

CHESAPEAKE ENERGY CORP
Form PRE 14A
April 17, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
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SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

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CHESAPEAKE ENERGY CORPORATION

(Name of Registrant as Specified In Its Charter)

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WELCOME TO THE CHESAPEAKE ANNUAL MEETING

Our Board of Directors is soliciting your proxy to vote your shares at our 2014 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 2014 proxy statement, the proxy card for the meeting and our 2013 annual report. For general information regarding the annual meeting,

including information related to Internet access to materials, voting and attending the annual meeting, see *Meeting Information* on page 64. Unless the context otherwise requires, the terms we, our, us, the Company or Chesapeake used in this proxy statement refer to Chesapeake Energy Corporation.

CORPORATE GOVERNANCE

The Company's 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 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 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 of Business Conduct as to any director or executive officer are typically evaluated by the Nominating, Governance and Social Responsibility Committee or the Board and amendments to the Code of Business Conduct must be approved by the Board. 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 Board is elected by the shareholders to oversee their interest in the long-term health and the overall success of the Company's business and its financial strength. The Board serves as the ultimate decision-making body of the Company, except for those matters reserved to or shared with the shareholders. The Board selects and oversees the members of senior management, who are charged by the Board with conducting the business of the Company.

The Board is led by Archie W. Dunham, the independent, non-executive Chairman, and is comprised of seven other independent members and

the Company's Chief Executive Officer. The directors are skilled and experienced leaders in business, education, government and public policy. They currently serve or have served as chief executives and members of senior management of Fortune 1000 companies, investment banking firms and private for-profit and nonprofit organizations and are well-equipped to promote the long-term success of the Company and to provide effective oversight of, and advice and counsel to, the CEO and other members of senior management.

Board Culture and Focus

The 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. The directors are expected to, and do, ask hard questions of management. 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) redevelopment of a corporate strategy focused on financial discipline and profitable and efficient growth from captured resources; (ii) re-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 4: Proposal to Implement Proxy Access* and *Voting Item 5: Proposal to Eliminate Supermajority Voting Requirements*); (iii) development of an executive compensation program that appropriately ties executive pay to Company performance (see *Executive Compensation Compensation Discussion and Analysis*); (iv) hiring of a Chief Compliance Officer who reports to the Chairman of the Audit Committee; and (v) 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*).

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Board Leadership Structure and Oversight

The Company separated the Chairman and CEO roles in 2012 and the Board appointed Mr. Dunham as its independent, non-executive Chairman. The Chairman presides at all meetings of the Board, as well as executive sessions of non-employee directors and, in consultation with the CEO, non-employee directors and management, establishes the agenda for each Board meeting. The Board has also delegated certain matters to its three committees, each of which is chaired by an independent director. The Board believes that this leadership

structure provides an effective governance framework for the Company at this time.

The chart below details the purpose of each level of hierarchy in the Company's leadership structure and provides additional detail on composition, meetings and 2013 activities of the Board. More detail with regard to the composition, meetings and 2013 activities of each of the committees can be found below under *Board Committees*.

In 2013, the Board also formed a Finance Subcommittee of the Audit Committee. The purpose of the Finance Subcommittee is to provide assistance to the Board in overseeing the financing strategy, financial policies and financial condition of the Company. In 2013, the Finance Subcommittee worked closely with management to develop the Company's 2014 budget, assisted with the enhancement of the Company's policies and procedures related to its commodity hedging program and evaluated with management certain opportunities to reduce the Company's leverage and financial complexity. The Finance Subcommittee is chaired by Vincent J. Intrieri and also consists of Louis A. Raspino, R. Brad Martin, Frederic M. Poses and Thomas L. Ryan as voting members and Domenic J. Dell'Osso, the Company's Chief Financial Officer, as a non-voting member.

Outside of formal Board and committee 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.

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 2013. The Company expects all serving directors to attend annual meetings of shareholders. All directors serving at the time of the 2013 annual meeting attended the meeting.

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Board Committees

The Board 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 6.

AUDIT COMMITTEE	Members: 3	
	Independent: 3	
	Audit Committee Financial Experts: 3	
	2013 Meetings: 4 in person, 6 telephonic	
	Responsibilities:	Significant 2013 Events:
Chairman:	Oversee the integrity of the Company's financial statements and financial disclosure	Established a Finance Subcommittee to provide assistance to the Board in overseeing the financing strategy, financial policies and financial condition of the Company
Louis A. Raspino		
Members:	Oversee the Company's compliance with legal and regulatory requirements	
Vincent J. Intrieri	Oversee the Company's internal audit function	Oversaw implementation of Chief Compliance Officer role, which reports directly to the Audit Committee
Thomas L. Ryan	Oversee the Company's Chief Compliance Officer	
	Appoint and oversee the independent audit firm	Oversaw management of high volume of legal matters and regulatory inquiries
	Oversee the Company's enterprise risk management program	
	Oversee the employee and vendor hotline for anonymous reporting of questionable activity	
COMPENSATION COMMITTEE	Members: 3	
	Independent: 3	
	2013 Meetings: 5 in person, 1 telephonic	
	Responsibilities:	Significant 2013 Events:
Chairman:	Establish compensation policies that effectively attract, retain and motivate executive officers	Negotiated new CEO target compensation slightly below the median

Merrill A. (Pete) Miller, Jr.	Establish goals and objectives relevant to CEO compensation, evaluate CEO performance and set CEO compensation levels	of our peer group
Members:		
Bob G. Alexander	Evaluate and recommend to the Board compensation of directors	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 goals
R. Brad Martin	Evaluate and approve compensation of named executive officers	Held named executive officer base salaries and target annual incentive opportunities substantially flat for 2013 and reduced target long-term incentive opportunities by an average of over 10% compared to 2012 levels
	Oversee and administer the Company s compensation plans	
	Establish and monitor compliance with stock ownership guidelines	

NOMINATING COMMITTEE	Members: 4
	Independent: 4
	2013 Meetings: 5 in person, 1 telephonic

Responsibilities:

Significant 2013 Events:

Chairman:	Establish criteria for Board and committee membership and selection of new directors	Successfully recruited two highly-regarded directors, Louis A. Raspino and Thomas L. Ryan, to the Board
R. Brad Martin	Evaluate and recommend nominees for Board service	Oversaw shareholder engagement program whereby the Company engaged with over 50% of its shareholder base on various topics
Members:		
Archie W. Dunham	Periodically assess and advise the Board on sufficiency of the size and diversity of the Board	Evaluated and recommended realignment of Committee membership
Vincent J. Intrieri	Oversee compliance with, and periodically evaluate, the Company s Corporate Governance Principles	Oversaw publication of the Company s second corporate responsibility report
Frederic M. Poses	Evaluate and make recommendations to the Board on corporate governance matters	
	Monitor the Company s charitable contributions, political spending and lobbying activities	
	Oversee policies, programs and practices with regard to corporate social responsibility	

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Board Independence

The Board, through its Nominating 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, other than the CEO, are independent.

In assessing director independence, the Committee considered the business the Company conducted in 2011, 2012 and 2013 with the companies below that had affiliations with our directors. 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.

Director	Organization	Relationship	Transactions	Size for Each of Last Three Years
Mr. Dunham	Union Pacific Corporation	Director	Sales to CHK	<1% of UP revenues
Mr. Miller	National Oilwell Varco, Inc.	Executive Chairman and former CEO	Purchases from CHK	<1% of NOV revenues <1% of NOV revenues
Mr. Martin	FedEx Corporation Pilot Travel Centers LLC	Director Member of Board of Managers	Sales to CHK Sales to CHK	<1% of FedEx revenues <1% of Pilot revenues

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 profile 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 monitoring the employee and vendor hotline for anonymous reporting of questionable activity. The Compensation Committee oversees risks related to our compensation programs and management retention and development. 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, succession planning, significant acquisitions and divestitures and capital markets transactions, together with oversight of management in carrying out their risk management responsibilities. In 2013, the Board requested that the Finance Subcommittee review Company policies and procedures related to the Company's commodity hedging program, although the Board retained decision-making authority for any changes to such policies and procedures.

Fostering a culture of risk management is a Company priority. Management evaluates the enterprise risk process across the Company on a regular basis to ensure consistency of risk consideration in making business decisions. Internal risk committees, comprised of senior management and subject matter experts, have been formed and are meeting regularly to review and assess the Company's risk management processes and discuss significant risk exposures.

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".

