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) MARCH 25, 1998

CHESAPEAKE ENERGY CORPORATION

(Exact name of Registrant as specified in its Charter)

OKLAHOMA	1-13726	73-1395733
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

6100 NORTH WESTERN AVENUE, OKLAHOMA CITY, OKLAHOMA 73118

(Address of principal executive offices) (Zip Code)

(405) 848-8000

(Registrant's telephone number, including area code)

INFORMATION TO BE INCLUDED IN THE REPORT

ITEM 5. OTHER EVENTS

On March 25, 1998, Chesapeake Energy Corporation ("Chesapeake") issued a press release reporting its financial results for the six month transition period ended December 31, 1997. The March 25, 1998 press release is filed herewith as Exhibit 99.1 and incorporated herein by reference.

The Company's audited financial statements as of December 31, 1997 and as of June 30, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for the six months ended December 31, 1997 and the years ended June 30, 1997, 1996 and 1995 are filed herewith as Exhibit 99.2 and incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits. The following exhibits are filed herewith:

23.1 Consent of Coopers & Lybrand, L.L.P.

23.2 Consent of Price Waterhouse LLP

99.1 Press Release issued by the Registrant on March 25, 1998.

99.2 Audited Financial Statements

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, thereunto duly authorized.

CHESAPEAKE ENERGY CORPORATION

BY: /S/ AUBREY K. MCCLENDON

AUBREY K. MCCLENDON,
Chairman of the Board and
Chief Executive Officer

Dated: March 25, 1998

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
23.1	Consent of Coopers & Lybrand L.L.P.
23.2	Consent of Price Waterhouse LLP
99.1	Press Release issued by the Registrant on March 25, 1998.
99.2	Audited Financial Statements of the Registrant

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Chesapeake Energy Corporation on Form S-8 (File Nos. 33-84256, 33-84258, 33-89282, 33-88196, 333-27525, 333-07255 and 333-48585) and Form S-3 (File Nos. 333-04027 and 333-12533) of our report dated March 20, 1998, on our audits of the consolidated financial statements of Chesapeake Energy Corporation as of December 31, 1997 and for the six month period then ended, and as of June 30, 1997 and 1996 and for the years then ended, which report is included in this Form 8-K.

/s/ COOPERS & LYBRAND L.L.P.

COOPERS & LYBRAND L.L.P.

Oklahoma City, Oklahoma
March 24, 1998

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Chesapeake Energy Corporation on Form S-8 (File Nos. 33-84256, 33-84258, 33-89282, 33-88196, 333-27525, 333-07255 and 333-48585) and Form S-3 (File Nos. 333-04027 and 333-12533) of our report dated September 20, 1995, except for the fourth paragraph of Note 9 which is as of October 9, 1997, and except for the earning per share information - Note 1, which is as of March 25, 1998, on our audit of the consolidated financial statements of Chesapeake Energy Corporation for the year ended June 30, 1995, which report is included in this Form 8-K.

PRICE WATERHOUSE LLP

Houston, Texas

March 25, 1998

EXHIBIT 99.1

CONTACT: MARC ROWLAND, CHIEF FINANCIAL OFFICER
(405)848-8000, EXT. 232

FOR IMMEDIATE RELEASE
MARCH 25, 1998

TOM PRICE, JR.,VICE PRESIDENT-
CORPORATE DEVELOPMENT
(405)848-8000, EXT. 257

CHESAPEAKE ENERGY CORPORATION ANNOUNCES 1997 TRANSITION PERIOD RESULTS

OKLAHOMA CITY, OKLAHOMA, MARCH 25, 1998 -- Chesapeake Energy Corporation (NYSE:CHK) today reported its financial results for the six month transition period ended December 31, 1997. As previously announced, Chesapeake has changed its fiscal year end from June 30 to December 31.

Including the effects of the previously reported $110 million impairment charge and the $74 million Bayard gain, Chesapeake reported a net loss of $32 million, or $0.45 per share, during the six month transition period ended December 31, 1997. Excluding the effects of the impairment charge and the Bayard gain, Chesapeake reported net income of $4.6 million, or $.06 per share, on revenue of $232.9 million. This is a 75% decrease from net income of $18.5 million, or $0.28 per common share, on revenue of $122.7 million during the six month period ending December 31, 1996. Excluding the Bayard gain, cash flow from operating activities for the transition period decreased by 13% to $67.4 million from $77.3 million during the similar period in 1996.

PRODUCTION VOLUMES INCREASE

During the transition period, Chesapeake produced 38.5 billion cubic feet of natural gas equivalent (bcfe), an increase of 5% compared to the 36.8 bcfe produced in the six month period last year. During the transition period, average prices received were $2.24 per thousand cubic feet of natural gas (mcf) and $18.59 per barrel of oil for a natural gas equivalent (mcfe) price of $2.49, essentially flat to the $2.45 per mcfe received in the six month period ended December 31, 1996.

MANAGEMENT COMMENT

Aubrey K. McClendon, Chesapeake's Chairman and Chief Executive Officer, stated "The past nine months have marked a significant transition for Chesapeake. We have now successfully revised our business strategy and have transformed the reserve and risk profile of our company through the acquisition of approximately 710 bcfe of Mid-Continent and Canadian proved reserves, approximately 90% of which are natural gas. These long-lived natural gas reserves provide the solid foundation to continue building our company through a balanced strategy of growth through acquisitions and through the drillbit."

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Chesapeake Energy Corporation is an independent oil and natural gas producer headquartered in Oklahoma City. The company's operations are focused on exploratory and developmental drilling and producing property and corporate acquisitions in major onshore producing areas of the United States and Canada. The company's Internet address is http://www.chesapeake-energy.com.

