

CHESAPEAKE ENERGY CORP
Form 8-K
February 03, 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)

February 3, 2006 (January 31, 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 January 31, 2006, Chesapeake Energy Corporation (the Company) entered into a Purchase Agreement with Banc of America Securities LLC, Citigroup Global Markets Inc., Lehman Brothers Inc., UBS Securities LLC and Wachovia Capital Markets, LLC, as representatives of several purchasers, to sell to the purchasers \$500 million principal amount of the Company's existing 6.5% Senior Notes due 2017. The senior notes are to be issued under an indenture dated August 16, 2005. A copy of the press release announcing the pricing of the 6.5% Senior Notes due 2020 was filed under item 8.01 of our Form 8-K dated February 1, 2006.

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 February 3, 2006, the Company completed a private placement offering of an additional \$500 million of the Company's existing 6.5% Senior Notes due 2017 under the indenture dated August 16, 2005. Interest on the notes will be payable semi-annually on February 15 and August 15 of each year, commencing February 15, 2006. The notes will mature on August 15, 2017.

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 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

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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 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.

Under a registration rights agreement which was executed as part of the offering of the notes, we have agreed to file a registration statement with the Securities and Exchange Commission within 120 days after February 3, 2006 enabling the holders of the notes to exchange the notes for publicly registered notes with identical terms; use our best efforts to cause the registration statement to become effective within 240 days after February 3, 2006; consummate the exchange offer within 60 business days after the effective date of our registration statement; file a shelf registration statement for the resale of the notes if we cannot effect an exchange offer within the time periods listed above and in some other circumstances; and if a shelf registration statement is required, use our best efforts to cause the shelf registration statement to be declared effective and to keep the shelf registration statement effective until the earlier of two years from the date of the effectiveness of the shelf registration statement or the time when all of the notes covered by the shelf registration statement have been sold or when they may be sold pursuant to Rule 144 under the Securities Act, subject to certain exceptions. We will pay additional interest on the notes if we are not in compliance with our obligations under the registration rights agreement.

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A copy of the indenture governing the notes is incorporated herein by reference to Exhibit 4.1 of the Company's current report on Form 8-K dated August 16, 2005. A copy of the registration rights agreement is attached to this report as Exhibit 4.1.2.

Section 9 Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

| Exhibit No. | Document Description |
|--------------------|---|
| 4.1.1 | Indenture dated as of August 16, 2005 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 6.50% Senior Notes due 2017. Incorporated herein by reference to Exhibit 4.1 to the Company's current report on Form 8-K dated August 16, 2005. |
| 4.1.2 | Registration Rights Agreement dated February 3, 2006 with respect to the 6.5% Senior Notes due 2017. |

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: February 3, 2006

EXHIBIT INDEX

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