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Director Criteria, Qualifications and Experience

The Nominating Committee periodically assesses the skills and 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 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	government/public policy
corporate governance	international
energy exploration and production	legal
energy services	risk management
financial expertise	technology

The Nominating 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. Pursuant to its charter, the Committee ensures that diverse candidates are 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 Nominating 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. The Committee has used third-party consultants to assist in identifying potential director nominees. The Committee considers and, in the past, has nominated appropriate candidates recommended by shareholders.

Bob A. Alexander will retire at the 2014 annual meeting. John J. Lipinski was nominated to the Board on March 7, 2014, to fill the resulting vacancy. Potential candidates were solicited from significant shareholders, directors and a third-party search firm. The Board interviewed several candidates who were evaluated based on the established criteria for persons to be nominated. The Board believes Mr. Lipinski meets the established criteria and is well qualified for election to the Board. Mr. Lipinski is a new nominee for election to the Board this year. His nomination was recommended by the Nominating Committee and approved by the Board.

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 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. 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 2015 annual meeting or continue to have a classified Board.

The terms of Vincent J. Intrieri, Robert D. Lawler and Frederic M. Poses, each a member of Class II, expire at the meeting. In addition, due to the Company's mandatory retirement policy, Bob A. Alexander's term will end at the 2014 annual meeting, and the Board is proposing the election of John J. Lipinski to fill the vacancy created by Mr. Alexander's retirement. The Board has nominated each of Messrs. Intrieri, Lawler, Lipinski and Poses to serve for a one-year term if shareholders approve declassification of the Board or, alternatively, for a three-year term expiring in 2017 if shareholders do not approve declassification of the Board.

The directors currently serving in Class III and Class I 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 III directors consist of Archie W. Dunham, R. Brad Martin and Louis A. Raspino, whose terms expire in 2015. Any

director serving in Class III 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 I directors consist of Merrill A. Miller, Jr. and Thomas L. Ryan, whose terms expire in 2016. If declassification is approved by shareholders, any director serving in Class I 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 2015 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 I 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 2016.

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 III and Class I directors have agreed that they will comply with these procedures if their continued service on the Board is not approved by a majority of the votes cast with respect to such director.

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.

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Director Nominees

Vincent J. Intrieri

Independent Director Nominee

Age: 57

Director since: 2012

Board Committee: Audit, Nominating

Other current public directorships: CVR Energy, Inc., CVR Refining, LP, Forest Laboratories, Inc. and Navistar International Corporation

Vincent J. Intrieri 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 Forest Laboratories, Inc. (NYSE:FRX), a supplier of pharmaceutical products, since June 2013; 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; and CVR Energy, Inc. (NYSE:CVI), a diversified holding company primarily engaged in the petroleum refining and nitrogen fertilizer manufacturing industries, since May 2012. Mr. Intrieri was previously a director of Federal Mogul Corporation (NYSE:FDML), a supplier of automotive powertrain and safety components, from December 2007 to June 2013; 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, a competitive provider of telecom services, 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 until 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 Home LLC, a home textiles manufacturer, 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, Icahn Enterprises, PSC Metals, XO Holdings, National Energy Group, American Railcar Industries, WestPoint Home, 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 Forest Laboratories, Navistar, Chesapeake, Dynegy, Motorola Solutions, WCI Communities and Lear 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.

Robert D. (Doug) Lawler

Director Nominee

Age: 47

Director since: 2013

Board Committees: None

Other current public directorships: None

Robert D. (Doug) Lawler has been a member of our Board of Directors and served as President and Chief Executive Officer since June 2013. Before joining Chesapeake, Mr. Lawler served in multiple engineering and leadership positions at Anadarko Petroleum Corporation. His positions at Anadarko included Senior Vice President, International and Deepwater Operations and member of Anadarko's Executive Committee from July 2012 to May 2013; Vice President, International Operations from December 2011 to July 2012; Vice President, Operations for the Southern and Appalachia Region from March 2009 to July 2012; and Vice President, Corporate Planning from August 2008 to March 2009. Mr. Lawler began his career with Kerr-McGee Corporation in 1988 and joined Anadarko following its acquisition of Kerr-McGee in 2006. With over 25 years experience in the oil and gas industry, including serving as Chief Executive Officer of the Company and in various leadership positions at Anadarko, the Board believes Mr. Lawler is well qualified to serve on the Board.

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John J. (Jack) Lipinski

Independent Director Nominee

Age: 63

Nominated: March 2014

Board Committees: None

Other current public directorships: CVR Energy, Inc. and CVR Refining, LP

John J. (Jack) Lipinski has served as Chief Executive Officer, President and a member of the Board of Directors of CVR Energy, Inc. (NYSE:CVI) since September 2006 and served as Chairman of the Board of CVI from October 2007 until May 2012. In addition, Mr. Lipinski has served as Executive Chairman of the general partner of CVR Partners, LP since June 2011. He has been a director of the general partner of CVR Partners, LP since October 2007 and was Chief Executive Officer and President from October 2007 to June 2011. In addition, Mr. Lipinski has served as the Chief Executive Officer, President, and a member of the Board of the general partner of CVR Refining, LP (NYSE:CVRR) since its inception in September 2012. Mr. Lipinski has over 40 years of experience in the petroleum refining and nitrogen fertilizer industries. With more than 40 years experience in the energy industry, including serving as Chief Executive Officer and a director of the CVR entities, the Board believes Mr. Lipinski is well qualified to serve on the Board.

Frederic M. Poses

Independent Director Nominee

Age: 71

Director since: 2012

Board Committee: Nominating

Other current public directorships: TE Connectivity Ltd.

Frederic M. Poses 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.) from 2000 until its acquisition by Ingersoll-Rand plc (NYSE:IR) in 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 lead independent director of the Board of Directors of TE Connectivity Ltd. (NYSE:TEL). He is a former director of Raytheon Company (NYSE:RTN), 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.

Archie W. Dunham

Independent Director Nominee

Age: 75

Director since: 2012

Board Committee: Nominating

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

Archie W. Dunham has been the non-executive Chairman of our Board of Directors since June 2012 and served as a member of the Company's three-person Office of the Chairman from March 2013 to June 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:L PX). 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, in addition to his service on multiple public company boards, qualifies him to serve on the Board.

R. Brad Martin

Independent Director Nominee

Age: 62

Director since: 2012

Board Committee: Nominating (Chair), Compensation

Other current public directorships: FedEx Corporation and First Horizon National Corporation

R. Brad Martin 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 has been interim president of the University of Memphis since July 2013. He was Chairman and Chief Executive Officer of Saks Incorporated (NYSE:SKS) from 1989 to 2006, and remained Chairman until his retirement in 2007. Mr. Martin currently serves as a director of FedEx Corporation (NYSE:FDX) and First Horizon National Corporation (NYSE:FHN). He was previously a director of Dillard's Inc. (NYSE:DDS), 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.

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Louis A. Raspino

Independent Director Nominee

Age: 61

Director since: 2013

Board Committee: Audit (Chair)

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

Louis A. Raspino has been a member of our Board of Directors since March 2013. 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 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 2003 until 2005. Before joining Pride International in 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 2001 until 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.

Merrill A. (Pete) Miller, Jr.

Independent Director Nominee

Age: 63

Director since: 2007

Board Committee: Compensation (Chair)

Other current public directorships: National Oilwell Varco, Inc.

Merrill A. (Pete) Miller, Jr. 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 Executive Chairman of National Oilwell Varco, Inc. (NYSE:NOV), a supplier of oilfield services, equipment and components to the worldwide oil and natural gas industry, and previously served as Chairman and Chief Executive Officer of NOV. 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 in multiple leadership positions for NOV and other companies qualifies him to serve on the Board.

Thomas L. Ryan

Independent Director Nominee

Age: 48

Director since: 2013

Board Committee: Audit

Other current public directorships: Service Corporation International and Weingarten Realty Investors

Also a member of the Board of Texas Industries, Inc. until its merger with a subsidiary of Martin Marietta Materials, Inc.

Thomas L. Ryan has been a member of our Board of Directors since May 2013. 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. Mr. Ryan will cease to be a director of TXI upon its merger with a subsidiary of Martin Marietta Materials, Inc. which is expected to be completed in the second quarter of 2014. 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.