The information contained in this release includes certain forward-looking statements. When used in this document, the words budget, budgeted, anticipate, expects, estimates, believes, goals or projects and similar expressions are intended to identify forward-looking statements. It is important to note that Chesapeake's actual results could differ materially from those projected by such forward-looking statements. Important factors that could cause actual results to differ materially from those projected in the forward-looking statements include, but are not limited to, the following: production variances from expectations, volatility of oil and gas prices, the need to develop and replace its reserves, the substantial capital expenditures required to fund its operations and acquisition strategy and the related need to fund such capital requirements through commercial banks and/or public securities markets, environmental risks, drilling and operating risks, risks related to exploration and development drilling, the uncertainty inherent in estimating future oil and gas production or reserves, uncertainty inherent in litigation, competition, government regulation, and the ability of the Company to implement its business strategy, including risks inherent in integrating acquisition operations into the Company's operations.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
($ IN 000'S, EXCEPT PER SHARE DATA)
(UNAUDITED)

SIX MONTHS ENDED:	DECEMBER 31, 1997			DECEMBER 31, 1996	
	$		$/MCFE	$	$/MCFE
REVENUES:					
Oil and gas sales	95,657		2.49	90,167	2.45
Oil and gas marketing sales	58,241		1.51	30,019	0.82
Interest and other	78,966		2.05	2,516	0.07
Total revenues	232,864		6.05	122,702	3.34
EXPENSES:					
Production expenses and taxes	10,094		0.26	5,874	0.16
Oil and gas marketing expenses	58,227		1.51	29,548	0.80
Impairment of oil and gas properties	110,000		2.86	-	-
Depreciation, depletion, and amortization of oil and gas properties	60,408		1.57	36,243	0.99
Depreciation and amortization of other assets	2,414		0.06	1,836	0.05
General and administrative	5,847		0.15	3,739	0.10
Interest	17,448		0.46	6,216	0.17
Total expenses	264,438		6.87	83,456	2.27
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(31,574)		(0.82)	39,246	1.07
PROVISION (BENEFIT) FOR INCOME TAXES	-		-	14,325	0.39
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(31,574)		(0.82)	24,921	0.68
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax of $3,703	-		-	(6,443)	(0.18)
NET INCOME (LOSS)	(31,574)		(0.82)	18,478	0.50
EARNINGS (LOSS) PER COMMON SHARE AND COMMON EQUIVALENT SHARE (BASIC)					
INCOME LOSS) BEFORE EXTRAORDINARY ITEM	(0.45)		-	0.40	-
EXTRAORDINARY ITEM	-		-	(0.10)	-
NET INCOME (LOSS)	(0.45)		-	0.30	-
EARNINGS (LOSS) PER COMMON SHARE AND COMMON EQUIVALENT SHARE (DILUTED)					
INCOME LOSS) BEFORE EXTRAORDINARY ITEM	(0.45)		-	0.38	-
EXTRAORDINARY ITEM	-		-	(0.10)	-
NET INCOME (LOSS)	(0.45)		-	0.28	-
AVERAGE COMMON SHARES AND COMMON EQUIVALENT SHARES OUTSTANDING					
BASIC	70,835		-	61,985	-
DILUTED	70,835		-	66,300	-
CASH FLOW FROM OPERATING ACTIVITIES (1)	141,248		3.67	77,325	2.10
THOUSANDS OF BARRELS OF OIL (MBBL):	1,857	+	66%	1,116	
MILLIONS OF CUBIC FEET OF GAS (MMCF):	27,326	+	-9%	30,095	
MILLIONS OF CUBIC FEET OF GAS EQUIVALENTS (MMCFE):	38,468	+	5%	36,791	
AVERAGE PRICE/BARREL	$ 18.59	+	-15%	$ 21.88	
AVERAGE PRICE/MCF	$ 2.24	+	3%	$ 2.18	
AVERAGE GAS EQUIVALENT PRICE/MCFE	$ 2.49	+	2%	$ 2.45	

(1) Income (loss) before extraordinary item, depreciation, depletion and amortization, income tax, and impairment of oil and gas properties.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
($ IN 000'S, EXCEPT PER SHARE DATA)
(UNAUDITED)

