incentive Plan • Ratification of Appointment of Independent Registered Public Accounting Firm	Each proposal requires the affirmative vote of a majority of shares of common stock present, in person or by proxy.
• Shareholder Proposals	• Each proposal requires the affirmative vote of a majority of shares of common stock present, in person or by proxy, provided such proposal is properly presented at the meeting.

Revoking Proxies

You may revoke your proxy at any time before it is voted by (i) executing and submitting a revised proxy; (ii) providing a written revocation to the Corporate Secretary of the Company; or (iii) voting in person at the meeting. If you do not hold your shares directly, you should follow the instructions provided by your bank, broker or other intermediary to revoke your previously voted proxy.

Back to Contents

Counting Votes

The Company will appoint an inspector of election to tabulate votes and certify the results of matters voted upon at the meeting. It is the Company's policy to (i) count abstentions and broker non-votes for purposes of determining the presence of a quorum at the meeting; (ii) 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) consider neither abstentions nor broker non-votes in determining results of plurality votes.

Voting Results

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

Proxy Solicitation

The Company will bear the cost of solicitation of proxies. We have engaged AST Phoenix Advisors to assist in the solicitation of proxies for fees and disbursements not expected to exceed $25,000 in the aggregate. In addition, employees and representatives of the Company may solicit proxies, and we will request banks and brokers or other similar agents or fiduciaries to transmit the proxy materials to the beneficial owners for their voting instructions.

Householding

We are permitted to send a single Notice and any other proxy materials we choose to mail to shareholders who share the same last name and address. This procedure is called "householding" and is intended 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 (i) by email at *investorinfo@chk.com*; (ii) by telephone at (405) 935-8000 or (iii) in writing to the following address: Attn: Investor Relations, P.O. Box 18496, Oklahoma City, Oklahoma 73154. If you hold your shares through a broker or other intermediary and would like additional copies of the Notice and any other proxy materials we mail, or if you are currently receiving multiple copies of the Notice or proxy materials and would like to request householding, please contact your broker.

Attending the Annual Meeting

If you plan to attend the annual meeting, you must request an admission ticket in advance. Tickets will be issued to registered and beneficial owners as of the record date, or their legal proxy holders, and to one guest accompanying each registered or beneficial owner, subject to our discretion based on space availability and the relationship of the guest to the registered or beneficial owner. You may request tickets by visiting *www.chk.com/proxy* and providing the required information.

Please note that if you hold your shares through a bank, broker or other intermediary, you will be required to provide proof of share ownership, such as a copy of the portion of your voting instruction form showing your name and address, a bank or brokerage firm account statement or a letter from the bank, broker or other intermediary holding your shares, confirming ownership.

Requests for admission tickets must be received by the Company no later than June 7, 2013. Please note that seating at the annual meeting will be limited. Requests for tickets will be processed as they are received but ticket issuance will be based on ownership confirmation by the Company. On the day of the meeting, each shareholder will be required to present a valid picture identification such as a driver's license or passport with his or her admission ticket.

Please refer to the admission ticket for details regarding safety, security and other processes related to annual meeting attendance.

Back to Contents

CORPORATE GOVERNANCE

The Board of Directors has adopted Corporate Governance Principles, which include information regarding the Board's role and responsibilities, director qualifications and determination of director independence and other guidelines, and charters for each of the Board committees. The Board has also 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. These documents, along with the Company's Certificate of Incorporation and Bylaws, provide the framework for the functioning of the Board. The Corporate Governance Principles, as well as the Code of Business Conduct and Ethics and all committee charters are available on the Company's website at *www.chk.com* in the Corporate Governance sub-section of the section entitled "About". Waivers of provisions of the Code as to any director or executive officer and amendments to the Code of Business Conduct and Ethics must be approved by the Audit Committee of the Board, and we will post required disclosure about any such waiver or amendment on our website within four business days of such approval.

Board of Directors

The Company's Board of Directors has changed significantly over the past year. In June 2012, after extensive discussions with the Company's major shareholders, the Board appointed Archie W. Dunham as the Company's independent, non-executive Chairman of the Board and Aubrey K. McClendon, our co-founder and then-CEO, stepped down as Chairman. The Board also appointed four other new independent directors, Bob G. Alexander, Vincent J. Intrieri, R. Brad Martin and Frederic M. Poses, to replace four directors in office at that time. Messrs. Alexander, Martin and Poses were appointed in connection with discussions with the Company's largest shareholder, Southeastern Asset Management, or SAM, and Mr. Intrieri was appointed in connection with discussions with Carl C. Icahn. The Board also recently appointed Louis A. Raspino and Thomas L. Ryan to serve as directors of the Company. Mr. Ryan, who replaced Louis A. Simpson when he recently resigned from the Board, was recommended to the Board by SAM. Since the Board's reconstitution, the Board has appointed new members and new chairmen to each of its committees, including Mr. Raspino, who replaced V. Burns Hargis as the chairman of the Audit Committee. On April 1, 2013, Mr. McClendon ceased serving as President, CEO and a director of the Company.

Board Culture and Focus

The newly constituted Board has established a boardroom dynamic that results in informed decisions through meaningful and robust discussion, where views are readily challenged based on each director's diverse background and opinions. Each member of the Board is committed to maximizing shareholder value and promoting shareholder interests. The Board's key areas of focus are on the Company's strategy and vision, enhancing financial and management oversight, Board accountability and risk management. The Board has demonstrated its focus through the following actions: (i) formation of Board working groups to evaluate certain Company matters, including budgetary and overhead expense matters (see *"—Board Leadership Structure and Oversight"* below), (ii) submission of proposals to implement leading corporate governance practices related to Board accountability, including Board declassification, proxy access and removal of supermajority voting provisions (see *"Voting Item 2: Proposal to Declassify our Board"*, *"Voting Item 3: Proposal to Implement Proxy Access"* and *"Voting Item 4: Proposal to Eliminate Supermajority Voting Requirements"* below), (iii) development of an executive compensation system that appropriately ties executive pay to Company performance (see *"Executive Compensation—Compensation Discussion and Analysis"*) and (iv) full Board evaluation of significant Company risks at each regular meeting, including commodity price and environmental, health and safety risks (see *"—Board Role in Risk Oversight"* below).

Board Independence

The Board, through its Nominating, Governance and Social Responsibility Committee, evaluates the independence of each director in accordance with the NYSE corporate governance standards. The Committee has considered transactions and relationships between the Company (and/or any of its executive officers) and each director or any member of his or her immediate family. Based on this review, the Committee affirmatively determined that all currently serving directors are independent.

In assessing director independence, the Committee considered the business the Company conducted in 2010, 2011 and 2012, including payments made by the Company to National Oilwell Varco, Inc. (NYSE:NOV), for which Mr. Miller serves as Chairman, President and Chief Executive Officer. The Company's business transactions with NOV were all conducted in the ordinary course of business. Payments made to NOV represented 0.56%, 0.98% and 0.76% of NOV's gross revenues during 2010, 2011 and 2012, respectively, well below the 2.0% of gross revenues threshold under the NYSE director independence rules. In assessing the independence of Messrs. Dunham and Martin, the Committee also considered payments made by the Company to (i) Union Pacific Corporation (NYSE:UNP), for which Mr. Dunham serves as a director, and (ii) FedEx Corporation (NYSE:FDX), for which Mr. Martin serves as a director, which payments were, in each case, nominal. 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 independent directors.

Back to Contents

Board Leadership Structure and Oversight

The Company's leadership structure has evolved over the past year with the separation of the Chairman and CEO roles and appointment of Archie W. Dunham as the Company's independent, non-executive Chairman of the Board. The Board believes that this leadership structure provides an effective governance framework for the Company. Through the appointment of a non-executive Chairman, the Board has further strengthened its independent leadership, which the Board believes is a critical aspect of effective governance.

The chart below details the purpose of each level of hierarchy in the Company's leadership structure, including certain working groups formed by the Board in 2012, and provides additional detail on composition, meetings and 2012 activities with regard to the Board. More detail with regard to the composition, meeting and 2012 activities of each of the committees can be found below under *"—Board Committees"*.

(1)

The Board formed various informal working groups to work alongside management to evaluate certain focus areas of the Board in 2012. The working groups communicated regularly and working group activities were reported to the full Board.
Outside of formal Board and committee meetings and informal working group meetings, management frequently discusses matters with directors on an informal basis. Non-employee directors meet without management at each regularly scheduled Board meeting. Mr. Dunham presides over meetings of the non-employee directors. On March 29, 2013, the Board established a three-person Office of the Chairman while the Board continues its search for the Company's next CEO. The Office of the Chairman consists of Mr. Dunham, Steven C. Dixon, the Company's Acting CEO and Chief Operating Officer, and Domenic J. Dell'Osso, Jr., the Company's Executive Vice President and Chief Financial Officer. The Office of the Chairman provides oversight of strategic, operational and financial matters as well as certain day-to-day management responsibilities.

Each director attended, either in person or by telephone conference, at least 75% of the Board and committee meetings held while serving as a director or committee member in 2012. The Company expects all serving directors to attend annual meetings of shareholders. All directors serving at the time of the 2012 annual meeting, except one, attended the meeting.

Back to Contents

Board Committees

The Company currently has three standing committees: an Audit Committee, a Compensation Committee and a Nominating, Governance and Social Responsibility Committee or Nominating Committee. Each committee has a charter which can be found on our website at *www.chk.com* in the Corporate Governance sub-section of the section entitled "About". A biographical overview of the members of our committees can be found beginning on page 9.

AUDIT COMMITTEE

Members: **3**

Independent: **3**

Audit Committee Financial Experts: **3**

2012 Meetings: **5** in person, **7** telephonic

"It is an honor to serve on the Board of this great company. As Audit Committee chairman, I look forward to working with Messrs. Miller and Ryan to ensure the effectiveness of our oversight function."

Chairman:

Louis A. Raspino

Members:

Merrill A. ("Pete") Miller, Jr.
Thomas L. Ryan

Responsibilities:

• Oversee the integrity of the Company's financial statements and disclosure

• Oversee the Company's compliance with legal and regulatory requirements

• Oversee the Company's internal audit function

• Appoint and oversee the independent auditor

• Oversee the Company's enterprise risk management program

• Oversee the Employee and Vendor Hotline for anonymous reporting of questionable activity

Significant 2012 Events:

• Undertook a comprehensive review of CEO personal financing and other related party arrangements

• Undertook a comprehensive review of legal matters related to 2010 leasing activities in Michigan

• Oversaw management of high volume of other legal matters and regulatory inquiries

COMPENSATION COMMITTEE

Members: **3**

Independent: **3**

2012 Meetings: **3** in person, **4** telephonic

"I am extremely proud of the work of the Compensation Committee over the past 18 months, which clearly demonstrates the Board's philosophy that Chesapeake pays for performance."

Chairman:

Merrill A. ("Pete") Miller, Jr.

Responsibilities:

Significant 2012 Events:

Members:

Bob G. Alexander

R. Brad Martin

- Establish compensation policies that effectively attract, retain and motivate executive officers
- Establish goals and objectives relevant to CEO compensation, evaluate CEO performance and set CEO compensation levels
- Periodically evaluate succession plans for executive officers
- Evaluate and recommend to the Board compensation of directors and other executive officers
- Oversee and administer the Company's compensation plans
- Establish and monitor compliance with stock ownership guidelines

- Adopted formal compensation philosophy that emphasizes pay for performance and targets peer median compensation
- Substantially reduced 2012 annual incentive compensation and perquisites for executive officers, including elimination of personal use of fractionally owned Company aircraft by executive officers
- Approved new executive employment agreements with substantial changes, including elimination of "single-trigger" change of control payments

NOMINATING COMMITTEE

Members: **4**

Independent: **4**

2012 Meetings: **3** in person, **1** telephonic

"I am delighted to head a Committee that has directed so many meaningful changes over the past year. We will continue to be dedicated to ensuring the Company maintains an effective corporate governance model."

Chairman:

R. Brad Martin

Members:

Archie W. Dunham

Vincent J. Intrieri

Frederic M. Poses

Responsibilities:

- Establish criteria for Board and committee membership and selection of new directors
- Evaluate and recommend nominees for Board service
- Periodically assess and advise the Board on sufficiency of the size and diversity of the Board
- Periodically evaluate the Company's Corporate Governance Principles and make recommendations to the Board on corporate governance matters
- Oversee compliance by the Board and management with the Company's Corporate Governance Principles and its Code of Business

Significant 2012 Events:

- Undertook a comprehensive review of corporate governance practices resulting in declassification, proxy access and supermajority voting elimination proposals
- Adopted policies regarding political and trade association payment oversight and disclosure
- Amended charter to address matters of corporate social responsibility and Board diversity
- Oversaw publication of inaugural corporate responsibility report

Conduct and Ethics

• Oversee policies, programs and practices respecting corporate social responsibility

Back to Contents

Board Role in Risk Oversight

The Board has primary responsibility for risk oversight. The Board believes it is appropriate for the full Board to determine the Company's risk appetite and risk tolerance for significant risks, such as risks related to commodity price fluctuations and environmental, health and safety matters. This allows the full Board to analyze the Company's material risks and influence the Company's business strategies in light of such risks. Certain matters related to risks inherent in their respective areas of oversight are delegated to the various Board committees, with each committee reporting to the Board at each regular Board meeting. The Audit Committee, in addition to overseeing the integrity of our financial statements and compliance with legal and regulatory requirements and risks related thereto, is primarily responsible for overseeing the Company's enterprise risk management process, which oversight includes meetings with management, internal audit and independent auditors that focus on risks facing the Company, as well as the Employee and Vendor Hotline for anonymous reporting of questionable activity. The Compensation Committee oversees risks related to our compensation programs, management retention, development and succession. The Nominating Committee oversees risks related to Board composition and the Company's leadership structure and corporate governance, reputational and social responsibility risks. A number of other processes at the Board level support our risk management efforts, including Board reviews of our long-term strategic plans, capital budget and certain capital projects, hedging policy and strategy, significant acquisitions and divestitures and capital markets transactions, together with oversight of management in carrying out their risk management responsibilities.

Internal Board Review

On February 20, 2013, we announced that our Board of Directors had received the results of its previously announced review of the financing arrangements between Mr. McClendon (and the entities through which he participates in the Founder Well Participation Program, or FWPP) and third parties identified as having a financial relationship with us, as well as other matters. The review, which was led by the Audit Committee of the Board with the assistance of independent counsel retained by the independent members of the Board in April 2012, has been completed. In connection with the review, millions of pages of documents were collected and reviewed and more than 50 interviews of Chesapeake and third-party personnel were conducted.

Over the life of the FWPP, Mr. McClendon has typically mortgaged his interests acquired under the FWPP with one or more lenders, some of which also have lending, investment or advisory relationships with the Company. Mr. McClendon's mortgages with these lenders secure loans used in whole or in part to fund FWPP well costs. See *"Transactions with Related Persons—Founder Well Participation Program"*. The review of the financing arrangements did not reveal any improper benefit to Mr. McClendon or increased cost to the Company as a result of the overlap in the financial relationships. The review also covered other relationships in which both Mr. McClendon and the Company conducted business with the same financial institutions, issues regarding administration of the FWPP and other matters. Based on the documents reviewed and interviews conducted, no intentional misconduct by Mr. McClendon or any of the Company's management was found by the Board concerning these relationships and/or these transactions and issues.

We also announced on February 20, 2013 that our Board of Directors had concluded that the Company did not violate antitrust laws in connection with the acquisition of Michigan oil and gas rights in 2010. In June 2012, we received a subpoena and demands for documents and information from the U.S. Department of Justice and state governmental agencies investigating possible antitrust violations arising from 2010 leasing activities. The Board commenced its own investigation of these allegations in June 2012 and based its conclusion on a thorough review conducted independently by outside counsel and cooperation with the Department of Justice.

Communications to the Board

Shareholders and other interested parties may communicate with the Board, either individually or as a group, through one of the processes outlined on the Company's website at *www.chk.com* in the Corporate Governance sub-section of the section entitled "About".

Director Criteria, Qualifications and Experience

The Nominating Committee periodically assesses the skills and the experience needed for the Board to properly oversee the business and affairs of the Company. The Committee then compares those skills to the skills of the current directors and potential director candidates. The Committee conducts targeted efforts to identify and recruit individuals who have the qualifications identified through this process. The Committee has used third party consultants to assist in identifying potential director nominees. The Committee considers director candidates recommended by shareholders and, in the past, has nominated appropriate candidates recommended pursuant to the foregoing process.

Chesapeake is a large, vertically integrated exploration and production company. As such, the Committee looks for its current and potential directors collectively to have a diverse mix of skills, qualifications and experience, some of which are described below:

- business leadership
- corporate governance
- energy production/distribution
- energy services
- financial expertise
- government/public policy
- international
- legal
- risk management
- technology

Back to Contents

The Committee seeks a mix of directors with the qualities that will achieve the ultimate goal of a well-rounded, diverse Board that thinks critically yet functions effectively by reaching informed decisions. The Committee's charter was recently amended to ensure that diverse candidates were included in all director searches, taking into account race, gender, age, culture, thought, leadership and geography. The Committee and the Board believe that a boardroom with a wide array of talents and perspectives leads to innovation, critical thinking and enhanced discussion. Additionally, the Committee expects each of the Company's directors to have proven leadership, sound judgment, integrity and a commitment to the success of the Company.

In evaluating director candidates and considering incumbent directors for nomination to the Board, the Committee considers a variety of factors. These include each nominee's independence, financial literacy, personal and professional accomplishments and experience in light of the needs of the Company. For incumbent directors, the factors also include past performance on the Board and contributions to their respective committees. Along with each director's biography, we have included below an assessment of the skills and experience of such director.

Voting Item 1: Election of Directors

Pursuant to provisions of the Company's Certificate of Incorporation and Bylaws, the Board has fixed the maximum number of directors at nine, subject to the rights of the holders of our preferred stock to nominate and elect two additional directors under preferred stock certificates of designation in circumstances that are not anticipated to apply. Our Certificate of Incorporation and Bylaws currently provide for three classes of directors serving staggered three-year terms, each to hold office until a successor is elected and qualified or until the director's earlier resignation or removal. Our Board is recommending that shareholders approve the declassification of our Board in this proxy statement. See *"Voting Item 2: Proposal to Declassify our Board"*. The outcome of that vote will determine whether we declassify the Board and provide for annual elections of directors beginning with the 2014 annual meeting or continue to have a classified Board.