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The Board of Directors recommends a vote **FOR** each of the nominees

for election to the Board of Directors

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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 Committee, which included the solicitation of shareholder input in this area. Our Board considered the issue of board declassification in connection with the review and proposed declassification of the Board at the 2013 annual meeting of shareholders. Although the proposal did not receive the requisite shareholder approval at the 2013 annual meeting of shareholders, the Board believes that the significant support it did receive warrants proposing Board declassification at the 2014 annual meeting. As such, at its meeting on April 14, 2014, the Board 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 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 2015 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 annual meeting of shareholders following such appointment. If the proposed amendment to the Certificate is approved as set forth in this

Voting Item, all directors would be elected by shareholder vote at the 2015 annual meeting and would be elected for one-year terms to expire at the annual shareholders meeting in 2016. 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 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 2015 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

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Voting Item 3: Proposal to Increase the Maximum Size
of our Board

We are asking shareholders to approve an amendment to our Certificate of Incorporation to increase the maximum number of directors that may constitute our Board. The Board believes an increase in its size will provide the opportunity, consistent with our Corporate Governance Principles and the considerations mandated by the Nominating Committee's charter, to continue to build a board with diverse talents and perspectives, as well as demonstrated experience and expertise. The Board believes an increase in its size will serve to enhance the culture of

innovation, critical thinking and thoughtful discussion in the boardroom. An increase in the Board's size will also provide an additional resource to allow for appropriate staffing of the Board's committees and provide flexibility to add more committees if the Board determines such an addition would enhance its governance structure. The Board, at its meeting on April 14, 2014, approved an amendment to the Certificate to increase the maximum size of the Board to ten, 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 B to this proxy statement.

Amendment to Certificate

We are asking shareholders to approve an increase in the maximum number of directors that may constitute the Board. Currently, our Certificate provides that the number of directors that constitute the whole Board may not be less than three nor more than nine. We are asking shareholders to increase the maximum number of directors that may constitute the Board to ten.

Conforming Amendment to Bylaws

In connection with the amendment to our Certificate to increase the maximum size of the Board, 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.

Effectiveness and Vote Required

If the proposed amendment to our Certificate to increase the maximum size of 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 number of directors that may

constitute the Board will remain at not less than three or more than nine. 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 increase the number of directors that may constitute the Board.

The Board of Directors recommends a vote **FOR** amending

our Certificate to increase the maximum size of our Board

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Voting Item 4: 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. Because it relates to the fundamental right of shareholders to elect directors, the Board submitted a proposal to implement proxy access at the 2013 annual meeting of shareholders.

Although the proposal to implement proxy access did not receive the requisite shareholder approval at the 2013 annual meeting of shareholders, the Board believes that the significant support it did receive warrants proposing proxy access at the 2014 annual meeting. As such, at its meeting on April 14, 2014, the Board 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 is qualified in its entirety by reference to the text of the proposed amendment, which is attached as Exhibit C 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;

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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.

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

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Voting Item 5: 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 and proposed the elimination of supermajority voting requirements at the 2013 annual meeting of shareholders. Although the proposal did not receive

the requisite shareholder approval at the 2013 annual meeting of shareholders, the Board believes that the significant support it did receive warrants proposing the elimination of supermajority voting requirements at the 2014 annual meeting. As such, at its meeting on April 14, 2014, the Board 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 is qualified in its entirety by reference to the text of the proposed amendment, which is attached as Exhibit D 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.

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** amending our
Certificate to eliminate supermajority voting requirements

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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 additional value-based equity grants for the Chairman of the Board and the Chairman of each Board committee. 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 units with an aggregate annual value of \$250,000;

An annual grant of additional restricted stock units for the independent, non-executive Chairman of the Board with a value of \$250,000 (increased to \$1,000,000 for 2013 due to Mr. Dunham's significant service to the Company during the CEO transition period and for his efforts in the CEO search);

An annual grant of additional restricted stock units for the Audit Committee Chairman with a value of \$25,000; and

An annual grant of additional restricted stock units for other committee chairmen with a value of \$15,000.

The Company began issuing restricted stock units in lieu of restricted stock in June 2013. Restricted stock unit grants to non-employee directors vest 25% immediately upon award and 75% ratably over the three years following the date of award. Grants of restricted stock units have been made pursuant to our Amended and Restated Long Term Incentive Plan, or 2005 LTIP, and we expect future grants will be made pursuant to our 2014 Long Term Incentive Plan if approved by shareholders (see page 55, *Voting Item 7: Proposal to Adopt 2014 Long Term Incentive Plan*). In 2013, quarterly equity awards were made on the dates of the regularly scheduled meetings of the Board on March 7, June 13, September 19 and December 13, 2013. For 2014, quarterly

equity awards will be made along with retainer payments on the first day of each quarter to facilitate administration of director compensation. Directors are also reimbursed for travel and other expenses directly related to their service as directors.

Each new non-employee director receives an initial stock award upon appointment to the Board of up to 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 2013, our two new non-employee directors, Louis A. Raspino and Thomas L. Ryan, received 10,000 shares each under the 2003 Stock Award Plan.

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 devoted to the Company, including as a member of the 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. Messrs. Intrieri and Ryan have elected to defer their annual cash retainers into Company stock through the Chesapeake Deferred Compensation Plan for Non-Employee Directors. Deferrals into the plan are not matched or subsidized by the Company, nor are they eligible for above-market or preferential earnings. 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 2013.

Director Compensation Table for 2013

Name	Fees Earned or Paid in Cash ^(a)	Stock Awards ^(b)	Option Awards ^(b)	All Other Compensation ^(c)	Total
Bob G. Alexander	\$ 100,000	\$ 250,046	\$	\$	350,046
Archie W. Dunham	100,000	1,500,073			1,600,073
Vincent J. Intrieri	100,000	250,046			350,046
R. Brad Martin	100,000	265,056			365,056
Merrill A. (Pete) Miller, Jr.	100,000	265,056			365,056
Frederic M. Poses	100,000	250,046			350,046
Louis A. Raspino	83,333	440,178			523,511
Thomas L. Ryan	65,935	373,506			439,441
V. Burns Hargis ^(d)	25,000	45,849			70,849
Louis A. Simpson ^(d)	50,000	62,508			112,508

(a) Reflects annual retainer for all directors. Messrs. Intrieri and Ryan have elected to defer their annual cash retainers into Company stock through the Chesapeake Deferred Compensation Plan for Non-Employee Directors.

(b) Reflects the aggregate grant date fair value of 2013 restricted stock and restricted stock unit awards determined pursuant to FASB Topic 718. The assumptions used by the Company in calculating these amounts are incorporated by reference to Note 9 to the consolidated financial statements in the Company's Form 10-K for the fiscal year ended December 31, 2013, filed with the SEC on February 27, 2014. On March 7, 2013, June 13, 2013, September 19, 2013 and December 13, 2013, respectively, each serving non-employee director, other than Mr. Raspino with respect to his

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March award and Mr. Ryan with respect to his June award, received a regular quarterly award of 2,998, 2,977, 2,324 and 2,315 restricted stock units, or shares of restricted stock in the case of the March awards, with a grant date fair value of \$62,508, \$62,517, \$62,515 and \$62,505. For their service on the Board in the first quarter of 2013, Messrs. Hargis and Raspino received prorated regular quarterly awards of 2,199 and 1,000 shares of restricted stock, respectively, with a grant date fair value of \$45,849 and \$20,850. For his service on the Board in the second quarter of 2013, Mr. Ryan received a prorated regular quarterly award of 1,985 restricted stock units with a grant date fair value of \$41,685.

For their additional responsibilities on the Board, on September 19, 2013 Messrs. Martin, Miller and Raspino received 558, 558 and 929 additional restricted stock units, respectively, with a grant date fair value of \$15,010, \$15,010 and \$24,990, respectively, due to their service as committee chairmen. On April 30, 2013, Mr. Dunham received a special grant of 12,795 shares of restricted stock with a grant date fair value of \$250,014 in recognition of the significant time he devoted to the Company, including his service as a member of the Office of the Chairman. On July 1, 2013, for his service as independent, non-executive Chairman, Mr. Dunham was also granted 48,147 restricted stock units with a grant date fair value of \$1,000,013, which was increased from his annual grant of \$250,000 due to his significant service to the Company during the CEO transition period and for his efforts in the Company's CEO search. On June 14, 2013, Messrs. Raspino and Ryan received a new, non-employee director grant of 10,000 shares of common stock with a grant date fair value of \$206,800.

As of December 31, 2013, the aggregate number of shares of unvested restricted stock or unvested restricted stock units, as applicable, held by each of the serving non-employee directors was as follows: Messrs. Alexander, Intrieri and Poses, 13,435; Mr. Dunham, 79,835; Mr. Martin, 13,853; Mr. Miller, 18,312; Mr. Raspino, 7,157; and Mr. Ryan, 4,967.