THREE MONTHS ENDED:	DECEMBER 31, 1997		DECEMBER 31, 1996	
	$	$/MCFE	$	$/MCFE
REVENUES:				
Oil and gas sales	49,990	2.59	53,414	2.89
Oil and gas marketing sales	31,376	1.62	17,835	0.97
Interest and other	73,088	3.79	1,668	0.09
Total revenues	154,454	8.00	72,917	3.95
EXPENSES:				
Production expenses and taxes	4,914	0.25	3,344	0.18
Oil and gas marketing expenses	31,537	1.63	17,682	0.96
Impairment of oil and gas properties	110,000	5.70		-
Depreciation, depletion, and amortization of oil and gas properties	31,858	1.65	19,214	1.04
Depreciation and amortization of other assets	1,272	0.07	884	0.05
General and administrative	3,087	0.16	2,068	0.11
Interest	8,873	0.46	3,399	0.18
Total expenses	191,541	9.92	46,591	2.52
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(37,087)	(1.92)	26,326	1.43
PROVISION (BENEFIT) FOR INCOME TAXES	-	-	9,609	0.52
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(37,087)	(1.92)	16,717	0.91
EXTRAORDINARY ITEM:				
Loss on early extinguishment of debt, net of applicable income tax of $3,703	-	-	(6,443)	(0.35)
NET INCOME (LOSS)	(37,087)	(1.92)	10,274	0.56
EARNINGS (LOSS) PER COMMON SHARE AND COMMON EQUIVALENT SHARE (BASIC)				
INCOME LOSS) BEFORE EXTRAORDINARY ITEM	(0.52)	-	0.26	-
EXTRAORDINARY ITEM	-	-	(0.10)	-
NET INCOME (LOSS)	(0.52)	-	0.16	-
EARNINGS (LOSS) PER COMMON SHARE AND COMMON EQUIVALENT SHARE (DILUTED)				
INCOME LOSS) BEFORE EXTRAORDINARY ITEM	(0.52)	-	0.25	-
EXTRAORDINARY ITEM	-	-	(0.10)	-
NET INCOME (LOSS)	(0.52)	-	0.15	-
AVERAGE COMMON SHARES AND COMMON EQUIVALENT SHARES OUTSTANDING				
BASIC	71,165	-	63,774	-
DILUTED	71,165	-	68,108	-
CASH FLOW FROM OPERATING ACTIVITIES (1)	106,043	5.49	46,424	2.51
THOUSANDS OF BARRELS OF OIL (MBBL):	987	+ 60%	618	
MILLIONS OF CUBIC FEET OF GAS (MMCF):	13,385	+ -9%	14,771	
MILLIONS OF CUBIC FEET OF GAS EQUIVALENTS (MMCFE):	19,307	+ 4%	18,479	
AVERAGE PRICE/BARREL	$ 18.69	+ -17%	$ 22.43	
AVERAGE PRICE/MCF	$ 2.36	+ -12%	$ 2.68	
AVERAGE GAS EQUIVALENT PRICE/MCFE	$ 2.59	+ -10%	$ 2.89	

(1) Income (loss) before extraordinary item, depreciation, depletion and amortization, income tax, and impairment of oil and gas properties.

CHESAPIAKE ENERGY CORPORATION AND SUBSIDIARIES
SUMMARIZED CONSOLIDATED BALANCE SHEET
($ in 000's)
(unaudited)

	DECEMBER 31, 1997	DECEMBER 31, 1996
Cash and short-term investments	$136,430	$176,056
Other current assets	81,291	74,217
Total current assets	217,721	250,273
Property and equipment, net	679,187	598,549
Other assets	55,876	11,775
TOTAL ASSETS	$952,784	$860,597
Current liabilities	$153,480	$127,092
Long-term liabilities	519,098	249,443
Stockholders' equity	280,206	484,062
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$952,784	$860,597

EXHIBIT 99.2

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Chesapeake Energy Corporation

We have audited the accompanying consolidated balance sheets of Chesapeake Energy Corporation and its subsidiaries as of December 31, 1997 and as of June 30, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for the six months ended December 31, 1997 and the years ended June 30, 1997 and 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chesapeake Energy Corporation and its subsidiaries as of December 31, 1997 and as of June 30, 1997 and 1996, and the consolidated results of their operations and their cash flows for the six months ended December 31, 1997 and the years ended June 30, 1997 and 1996 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Oklahoma City, Oklahoma
March 20, 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of Chesapeake Energy Corporation

In our opinion, the consolidated statements of operations, of cash flows and of stockholders' equity for the year ended June 30, 1995 present fairly, in all material respects, the results of operations and cash flows of Chesapeake Energy Corporation and its subsidiaries for the year ended June 30, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. We have not audited the consolidated financial statements of Chesapeake Energy Corporation and its subsidiaries for any period subsequent to June 30, 1995.

PRICE WATERHOUSE LLP

Houston, Texas
September 20, 1995, except for the third paragraph of Note 9
which is as of October 9, 1997 and except for the earnings per share
information as described in Note 1, which is as of March 25, 1998

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	DECEMBER 31, 1997	JUNE 30, 1997	JUNE 30, 1996
	($ IN THOUSANDS)		
CURRENT ASSETS:			
Cash and cash equivalents	$ 123,860	$ 124,017	$ 51,638
Short-term investments	12,570	104,485	--
Accounts receivable:			
Oil and gas sales	10,654	10,906	12,687
Oil and gas marketing sales	20,493	19,939	6,982
Joint interest and other, net of allowances of $691,000, $387,000 and $340,000, respectively	38,781	25,311	27,661
Related parties	4,246	7,401	2,884
Inventory	5,493	4,854	5,163
Other	1,624	692	2,158
Total Current Assets	217,721	297,605	109,173
PROPERTY AND EQUIPMENT:			
Oil and gas properties, at cost based on full cost accounting:			
Evaluated oil and gas properties	1,095,363	865,516	363,213
Unevaluated properties	125,155	128,505	165,441
Less: accumulated depreciation, depletion and amortization	(602,391)	(431,983)	(92,720)
	618,127	562,038	435,934
Other property and equipment	67,633	50,379	18,162
Less: accumulated depreciation and amortization	(6,573)	(5,051)	(2,922)
Total Property and Equipment	679,187	607,366	451,174
OTHER ASSETS	55,876	44,097	11,988
TOTAL ASSETS	$ 952,784	$ 949,068	$ 572,335