The terms of Bob G. Alexander, Merrill A. ("Pete") Miller, Jr. and Thomas L. Ryan, each a member of Class I, expire at the meeting. The Board has nominated each of them to serve for a one-year term if shareholders approve declassification of the Board or, alternatively, for a three-year term expiring in 2016 if shareholders do not approve declassification of the Board. Due to the Company's mandatory retirement policy, Mr. Alexander's term will end at the 2014 annual meeting in either case. Mr. Ryan was appointed to the Board upon Louis A. Simpson's resignation in May 2013.

The directors currently serving in Class II and Class III have indicated their support for the elimination of the Company's classified board structure and have agreed to allow shareholders to vote on their continued service on the Board. The Class II directors consist of Vincent J. Intrieri and Frederic M. Poses, whose terms expire in 2014. Any director serving in Class II who receives a majority of votes cast in favor of his continued service on the Board will continue to serve as a director for the remainder of his term, or one year. The Class III directors consist of Archie W. Dunham, R. Brad Martin and Louis A. Raspino, whose terms expire in 2015. If declassification is approved by shareholders, any director serving in Class III who receives a majority of votes cast in favor of his continued service on the Board will serve for an additional year and his term will expire at the 2014 annual meeting, in accordance with the proposed amendment to our Certificate of Incorporation. If declassification is not approved by shareholders, any director serving in Class III who receives a majority of votes cast in favor of his continued service on the Board will serve the remainder of his term, or until 2015.

Whether or not declassification of our Board is approved by shareholders, the Company's Bylaws provide that any incumbent director, which includes all nominees, who does not receive a majority of votes cast in favor of his election, or a Majority Against Vote, will, following the certification of the shareholder vote by the inspector of

elections, promptly comply with the resignation procedures established under the Company's Corporate Governance Principles. The Class II and Class III directors have agreed that they will comply with these procedures if their continued service on the Board is not approved by a majority vote.

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

Back to Contents

Director Nominees

Bob G. Alexander

Independent Director Nominee

Age: 79

Director since: 2012

Board Committee: Compensation

Other current public directorships: TransAtlantic Petroleum Ltd. and CVR Energy, Inc.

Bob G. Alexander, 79, has been a member of our Board of Directors since June 2012. Mr. Alexander, a founder of Alexander Energy Corporation, served as Chairman of the Board, President and Chief Executive Officer of Alexander Energy from 1980 to 1996. Alexander Energy merged with National Energy Group, Inc., an oil and gas property management company, in 1996 and Mr. Alexander served as President and Chief Executive Officer from 1998 to 2006. From 1976 to 1980, Mr. Alexander served as Vice President and General Manager of the Northern Division of Reserve Oil, Inc. and President of Basin Drilling Corporation, both subsidiaries of Reserve Oil and Gas Company of Denver, Colorado. He currently serves on the Board of Directors of TransAtlantic Petroleum Ltd. (AMEX:TAT) and CVR Energy, Inc. (NYSE:CVI). Mr. Alexander also served as a director of Quest Resource Corporation from June to August 2008. Mr. Alexander has served on numerous committees with the Independent Petroleum Association of America, the Oklahoma Independent Petroleum Association and the State of Oklahoma Energy Commission. The Board believes Mr. Alexander's experience as Chief Executive Officer of two public energy companies and current service as a director of two public energy companies qualifies him to serve on the Board.

Merrill A. ("Pete") Miller, Jr.

Independent Director Nominee

Age: 62

Director since: 2007

Board Committee: Audit, Compensation (Chair)

Other current public directorships: National Oilwell Varco, Inc.

Merrill A. ("Pete") Miller, Jr., 62, has been a member of our Board of Directors since 2007 and was our Lead Independent Director from March 2010 to June 2012. 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 NOV in 1996 as Vice President of Marketing, Drilling Systems and was promoted in 1997 to President of the company's products and technology group. He was named President and Chief Operating Officer in 2000, elected President and Chief Executive Officer in 2001 and also elected Chairman of the Board in 2002. 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 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. The Board believes Mr. Miller's more than 30 years of management and executive experience in the energy industry and service as Chairman, President and Chief Executive Officer of NOV qualifies him to serve on the Board.

Thomas L. Ryan

Independent Director Nominee

Age: 47

Director since: 2013

Board Committee: Audit

Other current public directorships: Service Corporation International and Texas Industries, Inc.

Also a member of the Board of Trust Managers of Weingarten Realty Investors

Thomas L. Ryan, 47, has been a member of our Board of Directors since May 2013 when he was appointed to fill the vacancy created by the resignation of Louis A. Simpson. Mr. Ryan has been Chief Executive Officer of Service Corporation International (NYSE:SCI), a provider of deathcare products and services, since 2005 and has served as President of SCI since 2002. From 2002 to 2005, Mr. Ryan was Chief Operating Officer of SCI, and from 2000 to 2002 he was Chief Executive Officer of SCI European operations. From the time he joined SCI in 1996 to 2000, Mr. Ryan served in a variety of financial management roles. Before joining SCI, Mr. Ryan was a certified public accountant with Coopers & Lybrand LLP for eight years. Mr. Ryan is a member of the Board of Trust Managers of Weingarten Realty Investors (NYSE:WRI) and serves as a director of SCI and Texas Industries, Inc. (NYSE:TXI), a supplier of cement, aggregate and consumer product building materials. The Board believes Mr. Ryan's experience as Chief Executive Officer of SCI, extensive financial and accounting expertise and service on multiple public company boards qualifies him to serve on the Board.

Back to Contents

Vincent J. Intrieri

Independent Director Nominee

Age: 56

Director since: 2012

Board Committee: Nominating

Other current public directorships: CVR Energy, Inc., CVR Refining, LP, Federal-Mogul Corporation and Navistar International Corporation

Vincent J. Intrieri, 56, has been a member of our Board of Directors since June 2012. Mr. Intrieri has been employed by Icahn-related entities since October 1998 in various investment related capacities. Since January 2008, Mr. Intrieri has served as Senior Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages private investment funds. In addition, since November 2004, Mr. Intrieri has been a Senior Managing Director of Icahn Onshore LP, the general partner of Icahn Partners LP, and Icahn Offshore LP, the general partner of Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP and Icahn Partners Master Fund III LP, entities through which Mr. Icahn invests in securities. Mr. Intrieri has been a director of CVR Refining GP, LLC, the general partner of CVR Refining, LP (NYSE:CVRR), an independent downstream energy limited partnership, since January 2013; Navistar International Corporation (NYSE:NAV), a truck and engine manufacturer, since October 2012; CVR Energy, Inc. (NYSE:CVI), an independent petroleum refiner and marketer of high value transportation fuels, since May 2012; and Federal-Mogul Corporation (NYSE:FDML), a supplier of automotive powertrain and safety components, since December 2007. Mr. Intrieri was previously a director of Icahn Enterprises G.P. Inc., the general partner of Icahn Enterprises L.P. (NASDAQ:IEP), a diversified holding company engaged in a variety of businesses, including investment, automotive, energy, gaming, railcar, food packaging, metals, real estate and home fashion, from July 2006 to September 2012, and was Senior Vice President of Icahn Enterprises G.P. Inc. from October 2011 to September 2012; a director of Dynegy Inc. (NYSE:DYN), a company primarily engaged in the production and sale of electric energy, capacity and ancillary services, from March 2011 to September 2012; chairman of the board and a director of PSC Metals Inc., a metal recycling company, from December 2007 to April 2012; a director of Motorola Solutions, Inc. (NYSE:MSI), a provider of communication products and services, from January 2011 to March 2012; a director of XO Holdings, Inc., a telecommunications company, from February 2006 to August 2011; a director of National Energy Group, Inc., a company that was engaged in the business of managing the exploration, production and operations of natural gas and oil properties, from December 2006 to June 2011; a director of American Railcar Industries, Inc. (NASDAQ:AEII), a railcar manufacturing company, from August 2005 to March 2011, and was a Senior Vice President, the Treasurer and the Secretary of American Railcar Industries from March 2005 to December 2005; a director of WestPoint International, Inc., a manufacturer and distributor of home fashion consumer products, from November 2005 to March 2011; chairman of the board and a director of Viskase Companies, Inc., a meat casing company, from April 2003 to March 2011; a director of WCI Communities, Inc., a homebuilding company, from August 2008 to September 2009; a director of Lear Corporation (NYSE:LEA), a global supplier of automotive seating and electrical power management systems and components, from November 2006 to November 2008; and President and Chief Executive Officer of Philip Services Corporation, an industrial services company, from April 2005 to September 2008. CVR Refining, CVR Energy, Federal-Mogul, PSC Metals, XO Holdings, National Energy Group, American Railcar Industries, WestPoint, Viskase Companies and Philip Services each are or previously were indirectly controlled by Carl C. Icahn. Mr. Icahn also has or previously had a non-controlling interest in

Chesapeake, Navistar, Dynegy, Motorola Solutions, WCI Communities and Lear, in each case, through the ownership of securities. Mr. Intrieri was a certified public accountant. The Board believes Mr. Intrieri's vast executive experience and service on multiple public company boards qualifies him to serve on the Board.

Frederic M. Poses

Independent Director Nominee

Age: 70

Director since: 2012

Board Committee: Nominating

Other current public directorships: TE Connectivity Ltd. and Raytheon Company

Frederic M. Poses, 70, has been a member of our Board of Directors since June 2012. Mr. Poses is the Chief Executive Officer of Ascend Performance Materials, a private company. Previously, he was Chairman and Chief Executive Officer of Trane Inc. (formerly American Standard Companies, Inc.), a subsidiary of Ingersoll-Rand plc (NYSE:IR), from 1999 to 2008. He previously spent 30 years at AlliedSignal, Inc. and predecessor companies from 1969 to 1999, most recently as President and Chief Operating Officer. He currently serves as non-executive Chairman of the Board of Directors of TE Connectivity Ltd. (NYSE:TEL) and a director of Raytheon Company (NYSE:RTN). He is a former director of Centex Corporation (now a part of PulteGroup, Inc. (NYSE:PHM)) and WABCO Holdings Inc. (NYSE:WBC). The Board believes Mr. Poses' experience as Chief Executive Officer of publicly traded and private companies and service on multiple public company boards qualifies him to serve on the Board.

Back to Contents

Archie W. Dunham

Independent Director Nominee

Age: 74

Director since: 2012

Board Committee: Nominating

Other current public directorships: Union Pacific Corporation and Louisiana-Pacific Corporation

Archie W. Dunham, 74, has been the non-executive Chairman of our Board of Directors since June 2012, and has served as a member of the Company's three-person Office of the Chairman since March 2013. Mr. Dunham served as Chairman of ConocoPhillips (NYSE:COP) from 2002 until his retirement in 2004. Prior to that, he served as Chairman, President and Chief Executive Officer of Conoco Inc. from 1999 to 2002, after being elected President and Chief Executive Officer in 1996. Mr. Dunham currently serves on the Board of Directors of Union Pacific Corporation (NYSE:UNP) and Louisiana-Pacific Corporation (NYSE:LPX). Mr. Dunham was a director of Phelps Dodge Corporation from 1998 to 2007 and Pride International, Inc. from 2005 until May 2011. Mr. Dunham is currently a member of DeutscheBank's Americas Advisory Board and is the past Chairman of the National Association of Manufacturers, the United States Energy Association and the National Petroleum Council. The Board believes Mr. Dunham's experience as Chief Executive Officer of Conoco Inc. and Chairman of ConocoPhillips and service on multiple public company boards qualifies him to serve on the Board.

R. Brad Martin

Independent Director Nominee

Age: 61

Director since: 2012

Board Committee: Nominating (Chair), Compensation

Other current public directorships: Dillard's Inc., FedEx Corporation and First Horizon National Corporation

R. Brad Martin, 61, has been a member of our Board of Directors since June 2012. Mr. Martin is the Chairman of RBM Venture Company, a private investment company, and was recently named interim president of the University of Memphis effective July 1, 2013. He was Chairman and Chief Executive Officer of Saks Incorporated (NYSE:SKS) from 1989 to January 2006, and remained Chairman until his retirement in May 2007. Mr. Martin currently serves as a director of FedEx Corporation (NYSE:FDX), First Horizon National Corporation (NYSE:FHN) and Dillard's Inc. (NYSE:DDS), although he has notified Dillard's that he will not stand for re-election at its annual meeting of stockholders in May 2013. He was previously a director of Caesars Entertainment Corporation (NASDAQ:CZR) (formerly Harrah's Entertainment, Inc.), lululemon athletica inc. (NASDAQ:LULU), Gaylord Entertainment Company (now Ryman Hospitality Properties, Inc. (NYSE:RHP)) and Ruby Tuesday, Inc. (NYSE:RT). The Board believes Mr. Martin's experience as Chief Executive Officer of a publicly traded company for nearly 20 years and service on multiple public company boards qualifies him to serve on the Board.

Louis A. Raspino

Independent Director Nominee

Age: 60

Director since: 2013

Board Committee: Audit (Chair)

Other current public directorships: Dresser-Rand Group, Inc. and Forum Energy Technologies

Louis A. Raspino, 60, has been a member of our Board of Directors since March 2013 when he was appointed to fill the vacancy created by the retirement of V. Burns Hargis. Mr. Raspino was President and Chief Executive Officer of Pride International Inc., an international provider of contract drilling and related services to oil and natural gas companies, from June 2005 until the sale of the company in May 2011. He was the Executive Vice President and Chief Financial Officer of Pride International Inc. from December 2003 until June 2005. Before joining Pride International in December 2003, he was Senior Vice President and Chief Financial Officer of Grant Prideco, Inc., a manufacturer of drilling and completion products supplying the energy industry, from July 2001 until December 2003. Previously, he was Vice President of Finance for Halliburton Company (NYSE:HAL), Senior Vice President and Chief Financial Officer of The Louisiana Land & Exploration Company and began his career with Ernst & Young. He has been a director of Dresser-Rand Group, Inc. (NYSE:DRC) since 2005 and a director of Forum Energy Technologies, Inc. (NYSE:FET) since 2012. Mr. Raspino is a certified public accountant. The Board believes Mr. Raspino's over 35 years experience in the oil and gas industry, including serving as Chief Executive Officer of Pride International, Inc., Chief Financial Officer of three public companies and 20 years experience in the exploration and production industry, and service on multiple public company boards qualifies him to serve on the Board.

The Board of Directors recommends a vote "FOR" each of the nominees for election to the Board of Directors

Back to Contents

Voting Item 2: Proposal to Declassify our Board

We are asking shareholders to approve an amendment to our Certificate of Incorporation to effect the declassification of our Board of Directors. Currently, our Certificate provides that our Board is divided into three classes, with members of each class holding office for staggered three-year terms. One class of directors, representing approximately one-third of our directors, stands for election at each annual meeting of shareholders.

Following our 2012 annual meeting, our Board performed a comprehensive review of the Company's corporate governance practices, led by our Nominating, Governance and Social Responsibility Committee, which included the solicitation of shareholder input in this area. In connection with this review, our Board considered the issue of board declassification. In light of a recent change in the Oklahoma General Corporation Act that no longer requires our Board to be classified, and shareholder feedback on the issue, our Board, at its meeting on April 5, 2013, approved an amendment to the Certificate to declassify the Board, subject to shareholder approval.

Proposed Amendment

A summary of the proposed amendment to the Certificate is set forth below. The description of the proposed amendment to the Certificate set forth herein is qualified in its entirety by reference to the text of the proposed amendment, which is attached as Exhibit A to this proxy statement.

Amendment to Certificate

We are asking shareholders to approve an amendment to our Certificate that would eliminate the three-year classified terms of our directors and provide instead for the annual election of all directors elected at our 2014 annual meeting for one-year terms expiring at the next succeeding annual meeting, subject to a director's earlier death, resignation, retirement, disqualification or removal from office. Further, in connection with the proposed declassification of the Board, we are also proposing to amend our Certificate so that a director elected or appointed by the Board to fill any vacancy on our Board will hold office for a term expiring at the next annual meeting of shareholders. If the proposed amendment to the Certificate is approved as set forth in this Voting Item 2, all directors would be elected by shareholder vote at the 2014 annual meeting and would be elected for one-year terms to expire at the annual shareholders meeting in 2015. In addition, following the effectiveness of the amendment to the Certificate, any directors elected or appointed to fill any vacancies on the Board would be appointed for terms expiring at the next annual meeting of shareholders following such appointment. The proposed amendment will thus have the effect of shortening the existing terms of certain directors whose terms extend beyond the 2014 annual meeting. See *"Voting Item 1: Election of Directors"* for a description of the terms of each class of our directors.

Conforming Amendment to Bylaws

In connection with the amendment to our Certificate to declassify the Board, our Board has approved a conforming amendment to our Amended and Restated Bylaws which will become effective immediately following the effectiveness of the counterpart amendment to our Certificate without further action by the shareholders; provided, however, that the amendment to the Bylaws is conditioned upon shareholder approval of the proposed amendment to the Certificate. In addition to the conforming changes made in accordance with the amendment to the Certificate described above, our Board has approved changes to the Bylaws to provide that, from and after the effectiveness of the declassification of the Board, a majority of shareholders may remove any director or the entire Board of Directors with or without cause. Under Oklahoma law, shareholders may remove directors of corporations with classified

boards only for cause, while directors of corporations without classified boards may be removed with or without cause. Accordingly, the Board believes that it is appropriate to amend the Bylaws to confirm that, in accordance with Oklahoma law, from and after the effectiveness of the declassification, shareholders may remove a director with or without cause.

Effectiveness and Vote Required

If the proposed amendment to our Certificate to declassify the Board is approved, it will become effective upon the filing of such amendment with the Oklahoma Secretary of State, and the conforming changes to the Bylaws will become effective immediately following the effectiveness of the amendment to the Certificate. If the proposed amendment is not approved, the Board will continue to be divided into three classes of directors elected for three-year terms, and the shareholders will continue to be able to remove directors only for cause pursuant to the Bylaws. The affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding common stock of the Company is required to approve the amendment to our Certificate to declassify the Board.