(c) The Company granted no stock options to non-employee directors in 2013.

(d) Messrs. Hargis and Simpson resigned from the Board effective March 7, 2013 and May 3, 2013, respectively. In accordance with their restricted stock award agreements, previously awarded restricted stock became fully vested upon their departures.

Transactions with Related Persons

The Company has adopted a written related party transaction policy with respect to 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, (2) the Company is a participant and (3) any of its currently serving directors and executive officers, or those serving as such at any time since the beginning of the last fiscal year, or greater than 5% shareholders, or any of the immediate family members of the foregoing persons, has or will have a material direct or indirect interest. The Audit Committee reviews and approves all interested transactions, as defined above, subject to certain enumerated exceptions that the Audit Committee has

determined do not present a direct or indirect material interest on behalf of the related party, consistent with the rules and regulations of the SEC. Such transactions are subject to the Company's existing Code of Business Conduct.

Certain transactions with former executive officers and directors that fall within the enumerated exceptions will be reviewed by the Audit Committee. 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. All transactions described below that do not fall within the enumerated exceptions described in the policy have been reviewed or approved by the Audit Committee.

SandRidge Energy, Inc.

David C. Lawler, who is the Executive Vice President and Chief Operating Officer of SandRidge Energy, Inc., is the brother of Robert D. Lawler, the Company's CEO. The Company engages in transactions with SandRidge

in the ordinary course of business and no such transaction has been determined to be a related party transaction under the Company's Related Party Transactions Policy.

Employment of Family Members

Isaac Jacobson, son of Douglas J. Jacobson, Executive Vice President Acquisitions and Divestitures, was an employee of the Company in 2013. Mr. Jacobson's total cash and equity compensation for 2013 was \$154,679. Andrew Kapchinske, son of John M. Kapchinske, Senior Vice President Exploration and Subsurface Technology, has been an employee of the Company since September 2007. Mr. Kapchinske's total cash and equity compensation for 2013 was \$188,284. The Company is a

significant employer in Oklahoma City. 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. Compensation arrangements for family members of related parties are approved by the Compensation Committee.

Transactions with Former Chief Executive Officer

Oklahoma City Thunder

In 2011, Chesapeake entered into a license and naming rights agreement with The Professional Basketball Club, LLC, or the PBC, for an

arena in downtown Oklahoma City. PBC is the owner of the Oklahoma City Thunder, or the Thunder, basketball team, a National Basketball

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Association, or NBA, franchise and the arena's primary tenant. Aubrey K. McClendon, the Company's former CEO, has a 19.2% equity interest in PBC. Under the terms of the agreement, Chesapeake has committed to pay annual fees ranging from approximately \$2.9 million, the amount paid for the 2011-2012 season, escalating ratably to approximately \$4.2 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 and 2013-2014 seasons, Chesapeake paid fees of approximately \$2.6 million and \$3.2 million, respectively. The fee for the 2012-2013 season reflected 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 approximately

\$3.0 million for advertising, use of an arena suite and other benefits. For the 2012-2013 and 2013-2014 seasons, the Company paid fees of approximately \$2.4 million and \$2.5 million, respectively, pursuant to the sponsorship agreement. Chesapeake has been a founding sponsor of the Thunder since 2008.

For the 2012-2013 season, the Company reduced its regular season commitment for additional game tickets to a net amount of approximately \$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 to Access Midstream Partners, L.P., in each case at the same price the Company paid to the PBC. The Company also paid approximately \$328,000 for sponsorship, advertising and tickets for 2013 home playoff games. For the 2013-2014 season, the Company paid approximately \$994,000 for additional tickets for regular season games and has committed to purchase a limited number of tickets and certain sponsorship benefits for any 2014 home playoff games, the total amount for which will depend on the number of home playoff games played by the Thunder.

Founder Well Participation Program

The Founder Well Participation Program, or FWPP, permits Mr. McClendon, the Company's co-founder, to participate and invest as a working interest owner in new program 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 right to participate in new program wells drilled by the Company under the FWPP continues through the expiration of the FWPP on June 30, 2014 despite his separation from the Company on April 1, 2013. See *Separation Arrangements* below for additional information on the terms of his separation.

The Compensation Committee of the Board of Directors administers and interprets the FWPP. Under the FWPP, Mr. McClendon has had the right to participate in either all or none of the wells spudded by or on behalf of the

Company during each calendar year. 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 he has elected every year since 2004. Mr. McClendon has participated in the FWPP through entities in which all equity interests are owned solely by Mr. McClendon and his immediate family members, as permitted by the terms of the FWPP subject to approval by the Compensation Committee. Prior to his separation, Mr. McClendon was 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. Following his separation, Mr. McClendon pays joint interest billings from the Company in accordance with terms afforded to the Company's significant joint venture partners and as set forth in applicable joint operating agreements.

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 has allowed the Company to give effect to the acreage and costs of 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.

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 2014 and each of the three years in the period ended December 31, 2013:

	First Quarter			
	2014	2013	2012	2011
Natural gas and oil revenues	\$ 77,868,495	\$ 287,465,640	\$ 198,859,938	\$ 184,270,948
Lease operating expenditures	(20,410,893)	(62,191,013)	(54,181,910)	(42,457,253)
Net cash flow	57,457,601	225,274,627	144,678,028	141,813,695
Capital expenditures	(50,337,117)	(269,242,032)	(434,263,113)	(457,151,007)
Net after capital expenditures	\$ 7,120,484	\$ (43,967,404)	\$ (289,585,085)	\$ (315,337,312)

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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 the present value of the future net revenue (pretax) of the estimated proved developed producing reserves attributable to his FWPP interests at December 31, 2013, 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 \$583 million. As indicated in the Company's 2013 Form 10-K filed on February 27, 2014 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. 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 2013, Mr. McClendon reimbursed the Company approximately \$580,000 to cover the estimated cost of such services.

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 has not extended 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 through affiliates 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's affiliates and the Company based on their respective ownership interests. From January 1, 2013 through March 31, 2014, Mr. McClendon's affiliates realized approximately \$4.7 million from such concurrent sales, and he paid \$8,151 of deal costs. As described below, the terms of Mr. McClendon's separation provide the Company a drag right and Mr. McClendon a tag right with respect to FWPP interests in connection with sales by the Company of its joint interests in an area or play.

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 *Executive Compensation Post-Employment Compensation Former Named Executive Officer Separations Aubrey K. McClendon* 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 developed certain search software to allow Mr. McClendon and the Founder Affiliates to access Joint Interest data for which Mr. McClendon paid the Company \$75,000 for its cost. The Company will continue to provide reserve reports on Joint Interests through no later than December 31, 2016, and the Founder Affiliates are required to reimburse the Company for the costs of such services. In 2013, Mr. McClendon reimbursed the Company approximately \$580,000 to cover the estimated cost 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. The Company will provide land services through December 31, 2016 or so long as is required under applicable joint operating or other agreements. In addition, the Company has agreed to 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 recoups 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 provides 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 provides that overhead rates charged by the Company to a Founder Affiliate for Joint Interests will be the applicable rate paid by the Company's significant joint venture partners, except that in the Barnett Shale play and in other areas where there is no such joint venture agreement, the Company's standard overhead rate applies and will be on no better terms than those agreed to by unaffiliated third-party participants. 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. A portion of any third-party legal, accounting, advisory or other professional fees incurred by the Company in connection with a transaction is to be deducted from sale proceeds paid to a Founder Affiliate based on its proportionate share.

Copies of the Founder Separation and Services Agreement and FJOSA are filed as Exhibits 10.1 and 10.2, respectively, to the Company's Current Report on Form 8-K filed on April 19, 2013.

Rescission of Map Sale

On July 26, 2013, the Company and Mr. McClendon rescinded the December 2008 sale of an antique map collection pursuant to the terms of a settlement agreement terminating pending shareholder litigation that was approved by the District Court of Oklahoma County, Oklahoma on

January 30, 2012 and affirmed on appeal. The Company returned the subject maps to Mr. McClendon, and Mr. McClendon paid the Company \$12.1 million plus interest.

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[Sale of Suite at AT&T Stadium](#)

Effective September 23, 2013, in an effort to reduce costs, the Company transferred its rights to a suite at AT&T Stadium (formerly, Dallas Cowboys Stadium) in Arlington, Texas to an affiliate of Mr. McClendon. Pursuant to the agreement, Mr. McClendon's affiliate reimbursed the 2013 annual lease fee of \$500,000, prorated for the number of football

games remaining in the season at the time of the transaction, and assumed the Company's remaining annual lease obligations of \$7.5 million. The Company has no further obligations under the suite lease agreement.