LIABILITIES AND STOCKHOLDERS' EQUITY

	DECEMBER 31, 1997	JUNE 30, 1997	JUNE 30, 1996
CURRENT LIABILITIES:			
Notes payable and current maturities of long-term debt	$ --	$ 1,380	$ 6,755
Accounts payable	81,775	86,817	54,514
Accrued liabilities and other	42,733	28,701	14,062
Revenues and royalties due others	28,972	29,428	33,503
Total Current Liabilities	153,480	146,326	108,834
LONG-TERM DEBT, NET	508,992	508,950	268,431
REVENUES AND ROYALTIES DUE OTHERS	10,106	6,903	5,118
DEFERRED INCOME TAXES	--	--	12,185
CONTINGENCIES AND COMMITMENTS (NOTE 4)	--	--	--
STOCKHOLDERS' EQUITY:			
Preferred Stock, $.01 par value, 10,000,000 shares authorized; none issued	--	--	--
Common Stock, 250,000,000 shares authorized; par value of $.01, $.01 and $.05 at December 31, 1997, June 30, 1997 and 1996, respectively; 74,298,061, 70,276,975 and 60,159,826 shares issued and outstanding at December 31, 1997, June 30, 1997 and 1996, respectively	743	703	3,008
Paid-in capital	460,733	432,991	136,782
Accumulated earnings (deficit)	(181,270)	(146,805)	37,977
Total Stockholders' Equity	280,206	286,889	177,767
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 952,784	$ 949,068	$ 572,335

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,		
	1997	1997	1996	1995
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)			
REVENUES:				
Oil and gas sales	$ 95,657	$ 192,920	$ 110,849	$ 56,983
Oil and gas marketing sales	58,241	76,172	28,428	--
Oil and gas service operations	--	--	6,314	8,836
Interest and other	78,966	11,223	3,831	1,524
Total Revenues	232,864	280,315	149,422	67,343
COSTS AND EXPENSES:				
Production expenses and taxes	10,094	15,107	8,303	4,256
Oil and gas marketing expenses	58,227	75,140	27,452	--
Oil and gas service operations	--	--	4,895	7,747
Impairment of oil and gas properties	110,000	236,000	--	--
Oil and gas depreciation, depletion and amortization	60,408	103,264	50,899	25,410
Depreciation and amortization of other assets	2,414	3,782	3,157	1,765
General and administrative	5,847	8,802	4,828	3,578
Interest and other	17,448	18,550	13,679	6,627
Total Costs and Expenses	264,438	460,645	113,213	49,383
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(31,574)	(180,330)	36,209	17,960
PROVISION (BENEFIT) FOR INCOME TAXES	--	(3,573)	12,854	6,299
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(31,574)	(176,757)	23,355	11,661
EXTRAORDINARY ITEM:				
Loss on early extinguishment of debt, net of applicable income tax of $3,804	--	(6,620)	--	--
NET INCOME (LOSS)	$ (31,574)	$ (183,377)	$ 23,355	$ 11,661
EARNINGS (LOSS) PER COMMON SHARE:				
EARNINGS (LOSS) PER COMMON SHARE-BASIC				
Income (loss) before extraordinary item	$ (0.45)	$ (2.69)	$ 0.43	$ 0.22
Extraordinary item	--	(0.10)	--	--
Net income (loss)	$ (0.45)	$ (2.79)	$ 0.43	$ 0.22
EARNINGS (LOSS) PER COMMON SHARE-ASSUMING DILUTION				
Income (loss) before extraordinary item	$ (0.45)	$ (2.69)	$ 0.40	$ 0.21
Extraordinary item	--	(0.10)	--	--
Net income (loss)	$ (0.45)	$ (2.79)	$ 0.40	$ 0.21
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (IN 000'S)				
Basic	70,835	65,767	54,564	52,624
Assuming Dilution	70,835	65,767	58,342	55,872

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED DECEMBER 31, 1997	YEAR ENDED JUNE 30, 1997	1996	1995
	($ IN THOUSANDS)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
NET INCOME (LOSS)	$ (31,574)	$ (183,377)	$ 23,355	$ 11,661
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation, depletion and amortization	62,028	105,591	52,768	26,628
Deferred taxes	--	(3,573)	12,854	6,299
Amortization of loan costs	794	1,455	1,288	548
Amortization of bond discount	41	217	563	567
Bad debt expense	40	299	114	308
Gain on sale of Bayard stock	(73,840)	--	--	--
Gain on sale of fixed assets	(209)	(1,593)	(2,511)	(108)
Impairment of oil and gas assets	110,000	236,000	--	--
Extraordinary loss	--	6,620	--	--
Equity in (earnings) losses from investments	592	(499)	--	--
CHANGES IN ASSETS AND LIABILITIES (NET OF ASSETS AND LIABILITIES ACQUIRED FROM ANSON PRODUCTION CORPORATION):				
(Increase) decrease in short-term investments	92,127	(102,858)	622	--
(Increase) decrease in accounts receivable	(7,173)	(19,987)	(3,524)	(22,510)
(Increase) decrease in inventory	(1,584)	(1,467)	78	(1,203)
(Increase) decrease in other current assets	(1,519)	1,466	(1,525)	614
Increase (decrease) in accounts payable, accrued liabilities and other	(11,044)	48,085	25,834	19,387
Increase (decrease) in current and non-current revenues and royalties due others	478	(2,290)	11,056	12,540
Cash provided by operating activities	139,157	84,089	120,972	54,731
CASH FLOWS FROM INVESTING ACTIVITIES:				
Exploration, development and acquisition of oil and gas properties	(189,755)	(468,462)	(342,045)	(117,831)
Proceeds from sale of oil and gas equipment, leasehold and other	2,503	3,095	6,167	11,953
Net proceeds from sale of Bayard stock	90,380	--	--	--
Repayment of note receivable	18,000	--	--	--
Other proceeds from sales	17	6,428	698	1,104
Long term loans made to third parties	--	(20,000)	--	--
Investment in oil field service company	(200)	(3,048)	--	--
Investment in gas marketing company, net of cash acquired	--	--	(363)	--
Other investments	(30,434)	(8,000)	--	--
Other property and equipment additions	(27,015)	(33,867)	(8,846)	(7,929)
Cash used in investing activities	(136,504)	(523,854)	(344,389)	(112,703)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of common stock	--	288,091	99,498	--
Proceeds from long-term borrowings	--	342,626	166,667	128,834
Payments on long-term borrowings	--	(119,581)	(48,634)	(32,370)
Dividends paid on common stock	(2,810)	--	--	--
Cash received from exercise of stock options	322	1,387	1,989	818
Other financing	(322)	(379)	--	--
Cash provided by (used in) financing activities	(2,810)	512,144	219,520	97,282
Net increase (decrease) in cash and cash equivalents	(157)	72,379	(3,897)	39,310
Cash and cash equivalents, beginning of period	124,017	51,638	55,535	16,225
Cash and cash equivalents, end of period	$ 123,860	$ 124,017	$ 51,638	$ 55,535