The Board of Directors recommends a vote "FOR" amending our Certificate to declassify our Board

Back to Contents

Voting Item 3: Proposal to Implement Proxy Access

We are asking shareholders to approve an amendment to our Bylaws to permit shareholder-nominated director candidates in our proxy materials. At our 2012 annual meeting, a similar shareholder-submitted proposal received the support of a majority of shareholders who cast votes at the meeting. Our Board considered the proposal at its meeting on April 5, 2013 and, because it relates to the fundamental right of shareholders to elect directors, determined to submit this proposal to amend the Bylaws to implement proxy access.

Proposed Amendment

A summary of the proposed amendment to the Bylaws is set forth below. The description of the proposed Bylaw amendment set forth herein is qualified in its entirety by reference to the text of the proposed amendment, which is attached as Exhibit B to this proxy statement.

Shareholder Eligibility to Nominate

The proposed amendment to the Bylaws would permit any shareholder, or group of shareholders, owning 3% or more of our outstanding common stock continuously for at least the previous three years, to include a specified number of director nominees in the Company's proxy statement for its annual meeting of shareholders.

Number of Shareholder-Nominated Candidates

The maximum number of shareholder-nominated candidates would be equal to 25% of the number of directors serving on the Board at the time the notice is required to be submitted to the Company. If the 25% calculation does not result in a whole number, the maximum number of shareholder-nominated candidates would be the closest whole number below 25%. Based on our current Board size of nine directors, the maximum number of shareholder-nominated candidates that we would be required to include in our proxy materials for an annual meeting is two. The number of permitted candidates would include nominees submitted under the proxy access procedures that are either later withdrawn or that the Board subsequently determines to include in that year's proxy materials as Board-nominated candidates. If the number of shareholder-nominated candidates exceeds 25%, each nominating shareholder would select one nominee for inclusion in the Company's proxy materials until the maximum number is reached. The order of selection would be determined by the amount of shares of Company common stock (largest to smallest) held by each nominating shareholder or group of shareholders.

Nominating Procedure

In order to provide adequate time to assess shareholder-nominated candidates, requests to include director nominees in the Company's proxy materials must be received no later than the close of business on the 120th day, and no earlier than the close of business on the 150th day, prior to the first anniversary of the preceding year's annual meeting.

Information Required; Representations and Undertakings

Each shareholder seeking to include a director nominee in the Company's proxy materials would be required to provide certain information and make certain representations and undertakings at the time of nomination, including:

- Proof that the nominating shareholder or group of shareholders has held the required number of shares for the requisite period;

- The shareholder's notice on Schedule 14N required to be filed with the SEC;

- The written consent of the shareholder nominee to being named in the proxy statement as a nominee and to serving as a director if elected;

- Representations and undertakings regarding the shareholder's intent and compliance with applicable laws, including the lack of an intent to change or influence control of the Company and an undertaking to assume liability stemming from the information that the shareholder provides to the Company; and

- Representations regarding the shareholder nominee's intent and compliance with the Company's policies and procedures.

In addition, each shareholder nominee would be required to submit completed and signed questionnaires required of the Company's directors and officers and provide such additional information as necessary to permit the Board to determine if the shareholder nominee is independent under the listing standards of the principal U.S. exchange upon which the common stock of the Company is listed, any applicable rules of the SEC, or any publicly disclosed standards used by the Board in determining and disclosing the independence of the Company's directors.

Back to Contents

Calculation of Ownership

In order to ensure that the interests of shareholders seeking to include director nominees in the Company's proxy materials are aligned with those of other shareholders, such shareholder would be considered to own only the shares for which the shareholder possesses the full voting and investment rights and the full economic interest (including the opportunity for profit and risk of loss). Under this provision, borrowed or hedged shares would not count as owned shares, but shares that are loaned may count as owned shares provided the shareholder has retained full economic and voting rights over the shares.

Independence of Shareholder Nominees

A shareholder nominee would not be eligible for inclusion if the Board determines that he or she is not independent under the listing standards of the principal U.S. exchange upon which the common stock of the Company is listed, any applicable rules of the SEC, or any publicly disclosed standards used by the Board in determining and disclosing the independence of the Company's directors.

Supporting Statement

Shareholders would be permitted to include in the proxy statement a 500-word statement in support of their nominees; provided, however, that the Company may omit such statement from its proxy materials if it believes, in good faith, that the statement would be materially false or misleading, omits a material fact, or would violate any applicable law or regulation.

Re-Nomination of Shareholder Nominees

Shareholder nominees that are included in the Company's proxy materials but subsequently withdraw from, or become ineligible or unavailable for, election at the annual meeting, or that have not received at least 25% of the votes cast at the annual meeting would be ineligible to be a nominee for the next two annual meetings. In addition, the Company would not be required to include shareholder-nominated candidates in the proxy materials for any annual meeting for which any shareholder has already nominated a director for election pursuant to the advance notice provisions of the Bylaws.

Qualifications of Shareholder Nominees

If the proposed Bylaw amendment to implement proxy access is approved, the Board intends to amend the Company's Corporate Governance Principles to provide that any director or director nominee would not be qualified to be a director of the Company if he or she: (1) has been an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, within the past three years; or (2) is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in a criminal proceeding within the past ten years.

Effectiveness and Vote Required

If the proposed amendment to the Bylaws to implement proxy access is approved, it will become effective immediately and proxy access will be available for the next shareholder meeting at which directors are to be elected. The affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding common stock of the Company is required to approve the amendment to our Bylaws to implement proxy access.

The Board of Directors recommends a vote "FOR" amending our Bylaws to implement proxy access

Back to Contents

Voting Item 4: Proposal to Eliminate Supermajority Voting Requirements

We are asking shareholders to approve an amendment to our Certificate of Incorporation to eliminate supermajority voting requirements. At our 2012 annual meeting, a shareholder-submitted proposal urging the Company to take all steps necessary to remove the supermajority vote requirement received the support of a majority of shareholders who cast votes at our meeting. Our Board considered this proposal, including the amount of shareholder support it received, and, at its meeting on April 5, 2013, approved an amendment to the Certificate to eliminate supermajority voting and implement a majority voting standard, subject to shareholder approval.

Proposed Amendment

A summary of the proposed amendment to the Certificate is set forth below. The description of the proposed Certificate amendment set forth herein is qualified in its entirety by reference to the text of the proposed amendment, which is attached as Exhibit C to this proxy statement.

Amendment to Certificate

The Certificate currently requires the affirmative vote of sixty-six and two-thirds percent (66 2/3%) of the outstanding stock entitled to vote for shareholders to approve the following actions:

- To change the number of directors that constitute the Company's Board of Directors;
- To amend, repeal or adopt any provision inconsistent with the following provisions contained in the Certificate:
  - Article V limiting director liability for breach of fiduciary duty;
  - Article VI relating to certain business combinations between the Company and Interested Shareholders, as such term is defined by the Oklahoma General Corporation Act;
  - Article VII relating to the management of the affairs of the Company by the Board, including the number of directors, the Company's classified board structure and shareholder election thereof and the manner in which director vacancies may be filled;
  - Article VIII relating to indemnity to be provided by the Company to directors, officers, employees and agents of the Company;

–

Article IX relating to amending the Certificate or the Bylaws, applicability of the Oklahoma Control Shares Act and shareholder actions by written consent; and

•

To amend, repeal, alter or rescind the Bylaws.

The proposed amendment would reduce the voting requirements for these actions to require a vote of a majority of the outstanding shares entitled to vote in each circumstance described above. The Oklahoma General Corporation Act requires that certain business combinations between the Company and Interested Shareholders receive the affirmative vote of no less than 66 2/3% of the votes cast by holders, excluding the votes of the Interested Shareholders. Therefore, this provision of our Certificate will not be impacted by this Voting Item.

Conforming Amendment to Bylaws

In connection with the amendment to our Certificate to eliminate supermajority voting requirements, our Board has approved a conforming amendment to our Bylaws which will become effective immediately following the effectiveness of the counterpart amendment to our Certificate without further action by the shareholders; provided, however, that the amendment to the Bylaws is conditioned upon shareholder approval of the proposed amendment to the Certificate. The Bylaws currently require the affirmative vote of sixty-six and two-thirds percent (66 2/3%) of the outstanding common stock entitled to vote for shareholders to approve a change in the number of directors that constitute the Board. If the Certificate amendment described in this Voting Item is approved, the Bylaws will be amended to reflect the majority voting standard.

Back to Contents

Effectiveness and Vote Required

If the proposed amendment to our Certificate to eliminate supermajority voting requirements is approved, it will become effective upon the filing of such amendment with the Oklahoma Secretary of State, and the conforming amendment to the Bylaws will become effective immediately following the effectiveness of the amendment to the Certificate. If the proposed amendment is not approved, the supermajority provisions described herein will remain in effect. The affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding common stock of the Company is required to approve the amendment to our Certificate to remove the supermajority provisions described herein.

The Board of Directors recommends a vote "FOR" the approval of an amendment to our Certificate eliminating the supermajority voting requirements

Director Compensation

Our non-employee director compensation program consists of an annual cash retainer, a value-based equity grant for all non-employee directors and value-based equity grants for the Chairman of the Board and the chairman of each Board committee. In May 2012, the Board adopted a new compensation arrangement that reduced non-employee cash and equity director compensation by approximately 20% and eliminated the use of fractionally owned aircraft for personal travel by non-employee directors. Details of our non-employee director compensation program are as follows:

- An annual retainer of $100,000, payable in equal quarterly installments;
- Quarterly grants of restricted stock with an aggregate annual value of $250,000;
- An annual grant of additional restricted stock for the independent, non-executive chairman with a value of $250,000;
- An annual grant of additional restricted stock for the Audit Committee chairman with a value of $25,000; and
- An annual grant of additional restricted stock for other committee chairmen with a value of $15,000.

Restricted stock grants vest 25% immediately upon award and 75% ratably over the three years following the date of award. Grants of restricted stock are made pursuant to our Amended and Restated Long Term Incentive Plan, or LTIP (see page 56, *"Voting Item 7: Proposal to Amend Long Term Incentive Plan"*). In 2012, quarterly equity awards were made on the dates of the regularly scheduled meetings of the Board on March 1, June 7, September 20 and December 13, 2012. Directors are also reimbursed for travel and other expenses directly related to their service as

directors.

Each new director has traditionally received an initial stock award upon appointment to the Board of 10,000 unrestricted shares pursuant to our 2003 Stock Award Plan for Non-Employee Directors. These awards have provided the Company with a valuable tool to ensure that the Board can recruit talented directors to serve on the Board and ensure that such directors' interests are immediately aligned with shareholders. In 2012, our five new directors received the 30,000 remaining shares available under the 2003 Stock Award Plan and additional restricted stock under our LTIP, resulting in each new director receiving 6,000 unrestricted shares of stock and 4,000 shares of restricted stock. See page 18, *"Voting Item 5: Proposal to Amend 2003 Stock Award Plan for Non-Employee Directors"* for information regarding the stock award plan for new non-employee directors.

In April 2013, the Compensation Committee approved a special grant of restricted stock to Mr. Dunham with a value of $250,000 in recognition of the significant time he has devoted to the Company, including as a member of the newly-formed Office of the Chairman. The grant vests 25% immediately and 75% ratably over the three years following the date of award.

Directors are eligible to defer any or all of their annual cash retainers through a deferred compensation plan of the Company on a tax-deferred basis. Deferrals into the plan are not matched or subsidized by the Company, nor are they eligible for above-market or preferential earnings. In addition, the Company has established a stock ownership 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 three years from the date of appointment to comply with this 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. There were no failures or deferrals in 2012.

Back to Contents

Director Compensation Table for 2012

Name	Fees Earned or Paid in Cash[(a)]	Stock Awards[(b)]	Option Awards[(c)]	All Other Compensation[(d)]	Total
Bob G. Alexander	$ 50,000	$ 312,334	$ —	$ —	$ 362,334
Archie W. Dunham	50,000	1,062,339	—	—	1,112,339
Vincent J. Intrieri	50,000	312,334	—	—	362,334
R. Brad Martin	50,000	312,334	—	—	362,334
Merrill A. ("Pete") Miller, Jr.	100,000	285,024	—	51,852	436,876
Frederic M. Poses	50,000	312,334	—	—	362,334
Louis A. Simpson	100,000	265,035	—	30,670	395,705
Richard K. Davidson[(e)]	87,500	116,679	—	79,095	283,274
Kathleen M. Eisbrenner[(e)]	87,500	116,679	—	47,119	251,298
V. Burns Hargis[(e)]	100,000	275,028	—	52,060	427,088
Frank Keating[(e)]	87,500	131,691	—	45,394	264,585
Charles T. Maxwell[(e)]	75,000	116,679	—	—	191,679
Don Nickles[(e)]	87,500	131,691	—	61,546	280,737

(a)

Reflects annual retainer for all directors.

(b)

Reflects the aggregate grant date fair value of 2012 restricted stock awards determined pursuant to FASB Topic 718. The assumptions used by the Company in calculating these amounts are incorporated by reference to Note 8 to the consolidated financial statements in the Company's Form 10-K for the fiscal year ended December 31, 2012, filed with the SEC on March 1, 2013. On March 1, 2012 and June 7, 2012, each serving non-employee director received a regular quarterly award of 2,006 and 3,735 shares of restricted stock with a grant date fair value of $50,010 and $66,670, respectively. On September 20, 2012 and December 13, 2012, respectively, each of Messrs. Alexander, Dunham, Intrieri, Martin and Poses received a regular quarterly award of 3,206 and 3,748 shares of restricted stock with a grant date fair value of $62,517 and $62,517, respectively. On September 20, 2012 and December 13, 2012, respectively, each of Messrs. Hargis, Miller and Simpson received a regular quarterly award of 3,419 and 3,997 shares of restricted stock with a grant date fair value of $66,671 and $66,670, respectively. For their additional responsibilities on the Board, on June 7, 2012, Messrs. Hargis and Miller, Governor Keating and Senator Nickles received 1,401, 1,961, 841 and 841 additional shares of restricted stock, respectively, with a grant date fair value of $25,008, $35,004, $15,012 and $15,012, respectively, due to their service as committee chairmen or lead independent director. On September 20, 2012, following his appointment as chairman of the Nominating, Governance and Social Responsibility Committee, Mr. Simpson received 770 additional shares of restricted stock with a grant date fair value of $15,015. On June 21, 2012, Mr. Dunham was granted 13,797 restricted shares with a grant date fair value of $250,002 due to his service as independent, non-executive Chairman. As part of his agreement to serve as Chairman, Mr. Dunham was also granted 27,594 shares of restricted stock on June 21, 2012 with a grant date fair value of $500,003. On July 2, 2012, all new non-employee directors received a grant of 10,000 shares of common stock,

4,000 of which were restricted and 6,000 of which were unrestricted, with a grant date fair value of $187,300. As of December 31, 2012, the aggregate number of shares of unvested restricted stock held by each of the serving non-employee directors was as follows: Messrs. Alexander, Intrieri, Martin and Poses, 8,215; Mr. Dunham, 39,257; Mr. Hargis, 18,606; Mr. Miller, 19,218; and Mr. Simpson, 14,527. In accordance with their restricted stock award agreements, previously awarded restricted stock became fully vested upon director departures in 2012.

(c)

The Company granted no stock options in 2012. As of December 31, 2012, the aggregate number of shares of common stock subject to stock options held by each of the non-employee directors was as follows: Mr. Maxwell, 12,500; and Senator Nickles, 25,000. These stock options expire in 2015.

(d)

Includes the directors' personal use of fractionally owned Company aircraft prior to the discontinuance of such use in May 2012. The value of the personal use of fractionally owned Company aircraft is based on the incremental cost to the Company determined by the amount invoiced to the Company by NetJets for the operating costs of such use, including 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.

(e)

Messrs. Davidson, Keating and Nickles and Ms. Eisbrenner resigned from the Board effective June 21, 2012 and Mr. Hargis resigned from the Board effective March 7, 2013. Mr. Maxwell retired from the Board at the Company's 2012 annual meeting of shareholders.

Back to Contents

Voting Item 5: Proposal to Amend 2003 Stock Award Plan for Non-Employee Directors

We are asking shareholders to vote to approve an amendment to our 2003 Stock Award Plan for Non-Employee Directors, or the Director Plan, to increase the aggregate number of shares of common stock which are available for award under the Director Plan from 100,000 shares to 250,000 shares. The additional 150,000 shares requested will allow the Company to continue to provide one-time awards of up to 10,000 shares to new non-employee directors upon their appointment to our Board of Directors. Our Board approved the amendment, subject to shareholder approval, on March 8, 2013.

The purpose of the Director Plan is to attract independent persons of outstanding competence who have the qualities determined by our Board to fulfill the current needs of the Board to serve on our Board and to enable such persons to acquire or increase their ownership interests in the Company. The awards have been a valuable tool for such recruitment purposes in the past and are crucial to the success of such efforts going forward. Under the terms of the plan, each newly appointed non-employee director is awarded no greater than 10,000 shares of our common stock on his or her first day of service as a director.

Our non-employee directors are each required to hold, at all times during their service on the Board, at least 15,000 shares of our common stock and new directors are given three years from their date of appointment to attain the required ownership level. Awards from the Director Plan provide our new non-employee directors with immediate ownership in the Company and reduce the out-of-pocket investment required by the director to meet the ownership requirement.

Since its inception in January 2003, we have issued 100,000 shares to new non-employee directors under the Director Plan, leaving no further shares available for recently appointed directors or newly appointed directors in the future. The additional 150,000 shares of common stock the Board has reserved for issuance under the Director Plan pursuant to the amendment will provide at least fifteen awards for new directors and represents approximately 0.02% of our outstanding common shares. If the Director Plan is approved, we intend to immediately grant Messrs. Raspino and Ryan each 10,000 shares of common stock under the plan. If the amendment is not approved by shareholders, we will not be able to continue to award unrestricted shares of common stock to new directors in the future and we may reconsider the stock ownership guidelines applicable to our directors, including the initial period of time given to each director to meet our ownership requirements.

Amended Plan Features

We are proposing to amend the Director Plan to increase the number of shares of common stock available for issuance under the plan and to provide flexibility in the amount of shares granted to new directors. The following summary of the material features of our Director Plan (including the proposed amendment) does not purport to be complete and is qualified in its entirety by reference to the specific language of our Director Plan, which is attached to this proxy statement as Exhibit D.

Administration

The Board is responsible for administration of the Director Plan and has complete discretion to formulate policies and establish rules and regulations for its administration.

