

Chesapeake Energy Corporation
Distribution of SSE Common Stock

Attachment to Form 8937

Part II

Line 14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for action.

On June 30, 2014 ("**Distribution Date**"), Chesapeake Energy Corporation ("**Chesapeake**") completed the spin-off of Seventy Seven Energy Inc. ("**SSE**"), through a pro rata distribution ("**Distribution**") of 100% of the outstanding shares of SSE to holders of Chesapeake common stock. On the Distribution Date, each such shareholder received one (1) share of SSE common stock for every fourteen (14) shares of Chesapeake common stock owned at 5:00 p.m. EST on June 19, 2014.

This information does not apply to Chesapeake shareholders (i) who did not receive the Distribution of SSE common stock on June 30, 2014 or (ii) who acquired blocks of Chesapeake common stock at different times and prices.

The information contained herein does not constitute tax advice and is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code. In addition, this information does not purport to be complete or to describe the consequences that may apply to particular categories of Chesapeake shareholders.

Shareholders are urged to consult their own tax advisor regarding the particular consequences of the Distribution, including the applicability and effect of all U.S. federal, state and local, and foreign tax laws.

Line 15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

Chesapeake shareholders should allocate their aggregate tax basis in their Chesapeake common stock held immediately prior to the Distribution among the shares of SSE common stock received in the Distribution (including any fractional share of SSE common stock for which cash was received) and the Chesapeake common stock in respect of which such SSE common stock was received in proportion to their fair market values immediately after the Distribution.

The following formula may be used for determining the per share basis in Chesapeake common stock after the Distribution (“**CHK per Share Basis**”):

$$CHK \text{ per Share Basis} = \frac{x * 14 * y}{(14 * y) + z}$$

and the following formula may be used for determining the per share basis in SSE common stock after the Distribution (including the basis in any fractional share for which cash was received) (“**SSE per Share Basis**”):

$$SSE \text{ per Share Basis} = \frac{x * 14 * z}{(14 * y) + z}$$

in each case, where—

- “**x**” equals the pre-Distribution per share basis in Chesapeake common stock,
- “**y**” equals the per share fair market value of Chesapeake common stock immediately after the Distribution, and
- “**z**” equals the per share fair market value of SSE common stock immediately after the Distribution.

Line 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

The U.S. federal income tax laws provide that the allocation of the aggregate tax basis discussed under Line 15 above shall be allocated based on the fair market value of the resulting Chesapeake and SSE shares received. However, the tax law does not provide any further guidance on the determination of fair market value. In general, for U.S. federal income tax purposes, fair market value is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts.

The following are two alternative methods for determining the fair market values of the Chesapeake common stock and the SSE common stock, although other methods might be used. All trading prices are as reported in the NASDAQ website at nasdaq.com.

- The closing prices of Chesapeake common stock and SSE common stock on July 1, 2014 (the first trading day after the Distribution): Chesapeake — \$29.24; SSE — \$25.06.
- The average of the high and low trading prices of Chesapeake common stock, and of SSE common stock trading on a “when issued” basis, on June 30, 2014 (the date of the Distribution): Chesapeake — \$29.37; SSE — \$23.88.

Example of tax basis allocation The following example illustrates how to calculate the CHK per Share Basis and the SSE per Share Basis. The example is based on the closing prices on the first trading day following the Distribution, but, as described above, other valuation methods might be used.

The example is purely hypothetical and is provided solely for illustrative purposes and as a convenience to shareholders and their tax advisors when establishing their specific tax position. Please remember that neither Chesapeake nor SSE provides its shareholders with tax advice.

Assumed Facts	Per share basis in pre-Distribution Chesapeake shares (“x”):	\$20.00
	Per share fair market value of Chesapeake shares (“y”):	\$29.24
	Per share fair market value of SSE shares (“z”):	\$25.06

The CHK per Share Basis would be \$18.85, calculated as follows:

$$CHK \text{ per Share Basis} = \frac{\$20.00 * 14 * \$29.24}{(14 * \$29.24) + \$25.06} = \$18.85$$

The SSE per Share Basis would be \$16.15, calculated as follows:

$$SSE \text{ per Share Basis} = \frac{\$20.00 * 14 * \$25.06}{(14 * \$29.24) + \$25.06} = \$16.15$$

In this example, approximately 94.25% of the total basis in Chesapeake shares before the Distribution would be allocated to Chesapeake shares, and approximately 5.75% of that basis would be allocated to SSE shares (including any fractional share for which cash was received).

Finally, taxable gain or loss would be recognized in an amount equal to the difference between the amount of cash received for any fractional share of SSE common stock and the basis in that fractional share. The basis in a fractional share of SSE common stock would be determined by multiplying the SSE per Share Basis by the fraction of a share of SSE common stock for which cash was received.

Line 17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

The applicable Internal Revenue Code sections upon which the tax treatment is based are sections 355, 358, 368, and 1001.

Line 18. Can any resulting loss be recognized?

Chesapeake obtained a private letter ruling from the Internal Revenue Service substantially to the effect that the Distribution will qualify for non-recognition treatment to its shareholders under section 355 of the Internal

Revenue Code. Therefore, shareholders generally will not recognize any loss on the Distribution for U.S. federal income tax purposes (except to the extent that a loss may be recognized with respect to any cash received in lieu of fractional shares of SSE common stock).

Line 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The distribution of SSE common stock occurred on June 30, 2014. As a result, the basis adjustments in the shares of Chesapeake common stock and SSE common stock should be reported in the taxable year that includes this date. In the case of shareholders who are calendar year taxpayers, such adjustment should be reported in the taxable year ending December 31, 2014.