[Drilling Contracts](#)

In October 2013 following a request for proposal process, the Company and American Energy Utica, LLC, or AEU, entered into agreements whereby the Company would provide land drilling services to AEU in the Utica Shale. Mr. McClendon is an investor in AEU and AEU is managed by a subsidiary of American Energy Partners, LP, which is an affiliate of Mr. McClendon. On October 16, 2013, the Company and AEU entered

into a drilling contract for a term of six months with an operating dayrate of \$23,500. On October 31, 2013, the Company and AEU entered into separate drilling contracts in respect of six other drilling rigs for terms of two years with operating dayrates of \$26,000 each. The transactions were negotiated on an arms-length basis based on prevailing market rates for similar services in the area.

[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 14, 2014, 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				
Carl C. Icahn	68,676,612	4,513,189	73,189,801 ^(a)	10.9%
c/o Icahn Associates Corp.				
767 Fifth Avenue, 47 th Floor				
New York, NY 10153				
Capital World Investors	66,450,000		66,450,000 ^(b)	9.9%
333 South Hope Street				
Los Angeles, CA 90071				
Robert D. (Doug) Lawler	356,465 ^(d)		356,465	*
Domenic J. (Nick) Dell Osso, Jr.	240,265 ^{(d)(e)}	64,754 ^(f)	305,019	*
Douglas J. Jacobson	711,120 ^{(d)(e)}	59,122 ^(f)	770,242	*
M. Christopher Doyle				*
Mikell J. (Jason) Pigott	215		215	*
Bob G. Alexander	18,560 ^(d)		18,560	*
Archie W. Dunham	1,043,089 ^(d)		1,043,089	*
Vincent J. Intrieri	24,897 ^{(d)(g)}		24,897	*
John J. (Jack) Lipinski	30,000		30,000	*
R. Brad Martin	148,450 ^{(d)(h)}		148,450	*
Merrill A. (Pete) Miller, Jr.	166,957 ^(d)		166,957	*
Frederic M. Poses	687,842 ^(d)		687,842	*
Louis A. Raspino	65,067 ^(d)		65,067	*
Thomas L. Ryan	51,375 ^(g)		51,375	*
Aubrey K. McClendon	2,795,140 ^{(d)(i)(j)}		2,795,140	*
Steven C. Dixon	1,046,644 ^{(i)(k)}	417,011 ^(f)	1,463,655	*
Jeffrey A. Fisher	288,002 ⁽ⁱ⁾	277,450 ^(f)	565,452	*
All directors and executive officers as a group	4,391,530 ^(l)	222,417	4,613,947	*

* Less than 1%.

(a) This information is as of December 31, 2013, as reported in a Schedule 13G/A filed jointly by Southeastern Asset Management, Inc. and O. Mason Hawkins on February 10, 2014. The Schedule 13G/A includes 4,513,189 shares of common stock underlying convertible preferred shares. The

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Schedule 13G/A reports (i) sole power to vote or to direct the vote of 41,209,685 shares; (ii) shared power to vote or direct the vote of 22,509,124 shares with Longleaf Partners Fund and Longleaf Partners Global Fund; (iii) no power to vote 9,470,992 shares; (iv) sole power to dispose or to direct the disposition of 50,680,677 shares; and (v) shared power to dispose or to direct the disposition of 22,509,124 shares with Longleaf Partners Fund and Longleaf Partners Global Fund.

(b) This information is as of August 16, 2013, as reported in a Schedule 13D/A filed jointly by High River Limited Partnership, Hopper Investments LLC, Barberrry 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, Barberrry, 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 13,290,002 shares. Each of Hopper, Barberrry 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 21,601,307 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 7,712,372 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 3,395,407 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 20,450,912 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, Barberrry 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, Barberrry 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) *This information is as of December 31, 2013, as reported in a Schedule 13G filed by Capital World Investors on February 13, 2014. The Schedule 13G includes 2,855,808 shares of common stock underlying convertible preferred shares.*
- (d) *Includes unvested shares of restricted stock granted after January 1, 2013 with respect to which executive officers and directors have voting power.*
- (e) *Includes vested shares of common stock held in the Company's 401(k) plan (Mr. Dell Osso, 4,596 shares; and Mr. Jacobson, 19,859 shares) and vested shares of common stock held in the Chesapeake Energy Corporation Deferred Compensation Plan (Mr. Dell Osso, 7,733 shares; and Mr. Jacobson, 36,281 shares).*
- (f) *Represents shares of common stock which can be acquired through the exercise of stock options on the record date or within 60 days thereafter.*
- (g) *Includes 6,587 and 4,037 shares of common stock purchased on behalf of Messrs. Intriери and Ryan, respectively, in the Chesapeake Energy Corporation Deferred Compensation Plan for Non-Employee Directors.*
- (h) *Includes 35,000 shares held by the R. Brad Martin Family Foundation, over which Mr. Martin has voting control.*
- (i) *Provided by Messrs. McClendon, Dixon and Fisher as of their respective separation dates.*
- (j) *Includes (i) 13,671 shares held by Chesapeake Investments, an Oklahoma limited partnership of which Mr. McClendon is sole general partner; and (ii) 1,095 shares held by Mr. McClendon's son who shares the same household.*
- (k) *Includes 149,878 shares held by Mr. Dixon in trusts and 52,965 shares held by the Faretheewell Foundation, over which Mr. Dixon has voting control.*
- (l) *Does not include shares held by Messrs. McClendon, Dixon or Fisher as they are no longer executive officers.*
- Section 16(a)** Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, 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, only Steven C. Dixon filed a late report under Section 16(a) during 2013. Mr. Dixon filed one late report which related to four gifts which were not timely reported.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

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

Current Officers

Robert D. (Doug) Lawler	President and Chief Executive Officer, or CEO
Domenic J. (Nick) Dell Osso, Jr.	Executive Vice President and Chief Financial Officer, or CFO
Douglas J. Jacobson	Executive Vice President Acquisitions and Divestitures
M. Christopher Doyle	Senior Vice President, Operations Northern Division
Mikell J. (Jason) Pigott	Senior Vice President, Operations Southern Division

Former Officers

Aubrey K. McClendon	Former President and Chief Executive Officer
Steven C. Dixon	Former Acting Chief Executive Officer, or Acting CEO, and Executive Vice President Operations and Geosciences and Chief Operating Officer
Jeffrey A. Fisher	Former Executive Vice President Production

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 2013 shareholder advisory vote on named executive officer compensation and highlight aspects of our executive compensation program. p. 20

2. *Executive Compensation Program.* In this section, we describe the Company's executive compensation philosophy and the material components of our executive compensation program. p. 22

3. *2013 Named Executive Officer Compensation.* In this section, we detail the Company's 2013 named executive officer compensation and explain how and why the Compensation Committee arrived at specific compensation decisions. We also provide details with regard to compensatory arrangements related to the separations of Messrs. McClendon, Dixon and Fisher from the Company. p. 23

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 relationship between our compensation program and risk and accounting and tax treatment of compensation.

5. *Actions Related to 2014 Executive Compensation.* In this section, we provide an overview of certain Compensation Committee executive compensation decisions for 2014. p. 35

Say-on-Pay Response and Compensation Highlights

[Response to 2013 Shareholder Advisory Vote on Named Executive Officer Compensation](#)

At our 2013 annual meeting, approximately 84% of shares cast voted in favor of our named executive officer compensation. This was a marked difference from 2012 when we received only 20% support, which led the Compensation Committee to engage in a comprehensive review of the Company's executive compensation program with the assistance of Frederic W. Cook & Co., Inc., or F.W. Cook, its independent compensation consultant. The goal of this review was to ensure that the Company's compensation programs appropriately tie executive pay to Company performance. The 2013 vote told us that most shareholders agree that the Company's redesigned executive compensation program better aligns with shareholder objectives and is responsive to shareholder concerns voiced over the past two

years. This was also confirmed through discussions that took place before and after the 2013 annual meeting with shareholders representing nearly half of the Company's outstanding shares.

The Compensation Committee continues to evaluate the executive compensation program in order to execute the Company's compensation philosophy (see *Executive Compensation Program Philosophy and Objectives of our Executive Compensation Program* below). In 2013, the Compensation Committee made the following decisions with regard to the executive compensation program:

Maintained base salaries at 2012 levels for named executive officers serving in January 2013, although Mr. Dixon's base salary was increased upon his appointment as Acting CEO.