Eligible Participants

Only individuals who are not officers or otherwise employed by the Company or any of its subsidiaries and who become directors of the Company after the effective date of the Director Plan are eligible for awards under the Director Plan.

Shares Available for Award

The maximum number of shares of common stock which are available for award under the Director Plan will be 250,000 shares, an increase of 150,000 shares. Each individual who becomes a non-employee director will be awarded up to 10,000 shares of common stock on his or her first day of service as a non-employee director. If the amendment is approved, awards to at least fifteen new non-employee directors may be made under the Director Plan. Upon approval, Messrs. Raspino and Ryan will each be awarded 10,000 shares of common stock under the plan.

The Director Plan provides for appropriate adjustments in the event of a stock split, reverse stock split, stock dividend, combination or reclassification of shares.

Back to Contents

Termination and Amendment

The Board may suspend or terminate the Director Plan at any time. In addition, the Board may, from time to time, amend the Director Plan in any manner, but may not adopt any amendment without shareholder approval if in the opinion of counsel to the Company, shareholder approval is required by any federal or state laws or regulations or the rules of any stock exchange on which the common stock may be listed.

Federal Income Tax Consequences

For U.S. federal income tax purposes, on the date of a stock award for which no payment was made by the participant, the participant will recognize ordinary income in an amount equal to the fair market value of the common stock on the award date. Stock awards provide the Company with a deduction equal to the amount of income recognized by the participant, subject to certain deduction limitations. A participant's adjusted basis in the common stock received through stock awards is equal to any ordinary income related to the award recognized by the participant. If a participant thereafter sells the common stock, any amount realized over (under) the adjusted basis of the common stock will constitute capital gain (loss) to the participant for U.S. federal income tax purposes.

The Board of Directors recommends a vote "FOR" the amendment of the 2003 Stock Award Plan for Non-Employee Directors

Transactions with Related Persons

The Company has adopted written policies and procedures for the Audit Committee's review of any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (1) the aggregate amount involved will or may be expected to exceed $120,000 in any calendar year, (2) the Company is a participant and (3) any of its directors, executive officers, or greater than 5% shareholders, or any of their immediate family members, has or will have a material direct or indirect interest. The Audit Committee approves or ratifies only those transactions that it determines in good faith are in, or are not inconsistent with, the best interests of the Company and its shareholders.

Oklahoma City Thunder

In 2011, Chesapeake entered into a license and naming rights agreement with The Professional Basketball Club, LLC ("PBC") for an arena in downtown Oklahoma City. PBC is the owner of the Oklahoma City Thunder (the "Thunder") basketball team, a National Basketball Association ("NBA") franchise and the arena's primary tenant. Mr. McClendon has a 19.2% equity interest in PBC. Under the terms of the agreement, Chesapeake has committed to pay annual fees ranging from $2.9 million, the amount paid for the 2011-2012 season, escalating ratably to $4.1 million payable in 2023 for the arena naming rights and other associated benefits. The arena naming rights provide Chesapeake with enhanced public awareness through recognition locally, nationally and internationally. For the 2012-2013 season, Chesapeake paid a fee of $2.6 million, which reflects a reduction of $480,000 as a result of the NBA lockout at the beginning of the 2011 season. Mr. McClendon made annual charitable contributions for the benefit of Oklahoma schools equal to his percentage ownership of the Thunder (19.2%) times the fees paid by the Company under the naming rights agreement for the first two seasons covered by the agreement.

In 2011, the Company also entered into a 12-year sponsorship agreement, committing to pay an average annual fee of $3.0 million for advertising, use of an arena suite and other benefits. For the 2011-2012 season, the Company paid a fee of $1.5 million pursuant to the sponsorship agreement, which included a reduction of $433,000 as a result of the NBA lockout at the beginning of the season. For the 2012-2013 season, the Company committed to pay a fee of $2.4 million pursuant to the sponsorship agreement. Chesapeake has been a founding sponsor of the Thunder since 2008.

For the 2011-2012 season, the Company paid $3.2 million for additional tickets for regular season games and $1.7 million for sponsorship, advertising and tickets for 2012 home playoff games. For the 2012-2013 season, the Company reduced its regular season commitment for additional game tickets to a net amount of $1.6 million, which gives effect to a refund of $1.2 million from PBC and $678,000 received by the Company for the sale of approximately 15% of its tickets to Company management, including the sale of season tickets to Mr. McClendon for approximately $140,000, and Access Midstream Partners, L.P. at the same price the Company paid to the PBC. The Company has committed to purchase a reduced number of tickets and certain sponsorship benefits for any 2013 home playoff games, the total amount for which will depend on the number of playoff rounds played by the Thunder.

The Audit Committee reviewed and approved the transactions with the Thunder described above in accordance with its policy on transactions with related persons.

Back to Contents

Founder Well Participation Program

The FWPP permits Mr. McClendon, the Company's co-founder, to participate and invest as a working interest owner in new wells drilled by the Company. In 2005, the FWPP was documented as a formal plan containing substantially the same terms as prior agreements with the Company's two co-founders that had been in place since the Company's initial public offering in 1993. Shareholders approved the FWPP on June 10, 2005 for a term ending on December 31, 2015. The participation of co-founder Tom L. Ward terminated following his separation from the Company in 2006. In April 2012, the Board and Mr. McClendon agreed to the early termination of the FWPP on June 30, 2014, 18 months before the end of its original expiration date. Mr. McClendon's participation rights under the FWPP will continue through the expiration of the FWPP on June 30, 2014 following his separation from the Company on April 1, 2013. See "—CEO Separation Arrangements" below for additional information on the terms of his separation.

Under the FWPP, Mr. McClendon has the right to participate in either all or none of the wells spudded by or on behalf of the Company during each calendar year. Prior to the beginning of each year, Mr. McClendon must provide written notice to the members of the Compensation Committee of his election to participate in the FWPP and his proposed working interest percentage for that year. His working interest percentage may not exceed a 2.5% working interest in a well and is not effective for any well where the Company's working interest after Mr. McClendon's participation election would be reduced to below 12.5%. Subject to these limitations, if Mr. McClendon elects to participate in the FWPP, he must participate in all wells spudded by or on behalf of the Company during the given calendar year and cannot elect to participate on a well-by-well basis. Mr. McClendon has elected to participate in the FWPP through the expiration of the FWPP on June 30, 2014 at the maximum 2.5% working interest permitted, the same participation percentage that Mr. McClendon has elected every year since 2004.

The FWPP is administered and interpreted by the Compensation Committee of the Board. Mr. McClendon's right to participate in the FWPP will terminate on the earlier of (i) the expiration or termination of any and all covenants not to compete applicable to him subsequent to his termination of employment, or (ii) the termination of the FWPP on June 30, 2014. Mr. McClendon may participate in the drilling of wells under the FWPP through entities in which all equity interests are owned solely by Mr. McClendon and his immediate family members, subject to approval by the Compensation Committee. Under the FWPP, Mr. McClendon cannot change his working interest percentage during any calendar year without the prior approval of the Compensation Committee, and he is required to pay all joint interest billings immediately on receipt of the Company's invoice and to advance to the Company any amounts which the Company is required to prepay to third-party operators with respect to Mr. McClendon's working interest to be assigned under the FWPP. Mr. McClendon has never requested, nor has the Committee ever made, an adjustment to the participation percentage during a participation period.

The FWPP provides that the amount paid by Mr. McClendon for acreage assigned in connection with his participation in the FWPP is to be recomputed as of the first day of each calendar year and is equal to a fully-costed average per acre amount computed as follows: (i) direct costs capitalized in the appropriate accounting pool in accordance with the Company's accounting procedures (including all capitalized interest, leasehold payments, acquisition costs, landman charges and seismic charges) divided by (ii) the acreage in the applicable pool at the time of computation. The annual computation allows the Company to reflect the acreage and costs with respect to newly acquired acreage, acreage sold by the Company and acreage that has expired. All other costs are billed in accordance with the Company's accounting procedures applicable to third-party participants pursuant to any joint operating agreement or exploration agreement relating to a particular well, and such amounts paid by Mr. McClendon in connection with his participation in a well are on no better terms than the terms agreed to by unaffiliated third-party participants in connection with the participation in such well or similar wells operated by the Company.

Mr. McClendon pays the Company for lease operating expenses and capital expenditures related to his FWPP interests promptly upon receipt of each invoice. The following table sets forth the revenue received from, and well costs paid to, the Company with respect to Mr. McClendon's FWPP interests during the first quarter of 2013 and each of the three years in the period ended December 31, 2012:

	First Quarter 2013	2012	2011	2010
Natural gas and oil revenues	$ 62,929,725	$ 198,859,938	$ 184,270,948	$ 127,064,861
Lease operating expenditures	(14,414,046)	(54,181,910)	(42,457,253)	(26,102,787)
Net cash flow	48,515,679	144,678,028	141,813,695	100,962,074
Capital expenditures	(71,172,577)	(434,263,113)	(457,151,007)	(242,839,086)
Net after capital expenditures	$ (22,656,898)	$ (289,585,085)	$ (315,337,312)	$ (141,877,012)

The foregoing information has been derived solely from the Company's records. Accordingly, it excludes revenues and expenses for some FWPP interests that are not operated by the Company, and it may include revenue and expenses for producing FWPP interests conveyed to others. For example, the foregoing amounts include revenue attributable to volumetric production payments (VPPs) owed to third parties under transactions that Mr. McClendon has entered into from time to time. Mr. McClendon pays the related lease operating expenses and disburses revenue to the VPP owners.

Mr. McClendon has advised us that his cumulative expenditures under the FWPP have significantly exceeded his cumulative production revenues to date. Substantial front-end investments of capital are required to drill oil and natural gas wells, and Mr. McClendon's FWPP capital investment has necessarily kept pace with the Company's capital expenditures over the years. Production and cash flow from sales of natural gas and oil for new wells occur over an extended period of time. Mr. McClendon believes the present value of the future net revenue (pretax) of the estimated proved developed producing reserves attributable to his FWPP interests at December 31, 2012, discounted at 10% per year and based on prices and costs under existing conditions at such date as prescribed by the SEC's reserves reporting rules, was approximately $335 million. The Company's reservoir engineering staff provides data and analysis to Mr. McClendon's affiliates with respect to reserves associated with FWPP interests using the engineering prepared for the Company's interest in the same wells. In 2012, Mr. McClendon reimbursed the Company approximately $650,000 to cover the estimated cost of such services. As indicated in the Company's 2012 Form 10-K filed on March 1, 2013 and other filings that include estimates of the Company's proved natural gas and oil reserves, any computation of proved producing reserves is an estimate, subject to a number of variables and not a reflection of fair market value. A portion of the leasehold owned by Mr. McClendon with respect to the FWPP consists of interests that are not categorized as proved developed producing reserves.

Back to Contents

Mr. McClendon's FWPP interests are his personal assets and are separate and distinct from the Company's interest in its oil and gas properties and other assets. The FWPP does not restrict sales, other dispositions or financing transactions involving FWPP interests acquired from the Company. The Company does not extend loans to Mr. McClendon for participation in the FWPP or any other purposes, the Company has no obligation to repay loans Mr. McClendon may obtain from third parties, and no Company interests in any assets are exposed to such loans or the mortgages securing them. From time to time, Mr. McClendon has sold FWPP interests separately and concurrently with sales by the Company of its interests in the same properties. In any concurrent sales the proceeds related to the properties have been allocated between Mr. McClendon and the Company based on their respective ownership interests. From January 1, 2012 through March 31, 2013, Mr. McClendon realized approximately $88 million from such concurrent sales, and he paid approximately $837,961 of deal costs.

CEO Separation Arrangements

On April 1, 2013, Mr. McClendon ceased serving as President and CEO of the Company and resigned as a director of its Board. On April 18, 2013, the Company and Mr. McClendon entered into a Founder Separation and Services Agreement, which was effective as of January 29, 2013. See *"Post-Employment Compensation—Mr. McClendon's Separation"* on page 48 for a discussion of the Founder Separation and Services Agreement.

Pursuant to the Founder Separation and Services Agreement, on April 18, 2013, the Company, Mr. McClendon and certain affiliates of Mr. McClendon, or the Founder Affiliates, entered into a Founder Joint Operating Services Agreement, or FJOSA, effective as of January 29, 2013, relating to the jointly developed oil and gas wells, increased density locations, leases and acreage jointly owned by the Company and the respective Founder Affiliates, or the Joint Interests. The FJOSA is intended to enable the parties to maintain and continue their previously developed methods and practices for access to and sharing of information essential for the efficient administration of their respective interests in the Joint Interests and to provide a framework for the continued efficient administration thereof. The Company will continue to provide reserve reports on Joint Interests through no later than December 31, 2016, and the Founder Affiliates will reimburse the Company for the costs of such services. Through June 30, 2014, the Company will provide Mr. McClendon and the Founder Affiliates data, licenses and services related to Joint Interests, as well as certain transition services reasonably necessary or appropriate to effect the orderly transfer to the Founder Affiliates of land administration and reserve engineering services relating to the Joint Interests. In addition, the Company will continue to provide certain routine monthly services. Routine services relating to the preparation of schedules and exhibits to mortgages will be billed to the applicable Founder Affiliates at a monthly rate of $50,000 as part of the monthly joint interest billings beginning July 1, 2014, subject to termination or reduction in services as well as an annual adjustment. The Company will recoup its costs of providing other routine services set forth in the FJOSA through standard overhead billings pursuant to the terms of any applicable joint operating agreements with the Founder Affiliates. The Company will provide a monthly credit of $50,000 in the aggregate to reduce the marketing fees billed by the Company or its affiliates under the existing marketing fee arrangements between the Founder Affiliates and the Company or its affiliates beginning April 1, 2013, provided that the credit may not reduce the marketing fees below zero in any month. The FJOSA also provides that if the Company agrees to sell all or a portion of the Company's Joint Interests in an area or play, the Company or the applicable Founder Affiliate may elect to include the applicable Founder Affiliates' Joint Interests in the sale transaction (in the same proportion as those being sold by the Company in the sale transaction), with the applicable Founder Affiliates to receive their respective portion of the sale proceeds from any such sale transaction.

Rescission of Map Sale

Pursuant to a settlement agreement with certain plaintiff shareholders following the trial court's dismissal of their claim, the sale of a historical map collection that occurred in December 2008 between Mr. McClendon and the Company will be rescinded. Mr. McClendon will pay the Company approximately $12 million plus interest through the closing date, and the Company will reconvey the map collection to Mr. McClendon. The transaction is scheduled to be completed not later than 30 days after the entry of a final non-appealable judgment. Pursuant to the Founder Separation and Services Agreement, on April 18, 2013, the Company and Mr. McClendon entered into an agreement to memorialize the terms, as set forth in the aforementioned settlement, of the rescission of the sale of the map collection. The agreement provides for the storage and care of the map collection pending a final non-appealable judgment in the litigation, and establishes a procedure to facilitate such rescission. The settlement, which was approved by the District Court of Oklahoma County, Oklahoma on January 30, 2012, has been appealed and, at this time, it is unknown when such appeal will be resolved.

Employment of Family Members

Douglas J. Jacobson's son, Isaac Jacobson, has been an employee of the Company since June 2008. Mr. Jacobson's total cash and equity compensation for 2012 was $137,155. Douglas J. Jacobson's daughter, Hillary Raubach, was an employee of a midstream subsidiary of the Company from June 2011 until December 2012. Following the sale of our midstream assets, Ms. Raubach became an employee of Access Midstream Partners, L.P. (NYSE:ACMP), formerly Chesapeake Midstream Partners, L.P. Ms. Raubach's total cash and equity compensation for 2012 was $134,019, which includes a separation payment made to employees of ACMP in connection with our midstream sale. The Company is a significant employer in Oklahoma City with over 5,000 employees in the greater Oklahoma City area. We seek to fill positions with qualified employees, whether or not they are related to our executive officers or directors. We compensate employees who have such relationships within what we believe to be the current market rate for their position and provide benefits consistent with our policies that apply to similarly situated employees.

Back to Contents

Beneficial 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 named executive officers and all directors and executive officers of the Company as a group. Unless otherwise noted, information is given as of April 15, 2013, 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	87,455,895	4,569,199	92,025,094 (a)	13.7%
Carl C. Icahn c/o Icahn Associates Corp. 767 Fifth Avenue, 47th Floor New York, NY 10153	59,698,689	—	59,698,689 (b)	8.9%
Aubrey K. McClendon	2,763,083 (c)(d)	—	2,763,083	*
Steven C. Dixon	858,849 (d)(e)(f)	22,500 (g)	881,349	*
Domenic J. (“Nick”) Dell’Osso, Jr.	199,293 (d)(e)	—	199,293	*
Douglas J. Jacobson	678,795 (d)(e)	—	678,795	*
Jeffrey A. Fisher	217,904 (d)(e)	—	217,904	*
Bob G. Alexander	11,987 (d)	—	11,987	*
Archie W. Dunham	297,086 (d)	—	297,086	*
Vincent J. Intrieri	12,975 (d)(h)	—	12,975	*
R. Brad Martin	156,737 (d)(i)	—	156,737	*
Merrill A. (“Pete”) Miller, Jr.	156,826 (d)	—	156,826	*
Frederic M. Poses	528,637 (d)	—	528,637	*
Louis A. Raspino	26,000 (d)	—	26,000	*
Thomas L. Ryan	3,000 (j)	—	3,000	*
All directors and executive officers as a group	3,919,399 (k)	22,500	3,941,899	*

*

Less than 1%.

(a)

This information is as of June 8, 2012, as reported in a Schedule 13D/A filed jointly by Southeastern Asset Management, Inc. and O. Mason Hawkins on June 8, 2012. The Schedule 13D/A includes 4,569,199 shares of common stock underlying 73,420 and 51,680 shares, respectively, of 5.75% Cumulative Convertible Preferred Stock and 5.75% Cumulative Convertible Preferred Stock (Series A). The Schedule 13D/A reports (i) sole power to vote or to direct the vote of 51,938,249 shares, including 848,602 shares underlying convertible preferred stock; (ii) shared power to vote or direct the vote of 31,131,173 shares with Longleaf Partners Funds Trust, including 3,720,597 shares underlying convertible preferred stock; (iii) no power to vote 8,955,672 shares; (iv) sole power to dispose or to direct the disposition of 60,893,921 shares, including 848,602 shares underlying convertible preferred stock; and (v) shared power to dispose or to direct the disposition of 31,131,173 shares with Longleaf Partners Fund, including 3,720,597 shares underlying convertible preferred stock.

