

CHESAPEAKE ENERGY CORP
Form 8-K
June 30, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

June 30, 2006 (June 27, 2006)

CHESAPEAKE ENERGY CORPORATION

(Exact name of Registrant as specified in its Charter)

Oklahoma

(State or other jurisdiction of incorporation)

1-13726

(Commission File No.)

73-1395733

(IRS Employer Identification No.)

6100 North Western Avenue, Oklahoma City, Oklahoma

(Address of principal executive offices)

73118

(Zip Code)

(405) 848-8000

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

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Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act
(17 CFR 240.13e-4(c))

Section 1 Registrant's Business and Operations

Item 1.01 Entry into a Material Definitive Agreement.

On June 27, 2006, Chesapeake Energy Corporation (the Company) entered into an Underwriting Agreement with Goldman, Sachs & Co., Banc of America Securities LLC, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and Raymond James & Associates, Inc., as representatives of several underwriters, to issue and sell to the underwriters 20,000,000 shares of its Common Stock, a copy of which is filed herewith as Exhibit 99.1. A copy of the press release announcing the pricing of the common stock is filed herewith as Exhibit 99.4.

On June 27, 2006, the Company also entered into an Underwriting Agreement with Goldman, Sachs & Co., Banc of America Securities LLC, Credit Suisse Securities (USA) LLC, Lehman Brothers Inc. and UBS Securities LLC, as representatives of several underwriters, to issue and sell to the underwriters 2,300,000 shares of 6.25% Mandatory Convertible Preferred Stock, a copy of which is filed herewith as Exhibit 99.2. A copy of the press release announcing the pricing of the 6.25% Mandatory Convertible Preferred Stock is filed herewith as Exhibit 99.5.

On June 27, 2006, the Company also entered into an Underwriting Agreement with Banc of America Securities LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., Lehman Brothers Inc. and Wachovia Capital Markets, LLC, as representatives of several underwriters, to issue and sell to the underwriters \$500 million principal amount of the Company's 7.625% Senior Notes due 2013, a copy of which is filed herewith as Exhibit 99.3. The senior notes were issued under an indenture dated June 30, 2006. A copy of the press release announcing the pricing of the 7.625% Senior Notes due 2020 is filed herewith as Exhibit 99.6.

Section 2 - Financial Information

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

On June 30, 2006, the Company completed a public offering of \$500 million of 7.625% Senior Notes due 2013 under an indenture dated June 30, 2006, attached hereto as Exhibit 4.1. Interest on the notes will be payable semi-annually on January 15 and July 15 of each year, commencing January 15, 2007. The notes will mature on July 15, 2013. The notes were issued pursuant to a registration statement filed June 27, 2006 which became effective on the same day.

We may redeem some or all of the notes at any time, at the make-whole price described in the indenture.

The notes will be our senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured senior debt and senior to any subordinated unsecured debt that we may incur. The notes will be guaranteed by our existing and future guarantor subsidiaries on a senior unsecured basis. The notes will be effectively subordinated to our and our guarantor subsidiaries' existing and future secured debt, including debt under our revolving bank credit facility, to the extent of the value of the assets securing such debt. The notes will also be

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effectively subordinated to the debt of any non-guarantor subsidiaries.

The following are events of default with respect to the notes:

(1) default by the Company or any subsidiary guarantor in the payment of principal of or premium, if any, on the notes when due and payable at maturity, upon repurchase pursuant to the covenants regarding sales of assets or a change of control, upon acceleration or otherwise;

(2) default by the Company or any subsidiary guarantor for 30 days in payment of any interest on the notes;

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(3) default by the Company or any subsidiary guarantor in the deposit of any make-whole redemption payment;

(4) default on any other indebtedness of the Company, any subsidiary guarantor or any other subsidiary if either:

(A) such default results in the acceleration of the maturity of any such indebtedness having a principal amount of \$50.0 million or more individually or, taken together with the principal amount of any other such indebtedness the maturity of which has been so accelerated, in the aggregate, or

(B) such default results from the failure to pay when due principal of, premium, if any, or interest on, any such Indebtedness, after giving effect to any applicable grace period (a Payment Default), having a principal amount of \$50.0 million or more individually or, taken together with the principal amount of any other indebtedness under which there has been a payment default, in the aggregate;

provided that if any such default is cured or waived or any such acceleration is rescinded, or such indebtedness is repaid, within a period of 30 days from the continuation of such default beyond any applicable grace period or the occurrence of such acceleration, as the case may be, such event of default and any consequent acceleration of the notes shall be rescinded, so long as any such rescission does not conflict with any judgment or decree or applicable provision of law;