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS -- (CONTINUED)

	SIX MONTHS ENDED DECEMBER 31, 1997	YEAR ENDED JUNE 30, 1997	1996	1995
	($ IN THOUSANDS)			
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
CASH PAYMENTS FOR:				
Interest, net of capitalized interest	$ 17,367	$ 12,919	$ 10,751	$ 4,914
Income taxes	$ 500	$ --	$ --	$ --
DETAILS OF ACQUISITION OF ANSON PRODUCTION CORPORATION:				
Fair value of assets acquired	$ 43,000	$ --	$ --	$ --
Accrued liability for estimated cash consideration	$ (15,500)	$ --	$ --	$ --
Stock issued	$ (27,500)	$ --	$ --	$ --

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

The Company had a financing arrangement with a vendor to supply certain oil and gas equipment inventory. The total amounts owed at June 30, 1997, 1996 and 1995 were $1,380,000, $3,156,000 and $6,513,000, respectively. No cash consideration is exchanged for inventory under this financing arrangement until actual draws on the inventory are made.

In fiscal 1997, 1996 and 1995, the Company recognized income tax benefits of $4,808,000, $7,950,000 and $1,229,000, respectively, related to the disposition of stock options by directors and employees of the Company. The tax benefits were recorded as an adjustment to deferred income taxes and paid-in capital.

Proceeds from the issuance of $150 million of 7.875% Senior Notes and $150 million of 8.5% Senior Notes in March 1997 are net of $6.4 million in offering fees and expenses which were deducted from the actual cash received.

Proceeds from the issuances of $90 million of 10.5% Senior Notes in May 1995 and $120 million of 9.125% Senior Notes in April 1996 are net of $2.7 million and $3.9 million, respectively, in offering fees and expenses which were deducted from the actual cash received.

On December 22, 1997 the Company declared a dividend of $0.02 per common share, or $1,486,000, which was paid on January 15, 1998. On June 13, 1997 the Company declared a dividend of $0.02 per common share, or $1,405,000, which was paid on July 15, 1997.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	SIX MONTHS ENDED DECEMBER 31, 1997	YEAR ENDED JUNE 30, 1997	1996	1995
		($ IN THOUSANDS)		
COMMON STOCK:				
Balance, beginning of period	$ 703	$ 3,008	$ 58	$ 51
Issuance of 8,972,000 shares of common stock	--	90	--	--
Issuance of 5,989,500 shares of common stock	--	--	299	--
Exercise of stock options and warrants	2	12	79	7
Issuance of 3,792,724 shares of common stock to AnSon Production Corporation	38	--	--	--
Change in par value	--	(2,407)	2,572	--
Balance, end of period	743	703	3,008	58
COMMON STOCK WARRANTS:				
Balance, beginning of period	--	--	--	5
Exercise of Common Stock Warrants	--	--	--	(5)
Balance, end of period	--	--	--	--
PAID-IN CAPITAL:				
Balance, beginning of period	432,991	136,782	30,295	28,243
Exercise of stock options and warrants	320	1,375	1,910	823
Issuance of common stock	27,459	301,593	105,516	--
Offering expenses and other	--	(13,974)	(6,317)	--
Cumulative exchange loss	(37)	--	--	--
Tax benefit from exercise of stock options	--	4,808	7,950	1,229
Change in par value	--	2,407	(2,572)	--
Balance, end of period	460,733	432,991	136,782	30,295
ACCUMULATED EARNINGS (DEFICIT):				
Balance, beginning of period	(146,805)	37,977	14,622	2,961
Net income (loss)	(31,574)	(183,377)	23,355	11,661
Dividends on common stock of $0.02 per share	(2,891)	(1,405)	--	--
Balance, end of period	(181,270)	(146,805)	37,977	14,622
TOTAL STOCKHOLDERS' EQUITY	$ 280,206	$ 286,889	$ 177,767	$ 44,975

The accompanying notes are an integral part of these consolidated financial statements.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Company

The Company is a petroleum exploration and production company engaged in the acquisition, exploration, and development of properties for the production of crude oil and natural gas from underground reservoirs. The Company's properties are located in Texas, Louisiana, Oklahoma, Montana, North Dakota, New Mexico and Canada.

The Company has changed its fiscal year end from June 30 to December 31. The Company's results of operations and cash flows for the six months ended December 31, 1997 (the "Transition Period") are included in these consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements of Chesapeake Energy Corporation (the "Company") include the accounts of its wholly-owned subsidiaries Chesapeake Operating, Inc. ("COI"), Chesapeake Exploration Limited Partnership ("CEX"), a limited partnership, Chesapeake Louisiana, L.P. ("CLLP"), a limited partnership, Chesapeake Gas Development Corporation ("CGDC"), Chesapeake Energy Marketing, Inc. ("CEMI"), Chesapeake Canada Corporation ("CCC"), Chesapeake Energy Louisiana Corporation ("CELC"), Chesapeake Acquisition Corporation ("CAC"), Lindsay Oil Field Supply, Inc.("LOF"), Sander Trucking Company, Inc. ("STCO") and subsidiaries of those entities. As of June 30, 1997, CGDC had been merged into CEX, and LOF and STCO had been dissolved. All significant intercompany accounts and transactions have been eliminated. Investments in companies and partnerships which give the Company significant influence, but not control, over the investee are accounted for using the equity method.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the consolidated financial statements, the Company considers investments in all highly liquid debt instruments with maturities of three months or less at date of purchase to be cash equivalents.