(b)

This information is as of November 19, 2012, as reported in a Schedule 13D/A filed jointly by High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III LP, Icahn Offshore LP, Icahn Partners LP, Icahn Onshore LP, Icahn Capital LP, IPH GP LLC, Icahn Enterprises Holdings L.P., Icahn Enterprises G.P. Inc., Beckton Corp. and Carl C. Icahn. The principal business address of each of (i) High River, Hopper, Barberry, Icahn Offshore, Icahn Partners, Icahn Onshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP and Beckton is White Plains Plaza, 445 Hamilton Avenue Suite 1210, White Plains, NY 10601, (ii) Icahn Master, Icahn Master II and Icahn Master III is c/o Walkers SPV Limited, P.O. Box 908GT, 87 Mary Street, George Town, Grand Cayman, Cayman Islands, and (iii) Mr. Icahn is c/o Icahn Associates Corp., 767 Fifth Avenue, 47th Floor, New York, NY 10153.

According to the filing, High River has sole voting power and sole dispositive power with regard to 11,939,739 shares. Each of Hopper, Barberry and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares. Icahn Master has sole voting power and sole dispositive power with regard to 18,778,370 shares. Each of Icahn Offshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares. Icahn Master II has sole voting power and sole dispositive power with regard to 7,528,432 shares. Each of Icahn Offshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares. Icahn Master III has sole voting power and sole dispositive power with regard to 3,315,789 shares. Each of Icahn Offshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares. Icahn Partners has sole voting power and sole dispositive power with regard to 18,136,359 shares. Each of Icahn Onshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn has shared voting power and shared dispositive power with regard to such shares.

According to the filing, each of Hopper, Barberry and Mr. Icahn, by virtue of their relationships to High River, may be deemed to indirectly beneficially own the shares which High River directly beneficially owns. Each of Hopper, Barberry and Mr. Icahn disclaims beneficial ownership of such shares for all other purposes. Each of Icahn Offshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn, by virtue of their relationships to each of Icahn Master, Icahn Master II and Icahn Master III, may be deemed to indirectly beneficially own the shares which each of Icahn Master, Icahn Master II and Icahn Master III directly beneficially owns. Each of Icahn Offshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn disclaims beneficial ownership of such shares for all other purposes. Each of Icahn Onshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn, by virtue of their relationships to Icahn

Partners, may be deemed to indirectly beneficially own the shares which Icahn Partners directly beneficially owns. Each of Icahn Onshore, Icahn Capital, IPH, Icahn Enterprises Holdings, Icahn Enterprises GP, Beckton and Mr. Icahn disclaims beneficial ownership of such shares for all other purposes.

(c)

Includes (i) 13,671 shares held by Chesapeake Investments, an Oklahoma limited partnership of which Mr. McClendon is sole general partner; (ii) 119,255 shares purchased on behalf of Mr. McClendon in the 401(k) Plan; (iii) 118,880 shares of vested common stock purchased on behalf of Mr. McClendon in the Chesapeake Energy Corporation Deferred Compensation Plan; and (iv) 1,095 shares held by Mr. McClendon's son who shares the same household.

(d)

Includes unvested restricted stock granted after January 1, 2013 with respect to which executive officers and directors have voting power.

(e)

Includes shares held in the 401(k) Plan (Mr. Dixon, 29,654 shares; Mr. Dell'Osso, 3,873 shares; Mr. Jacobson, 18,728 shares; and Mr. Fisher, 8,509 shares) and shares of vested common stock held in the Chesapeake Energy Corporation Deferred Compensation Plan (Mr. Dixon, 67,264 shares; Mr. Dell'Osso, 2,584 shares; Mr. Jacobson, 34,408 shares; and Mr. Fisher, 12,299 shares).

Back to Contents

(f)

Includes 163,838 shares held by Mr. Dixon in grantor retained annuity trusts and 52,965 shares held by the Farethewell Foundation, over which Mr. Dixon has voting control.

(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 1,238 shares purchased on behalf of Mr. Intrieri in the Chesapeake Energy Corporation Deferred Compensation Plan for Non-Employee Directors.

(i)

Includes 25,000 shares held by the R. Brad Martin Family Foundation, over which Mr. Martin has voting control.

(j)

Mr. Ryan's ownership is as of May 2, 2013.

(k)

Does not include shares held by Mr. McClendon as he is no longer an executive officer.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, or the Exchange Act, 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 SEC. 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 late filings under Section 16(a) by any such persons during 2012.

Back to Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In this section, we describe the material components of our executive compensation system for the Company's named executive officers listed below, whose compensation is set forth in the 2012 Summary Compensation Table and other compensation tables contained in this proxy statement.

Aubrey K. McClendon	President and Chief Executive Officer, or CEO; co-founded the Company in 1989[(a)]
Steven C. Dixon	Acting Chief Executive Officer, or Acting CEO, and Executive Vice President – Operations and Geosciences and Chief Operating Officer; has been with the Company for 22 years[(b)(c)]
Domenic J. ("Nick") Dell'Osso, Jr.	Executive Vice President and Chief Financial Officer, or CFO; has been with the Company for four years[(c)]
Douglas J. Jacobson	Executive Vice President—Acquisitions and Divestitures; has been with the Company for 14 years
Jeffrey A. Fisher	Executive Vice President—Production; has been with the Company for 10 years

(a)

Mr. McClendon ceased serving as President and CEO of the Company on April 1, 2013.

(b)

Mr. Dixon was named Acting CEO effective April 1, 2013.

(c)

Messrs. Dixon and Dell'Osso, along with the Company's independent, non-executive Chairman Mr. Dunham, were named to the Office of the Chairman upon its formation on March 29, 2013.

We present our Compensation Discussion and Analysis in the following sections:

1.

Say-on-Pay Response and Compensation Highlights. In this section, we discuss the response of the Compensation Committee of our Board to the 2012 shareholder advisory vote on named executive officer compensation and highlight aspects of our redesigned executive compensation system.

2.

Executive Compensation System. In this section, we describe the Company's executive compensation philosophy and the material components of our executive compensation system, including certain important changes the Compensation Committee recently implemented.

3.

2012 Named Executive Officer Compensation. In this section, we detail the Company's 2012 named executive officer compensation and explain how and why the Compensation Committee arrived at specific compensation decisions.

4.

Other Executive Compensation Matters. In this section, we provide a brief overview of policies related to minimum stock ownership, prohibition of margining and derivative or speculative transactions involving Company stock and executive compensation clawbacks. We also review the risks associated with our compensation programs and accounting and tax treatment of compensation.

5.

Actions Related to 2013 Executive Compensation. In this section, we provide an overview of certain Compensation Committee executive compensation decisions for 2013.

6.

Mr. McClendon's Separation; Mr. Dixon's Appointment as Acting CEO. In this section, we provide details with regard to compensatory arrangements related to Mr. McClendon's separation from the Company and Mr. Dixon's appointment as Acting CEO.

Say-on-Pay Response and Compensation Highlights

Response to 2012 Shareholder Advisory Vote on Named Executive Officer Compensation

At our 2012 annual meeting of shareholders, approximately 80% of shares were cast "against" our named executive officer compensation. Shortly thereafter, in June 2012, the Board appointed five new independent directors, including an independent, non-executive Chairman of the Board, as discussed in more detail under *"Corporate Governance—Board of Directors"* on page 4. The Compensation Committee, comprised of entirely new members, considered the results of the advisory vote and believed it conveyed our shareholders' dissatisfaction with the Company's executive compensation in light of performance. The Compensation Committee engaged in a comprehensive review of the Company's executive compensation system, considering the outcome from the 2012 annual meeting, with a goal of ensuring that the Company's compensation programs appropriately tie executive pay to Company performance. To assist in its review, the Compensation Committee engaged Frederic W. Cook & Co., Inc., or F.W. Cook, as its independent compensation consultant. The Company discussed its 2012 compensation program with many of its major shareholders. In addition, the Company's largest shareholder, representing 13.7% of the Company's common stock, recommended two directors who currently serve on our Compensation Committee.

The Compensation Committee implemented substantial changes to the Company's executive compensation system in 2012, including implementing annual and long-term incentive programs that are based on objective performance criteria and that are designed to tie pay to performance. In response to shareholder feedback emphasizing the importance of incorporating both total shareholder return, or TSR, and operational performance goals in order to provide named executive officers with effective incentives associated with the Company's long-term growth and performance, the Company included operational metrics as part of the performance-based component of its long-term incentive program for 2012. The Compensation Committee's decisions with regard to the Company's executive compensation system for 2012 included the following:

•

Adopted a formal compensation philosophy that emphasizes pay for performance and targets peer median compensation levels.

Back to Contents

- Exercised downward discretion to further reduce payouts calculated based on a formulaic assessment of Company performance under the annual incentive program in 2012 to an average of approximately 50% of 2011 annual incentive payouts for the named executive officers and, after considering Mr. McClendon's recommendation to such effect, awarded no annual incentive compensation to Mr. McClendon.

- Held base salaries flat in 2012 for the majority of our named executive officers. Only Messrs. Dell'Osso and Fisher received base salary increases in 2012, which were driven by competitive positioning and internal pay equity considerations. The salaries of Messrs. Dixon and Jacobson were not increased in 2012, and remained at levels set for each in July 2008. Similarly, Mr. McClendon's salary remained at $975,000, reflecting no increase since 2006. We increased Mr. Dixon's salary to $975,000 in connection with his appointment as Acting CEO effective April 1, 2013. See *"—Mr. McClendon's Separation; Mr. Dixon's Appointment as Acting CEO"* on page 40.

- Significantly reduced perquisites for executive officers, including eliminating, or further limiting in the case of Mr. McClendon, personal use of fractionally owned Company aircraft by named executive officers.

The connection between pay and performance is further reflected in decisions of the Compensation Committee for 2013 executive compensation, including:

- Entered into new executive employment agreements that contain substantial changes from the Company's previous executive employment agreements, including the elimination of "single-trigger" change-of-control cash payments and cash payments upon death or disability.

- Maintained base salary levels for the named executive officers at 2012 levels, other than for Mr. Dixon, whose base salary was increased upon his appointment as Acting CEO.

- Implemented a new Annual Incentive Plan and based annual incentive opportunities on the Company's performance relative to eleven pre-established objective operational and financial performance goals. Target annual incentive opportunities remained flat for named executive officers.

- Reduced target long-term incentive awards for named executive officers by approximately 10% from 2012 target levels.

At the 2013 annual meeting, we will again hold an advisory vote to approve named executive officer compensation (see "*Voting Item 6: Shareholder Advisory Vote to Approve Named Executive Officer Compensation"* on page 55), in accordance with the shareholders' advisory vote in 2011 in favor of annual advisory votes on executive compensation.

The Compensation Committee will consider the results from this year's and future advisory votes on executive compensation.

Compensation Highlights

Our redesigned executive compensation system has the following attributes:

Compensation System Attributes	**Description**
Compensation philosophy*	Adopted formal compensation philosophy that emphasizes pay for performance and targets peer median compensation levels
Objective long-term performance measures*	Over 50% of long-term compensation is subject to achievement of objective pre-determined performance goals tied to operational and strategic objectives and the creation of long-term shareholder value
Objective annual incentive program with pre-determined performance measures*	Annual incentive compensation based on achievement of pre-determined objective operational and financial performance goals
2012 CEO compensation reduced*	Reduced 2012 CEO total compensation by $1 million, including no 2012 annual incentive compensation, following an earlier 2011 reduction of total compensation of over $3 million
No tax gross-ups for executive officers	No tax gross-ups for executive officers
Historical and expected future use of tally sheets	Tally sheets allow the Compensation Committee to analyze both the individual elements of compensation (including the compensation mix) and the aggregate total amount of actual and projected compensation
Minimum stock ownership guidelines*	Enhanced minimum stock ownership guidelines for all named executive officers
Margining and speculative transactions prohibited*	Full prohibition on margining, derivative or speculative transactions, such as hedges, pledges and margin accounts, by executive officers
Incentive plans designed to qualify for Section 162(m) tax deductibility	Performance share unit (PSU) awards are intended to qualify as performance-based compensation under Section 162(m); we are asking that shareholders approve the 2013 annual incentive plan, which will permit 2013 and future annual incentive compensation to so qualify
Substantially all perquisites ended*	Ended substantially all perquisites for named executive officers, including personal use of Company aircraft, except in the case of Mr. McClendon, who agreed to increase his reimbursement to the Company for personal travel in excess of $250,000
Double trigger upon change of control*	Effective January 1, 2013, new employment agreements with our named executive officers eliminated "single-trigger" change-of-control cash payments
Clawback policy*	Implemented a compensation recovery policy to recapture unearned incentive payments in the event of material noncompliance with any financial reporting requirement under the law that leads to an accounting restatement
Representative and relevant peer group*	The Compensation Committee worked with its independent compensation consultant to increase the number of companies in the

	peer group from five to 11 while satisfying other important peer group criteria such as comparable size and relevance to the Company's industry
No cash payments on death and disability*	Effective January 1, 2013, new employment agreements with our named executive officers other than the CEO eliminated lump sum payments of 52 weeks of base salary in the event of death and 26 weeks of base salary in the event of a disability

*

Indicates item has been implemented or further enhanced by the Compensation Committee since the beginning of 2012.

Back to Contents

Executive Compensation System

Philosophy and Objectives of our Executive Compensation System

In 2012, to guide its review and future compensation decisions, the Compensation Committee adopted a formal compensation philosophy. The philosophy reflects the Compensation Committee's intent to generally set all elements of target compensation (e.g., base salary, target annual incentive award opportunity and target long-term incentive award opportunity) at the median of similarly situated executives among the Company's peer group or other relevant industry benchmarks. The competitive positioning of target compensation levels for individuals may vary above or below the median based on executive-specific factors such as tenure, experience, proficiency in role or criticality to the organization. The Compensation Committee's objective is to have a program that:

- Attracts and retains high performing executives;
- Pays for performance and thus has a meaningful portion of pay tied to business performance;
- Aligns compensation with shareholder interests while rewarding long-term value creation;
- Discourages excessive risk by rewarding both short-term and long-term performance;
- Reinforces high ethical conduct, environmental awareness and safety; and
- Maintains flexibility to better respond to the dynamic and cyclical energy industry.

Unlike *target* compensation levels, which are set by the Compensation Committee near the beginning of the year, *actual* compensation is a function of the Company's operational, financial and stock price performance, as reflected through annual incentive payouts, performance share payouts and the value of all other long-term incentive awards at vesting. Actual compensation is intended to vary above or below target levels commensurate with Company performance.

Elements of our Executive Compensation System

The purpose and key characteristics of each element of our 2012 executive compensation system are summarized below:

Element	Purpose	Key Characteristics
Base salary	Reflects each named executive officer's base level of responsibility, leadership, tenure, qualifications and contribution to the success and profitability of the Company and the competitive marketplace for executive talent specific to our industry.	Fixed compensation that is reviewed annually and adjusted if and when appropriate.
Annual incentive award	Motivates named executive officers to achieve our short-term business objectives that drive long-term performance while providing flexibility to respond to opportunities and changing market conditions.	Variable performance-based annual cash award. Awards were based on corporate performance compared to pre-established performance goals. Adjusted downward for all named executive officers in 2012.
PSU award	Motivates named executive officers to achieve our business objectives by tying incentives to our financial and key operational metrics over the performance period while continuing to reinforce the link between the interests of our named executive officers and our shareholders.	Variable performance-based long-term award. The ultimate number of units earned is based on the achievement of relative and absolute total shareholder return and production and proved reserve growth performance goals.
Restricted stock award	Motivates named executive officers to achieve our business objectives by tying incentives to the performance of our common stock over the long term; reinforces the link between the interests of our named executive officers and our shareholders; motivates our named executive officers to remain with the Company by mitigating swings in incentive values during periods of high commodity price volatility.	Long-term restricted stock award with a ratable vesting period over four years. The ultimate value realized varies with our common stock price.
Other compensation	Provides benefits that promote employee health and work-life balance, which assists in attracting and retaining our named executive officers.	Indirect compensation element consisting of health and welfare plans and minimal perquisites.

Back to Contents

2012 Named Executive Officer Compensation

2012 Process for Determining Executive Compensation

Role of the Compensation Committee

In determining compensation, the Compensation Committee makes an overall assessment of the performance of the named executive officer team and the role and relative contribution of each of its members. In 2012, the Compensation Committee transitioned to conducting performance and compensation reviews of our named executive officers on an annual basis instead of on a semi-annual basis. In 2012, the Compensation Committee's approach consisted of both subjective consideration of each named executive officer's performance and overall role in the organization and objective consideration of the Company's performance relative to predetermined metrics as more fully described beginning on page 30 under *"—2012 Named Executive Officer Compensation Elements"*. In its assessment of the performance of each named executive officer in 2012, the Compensation Committee considered the following:

Individual Performance	**Company Performance**	**Intangibles**
• Named executive officer's contributions to the development and execution of the Company's business plans and strategies (including contributions that are expected to provide substantial benefit to the Company in future periods) • Performance of the named executive officer's department or functional unit • Level of responsibility • Longevity with the Company	• Overall performance of the Company, including progress made with respect to production, reserves, operating costs, drilling results, risk management activities and asset monetizations • Financial performance as measured by cash flow, net income, cost of capital, general and administrative costs, progress towards debt reduction goals and common stock price performance	• Leadership ability • Demonstrated commitment to the Company • Motivational skills • Attitude • Work ethic

Role of the Compensation Consultant

The Compensation Committee has the sole authority for the appointment, compensation and oversight of the Company's outside compensation consultant. Our Compensation Committee set out to redesign our executive compensation system and, from the second half of 2011 through June 2012, retained Cogent Compensation Partners, an independent compensation consulting firm with extensive experience in the energy industry, to provide recommendations to the Compensation Committee for the Company's 2012 executive compensation system. At the request of the Compensation Committee, Cogent conducted a peer group benchmarking analysis and assessed all

elements of the Company's executive compensation system and practices and designed and proposed new program elements, including a performance-based annual incentive program and a mix of long-term incentives consisting of over half PSUs. The Compensation Committee formally adopted the proposed program elements, as discussed in detail below under *"—2012 Named Executive Officer Compensation Elements"*. The compensation services provided also included advising on director compensation.