(5) default in the performance, or breach of, the Limitations on Mergers and Consolidations covenants, or in the performance, or breach of, any other covenant or agreement of the Company or any subsidiary guarantor in the indenture and failure to remedy such default within a period of 45 days after written notice thereof from the trustee or holders of 25% of the principal amount of the outstanding notes;

(6) the entry by a court of one or more judgments or orders for the payment of money against the Company, any subsidiary guarantor or any other subsidiary in an aggregate amount in excess of \$50.0 million (net of applicable insurance coverage by a third party insurer which is acknowledged in writing by such insurer) that has not been vacated, discharged, satisfied or stayed pending appeal within 60 days from the entry thereof;

(7) the failure of a guarantee by a subsidiary guarantor to be in full force and effect, or the denial or disaffirmance by such entity thereof; or

(8) certain events involving bankruptcy, insolvency or reorganization of the Company or any subsidiary of the Company.

If an Event of Default occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the notes outstanding may declare the principal of and premium, if any, and accrued but unpaid interest on all the notes to be due and payable. Upon such a declaration, such principal, premium, if any, and interest will be due and payable immediately. If an event of default relating to certain events of bankruptcy, insolvency or reorganization of the Company or any subsidiary of the Company (other than a non-recourse subsidiary or an unrestricted subsidiary) occurs and is continuing, the principal of, and premium, if any, and interest on all the notes will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holders of the notes. The amount due and payable on the

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acceleration of any note will be equal to 100% of the principal amount of the note, plus accrued and unpaid interest to the date of payment. Under certain circumstances, the holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the notes and its consequences.

Section 5 Corporate Governance and Management

Item 5.03 Amendments to Articles of Incorporation.

Effective June 30, 2006, Chesapeake Energy Corporation filed a Certificate of Designation with the Oklahoma Secretary of State for 2,300,000 shares of 6.25% Mandatory Convertible Preferred Stock. The Certificate of Designation is attached hereto as Exhibit 3.1.

Section 8 Other Events

Item 8.01 Other Events.

Chesapeake Energy Corporation issued three press releases on June 27, 2006 to announce the pricing of an offering of 20 million shares of Common Stock, the pricing of a new issue of \$500 million of mandatory convertible preferred stock and the pricing of a new issue of \$500 million of Senior Notes due 2013. The press releases are attached hereto as exhibits 99.4, 99.5 and 99.6.

An opinion by Commercial Law Group, P.C. related to our registration statement on Form S-3 (Registration No. 333-130196), as amended, and the offerings is also attached hereto as Exhibit 5.1.1

An opinion by Vinson & Elkins L.L.P. related to our registration statement on Form S-3 (Registration No. 333-135368), as amended, and the offering is also attached hereto as Exhibit 5.1.2

Section 9 Financial Statements and Exhibits

Item 9.01 Final Statements and Exhibits

(c) Exhibits

Exhibit No.	Document Description
99.1	Underwriting Agreement dated as of June 27, 2006 by and among Chesapeake Energy Corporation, Goldman, Sachs & Co., Banc of America Securities LLC, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and Raymond James & Associates, Inc.
99.2	Underwriting Agreement dated as of June 27, 2006 by and among Chesapeake Energy Corporation, Goldman, Sachs & Co., Banc of America Securities LLC, Credit Suisse Securities (USA) LLC, Lehman Brothers Inc. and UBS Securities LLC.

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- 99.3 Underwriting Agreement dated as of June 27, 2006 by and among Chesapeake Energy Corporation, Banc of America Securities LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., Lehman Brothers Inc. and Wachovia Capital Markets, LLC.
- 99.4 Press release dated June 27, 2006 announcing pricing of 20 million shares of Common Stock
- 99.5 Press release dated June 27, 2006 announcing pricing of Mandatory Convertible Preferred Stock
- 99.6 Press release dated June 27, 2006 announcing pricing of a new issue of Senior Notes due 2013

- 3.1 Certificate of Designation of 6.25% Mandatory Convertible Preferred Stock
- 4.1 Indenture dated as of June 30, 2006 among Chesapeake as Issuer, the subsidiaries signatory thereto, as Subsidiary Guarantors, and The Bank of New York Trust Company, N.A., as Trustee, with respect to 7.625% Senior Notes due 2013.
- 5.1.1 Opinion Letter of Commercial Law Group, P.C.
- 5.1.2 Opinion Letter of Vinson & Elkins L.L.P.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CHESAPEAKE ENERGY CORPORATION
By: /s/ AUBREY K. MCCLENDON
Aubrey K. McClendon

Chairman of the Board and

Chief Executive Officer

Date: June 30, 2006

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5.1.1	Opinion Letter of Commercial Law Group, P.C.
5.1.2	Opinion Letter of Vinson & Elkins, L.L.P.