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Implemented a new annual incentive program that 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 current named executive officers who were serving in January 2013.

Adjusted the mix of 2013 long-term incentive program compensation types with less emphasis on time-based restricted stock awards and implemented a long-term performance plan circuit breaker which caps PSU payouts at 100% if the Company's absolute TSR is negative at the conclusion of a performance period.

Reduced target long-term incentive awards for named executive officers serving in January 2013 by approximately 10% from 2012 target levels.

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.

Entered into an employment agreement with Mr. Lawler, the Company's new CEO, which provides total target annual compensation that ranks slightly below the median of our peers according to benchmarking data provided by F.W. Cook and provided for annualized total target compensation that is approximately 15% lower than the total target compensation of the Company's former CEO.

The Compensation Committee has continued to refine the Company's executive compensation program through the implementation of the following changes for 2014:

Modified the 2014 annual incentive program to focus on the key metrics that the Compensation Committee believes will drive the Company's 2014 performance, including the addition of a cash cost management multiplier to tie compensation to cost reduction.

Modified the 2014 performance share unit, or PSU, award performance goals to focus solely on total shareholder return, or TSR, which the Compensation Committee believes will complement the operational unit metrics in the annual incentive plan while focusing our executive officers on long-term shareholder return.

Reduced 2014 target total direct compensation for current named executive officers by approximately 15% from annualized 2013 target levels.

At the 2014 annual meeting, we will again hold an advisory vote on named executive officer compensation (see *Voting Item 6: Shareholder Advisory Vote to Approve Named Executive Officer Compensation* on page 53), 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 executive compensation program has the following attributes:

Compensation Program Attributes	Description
Compensation philosophy	Formal compensation philosophy emphasizes pay for performance and targets peer median compensation levels
Representative peer group	The Compensation Committee worked with its independent compensation consultant to develop an appropriately-sized peer group that satisfies other important peer group criteria, such as comparable size and relevance to the Company's industry
Objective annual incentive program with pre-determined performance measures	Annual incentive compensation based on achievement of pre-determined objective operational (including key safety goals) and financial performance goals
Objective long-term performance measures	50% of long-term compensation is subject to achievement of objective pre-determined performance goals tied to the creation of long-term shareholder value
Incentive plans intended to qualify for Section 162(m) tax deductibility	Annual Incentive Plan, stock option and PSU awards are intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code
Minimal perquisites	Named executive officers receive minimal, competitively-benchmarked perquisites
No cash payments on death and disability	New employment agreements with our named executive officers 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 disability
Double trigger upon change of control	New employment agreements with our named executive officers eliminated single-trigger change of control cash payments
No tax gross-ups for executive officers	No tax gross-ups for executive officers
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
Clawback policy	Compensation recovery policy recaptures unearned incentive payments in the event of material noncompliance with any financial reporting requirement under the law that leads to an accounting restatement

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Executive Compensation Program

Philosophy and Objectives of our Executive Compensation Program

To guide compensation decisions, the Compensation Committee adopted a formal compensation philosophy in 2012. 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 Program

The purpose and key characteristics of each element of our 2013 executive compensation program are summarized below:

Element	Purpose	Key Characteristics
Base salary	Reflects each named executive officer's 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 deemed appropriate
Annual incentive award	Motivates named executive officers to achieve our short-term business objectives that drive performance while providing flexibility to respond to opportunities and changing market conditions	Variable performance-based annual cash award based on corporate performance compared to pre-established performance goals
Individual performance bonus	Reflects extraordinary performance of specified named executive officers in instances where performance is based on select individual criteria or is well in excess of what is expected of the officer	Cash payment that is awarded in rare circumstances where performance warrants an additional bonus in excess of the annual incentive award; three named executives received individual performance bonuses for 2013
PSU award	Motivates named executive officers to achieve our long-term 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	Long-term restricted stock (or restricted stock unit beginning in July 2013) award with a ratable vesting period over three years; the ultimate value realized varies with our common stock price

Company by mitigating swings in incentive values during periods of high commodity price volatility

Stock option award	Motivates named executive officers to achieve our business objectives by tying incentives to the appreciation of our common stock over the long term; reinforces the link between the interests of our named executive officers and our shareholders	Long-term option award with an exercise price equal to the fair market value on the date of grant and a ratable vesting period over three years; the ultimate value realized, if any, depends on the appreciation of our common stock price
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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
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2013 Named Executive Officer Compensation

[2013 Process for Determining Executive Compensation](#)

Role of the Compensation Committee

The Committee has overall responsibility for approving and evaluating the director and executive officer compensation plans, policies and programs of the Company. 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 on an annual basis. In 2013, 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 25 under *2013 Named Executive Officer Compensation Elements*. In its assessment of the performance of each named executive officer in 2013, 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	Financial and operational performance of the Company, including progress made with respect to predetermined metrics more fully described below	Leadership ability
Performance of the named executive officer’s department or functional unit		Demonstrated commitment to the Company
Level of responsibility		Motivational skills
Tenure with the Company		Attitude
		Work ethic

Role of the Compensation Consultant

Pursuant to its charter, the Compensation Committee may retain a compensation consultant, and shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant that it retains. The Compensation Committee has retained F.W. Cook as its independent compensation consultant to provide an objective analysis of, and counsel on, the Company’s executive compensation program. In addition, Pay Governance LLC provided consulting services to management in 2013 related to the Company’s executive compensation programs, policies and processes.

In 2013, F.W. Cook attended all Compensation Committee meetings. F.W. Cook provided the Committee with market analyses and advised the Committee on market trends and regulatory and governance developments and how they may impact our executive compensation programs. They also advised the Committee with regard to the design and structure of our executive compensation programs to ensure appropriate linkage between pay and performance, setting the pay for our CEO, and compensation for other executive officers in consultation with the CEO. From time to time Pay Governance may provide information and recommendations to the Committee with respect to executive compensation. F.W. Cook typically

participates in these meetings and performs an independent, objective analysis of market and other data provided by Pay Governance and generally counsels 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 2013 and evaluated their independence pursuant to the standards set forth in the New York Stock Exchange Listed Company Manual. As a result of this assessment, the Compensation Committee concluded that (i) no conflicts of interest exist with respect to F.W. Cook or Pay Governance; 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 information and advice from Pay Governance was sufficiently mitigated by the direct involvement of its independent compensation consultant, F.W. Cook, and the Compensation Committee's own examination and assessment of the objectivity of Pay Governance's advice.

Benchmarking

The Compensation Committee uses benchmarking to compare 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. For 2013, our compensation peer group consisted of eleven exploration and production peer companies (expanded from 5 companies in 2012) which are similar to the Company in size, scope and nature of business operations, and with whom we compete for talent, including:

Anadarko Petroleum Corporation	Marathon Oil Corporation
Apache Corporation	Murphy Oil Corporation
Continental Resources, Inc.	Noble Energy, Inc.
Devon Energy Corporation	Occidental Petroleum Corporation
EOG Resources, Inc.	SandRidge Energy, Inc.
Hess Corporation	

Our compensation peer group contains companies in our industry that are both larger and smaller in size and scope. With the exception of Hess and Murphy Oil, 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 compensation peer group. We compete with the companies in our compensation peer group for talent, and the Compensation Committee believes the selected companies were the most appropriate for use in benchmarking 2013 executive compensation. 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.

The benchmarking analysis indicated that target total direct compensation for our former CEO was between the median and seventy-fifth percentile and each of the other named executive officers was above the seventy-

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fifth percentile of benchmark data as compared to our peers. These results informed the Compensation Committee's decisions with respect to setting 2013 executive compensation, including establishing the targets for the 2013 annual incentive plan award and PSU component of the Company's long-term incentive program for named executive officers. As discussed above under *Executive Compensation Program Philosophy and Objectives of Our Executive Compensation Program*, the Compensation Committee intends to generally set all elements of target compensation at the median of similarly situated executives among the Company's compensation peer group and may also consider other

relevant industry benchmarks in making compensation decisions. The results of the benchmarking suggested higher competitive positioning of target long-term incentive grants. This data point became one factor in the Compensation Committee's determination to reduce the long-term incentive by 10% in 2013 as detailed below under *2013 Named Executive Officer Compensation Elements Long-Term Incentive Compensation*. It was also a factor in continuing reductions in target long-term incentive compensation for 2014 as detailed below under *Actions Related to 2014 Executive Compensation*.