In support of the comprehensive review of the Company's executive compensation system initiated by the Compensation Committee following the 2012 annual meeting, the Compensation Committee retained F.W. Cook as its independent compensation consultant to replace Cogent. F.W. Cook provided an objective analysis of, and counsel on, the Company's executive compensation system, attending meetings of the Compensation Committee upon request and communicating with the chairman of the Compensation Committee between meetings. Both Cogent and F.W. Cook reported directly to the Compensation Committee and neither provided additional services to the Company.

During 2012, Pay Governance LLC was retained by Company management to provide services related to the Company's compensation program, policies and processes, including consulting on the Company's executive compensation system. On occasion, the Compensation Committee obtained the advice of Pay Governance through meetings in which F.W. Cook also participated. The Compensation Committee further directed F.W. Cook to review and coordinate with Pay Governance on the delivery of any work product by Pay Governance to the Committee, to perform an independent, objective analysis of market and other data provided by Pay Governance and to generally counsel the Committee as to the advice obtained from Pay Governance.

The Compensation Committee evaluated whether conflicts of interest were created by the retention of any of the advisors providing compensation consulting services in 2012, considering the following factors: (1) other services provided to the Company by the advisor; (2) past fees paid to the advisor as a percentage of total revenue of the advisor; (3) conflicts of interest policies of the advisor; (4) relationships between the advisor and members of the Board; (5) company stock owned by employees of the advisor; and (6) relationships between the advisor and any executive of the Company. As a result of this assessment, the Compensation Committee concluded that (i) no conflicts of interest exist with respect to F.W. Cook and (ii) Pay Governance is not independent from management given the reporting relationship with management, the responsibility of management for the oversight of Pay Governance's work product and the services provided. The Compensation Committee concluded that any potential conflict posed by the Compensation Committee's receipt of advice from Pay Governance was sufficiently mitigated by the direct involvement of F.W. Cook and the Compensation Committee's own examination and assessment of the objectivity of Pay Governance's advice.

Benchmarking

In 2011, at the request of the Compensation Committee, Cogent conducted a peer group benchmarking analysis. The objective of this analysis was to understand the competitiveness of the named executive officers' total direct compensation, consisting of base salary, annual incentive compensation and the value of long-term incentive awards, relative to our compensation peer group companies. The peer group consisted of certain exploration and production peer companies which are similar to the Company in size, scope and nature of business operations. Cogent collected and analyzed the benchmark data based on publicly disclosed information and presented its analysis to the Compensation Committee. The analysis indicated that total direct compensation for our CEO and each of the other named executive officers in 2011 generally ranged from the median to the seventy-fifth percentile of benchmark data as compared to our peer group. These results informed the Compensation Committee's decisions with respect to setting 2012 executive compensation, including establishing the targets for the newly implemented performance-based annual incentive award program and PSU component of the Company's long-term incentive program for named executive officers. Our 2011 industry peer group consisted of the following companies: Anadarko Petroleum Corporation, Apache Corporation, Devon Energy Corporation, EOG Resources, Inc. and Occidental Petroleum Corporation.

Back to Contents

During 2012, F.W. Cook was asked by the Compensation Committee to review the Company's peer group in support of the Committee's comprehensive review of the Company's executive compensation system following the 2012 annual meeting of shareholders. In 2012, following F.W. Cook's review, the Compensation Committee enlarged the peer group to better align it with typical market practice in terms of the number of peers and the Company's relative size. Peer group candidates were drawn from the relevant Global Industry Classification Standard group and narrowed based on size criteria, primarily revenue and market capitalization. Marathon Oil Corporation and Noble Energy, Inc. satisfied the size, scope and nature of business operations criteria and were added to the peer group. Within the exploration and production industry, there are a small number of companies that closely resemble us in size, scope and nature of business operations. Enlarging our peer group also required that the Compensation Committee broaden its industry screen to include integrated oil and gas companies that also satisfied the revenue and market capitalization criteria, which resulted in adding Hess Corporation and Murphy Oil Corporation to the Company's peer group. These companies are also considered peers by other companies in our peer group. Finally, the Compensation Committee added Continental Resources, Inc. and SandRidge Energy, Inc. to the peer group as they are Oklahoma-based exploration and production companies that are direct competitors with the Company for local talent.

Our resulting industry peer group contains companies in our industry that are both larger and smaller in size and scope. With the exception of the integrated oil and gas companies discussed above, all of the peer companies are independent exploration and production companies. We considered companies that compete in our industry, but are significantly larger than we are, and companies that compete in unrelated industries within the energy sector such as the mining or coal industries but did not include such companies in our peer group.

We compete with the companies in our compensation peer group for talent and the Compensation Committee believes the selected companies are currently the most appropriate for use in executive compensation benchmarking. The differences and similarities between us and the companies in our industry peer group are taken into consideration when referencing benchmarks for named executive officer compensation decisions. As discussed above under *"—Executive Compensation System—Philosophy and Objectives of Our Executive Compensation System"*, the Compensation Committee intends to generally set all elements of target compensation at the median of similarly situated executives among the Company's peer group and may also consider other relevant industry benchmarks in making compensation decisions. The Compensation Committee directed F.W. Cook to conduct a peer group benchmarking analysis using the new peer group companies and determined that, relative to the new peer group companies, target total cash compensation for our CEO and other named executive officers was near the median of the Company's peer group target total cash compensation. Target total direct compensation for our CEO and other named executive officers, however, exceeded the median, falling around the 75% percentile, suggesting the stronger than necessary competitive positioning of target long-term incentive grants. This determination became one factor in the Compensation Committee's determination to reduce the long-term incentive as detailed below under *"—Actions Related to 2013 Executive Compensation"*.

CEO and Management Role in Executive Compensation Process

Mr. McClendon generally met with the chairman of the Compensation Committee in 2012 and, as appropriate, made recommendations and participated in discussions in order to provide information to the Compensation Committee regarding the compensation of the other named executive officers. On occasion, Mr. McClendon attended Compensation Committee meetings; however, the Compensation Committee met in executive session without Mr. McClendon throughout the year. Following such recommendations, the Compensation Committee discussed the compensation of each named executive officer and approved the final named executive officer compensation amounts, subject to such modifications as it deemed appropriate. Following such approval, the Compensation Committee made a report to the Board of Directors for discussion and ratification. Mr. McClendon, not being a member of the Compensation Committee, did not vote at Compensation Committee meetings, and he did not participate in the Board's vote on the acceptance and approval of the Compensation Committee's recommendations or reports with

respect to his compensation.

In addition, our CEO, CFO, COO, Senior Vice President - Human and Corporate Resources and Senior Vice President, Treasurer and Corporate Secretary typically provide the Compensation Committee and its advisors with detailed analyses and recommendations regarding each element of named executive officer compensation to facilitate the Compensation Committee's annual review of named executive officer compensation.

Use of Tally Sheets in Executive Compensation Process

The information provided to the Compensation Committee has historically included tally sheets detailing for each named executive officer:

- the components of the named executive officer's current compensation, including cash compensation, equity-based compensation, accumulated 401(k) and deferred compensation balances and perquisites;

- potential payouts under the termination of employment and change of control provisions under the named executive officer's employment agreement and applicable equity compensation plans; and

- projected wealth accumulation from the named executive officer's outstanding equity compensation awards assuming 0%, 5% and 10% appreciation and depreciation in the price of the Company's common stock over the next five years.

The tally sheets bring together in one place all of the elements of actual and potential future compensation of the named executive officers, as well as information about their wealth accumulation. This allows the Compensation Committee to analyze both the individual elements of compensation (including the compensation mix) and the aggregate total amount of actual and projected compensation. In light of the comprehensive review of executive compensation in 2012 conducted with the assistance of Pay Governance and F.W. Cook, the Committee did not incorporate the use of tally sheets. However, the Compensation Committee intends to use tally sheets in the future.

Back to Contents

2012 Corporate Performance Highlights

2012 was a period of transition and provided many challenges for our Company. We are the second-largest producer of natural gas, a top 11 producer of liquids and the most active driller of wells in the U.S. The natural gas commodities environment of 2012 placed significant stress on our financial performance and weighed heavily on the Company's TSR, along with other financial performance measures.

The period was also one of substantial accomplishment. In that time, the Company continued its transition to an operational focus on asset development, concluding its leasehold acquisition phase and exiting ancillary businesses that were no longer integral parts of our overall business strategy. Further, lower natural gas prices in 2012 and early 2013 have confirmed the Company's strategy, initiated in 2011, to focus leasehold acquisitions and production activities on increasing liquids production, which includes oil and natural gas liquids. In 2012, the Company executed value-creating asset sales of approximately $12 billion of assets and had one of the best liquids growth stories in the industry, with liquids production up approximately 54% on average relative to 2011.

In 2012, Chesapeake delivered the following major accomplishments:

- *Continued Growth Through the Drillbit.* We believe that our most distinctive characteristic is our commitment and ability to grow production and proved reserves organically through the drillbit at a low cost in areas with large unconventional accumulations of natural gas and liquids. We are currently utilizing 83 operated drilling rigs and 31 non-operated drilling rigs to conduct the most active drilling program in the U.S. We are active in most of the nation's major unconventional plays, where we drill more horizontal wells than any other company in the industry. For many years, we have invested large amounts of capital in undeveloped leasehold, three dimensional (3-D) seismic information and human resources to take full advantage of our capacity to grow through the drillbit. As a result of those investments, we have been able to increase production for 23 consecutive years. Our daily production for 2012 averaged 3.89 bcfe, an increase of 614 mmcfe, or 19%, over the 3.272 bcfe of daily production for 2011, and consisted of 3.08 bcf of natural gas (80% on a natural gas equivalent basis), approximately 85,420 bbls of oil (13% on a natural gas equivalent basis) and approximately 48,130 bbls of natural gas liquids (7% on a natural gas equivalent basis). Our natural gas production in 2012 grew by 12%, or 333 mmcf per day; our oil production increased by 84%, or approximately 38,950 bbls per day; and our natural gas liquids production increased by 19%, or approximately 7,820 bbls per day.

- *Increased Liquids Production.* In recognition of the value gap between liquids and natural gas prices that has widened to historic levels in the last five years, we directed a significant portion of our technological and leasehold acquisition expertise to identify, secure and commercialize new unconventional liquids-rich plays. This transition results in a more balanced and likely more profitable portfolio between natural gas and liquids. To date, we have established production in multiple liquids-rich plays on approximately 6.4 million net acres. Our production of liquids averaged approximately 133,550 bbls per day during 2012, a 54% increase over the average during 2011, as a result of the increased development of our unconventional liquids-rich plays. In 2012, approximately 85% of our drilling and completion expenditures were allocated to liquids-rich plays, compared to 50% in 2011 and 30% in 2010.

-

Continued to Focus our Operations in the "Core of the Core" of our Leasehold. We have made significant acquisitions of leasehold inventory and necessary investments in infrastructure, oilfield services, seismic data and human resources that have allowed us to drill wells more successfully and at a lower cost. Recently, we have shifted our focus to the development of the 10 plays in which we have a #1 or #2 ownership position. In an effort to optimize our portfolio around our core natural gas and oil properties, during 2012 we completed sales of a natural gas and oil properties, midstream and other assets for proceeds of approximately $12 billion (including $1.25 billion from the sale of a preferred security in a subsidiary). By concentrating on the "core of the core" of our assets, we believe we can leverage our past investments to prioritize our drilling program around our highest-return assets and enhance returns on capital.

We believe this is an excellent series of accomplishments in a very tough year for the industry as natural gas prices reached 10-year lows in early 2012 and remained depressed throughout the year.

Back to Contents

2012 Named Executive Officer Compensation Elements

In December 2011, the Compensation Committee adopted substantial changes which are reflected in our 2012 executive compensation system. As shown below, our 2012 system continued to utilize base salary and restricted stock awards and also featured the following new performance-based components: (1) annual incentive awards based on objective pre-established performance goals and (2) PSUs under our LTIP.

Base Salary

Base salaries reflect each named executive officer's base level of responsibility, leadership, tenure and contribution to the success and profitability of the Company and the competitive marketplace for executive talent specific to our industry. With the exception of Messrs. Dell'Osso and Fisher, base salaries for named executives remained flat for 2012.

Annual Incentive Compensation

The annual incentive component of our executive compensation system is intended to motivate and reward named executive officers for achieving our short-term business objectives that we believe drive the overall performance of the Company over the long term. In 2012, the Compensation Committee focused heavily on redesigning the annual incentive program, implementing a formulaic approach to awarding annual incentives based on an evaluation of the Company's performance relative to seven pre-established, objective operational and financial goals. The Company proposed the 2012 Annual Incentive Plan at the 2012 annual meeting of shareholders, which failed to receive shareholder approval. In response to that vote and the Company's 2012 say on pay vote, the Compensation Committee reformulated the 2012 annual incentive program using the proposed 2012 Annual Incentive Plan as a framework and establishing a formulaic methodology for determining annual incentive awards based on the Company's achievement of performance goals based on the original performance goals established by the Compensation Committee in 2011 and communicated to shareholders in the 2012 proxy statement. In doing so, the Compensation Committee removed any ability to exercise upward discretion; however, the Compensation Committee retained the ability to reduce payouts below the amounts calculated by the formula based on qualitative factors.

Calculating Annual Incentive Awards. The following formula was used to calculate the maximum payment that could be awarded to a named executive officer under the reformulated 2012 annual incentive program:

The Compensation Committee used the base salary in effect on the last day of 2012 in calculating the annual incentive payments. The Compensation Committee established the target percentage of base salary of 150% for the CEO, 125% for EVPs and 100% for SVPs to provide an annual incentive opportunity that is competitive with our peers. Following the end of 2012, the Compensation Committee determined the payout factor based on the Company's achievement of pre-established threshold, target and maximum performance levels and the corresponding payout opportunities of 50%, 100% and 200% of the target percentage of base salary (using linear interpolation for performance levels falling in between threshold and target and between target and maximum) with no payment for performance not achieving the minimum 50% threshold performance level, as discussed below. The following chart shows the range of annual incentive award opportunities expressed as a percentage of salary for the named executive officers by title, based on the target percentage of base salary multiplied by the above-listed threshold, target and maximum payout opportunities.

Executive Level	Threshold	Target	Maximum
CEO	75 %	150 %	300 %
EVP	62.5 %	125 %	250 %
SVP	50 %	100 %	200 %

Back to Contents

The 2012 annual incentive awards payable to certain named executive officers were further subject to limitations previously imposed under the executives' employment agreements. Given the outcome of the formulaic analysis described below and the Compensation Committee's further reduction of annual incentive payouts, in 2012, the annual incentive payments did not exceed the limitations prescribed by any of our named executive officers' employment agreements.

Calculation of Payout Factor. In reformulating the 2012 annual incentive program, the Compensation Committee established the performance goals detailed in the table below based on the annual incentive performance goals previously disclosed in the Company's 2012 proxy statement, which it believed appropriately reflected factors that positively impact shareholder value. The table below also details the Company's level of achievement with respect to each performance goal and the final payout factor to be applied to each named executive officer's target annual incentive award opportunity calculated using linear interpolation as described above.

A	B	C	D	E = D/C	F (a function of E)	G = F x B
		Performance		Achievement	Individual	Weighted
Goal	**Weighting**	**Target**	**Performance**	**Level**	**Payout Factor**	**Payout Factor**
Operating cash flow	10.0 %	$ 4.691 billion	$ 4.053 billion	86 %	72 %	7.2 %
Adjusted EBITDA	10.0 %	$ 4.6 billion	$ 3.754 billion	82 %	64 %	6.4 %
Long-term debt reduction	10.0 %	$ 1.126 billion	$ (1.531 billion)	0 %	0 %	0.0 %
Adjusted net income	10.0 %	$ 2.064 billion	$ 0.285 billion	14 %	0 %	0.0 %
Liquids production (% of production mix)	20.0 %	20 %	20 %	100 %	100 %	20.0 %
2012 production (bcfe)[(a)]	20.0 %	1,294	1,477	114 %	156 %	31.2 %
Organic proved reserves added (tcfe)[(b)]	20.0 %	3.5	3.62	103 %	112 %	22.4 %
FINAL PAYOUT FACTOR:						87.2 %

(a)

The production target is measured against full-year Company performance ignoring production gains/losses associated with asset sales and purchases. The Compensation Committee believes this adjustment is appropriate in light of the Company's strategic goal of divesting non-core assets.

(b)

The proved reserves growth target is an organic growth goal and ignores changes in proved reserves caused by changes in oil and natural gas prices and asset sales and purchases. The Compensation Committee believes these adjustments are appropriate in light of the Company's strategic goal of divesting non-core assets and promoting organic proved reserves growth through the drillbit.

Please see Exhibit E for an explanation of the non-GAAP financial measures used in the table above.

Summary of Payments for 2012. The annual incentive analysis under the reformulated annual incentive program yielded below target payouts for all executives. In light of the Company's performance in 2012, the Compensation Committee exercised negative discretion to further reduce the payouts otherwise calculated by the formula above, resulting in average year-over-year reductions to named executive officers' annual incentive compensation of approximately 50% and, after considering Mr. McClendon's recommendation to such effect, awarded him no annual incentive compensation for 2012. The following table shows how the formula was applied and the actual amounts awarded under the 2012 annual incentive program.

me	Base Salary[a]	Target Annual Incentive[b]	Target Value of Annual Incentive	Potential Payments at Grant Date[c]	Payout Factor	Range of Payments based on 2012 Performance	2012 Actual Award	2011 Cash Bonus Award	Percentage Change
rey K. Clendon	$ 975,000	150 %	$ 1,462,500	$ 0 - $1,951,000	87.2 %	$0 - $1,275,300	$ 0	$ 1,950,000	-100.0
ven C. on	860,000	125 %	1,075,000	0 – 1,361,000	87.2 %	0 – 937,400	775,000	1,360,000	-43.01
menic J. ick") l'Osso,	725,000	125 %	906,250	0 – 1,812,500	87.2 %	0 – 790,250	750,000	1,025,000	-26.83
uglas J. bson	800,000	125 %	1,000,000	0 – 1,201,000	87.2 %	0 – 872,000	700,000	1,200,000	-41.67
rey A. ner	725,000	125 %	906,250	0 – 1,812,500	87.2 %	0 – 790,250	575,000	965,000	-40.41

of December 31, 2012.

flected as a percentage of base salary.

ximum amounts for Messrs. McClendon, Dixon and Jacobson reflect contractual caps on annual cash bonus payments pursuant to th ployment agreements with the Company effective through 2012. See "—Executive Compensation Tables—Grants of Plan-based Awa

2012" for more details.