Investments in Securities

The Company invests in various equity securities and short-term debt instruments including corporate bonds and auction preferreds, commercial paper and government agency notes. The Company has classified all of its short-term investments in equity and debt instruments as trading securities, which are carried at fair value with unrealized holding gains and losses included in earnings. At December 31, 1997, the Company had an unrealized holding loss of $2.4 million included in interest and other revenue. At June 30, 1997, the Company had an unrealized holding loss of $0.6 million included in interest and other revenue. At June 30, 1996 the Company had no trading securities. Investments in equity securities and limited partnerships that do not have readily determinable fair values are stated at cost and are included in noncurrent other assets. In determining realized gains and losses, the cost of securities sold is based on the average cost method.

Inventory

Inventory consists primarily of tubular goods and other lease and well equipment which the Company plans to utilize in its ongoing exploration and development activities and is carried at the lower of cost or market using the specific identification method.

Oil and Gas Properties

The Company follows the full cost method of accounting under which all costs associated with property acquisition, exploration and development activities are capitalized. The Company capitalizes internal costs that can be directly identified with its acquisition, exploration and development activities and does not include any costs related to production, general corporate overhead or similar activities (see Note 11). Capitalized costs are amortized on a composite unit-of-production method based on proved oil and gas reserves. The Company's oil and gas reserves are estimated at least annually by independent petroleum engineers and quarterly by the Company's internal engineers. The average composite rates used for depreciation, depletion and amortization were $1.57 per equivalent Mcf in the six months ended December 31, 1997 and $1.31, $0.85 and $0.80 per equivalent Mcf in fiscal 1997, 1996 and 1995, respectively.

Proceeds from the sale of properties are accounted for as reductions to capitalized costs unless such sales involve a significant change in the relationship between costs and the value of proved reserves or the underlying value of unproved properties, in which case a gain or loss is recognized. The costs of unproved properties are excluded from amortization until the properties are evaluated. The Company reviews all of its unevaluated properties quarterly to determine whether or not and to what extent proved reserves have been assigned to the properties, and otherwise if impairment has occurred. Unevaluated properties are grouped by major producing area where individual property costs are not significant, and assessed individually when individual costs are significant.

The Company reviews the carrying value of its oil and gas properties under the full cost accounting rules of the Securities and Exchange Commission on a quarterly basis. Under these rules, capitalized costs, less accumulated amortization and related deferred income taxes, shall not exceed an amount equal to the sum of the present value of estimated future net revenues less estimated future expenditures to be incurred in developing and producing the proved reserves, less any related income tax effects. At December 31, 1997 capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues from the Company's proved reserves, net of related income tax considerations, resulting in a writedown in the carrying value of oil and gas properties of $110 million. At June 30, 1997, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues from the Company's proved reserves, net of related income tax considerations, resulting in a fourth quarter writedown in the carrying value of oil and gas properties of $236 million.

Other Property and Equipment

Other property and equipment consists primarily of gas gathering and processing facilities, vehicles, land, office buildings and equipment, and software. Major renewals and betterments are capitalized while the costs of repairs and maintenance are charged to expense as incurred. The costs of assets retired or otherwise disposed of and the applicable accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in operations. Other property and equipment costs are depreciated on both straight-line and accelerated methods. Buildings are depreciated on a straight-line basis over 31.5 years. All other property and equipment is depreciated over the estimated useful lives of the assets, which range from five to seven years.

Capitalized Interest

During the six months ended December 31, 1997 and fiscal 1997, 1996 and 1995, interest of approximately $5,087,000, $12,935,000, $6,428,000 and $1,574,000 was capitalized on significant investments in unproved properties that were not being currently depreciated, depleted, or amortized and on which exploration activities were in progress.

Service Operations

Certain subsidiaries of the Company performed contract services on wells the Company operated as well as for third parties until June 30, 1996. Oil and gas service operations revenues and costs and expenses reflected in the accompanying consolidated statements of operations include amounts derived from certain of the contractual services provided. The Company's economic interest in its oil and gas properties was not affected by the performance of these contractual services and all intercompany profits have been eliminated.

On June 30, 1996, Peak USA Energy Services, Ltd., a limited partnership ("Peak"), was formed by Peak Oilfield Services Company (a joint venture between Cook Inlet Region, Inc. and Nabors Industries, Inc.) and the Company for the purpose of purchasing the Company's oilfield service assets and providing rig moving, transportation and related site construction services. The Company sold its service company assets to Peak for $6.4 million and simultaneously invested $2.5 million in exchange for a 33.3% partnership interest in Peak. This transaction resulted in recognition of a $1.8 million pre-tax gain during the fourth fiscal quarter of 1996 reported in Interest and other. A deferred gain from the sale of service company assets of $0.9 million was recorded as a reduction in the Company's investment in Peak and will be amortized to income over the estimated useful lives of the Peak assets. The Company's investment in Peak is accounted for using the equity method.

Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("SFAS 109"). SFAS 109 requires deferred tax liabilities or assets to be recognized for the anticipated future tax effects of temporary differences that arise as a result of the differences in the carrying amounts and the tax bases of assets and liabilities.