Chief Executive Officer and Management Role in Executive Compensation Process

The Company's CEO has an active role in executive compensation, and typically makes recommendations to and participates in discussions with the Compensation Committee in order to provide information regarding the compensation of the other named executive officers. Following such recommendations, the Committee discusses the compensation of each named executive officer and approves the final named executive officer compensation amounts, subject to such modifications as it deems appropriate. The Committee discusses the compensation of the CEO in executive session with its independent compensation consultant and approves his final compensation amounts. Following such approvals, the Compensation Committee provides a report of its executive compensation decisions to the full Board of Directors for discussion and

ratification. The CEO, not being a member of the Compensation Committee, does not vote at Compensation Committee meetings, and he does 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 to the participation of our CEO, other members of senior management typically provide the CEO and 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.

[2013 Corporate Performance Highlights](#)

Chesapeake performed well in 2013. The Company ended 2013 as the second-largest producer of natural gas and the 11th largest producer of oil and natural gas liquids in the U.S. The Company delivered TSR of 66%, outperforming our compensation peer group. The TSR performance is a result of a sharp focus on executing our business strategy of financial discipline and profitable and efficient growth from captured resources, which led to strong operating and financial results. The Company once again delivered excellent year-over-year production growth of 11%, as adjusted for asset sales and purchases, and continued to grow liquids production to 25% of total production, all while employing half the capital than in 2012. The Company also focused on its costs in 2013, reducing

per unit production and G&A expenses by 15%. These efficiency gains allowed the Company to deliver strong year-over-year adjusted EBITDA growth of 34%. Lastly, the Company executed its strategic 2013 asset sales program, selling \$4.4 billion in noncore assets. To focus management on executing our 2013 strategic plan, these and other important metrics were used as performance goals under our 2013 annual incentive program. See *2013 Named Executive Officer Compensation Elements Performance-Based Annual Incentives 2013 Annual Incentive Program* below on page 25 for more information with regard to the metrics used in our 2013 annual incentive program.

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[2013 Named Executive Officer Compensation Elements](#)

In December 2011, the Compensation Committee adopted substantial changes to executive compensation which were reflected in our 2012 executive compensation program. For 2013, after considering the analyses and 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.

As shown below, our 2013 program continued to utilize base salary, cash awards under our annual incentive plan, restricted stock awards and PSUs under our 2005 LTIP. However, in 2013 we began granting stock options to our named executive officers as part of their long-term incentive compensation. In addition, in June 2013 we began granting restricted stock units in lieu of shares of restricted stock.

Base Salary

Base salaries reflect each named executive officer's 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. In early 2013, the Compensation Committee maintained base salaries for the then-serving named executive officers at 2012 levels, except for Mr. Dixon, whose compensation was increased in connection with his appointment as Acting CEO effective April 1, 2013. For Messrs. Lawler, Doyle and Pigott, who were hired during 2013, the

Compensation Committee considered compensation levels for chief executive officers of peer group companies with respect to Mr. Lawler, and peer group executives with similar titles with respect to Messrs. Doyle and Pigott, in determining their base salaries. See *2013 Named Executive Officer Compensation Decisions 2013 CEO Compensation* and *2013 Named Executive Officer Compensation Decisions 2013 Other Current Named Executive Officer Compensation* below for more information.

Performance-Based Annual Incentives

2013 Annual Incentive Program. The annual incentive component of our executive compensation program 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 January 2013, the Compensation Committee and the Board approved the Chesapeake Energy Corporation 2013 Annual Incentive Plan, a cash-based incentive plan utilizing pre-established performance goals. The plan was subject to shareholder approval at our 2013 annual meeting of shareholders and was overwhelmingly approved. For 2013, the Compensation Committee focused heavily on implementing an annual incentive program with a formulaic approach to awarding annual

incentives based on an evaluation of the Company's performance relative to eleven pre-established, objective operational and financial goals detailed below under *Performance Goals and Calculation of Payout Factor*. The Committee felt that the number of goals was appropriate for 2013 as the Board's objective was to ensure that management was focused on certain specific goals that were important to the Company in 2013, such as growth in production and proved reserves, asset sales, leasehold cost control and overhead reduction, while continuing to motivate management to focus on broader financial and operational metrics.

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 2013 annual incentive program:

$$\text{Base Salary} \quad \times \quad \text{Target Percentage of Base Salary} \quad \times \quad \text{Payout Factor (0 - 200\%)}$$

The Compensation Committee used the base salary in effect on the last day of 2013 in calculating the annual incentive payments. The Compensation Committee established the target percentage of base salary payable under the annual incentive program at 150% for the CEO, 125% for EVPs and 100% for SVPs (other than Messrs. Doyle and Pigott whose targets were set at 80%) to provide an annual incentive opportunity that is competitive with our peers. Following

the end of 2013, 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 between threshold and target and between target and maximum) with no payment for performance not achieving

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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 (other than Doyle and Pigott)	50%	100%	200%
SVP (Doyle and Pigott)	40%	80%	160%

Final annual incentive program payouts for Messrs. Lawler, Doyle and Pigott were prorated in accordance with their employment agreements for the number of days that they were employed by the Company in 2013; provided, however, the annual incentive program payout for Messrs. Lawler, Doyle and Pigott were required to be at least \$800,000, \$400,000 and \$200,000, respectively, to account for forfeited bonus amounts from their prior employer. See *2013 Named Executive Officer Compensation Decisions 2013 CEO Compensation* and *2013 Named Executive Officer Compensation Decisions 2013 Other Current Named Executive Officer Compensation* below for more information. Mr. McClendon did not receive an annual incentive award in 2013. Pursuant to the terms of the Annual Incentive Plan, the other named executive officers who separated from the Company in 2013

forfeited their annual incentive awards and therefore received no payouts under the 2013 annual incentive program.

Performance Goals and Calculation of Payout Factor. For the 2013 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 2013 proxy statement, which it believed appropriately reflected factors that would positively impact shareholder value during 2013. 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.

Goal	A	B	C	D	E	G = F	
							= D/(C function of E)B
			Performance Target	Actual Performance	Achievement Level	Individual Payout Factor	Weighted Payout Factor
Financial							
Adjusted EBITDA		7.5%	\$ 4.536 billion	\$ 5.016 billion	111%	200%	15.0%
Long-term debt reduction		7.5%	\$ 9.5 billion	\$ 12.049 billion	79%	0%	0%

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Adjusted net income	7.5%	\$ 681 million	\$ 896 million	132%	200%	15.0%
Drilling and completion costs	7.5%	\$ 6.0 billion	\$ 5.466 billion	110%	200%	15.0%
Leasehold costs	7.5%	\$ 400 million	\$ 205 million	195%	200%	15.0%
Non-employee overhead reduction	7.5%	\$ 60 million	\$ 156 million	260%	200%	15.0%
Operational						
Production (bcfe)	15.0%	1,426 bcfe	1,513 bcfe ^(a)	106%	200%	30.0%
Proved reserves						
organically added (tcf)	15.0%	3.0 tcf	3.14 tcf ^(b)	105%	158%	23.7%
Asset sales	15.0%	\$ 5.0 billion	\$ 4.397 billion	88%	70%	10.5%
Operational Safety						
Improvement in Total						
Recordable Incident						
Rate (expressed as a reduction)	5.0%	10%	23%	230%	200%	10.0%
Improvement in Lost						
Time Incident Rate						
(expressed as a reduction)	5.0%	10%	24%	240%	200%	10.0%
TOTAL WEIGHTED PAYOUT FACTOR:						159.2%

(a) The production target is measured against full-year Company performance and adjusted for production gains/losses associated with asset sales and purchases.

(b) The proved reserves growth target is an organic growth goal and adjusted for changes in proved reserves caused by one-time revisions and asset sales and purchases.

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

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Summary of Targets and Payments for 2013. The annual incentive analysis under the 2013 annual incentive program yielded above-target payouts for all executives given the Company's strong performance in 2013. The following table shows how the formula was applied and the actual amounts awarded under the 2013 annual incentive program.