The Compensation Committee has continued to improve the annual incentive program applicable to our named executive officers for 2013 as discussed in more detail under *"—Actions Related to 2013 Executive Compensation"* on page 38 below. We are asking our shareholders to approve the 2013 Annual Incentive Plan under *"Voting Item 28: Proposal to Adopt Annual Incentive Plan"* on page 61.

Back to Contents

Long-Term Incentive Compensation

Long-term incentive compensation aligns the interests of the named executive officers with our shareholders, consistent with our goal of shareholder value creation. In 2012, the Compensation Committee and the Board approved significant modifications to our long-term incentive compensation program, incorporating PSU awards under the LTIP into the mix of long-term incentive compensation. Total compensation for the named executive officers is weighted heavily toward long-term incentive compensation, and for 2012 a substantial majority of each named executive officer's total incentive compensation consisted of the grant of restricted stock and PSUs. For 2012, the Compensation Committee determined that long-term incentive compensation that consists of approximately half restricted stock and half performance-based incentives best met our compensation objectives. This approach is intended to motivate our named executive officers to achieve our business objectives by tying incentives to the achievement of our key financial and operational performance objectives and continuing to reinforce the link between the interests of our named executive officers and our shareholders.

2012 Restricted Stock Awards. Since 2004, the Company has provided long-term incentive compensation in the form of restricted stock granted under the LTIP. On the first trading day of January 2012, the Compensation Committee awarded shares of restricted stock, with a ratable vesting period of four years, in an amount equal to approximately half of the aggregate long-term incentive award value intended for such officer. The Compensation Committee continues to believe that restricted stock grants to named executive officers play an important role in accomplishing the objectives of the executive compensation system, in particular, retention and alignment with shareholder interest. Further, in 2012, the Compensation Committee approved the right of holders of unvested outstanding and future restricted stock awards to receive dividends on restricted shares.

2012 PSU Awards. On the first trading day of January 2012, the Compensation Committee awarded PSUs to each named executive officer in an amount equal to approximately half of the aggregate long-term incentive award value intended for such officer. The final number and value of the PSUs paid to a named executive officer depends on the Company's performance relative to objective performance goals following the end of the performance periods. The Compensation Committee established the performance goals in early 2012, based on performance measures enumerated in the LTIP and, if met, each PSU awarded entitles a named executive officer to a cash payment based on the price per share of the Company's common stock. No dividend equivalents are paid on PSUs.

The 2012 PSU awards consist approximately 12.5% of one-year performance period PSUs, 21.875% of two-year performance period PSUs and 65.625% of three-year performance period PSUs, vesting ratably in one-year increments on January 1 over the applicable performance period (i.e., the one-, two- and three-year performance period PSUs vest 100%, 50% and 33% on January 1, 2013, respectively, the two- and three-year performance period PSUs vest 50% and 33% on January 1, 2014, respectively, and the three-year performance period PSUs vest 33% on January 1, 2015). The mix of one-, two- and three-year performance goal PSUs was intended to provide a transition from a restricted stock program with ratable annual payouts to a hybrid program under which 50% of the long-term incentive does not pay out until the end of a three-year performance period. Beginning in 2013, PSU awards have only three-year performance periods.

The 2012 PSUs granted to each named executive officer were subject to the Company's performance relative to objective performance goals measured at the end of the applicable performance period. Based on engagement with several of the Company's largest shareholders, the 2012 PSU performance goals incorporate both TSR and operational performance goals to provide named executive officers with effective incentives associated with our long-term growth and performance and to align named executive officer compensation with shareholder interests. 2012 PSU award payouts are based on a modifier comprised of two equally weighted components, total shareholder return and operational performance:

Total Shareholder Return Modifier		**Operational Modifier**	
50% Weighting	Assessment	50% Weighting	Assessment
	Based on absolute and relative TSR goals. **Absolute TSR** measures the percentage change in the Company's share price and dividends during the performance period. **Relative TSR** measures the performance of the Company's share price and dividends compared to its peer group during the performance period.		Based on proved reserves growth and production growth over the performance period (both as adjusted for asset purchases or dispositions).

The industry peer group used to measure achievement of relative TSR goals consisted of Anadarko Petroleum Corporation, Apache Corporation, ConocoPhillips, Devon Energy Corporation, EOG Resources, Inc., Hess Corporation, Marathon Oil Corporation and Occidental Petroleum Corporation.

Back to Contents

For 2012, the Compensation Committee granted PSUs in the following amounts:

Name	Total Target PSUs	Grant Date Fair Value of Award[a]	Target 1-Year PSUs	Target 2-Year PSUs	Target 3-Year PSUs
Aubrey K. McClendon	296,615	$ 8,204,556	37,077	64,885	194,653
Steven C. Dixon	156,780	4,336,632	19,598	34,296	102,886
Domenic J. ("Nick") Dell'Osso, Jr.	105,935	2,930,228	13,242	23,173	69,520
Douglas J. Jacobson	122,885	3,399,076	15,361	26,881	80,643
Jeffrey A. Fisher	65,681	1,816,778	8,210	14,368	43,103

(a)

Grant date value of awards determined pursuant to FASB Topic 718. The assumptions used by the Company in calculating these amounts are incorporated by reference to Note 8 to the Company's consolidated financial statements in the Form 10-K filed on March 1, 2013. Such amounts represent approximately half of each named executive officer's long term incentive award.

The Compensation Committee determines the final number of PSUs awarded to named executive officers based on the TSR and Operational Modifier matrices below, which correlate to the Company's performance over the applicable performance periods. Modifiers are expressed as a percentage and have a combined range of 0 - 250%.

Back to Contents

The ultimate cash payout earned by a named executive officer is determined by multiplying the number of units, as modified above, by the average closing price per share of our common stock as reported on the New York Stock Exchange for the 20 trading days including and immediately preceding the last day of the performance period. Cash awards under the PSU program are calculated as of the end of the performance period and delivered as follows:

We believe the 2012 PSU awards granted by the Compensation Committee appropriately reflect our compensation philosophy by establishing a clear connection between the compensation of our named executive officers and the achievement of performance goals that are important for long-term value creation. We believe that our 2012 stock performance goals, by incorporating both absolute and relative TSR performance measures, correctly balance accountability to shareholders for absolute TSR with the need for compensation incentives that reward named executive officers for outstanding achievement relative to our peers even when low commodity prices weigh on our stock price. Similarly, we believe that our operational performance goals balance two of the most important factors that drive long-term value creation for our shareholders, production growth and proved reserves growth.

All 2012 PSU awards are intended to comply with Section 162(m) of the Code.

In January 2013, the Compensation Committee certified the Company's performance with respect to the one-year 2012 PSU performance goals and made payments as follows:

Name	Target One-Year PSUs	Final Modifier[(a)]	Final One-Year PSUs Award	One-Year PSU Cash Payment[(b)]
Aubrey K. McClendon	37,077	75 %	27,808	$ 472,176
Steven C. Dixon	19,598	75 %	14,699	249,581
Domenic J. ("Nick") Dell'Osso, Jr.	13,242	75 %	9,932	168,637
Douglas J. Jacobson	15,361	75 %	11,521	195,622
Jeffrey A. Fisher	8,210	75 %	6,158	104,554

(a)

The final modifier applicable to the one-year PSUs equals the sum of the one-year TSR modifier and the one-year operational modifier, which were 0% and 75%, respectively.

(b)

Based on the 20-day closing average of the Company's common stock ending on December 31, 2012, or $16.98 per share.

Results for the two- and three-year performance period PSUs granted in 2012 will be measured at the end of 2013 and 2014 and certified in early 2014 and 2015, respectively.

Other Compensation Arrangements

We also provide compensation in the form of benefits and perquisites to the named executive officers, including health and welfare insurance benefits, matching contributions of common stock under the Company's 401(k) Plan and nonqualified deferred compensation plan (up to 15% of an employee's annual base salary and cash bonus

compensation) and financial planning services (see *"Executive Compensation Tables—All Other Compensation Table"* below). The foregoing benefits and perquisites are provided to all employees or large groups of senior-level employees.

For a portion of 2012, we provided our named executive officers personal use of fractionally owned company aircraft (see *"Executive Compensation Tables—All Other Compensation Table"* below). As part of its review of executive compensation in 2012, the Compensation Committee undertook a comprehensive review of executive officer perquisites in order to ensure that the Company's practices are in line with its peers. The review resulted in the elimination of the personal use of fractionally owned Company aircraft by all executive officers, other than Mr. McClendon, effective September 30, 2012 (such program is described under *"Executive Compensation Tables—Non-Employment Agreement Benefits"* beginning on page 44). Mr. McClendon and the Compensation Committee agreed that he would reimburse the Company for the 2012 incremental cost of his personal use of fractionally owned Company aircraft in excess of $250,000.

In addition, we provided certain other perquisites exclusively to our CEO in 2012 that are discussed below under *"—CEO Compensation in 2012"*. The Company includes the above benefits and perquisites as taxable income to the executive on Form W-2 after each fiscal year, in accordance with Internal Revenue Service, or IRS, guidelines.

2008 Incentive Awards

In conjunction with the execution of new employment agreements in September 2009, each named executive officer (except our CEO and current CFO) was awarded a special incentive award for his efforts in executing significant asset monetization transactions in 2008, each a 2008 Incentive Award, to be paid in cash in four equal annual installments. The Compensation Committee intended the 2008 Incentive Awards to reward the named executive officers for the leadership role they played in enabling, negotiating and consummating joint ventures in our Haynesville, Fayetteville and Marcellus Shale plays and the sale of all our interest in the Woodford Shale in 2008. These transactions monetized $10.1 billion in assets, including $4.4 billion of drilling and completion carries, compared to our net cost of only $1.4 billion, during an extraordinarily challenging time in both the commodity and stock markets. Additionally, each of our executive vice presidents at the time, including Messrs. Dixon and Jacobson, agreed to salary and bonus caps in their respective employment agreements which remained in place through 2012. The final installment of the 2008 Incentive Awards was paid in 2012 and is reflected in the Summary Compensation Table below.

Back to Contents

CEO Compensation in 2012

Regular Compensation. Even more than for our other named executive officers, Mr. McClendon's total 2012 compensation was heavily weighted toward long-term incentive compensation. Though the Company performed well operationally under his leadership in 2012, given historically low natural gas prices, the Compensation Committee reduced Mr. McClendon's total compensation in 2012 compared to 2011 by approximately $945,000. Mr. McClendon's salary remained at $975,000 since 2006 and remained at that level through his departure in 2013 in accordance with his employment agreement. His employment agreement also provided that his annual bonus compensation for each of the years 2009 through 2013 may not exceed $1,951,000, although, as noted above, he was awarded no annual incentive compensation in 2012.

Pursuant to his employment agreement, for safety, security and efficiency, the Company provided Mr. McClendon with the use of fractionally owned company aircraft. The Company also provided Mr. McClendon with certain home security services due to the high profile nature of his position. Additionally, the Company provided Mr. McClendon with accounting and engineering support services to enable him to focus on his job duties. Mr. McClendon and the Compensation Committee agreed that he would reimburse the Company for the incremental cost of his personal use of fractionally owned Company aircraft in 2012 in excess of $250,000. Mr. McClendon fully reimbursed the Company for the costs related to personal accounting and engineering support provided to him by our employees in 2012. See *"Executive Compensation Tables—All Other Compensation Table"* on page 42 for details regarding such perquisites in 2012.

Severance Compensation. On April 1, 2013, Mr. McClendon ceased serving as President and CEO of the Company and resigned as a director of its Board. In connection with Mr. McClendon's separation from the Company, on April 18, 2013, the Company and Mr. McClendon entered into a Founder Separation and Services Agreement, which was effective January 29, 2013. See *"Post-Employment Compensation—Mr. McClendon's Separation"* on page 48 for a discussion of the Founder Separation and Services Agreement.

Founder Well Participation Program

Because of Mr. McClendon's unique role as co-founder of the Company, he was the only named executive officer with the opportunity to participate and invest as a working interest owner in the Company's wells under the Founder Well Participation Program, or the FWPP. The FWPP is described in greater detail under *"Corporate Governance—Transactions with Related Persons—Founder Well Participation Program"* beginning on page 20.

Other Named Executive Officer Compensation in 2012

The Compensation Committee takes a comprehensive approach in determining the mix and level of named executive officer compensation by making an overall assessment of the performance of the named executive officer team and the role and relative contribution of each member of that team. Each named executive officer's 2012 compensation was based on a comprehensive, subjective review of his individual performance as described below.

Steven C. Dixon

Mr. Dixon's total compensation was greater than that of our other named executive officers (except our CEO) in 2012 in recognition of his broad-ranging responsibilities, experience and tenure with the Company. Among other factors the Compensation Committee considered Mr. Dixon's leadership in executing and building on the strong liquids production growth and cost discipline trends which he helped put in place, in the focused operational development

effort of the "core of the core" of the Company's leasehold and in the optimization of our leasehold portfolio through facilitation of our highly successful asset sales program, all in light of the impact on the Company's overall performance.

Pursuant to his September 2009 employment agreement, the Compensation Committee maintained Mr. Dixon's base salary at $860,000. Under his employment agreement, his annual bonus compensation could not exceed $1,361,000 during the three-year term. Mr. Dixon demonstrated exemplary individual performance in 2012; however, due to the Company's financial performance in 2012, the Compensation Committee limited his annual incentive compensation to $775,000, as discussed in more detail under *"—2012 Named Executive Officer Compensation Elements—Annual Incentive Compensation"* beginning on page 30 above. For 2012, the Compensation Committee increased the grant date fair value of his long-term incentive award to $8,036,640 from $6,813,778.

In connection with Mr. Dixon's appointment as Acting CEO effective April 1, 2013, his base salary was increased from $860,000 to $975,000 and his 2013 Annual Incentive Plan, or AIP target opportunity was increased from 125% to 150% of base salary. In each case, payments will be allocated pro rata between the prior and increased levels based on the duration of Mr. Dixon's service as Acting CEO. See *"—Mr. McClendon's Separation; Mr. Dixon's Appointment as Acting CEO"* on page 40.

Domenic J. ("Nick") Dell'Osso, Jr.

Mr. Dell'Osso was appointed Executive Vice President and CFO in November 2010. In connection with his appointment, Mr. Dell'Osso entered into an employment agreement with the Company providing for base salary, cash bonus, equity compensation and certain other benefits, as described below under *"Executive Compensation Tables—Employment Agreements"* on page 42. With respect to Mr. Dell'Osso's 2012 compensation, the Compensation Committee considered, among other things, the execution of the Company's 2012 strategic and financial plan, the quality of the Company's financial reporting and the negotiation and execution of various asset sale and financing transactions by Mr. Dell'Osso's team, all in light of the impact of the foregoing on the Company's overall performance.

Mr. Dell'Osso demonstrated exemplary individual performance in 2012; however, due to the Company's financial performance in 2012, the Compensation Committee limited his annual incentive compensation to $750,000, as discussed in more detail under *"—2012 Named Executive Officer Compensation Elements—Annual Incentive Compensation"* beginning on page 30 above. For 2012, the Compensation Committee increased the grant date fair value of his long-term incentive award to $5,430,294 from $3,708,176 and increased his base salary to $722,596 from $559,904.

Back to Contents

Douglas J. Jacobson

With respect to Mr. Jacobson's 2012 compensation, the Compensation Committee considered, among other things, the Company's crucial 2012 asset sale program, which included the negotiation and execution of the Company's exit from the Permian Basin, in light of the impact of the foregoing on the Company's overall performance.

Pursuant to his September 2009 employment agreement, the Compensation Committee has maintained Mr. Jacobson's base salary at $800,000 since July 2008. Under his employment agreement, Mr. Jacobson's annual bonus compensation could not exceed $1,201,000 for the three-year term of such agreement. Mr. Jacobson demonstrated exemplary individual performance in 2012; however, due to the Company's financial performance in 2012, the Compensation Committee limited his annual incentive compensation to $700,000, as discussed in more detail under *"—2012 Named Executive Officer Compensation Elements—Annual Incentive Compensation"* beginning on page 30 above. For 2012, the Compensation Committee increased the grant date fair value of his long-term incentive award to $6,299,162 from $5,401,807.

Jeffrey A. Fisher

With respect to Mr. Fisher's 2012 compensation, the Compensation Committee considered his successful increase in production despite the Company's very active 2012 asset sale program and his role in the Company's ongoing strategic focus on liquids production, leading the Company in achieving the second-best track record in the U.S. of liquids production growth compared to our industry peers, with liquids production up 54% in 2012 compared to 2011.

The Compensation Committee established Mr. Fisher's base salary at $724,519 for 2012. Mr. Fisher demonstrated exemplary individual performance in 2012; however, due to the Company's financial performance in 2012, the Compensation Committee limited his annual incentive compensation to $575,000, as discussed in more detail under *"—2012 Named Executive Officer Compensation Elements—Annual Incentive Compensation"* beginning on page 30 above. For 2012, the Compensation Committee established the grant date fair value of his long-term incentive award at $3,366,826.

Perquisites

As discussed above, the perquisites we provided in 2012 exclusively to our executive vice presidents and senior vice presidents included limited personal use of fractionally owned Company aircraft, which was eliminated for all executive officers, other than Mr. McClendon, in September 2012. This and other perquisites are described under *"—2012 Named Executive Officer Compensation Elements—Other Compensation Arrangements"* beginning on page 34.

Employment Agreements and Termination Arrangements

We maintain employment agreements with the named executive officers, the material terms of which are described throughout this proxy statement and in detail below under *"Executive Compensation Tables—Employment Agreements"* on page 42. The Compensation Committee periodically reviews the terms of the agreements, generally focusing on the permitted activities allowed for the named executive officers and the competitiveness, value and adequacy of the severance arrangements. The terms of our equity compensation and nonqualified deferred compensation plans also govern the payments and benefits named executive officers are entitled to upon the occurrence of specified termination events. Please refer to *"Post-Employment Compensation"* beginning on page 48 for additional details of the employment agreements and termination arrangements for the named executive officers.