Net Income (Loss) Per Share

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS 128"). SFAS 128 requires presentation of "basic" and "diluted" earnings per share, as defined, on the face of the statement of operations for all entities with complex capital structures. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997 and requires restatement of all prior period earnings per share amounts. The Company has adopted SFAS 128 and has restated all prior periods presented.

SFAS 128 requires a reconciliation of the numerators and denominators of the basic and diluted EPS computations. For the Transition Period and fiscal 1997 there was no difference between actual weighted average shares outstanding, which are used in computing basic EPS and diluted weighted average shares, which are used in computing diluted EPS because the effect of outstanding options would be antidilutive. See Note 9 for options outstanding during the Transition Period and fiscal 1997 which were not included in the computation of diluted EPS. A reconciliation for fiscal 1996 and 1995 is as follows:

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
FOR THE YEAR ENDED JUNE 30, 1996:			
BASIC EPS			
Income available to common stockholders	$ 23,355	54,564	$ 0.43
EFFECT OF DILUTIVE SECURITIES			
Employee stock options	--	3,778	
DILUTED EPS			
Income available to common stockholders and assumed conversions	$ 23,355	58,342	$ 0.40
FOR THE YEAR ENDED JUNE 30, 1995:			
BASIC EPS			
Income available to common stockholders	$ 11,661	52,624	$ 0.22
EFFECT OF DILUTIVE SECURITIES			
Employee stock options	--	3,248	
DILUTED EPS			
Income available to common stockholders and assumed conversions	$ 11,661	$ 55,872	$ 0.21

Gas Imbalances -- Revenue Recognition

Revenues from the sale of oil and gas production are recognized when title passes, net of royalties. The Company follows the "sales method" of accounting for its gas revenue whereby the Company recognizes sales revenue on all gas sold to its purchasers, regardless of whether the sales are proportionate to the Company's ownership in the property. A liability is recognized only to the extent that the Company has a net imbalance in excess of the remaining gas reserves on the underlying properties. The Company's net imbalance positions at December 31, 1997 and June 30, 1997 and 1996 were not material.

Hedging

The Company periodically uses certain instruments to hedge its exposure to price fluctuations on oil and natural gas transactions. Recognized gains and losses on hedge contracts are reported as a component of the related transaction. Results for hedging transactions are reflected in oil and gas sales to the extent related to the Company's oil and gas production, and in oil and gas marketing sales to the extent related to the Company's marketing activities (see Note 10).

Debt Issue Costs

Other assets include the costs associated with the issuance of the 10.5% Senior Notes on May 25, 1995, the 9.125% Senior Notes on April 9, 1996, and the 7.875% and 8.5% Senior Notes on March 17, 1997 (see Note 2). The remaining unamortized costs on these issuances of Senior Notes at December 31, 1997 totaled $11.6 million and are being amortized over the life of the Senior Notes.

Stock Options

In October 1995, the Financial Accounting Standards Board issued Statement No. 123 ("SFAS 123"), "Accounting for Stock Based Compensation". As permitted by SFAS 123, the Company has continued its previous method of accounting for stock compensation and adopted the disclosure requirements of this Statement in fiscal 1997.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements for the years ended June 30, 1997, 1996 and 1995 to conform to the presentation used for the December 31, 1997 consolidated financial statements.

2. SENIOR NOTES

On March 17, 1997, the Company issued $150 million principal amount of 7.875% Senior Notes due 2004 ("7.875% Senior Notes"). The 7.875% Senior Notes are redeemable at the option of the Company at any time prior to March 15, 2004 at the make-whole prices determined in accordance with the indenture.

On March 17, 1997, the Company issued $150 million principal amount of 8.5% Senior Notes due 2012 ("8.5% Senior Notes"). The 8.5% Senior Notes are redeemable at the option of the Company at any time prior to March 15, 2004 at the make-whole prices determined in accordance with the indenture and, on or after March 15, 2004 at the redemption price set forth therein.

On April 9, 1996, the Company issued $120 million principal amount of 9.125% Senior Notes due 2006 ("9.125% Senior Notes"). The 9.125% Senior Notes are redeemable at the option of the Company at any time prior to April 15, 2001 at the make-whole prices determined in accordance with the indenture and, on or after April 15, 2001 at the redemption prices set forth therein. The Company may also redeem at its option at any time on or prior to April 15, 1999 up to $42 million of the 9.125% Senior Notes at 109.125% of the principal amount thereof with the proceeds of an equity offering.

On May 25, 1995, the Company issued $90 million principal amount of 10.5% Senior Notes due 2002 ("10.5% Senior Notes"). The 10.5% Senior Notes are redeemable at the option of the Company at any time on or after June 1, 1999. The Company may also redeem at its option at any time on or prior to June 1, 1998 up to $30 million of the 10.5% Senior Notes at 110% of the principal amount thereof with the proceeds of an equity offering.

The Company is a holding company and owns no operating assets and has no significant operations independent of its subsidiaries. The Company's obligations under the 10.5% Senior Notes, the 9.125% Senior Notes, the 7.875% Senior Notes and the 8.5% Senior Notes have been fully and unconditionally guaranteed, on a joint and several basis, by each of the Company's "Restricted Subsidiaries" (as defined in the respective indentures governing the Senior Notes) (collectively, the "Guarantor Subsidiaries"). Each of the Guarantor Subsidiaries is a direct or indirect wholly-owned subsidiary of the Company.