Name	Base Salary ^(a)	Target Annual Incentive ^(b)	Target Value of Annual Incentive	Potential Payments at		Payout Factor	2013
				Grant Date	Actual Award		
Robert D. (Doug) Lawler ^(c)	\$ 1,250,000	150%	\$ 1,017,123	\$ 800,000	2,034,246	159.2%	\$ 1,619,260
Domenic J. (Nick) Dell Osso, Jr.	725,000	125	906,250	0	1,812,500	159.2	1,442,750
Douglas J. Jacobson	800,000	125	1,000,000	0	2,000,000	159.2	1,592,000
M. Christopher Doyle ^(c)	550,000	80	400,000		400,000	159.2	400,000
Mikell J. (Jason) Pigott ^(c)	500,000	80	200,000	200,000	306,849	159.2	244,252

(a) As of December 31, 2013.

(b) Reflected as a percentage of base salary.

(c) Amounts prorated based on 2013 start dates pursuant to the named executive officers' employment agreements. 2013 annual incentive program payouts for Messrs. Lawler, Doyle and Pigott were required to be at least \$800,000, \$400,000 and \$200,000, respectively, in accordance with their respective employment agreements to account for forfeited bonus amounts from their prior employment.

The Compensation Committee has continued to refine the annual incentive program applicable to our named executive officers for 2014 as discussed in more detail under *Actions Related to 2014 Executive Compensation* on page 35 below.

Individual Performance Bonus. The Compensation Committee may, in its judgment, award cash bonuses to executive officers in instances where performance is based on select individual criteria or is well in excess of what is expected of the officer, and warrants an additional bonus in excess of the annual incentive award payable under the Annual Incentive Plan. These awards are typically limited in amount and only granted in extraordinary circumstances. In 2013, in recognition of their contributions to the Company's financial and operational performance, Messrs. Jacobson, Doyle and Pigott each received individual performance bonus awards. The bonus awards are described in detail in *2013 Named Executive Officer Compensation Decisions* *2013 Other Current Named Executive Officer Compensation* below.

Long-Term Incentive Compensation

Long-term incentive compensation aligns the interests of the named executive officers with our shareholders. Total target compensation is weighted heavily toward long-term incentive compensation, 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 2005 LTIP into the mix of long-term incentive compensation. For 2013, the Compensation Committee determined to grant long-term incentive awards, half of which consisted of PSUs and, except in the case of Mr. Lawler, half of which was equally divided between restricted stock (or restricted stock units) and stock options. 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.

For named executive officers serving in January 2013, the Compensation Committee reduced the target 2013 long-term incentive opportunity by an average of over 10% compared to the 2012 long-term incentive opportunity, based on the results of the compensation peer group benchmark analysis conducted by F.W. Cook in late 2012. See *2013 Process for Determining Executive Compensation Benchmarking* above. Pursuant to the terms of their agreements, the named executive officers who separated in 2013 were eligible for pro rata and/or continued vesting of these awards. See *Post-Employment Compensation Former Named Executive Officer Separations* on page 48 for more information. Mr. Lawler's target annual long-term incentive compensation was more than 20% lower than Mr. McClendon's target annual long-term incentive compensation and consisted of half PSUs and half stock options. See *2013 Named Executive Officer Compensation Decisions 2013 CEO Compensation* below for a discussion of Mr. Lawler's employment agreement and 2013 compensation.

2013 Restricted Stock (or Restricted Stock Units) and Stock Option Awards. Long-term incentive awards for named executive officers in 2013, other than Mr. Lawler, consisted of approximately 25% restricted stock or restricted stock units (the value of which was based on the closing price of the Company's common stock on the grant date) and approximately 25% stock options (the value of which was determined using Black-Scholes option pricing on the grant date), each of which vest over a three-year period, which was reduced from four years based on a competitive analysis performed by F.W. Cook and to align with vesting periods of PSUs. Since 2004, the Company has provided long-term incentive compensation in the form of restricted stock granted under the 2005 LTIP. 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 program, in particular, retention and alignment with shareholder interest. In June 2013, the Compensation Committee approved the granting of restricted stock units in lieu of shares of restricted stock, which consist of units representing the right to acquire shares of common stock on the vesting date. Holders of unvested restricted stock have full voting rights with regard to such stock and holders of unvested restricted stock and restricted stock units are entitled to receive dividends and dividend equivalents, respectively, on such stock and units. For 2013, the Compensation Committee added time-vested 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.

2013 PSU Awards. Long-term incentive awards for named executive officers in 2013 consisted of approximately 50% cash-settled PSUs (the value of which was determined in part based on the closing price of the

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Company's common stock and in part by a Monte Carlo simulation, each on the grant date). The target PSUs vest ratably over the three-year period beginning on January 29, 2013; however, the final number and value of the PSUs paid to a named executive officer depend on the Company's performance relative to objective performance goals during the three-year performance period ending on December 31, 2015. The Compensation

Committee established the performance goals in early 2013 based on performance measures enumerated in the 2005 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.

2013 Named Executive Officer PSU Grants. For 2013, the Compensation Committee granted PSUs in the following amounts:

Name	Total Target PSUs	Grant Date Fair Value of Award ^(a)
Robert D. (Doug) Lawler	210,337	\$ 5,250,012
Domenic J. (Nick) Dell Osso	138,290	2,875,049
Douglas J. Jacobson	126,265	2,625,049
M. Christopher Doyle	24,073	850,018
Mikell J. (Jason) Pigott	24,073	850,018
Aubrey K. McClendon ^{(b)(c)}	324,680	6,750,097
Steven C. Dixon ^(c)	162,340	3,375,049
Jeffrey A. Fisher ^(c)	78,165	1,625,050

(a) Grant date value of PSU awards determined pursuant to FASB Topic 718. The assumptions used by the Company in calculating these amounts are provided in footnote (b) to the Summary Compensation Table on page 37. Such amounts represent approximately half of each named executive officer's long-term incentive award.

(b) On January 29, 2013, the Company announced that Mr. McClendon would retire from the Company effective April 1, 2013. The Committee granted Mr. McClendon long-term incentive awards in an effort to promote an orderly CEO transition and also maintain Mr. McClendon's alignment with the Company's interests.

(c) Messrs. McClendon, Dixon and Fisher separated from the Company in 2013. PSU grants made to Messrs. Dixon and Fisher in 2013 were subject to pro rata accelerated vesting at target performance. Mr. McClendon's 2013 PSUs were subject to continued vesting pursuant to his separation agreement. Because he had met the age- and service-related retirement qualifications, Mr. Dixon's 2013 PSUs that remained unvested after prorated vesting were subject to continued vesting. All PSU awards will be subject to adjustment based upon actual performance at the end of the performance period. For more information on the treatment of 2013 awards made to Messrs. McClendon, Dixon and Fisher, see Post-Employment Compensation Former Named Executive Officer Separations on page 48.

2013 PSU Performance Goals. The final number of PSUs awarded to named executive officers is determined at the end of the three-year performance period based on the Company's performance against objective performance goals. The 2013 PSU performance goals consist of relative TSR, relative proved reserves growth and relative production growth goals measured over the three-year performance period as shown in the table below. The Committee chose all relative performance metrics for 2013 PSUs in order to motivate named executive officers to drive differential performance for the Company's shareholders. The performance goals correlate to the

Company's performance over the applicable performance period with modifiers expressed as a percentage, resulting in a combined range of 0 to 250% (subject to the maximum modifier described below). The Company's performance respecting these goals will be measured against the Company's 2013 compensation 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.

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%

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 that caps the award even if the aggregate modifier would be greater than 200%, a reduction of the maximum modifier of 250% used for 2012 awards. In

addition, 2013 PSUs are subject to an absolute total shareholder return circuit breaker that caps payouts at 100% when absolute total shareholder return is negative over the performance period. The circuit breaker does not apply if the Company's performance results in an aggregate modifier of less than 100%.

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2013 PSU Payouts. The ultimate cash payout earned by a named executive officer will be 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 three-year performance period. Cash awards under the PSU program are calculated as of the end of the performance period and delivered as follows:

FINAL NUMBER OF PSUs EARNED**FINAL VALUE OF PSUs**

We believe the 2013 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. The Compensation Committee determined that incorporating relative TSR performance measures with an absolute TSR circuit breaker correctly balanced 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, the Compensation Committee determined that, for the 2013 PSU awards, the operational performance goals balanced two of the most important factors that drive long-term value creation for our shareholders, production growth and proved reserves growth.

All 2013 PSU awards are intended to comply with Section 162(m) of the Internal Revenue Code, or the Code.

2012 Two-Year PSU Results. In 2012, the Compensation Committee granted PSUs to then-serving named executive officers in the following amounts:

Name	Total Target PSUs	Target 1-Year PSUs	Target 2-Year Target 3-Year PSUs
Domenic J. (Nick) Dell Osso	105,935	13,242	