Other Executive Compensation Matters

Minimum Stock Ownership Guidelines

The Compensation Committee has established stock ownership levels for our executive officers, including the named executive officers, because we believe stock ownership directly aligns their interests with those of our shareholders. Historically, the Compensation Committee established stock ownership levels in our executive officers' employment agreements. The Compensation Committee reviews compliance with the stock ownership guidelines semi-annually.

Effective for 2013, the Compensation Committee adopted stand alone stock ownership guidelines for the Company's executives concurrent with the execution of new employment agreements with the named executive officers other than the CEO (as further discussed under *"Executive Compensation Tables—Employment Agreements"* on page 42 below). Executives are expected to be in compliance with these minimum guidelines within five years of employment or assignment to a new organizational tier. All of the named executive officers currently meet these guidelines. The stock ownership policy requires that each executive own at least a number of shares of common stock equal to a multiple of the executive's base salary, measured against the value of the executive's holdings, based on the greater of a spot price or the trailing 36 month average closing price of the Company's common stock. After achieving the minimum stock ownership guidelines, each executive must continue to meet the minimum stock ownership guidelines for his or her current office. An executive that has fallen out of compliance with the guidelines has six months to cure, measured from the later of the date of receipt of written notice of non compliance or the first day of the next open trading window following receipt of such notice. The ownership guidelines are as follows:

Position	**Guideline**
CEO	5.0 times total cash compensation (base salary plus bonus)
EVPs	3.0 times base salary, subject to a 25,000 share floor
SVPs	2.5 times base salary, subject to a 10,000 share floor

In measuring compliance with the guidelines, the Company includes shares purchased in the open market; shares held in Company plans (401(k) and deferred compensation); the unvested portion of restricted stock units and restricted stock; and shares beneficially owned both directly and indirectly. Neither unexercised stock options nor unearned PSUs count toward satisfaction of the guidelines.

Back to Contents

Prohibition of Margining and Derivative or Speculative Transactions

Our Insider Trading Policy applies to directors and employees and prohibits derivative or speculative transactions involving Company stock. In March 2013, the Compensation Committee revised the policy, eliminating the practice of applying the prohibition only with respect to shares held in satisfaction of the minimum stock ownership guidelines and making the policy an outright prohibition on any derivative or speculative transactions involving Company stock. The transactions covered by the policy include trading in puts, calls, covered calls or other derivative securities involving Company stock or engaging in hedging or monetization transactions with respect to Company stock. The policy also prohibits directors and executive officers from holding Company stock in a margin account or pledging Company stock as collateral for a loan. We believe the expanded application of the prohibition more effectively aligns each officer's interests with those of our shareholders.

Compensation Recovery or "Clawback" Policy

In 2012, the Board adopted a compensation recovery policy, also known as a "clawback," wherein the Company will recover from any current or former executive officer incentive-based compensation in the event of an accounting restatement resulting from the Company's material noncompliance with financial reporting requirements under applicable securities laws. The amount of incentive-based compensation subject to recovery would be the amount in excess of what the executive officer would have earned under the restatement as determined by the Compensation Committee.

The Company also maintains compensation recovery provisions relating to stock options, restricted shares and PSUs. Under these provisions, the Company may cancel such long-term incentive awards, in whole or in part, whether or not vested, of executives who engage in serious breaches of conduct, including violations of employment agreements, confidentiality or other proprietary matters, or otherwise act in competition with the business of the Company. We believe these provisions serve to ensure that executives act in the best interest of the Company and its shareholders.

Relationship Between Compensation Program and Risk

Our Compensation Committee performed a review of key attributes and structures of the Company's compensation policies and programs and has determined that they do not encourage excessive or inappropriate risk taking and do not create risks that are reasonably likely to have a material adverse effect on the Company for the following reasons:

- The compensation programs that apply to non-executive employees consist of competitive base salaries, discretionary annual incentives and variable long-term incentive compensation in the form of restricted stock awards that vest over four years. The steady income provided by base salaries allows employees to focus on the Company's business. The discretionary annual incentives that apply to non-executive employees provide motivation without incentivizing inappropriate risk-taking. The restricted stock awards align employees' long-term interests with those of our shareholders and generally discourages short-term risk taking. The Compensation Committee has determined that compensation programs with these characteristics do not represent a material risk to the Company.

-

In addition to restricted stock awards, the variable long-term incentive compensation for executive officers in 2012 also included awards of PSUs, the substantial majority of which have multiple-year performance periods, thereby discouraging short-term risk taking, and are comprised of equal parts operational performance goals and performance goals based on the Company's stock price performance.

- The annual incentive compensation for executive officers in 2012 consisted of a mix of seven financial and operational goals which are aligned with the Company's strategic short-term goals.

- Our minimum stock ownership guidelines encourage our directors and executives to maintain a long-term perspective.

- Our prohibition on derivative or speculative transactions involving Company stock by directors and executive officers reinforces the alignment of our directors' and executives' long-term interests with those of our shareholders.

- Our compensation recovery policy is designed to recapture unearned incentive payments in the event of material noncompliance with any financial reporting requirement under applicable law that leads to an accounting restatement and permits the cancelation of long-term incentive awards of executives who engage in serious breaches of conduct or who otherwise act in competition with the business of the Company.

- With the exception of the award of PSUs and awards made under the 2012 annual incentive program, which we believe do not encourage excessive or inappropriate risk taking, our compensation programs have been in place for many years and we have seen no evidence that they encourage excessive risk taking.

- With the exception of the award of PSUs and awards made under the 2012 annual incentive program, both of which are awarded exclusively to our executive officers, essentially all of our employees participate in our compensation programs, which encourages consistent behavior across the Company.

Accounting and Tax Treatment of Compensation

In structuring executive compensation, the Company analyzes the anticipated accounting and tax treatment of various arrangements and payments, including the deductibility of executive compensation under Section 162(m). Section 162(m) limits the annual tax deduction to $1 million for compensation paid by a publicly held company to its chief executive officer and each of the company's three other most highly compensated named executive officers (other than the chief financial officer), unless such compensation qualifies as performance-based compensation under Section 162(m). Accounting for compensation arrangements is prescribed by the Financial Accounting Standards Board. In determining the design of our incentive arrangements, the accounting and tax treatment or method was considered, but the accounting for or deductibility of compensation is not a determinative factor in compensation decisions. In 2012, we awarded compensation that is not deductible under Section 162(m) because we believed it was consistent with our compensation objectives and would be in the best interest of the Company and its shareholders.

For example, the Compensation Committee recognized that the 2012 grant of restricted stock is not deductible under Section 162(m), but believed that its retentive value outweighed any impact resulting from the inability to claim such a deduction. As detailed on page 32 under *"—2012 Named Executive Officer Compensation—2012 Named Executive Officer Compensation Elements—Long-Term Incentive Compensation"*, the 2012 PSU awards were designed with the intent to qualify as performance-based compensation under Section 162(m). Additionally, the 2012 Annual Incentive Plan was not approved by shareholders and therefore annual incentive awards under the 2012 executive compensation system did not qualify as performance-based compensation under Section 162(m). The 2013 Annual Incentive Plan was designed with the intent to so qualify, if shareholders approve the plan at this annual meeting (see *"Voting Item 8: Proposal to Adopt Annual Incentive Plan"* on page 61).

Back to Contents

Actions Related to 2013 Executive Compensation

After considering the recommendations of F.W. Cook, the Company's performance in 2012 and the competitive market, the Compensation Committee set base salaries, incentive compensation opportunities and performance measures for 2013. The Compensation Committee maintained base salaries and target annual incentive opportunities for the named executive officers at 2012 levels. The Compensation Committee reduced the target 2013 long-term incentive opportunity for named executive officers by an average of over 10% compared to the 2012 long-term incentive opportunity. Mr. Dixon's compensation was increased in connection with his appointment as Acting CEO effective April 1, 2013. See "*—Mr. McClendon's Separation; Mr. Dixon's Appointment as Acting CEO*" on page 40 below.

2013 Annual Incentive Plan

In January 2013, the Compensation Committee and the Board approved the Chesapeake Energy Corporation 2013 AIP, subject to shareholder approval at our 2013 annual meeting of shareholders. The AIP is a cash-based incentive program utilizing pre-established performance goals. It is intended to motivate our named executive officers by rewarding them for achieving short-term business objectives that we believe drive the overall long-term performance of the Company. As with the reformulated 2012 annual incentive program, the annual incentive awards made under the AIP are subject to a formulaic methodology for determining award payments based on the Company's achievement of performance goals established by the Compensation Committee before, or during the initial quarter of, the performance period.

Calculating Annual Incentive Awards. The following formula is used to calculate the payment awarded to a named executive officer:

The Compensation Committee will use the base salary in effect on the last day of the performance period in calculating the annual incentive payment. The Compensation Committee established a target percentage of base salary of 150% for the CEO, 125% for EVPs and 100% of SVPs to provide an annual incentive opportunity that is competitive with our peers. Following the end of the performance period, the Compensation Committee will determine the payout factor based on the Company's achievement of pre-established threshold, target and maximum performance levels and the corresponding payout opportunities of 50%, 100% and 200% of the target percentage of base salary (using linear interpolation for performance levels falling in between threshold and target and between target and maximum). The Compensation Committee may make upward or downward adjustments to earned awards to account for material circumstances affecting the Company's performance, subject to the maximum award opportunity. The following chart shows the range of annual incentive opportunities expressed as a percentage of salary for the named executive officers by title, based on the target percentage of base salary multiplied by the above-listed threshold, target and maximum payout opportunities.

Executive Level	**Threshold**	**Target**	**Maximum**
CEO	75 %	150 %	300 %
EVP	62.5 %	125 %	250 %
SVP	50 %	100 %	200 %

Back to Contents

2013 *Performance Goals*. For the 2013 annual incentive award program for named executive officers and other senior executive participants, the Compensation Committee set the following performance goals, which it believes appropriately reflect factors that positively impact shareholder value.

Criteria	Weighting	Threshold	Target	Maximum
Financial				
Adjusted EBITDA	7.5 %	$ 4.136 billion	$ 4.536 billion	$ 4.936 billion
Long-term debt reduction[(a)]	7.5 %	$ 10.5 billion	$ 9.5 billion	$ 8.5 billion
Adjusted net income	7.5 %	$ 606 million	$ 681 million	$ 756 million
Drilling and completion costs	7.5 %	$ 6.25 billion	$ 6.0 billion	$ 5.5 billion
Leasehold costs	7.5 %	$ 425 million	$ 400 million	$ 350 million
Non-employee overhead reduction	7.5 %	$ 50 million	$ 60 million	$ 70 million
Operational				
Production (bcfe)[(b)]	15.0 %	1,366 bcfe	1,426 bcfe	1,486 bcfe
Proved reserves organically added (tcfe)[(c)]	15.0 %	2.75 tcfe	3.0 tcfe	3.25 tcfe
Asset sales	15.0 %	$ 4.0 billion	$ 5.0 billion	$ 6.0 billion
Operational – Safety				
Improvement in TRIR (expressed as a reduction)[(d)]	5.0 %	8.0 %	10.0 %	12.0 %
Improvement in LTIR (expressed as a reduction)[(e)]	5.0 %	8.0 %	10.0 %	12.0 %

(a)

The long-term debt target is based on the Company’s goal to reduce long-term debt to $9.5 billion. Year-end 2012 debt was approximately $12.2 billion.

(b)

The production target is measured against full-year Company performance and is adjusted for production gains/losses associated with asset sales and purchases. The Compensation Committee believes this adjustment is appropriate in light of the Company’s strategic goal of divesting non-core assets.

(c)

The proved reserves growth target is an organic growth goal and is adjusted for changes in proved reserves caused by changes in oil and natural gas prices and asset sales and purchases. The Compensation Committee believes these adjustments are appropriate in light of the Company’s strategic goal of divesting non-core assets and promoting organic proved reserves growth through the drillbit.

(d)

TRIR refers to the Company's total recordable incident rate, a workplace safety indicator calculated in accordance with Occupational Safety and Health Administration, or OSHA, guidelines.

(e)

LTIR refers to the Company's lost time injury rate, a workplace safety indicator calculated in accordance with OSHA guidelines.

Please see Exhibit E for an explanation of the non-GAAP financial measures used in the table above.

We are asking our shareholders to approve the AIP under *"Voting Item 8: Proposal to Adopt Annual Incentive Plan"* on page 61 below, where we also describe the AIP in more detail.

2013 Long-Term Incentive Program

For 2013, the Compensation Committee reduced target long-term incentive awards for named executive officers by approximately 10% from 2012 target levels and adopted additional refinements to the Company's long-term incentive program for its executive officers, including its named executive officers, as set forth below:

Target Long-Term Incentive Mix. On January 29, 2013, the Compensation Committee granted annual long-term incentive awards to the Company's named executive officers pursuant to the LTIP. Half of each named executive officer's long-term incentive award was in the form of PSUs (the value of which is determined in part based on the closing price of the Company's common stock and in part by a Monte Carlo simulation, each on the grant date) and the other half was equally divided between restricted stock (the value of which is based on the closing price of the Company's common stock on the grant date) and stock options (the value of which is determined using the Black-Scholes option pricing on the grant date). The grants of PSUs and restricted stock are consistent with the Company's prior practice; however, for 2013, the Compensation Committee added stock options as an element of long-term incentive compensation to further tie compensation to Company performance, given that stock options only have value if the Company's stock price increases after the date of grant. The exercise price of the stock options is equal to the closing price of the Company's common stock on the grant date.

Restricted Stock Voting Rights. In addition to the right to receive dividends on restricted shares discussed under *"—2012 Named Executive Officer Compensation—2012 Named Executive Officer Compensation Elements—Long-Term Incentive Compensation"* on page 32 above, the Compensation Committee granted full voting rights to holders of unvested restricted stock awarded following its December 2012 meeting.

Vesting Periods. The Compensation Committee established a ratable vesting schedule over 3 years for restricted stock and stock options to match the 3-year performance period and vesting schedule of PSUs.

PSU Program. The Compensation Committee approved the following for the Company's 2013 PSU program:

- *Performance Goals*. 2013 PSU performance goals consist of relative TSR, relative proved reserves growth and relative production growth goals measured over a 3-year performance period as shown in the table below, which correlates the Company's performance over the applicable performance period with modifiers expressed as a percentage with a combined range of 0 to 250%. The Company's performance respecting these goals will be measured against the Company's newly established peer group consisting of Anadarko Petroleum Corporation, Apache Corporation, Continental Resources, Inc., Devon Energy Corporation, EOG Resources, Inc., Hess Corporation, Marathon Oil Corporation, Murphy Oil Corporation, Noble Energy Inc., Occidental Petroleum Corporation and

SandRidge Energy, Inc.

Back to Contents

2013 PSUS: RELATIVE PERFORMANCE AND PLAN PAYOUT

3-Year Modifiers	<25th	25th	50th	75th	100th
Relative TSR over 3 Years	0.0 %	25.0 %	50.0 %	75.0 %	125.0 %
Relative Proved Reserves Growth over 3 Years	0.0 %	12.5 %	25.0 %	37.5 %	62.5 %
Relative Production Growth over 3 Years	0.0 %	12.5 %	25.0 %	37.5 %	62.5 %

- *Maximum Modifier.* The final PSU modifier, which is the sum of relative total shareholder return, relative proved reserves growth and relative production growth modifiers described above is subject to a 200% maximum which caps the award even if the aggregate modifier would be greater than 200%. This reduces the maximum modifier from 250% for 2012 awards.

- *Absolute TSR Circuit Breaker.* 2013 PSUs will be subject to an absolute total shareholder return circuit breaker to moderate payouts when absolute total shareholder return is negative over the performance period. The final PSU modifier is subject to a 100% maximum which caps the award in situations where absolute total shareholder return is less than zero. The circuit breaker does not apply if the Company's performance results in an aggregate modifier of less than 100%.

- *Performance Period.* The performance period is three years.

Mr. McClendon's Separation; Mr. Dixon's Appointment as Acting CEO

On April 1, 2013, Mr. McClendon ceased serving as President and CEO of the Company and resigned as a director of its Board. On April 18, 2013, the Company and Mr. McClendon entered into a Founder Separation and Services Agreement, which was effective as of January 29, 2013. See "Post-Employment Compensation—Mr. McClendon's Separation" on page 48 for a discussion of the Founder Separation and Services Agreement.

On March 29, 2013, the Company announced that Mr. Dixon was named Acting CEO of the Company in addition to his continuing service as Executive Vice President – Operations and Geosciences and Chief Operating Officer. Mr. Dixon's appointment as Acting CEO was effective April 1, 2013, following Mr. McClendon's separation from the Company. In connection with Mr. Dixon's appointment as Acting CEO, his base salary was increased from $860,000 to $975,000 and his 2013 AIP target opportunity was increased from 125% to 150% of base salary. In each case, payments will be allocated pro rata between the prior and increased levels based on the duration of Mr. Dixon's service as Acting CEO.

Retention Awards

On January 29, 2013, the Compensation Committee approved retention awards in the form of time-vested stock options for Messrs. Dixon, Dell'Osso and Fisher who received 360,000, 300,000 and 250,000 stock options,

respectively. This grant was intended to promote stability and continuity during the Company's search for Mr. McClendon's replacement and period of transition. These stock option awards have an exercise price equal to the closing price of the Company's common stock on the grant date and vest one-third on each of the third, fourth and fifth anniversaries of the grant date. The retention options are subject to accelerated vesting upon disability, death or if the executive is terminated (other than for cause) during the vesting period or voluntarily resigns for good reason; however, the options will be forfeited if the executive voluntarily terminates employment, other than for good reason, including by means of retirement or resignation.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth above. Based on the review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's 2012 Form 10-K and this proxy statement.

Members of the Compensation Committee:

Merrill A. ("Pete") Miller, Jr., *Chairman*

Bob G. Alexander

R. Brad Martin

Back to Contents

Executive Compensation Tables

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus[(a)]	Stock Awards[(b)]	Option Awards	Non-Equity Incentive Plan Compensation[(c)]	Change in Pension Value and Nonqualified Deferred Compensation Earnings[(d)]	All Other Compensation[(e)]	Total
Aubrey K. McClendon	2012	$ 975,000	$ 750	$ 15,204,670	$ —	$ —	$ —	$ 721,025	$ 16,901,445
	2011	975,000	1,951,000	13,627,556	—	—	—	1,328,441	17,881,997
Former Chief Executive Officer	2010	975,000	1,951,000	16,804,500	—	—	—	1,314,452	