The 10.5%, 9.125%, 7.875% and 8.5% Senior Note Indentures contain certain covenants, including covenants limiting the Company and the Guarantor Subsidiaries with respect to asset sales; restricted payments; the incurrence of additional indebtedness and the issuance of preferred stock; liens; sale and leaseback transactions; lines of business; dividend and other payment restrictions affecting Guarantor Subsidiaries; mergers or consolidations; and transactions with affiliates. The Company is obligated to repurchase the 10.5% and 9.125% Senior Notes in the event of a change of control or certain asset sales.

Set forth below are condensed consolidating financial statements of the Guarantor Subsidiaries, the Company's subsidiaries which are not guarantors of the Senior Notes (the "Non-Guarantor Subsidiaries") and the Company. Separate audited financial statements of each Guarantor Subsidiary have not been provided because management has determined that they are not material to investors.

As of and for the six months ended December 31, 1997, the Guarantor Subsidiaries were COI, CEX, CLLP, CELC and CCC, and the Non-Guarantor Subsidiaries were CEMI, CAC and subsidiaries of those companies. As of and for the year ended June 30, 1997, the Guarantor Subsidiaries were COI, CEX, CLLP, CELC, and CGDC, and the Non-Guarantor Subsidiaries were CEMI and CCC. Prior to fiscal 1997, the Guarantor Subsidiaries were COI, CEX and two service company subsidiaries the assets of which were sold effective June 30, 1996, and the Non-Guarantor Subsidiaries were CGDC and CEMI (which was acquired in December 1995).

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 1997
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (589)	$ 13,999	$ 110,450	$ --	$ 123,860
Short-term investments	--	--	12,570	--	12,570
Accounts receivable	57,476	22,882	1,524	(7,708)	74,174
Inventory	4,918	575	--	--	5,493
Other	1,613	1	10	--	1,624
Total Current Assets	63,418	37,457	124,554	(7,708)	217,721
PROPERTY AND EQUIPMENT:					
Oil and gas properties	1,056,118	39,245	--	--	1,095,363
Unevaluated leasehold	125,155	--	--	--	125,155
Other property and equipment	51,868	343	15,422	--	67,633
Less: accumulated depreciation, depletion and amortization	(593,359)	(14,650)	(955)	--	(608,964)
	639,782	24,938	14,467	--	679,187
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	81,755	49,958	903,713	(1,035,426)	--
OTHER ASSETS	10,189	6,918	38,769	--	55,876
TOTAL ASSETS	$ 795,144	$ 119,271	$ 1,081,503	$(1,043,134)	$ 952,784

LIABILITIES AND STOCKHOLDERS' EQUITY

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ --	$ --	$ --	$ --	$ --
Accounts payable and other	104,259	29,649	27,280	(7,708)	153,480
Total Current Liabilities	104,259	29,649	27,280	(7,708)	153,480
LONG-TERM DEBT	--	--	508,992	--	508,992
REVENUES AND ROYALTIES DUE OTHERS	10,106	--	--	--	10,106
DEFERRED INCOME TAXES	--	--	--	--	--
INTERCOMPANY PAYABLES	853,958	2,959	--	(856,917)	--
STOCKHOLDERS' EQUITY:					
Common Stock	10	3	733	(3)	743
Other	(173,189)	86,660	544,498	(178,506)	279,463
	(173,179)	86,663	545,231	(178,509)	280,206
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 795,144	$ 119,271	$ 1,081,503	$(1,043,134)	$ 952,784

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JUNE 30, 1997
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (6,534)	$ 4,363	$ 126,188	$ --	$ 124,017
Short-term investments	--	4,324	100,161	--	104,485
Accounts receivable	47,379	19,943	3,022	(6,787)	63,557
Inventory	4,795	59	--	--	4,854
Other	666	26	--	--	692
Total Current Assets	46,306	28,715	229,371	(6,787)	297,605
PROPERTY AND EQUIPMENT:					
Oil and gas properties	865,485	31	--	--	865,516
Unevaluated leasehold	128,519	(14)	--	--	128,505
Other property and equipment	33,486	1,904	14,989	--	50,379
Less: accumulated depreciation, depletion and amortization	(436,276)	--	(758)	--	(437,034)
	591,214	1,921	14,231	--	607,366
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	817	--	680,439	(681,256)	--
OTHER ASSETS	4,961	673	38,463	--	44,097
TOTAL ASSETS	$ 643,298	$ 31,309	$ 962,504	$ (688,043)	$ 949,068

LIABILITIES AND STOCKHOLDERS' EQUITY

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 1,380	$ --	$ --	$ --	$ 1,380
Accounts payable and other	122,241	17,527	11,965	(6,787)	144,946
Total Current Liabilities	123,621	17,527	11,965	(6,787)	146,326
LONG-TERM DEBT	--	--	508,950	--	508,950
REVENUES AND ROYALTIES DUE OTHERS	6,903	--	--	--	6,903
DEFERRED INCOME TAXES	--	--	--	--	--
INTERCOMPANY PAYABLES	589,111	1,492	--	(590,603)	--
STOCKHOLDERS' EQUITY:					
Common Stock	11	1	693	(2)	703
Other	(76,348)	12,289	440,896	(90,651)	286,186
	(76,337)	12,290	441,589	(90,653)	286,889
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 643,298	$ 31,309	$ 962,504	$ (688,043)	$ 949,068

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JUNE 30, 1996
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ 4,061	$ 2,751	$ 44,826	$ --	$ 51,638
Accounts receivable	44,080	7,723	--	(1,589)	50,214
Inventory	4,947	216	--	--	5,163
Other	2,155	3	--	--	2,158
Total Current Assets	55,243	10,693	44,826	(1,589)	109,173
PROPERTY AND EQUIPMENT:					
Oil and gas properties	338,610	24,603	--	--	363,213
Unevaluated leasehold	165,441	--	--	--	165,441
Other property and equipment	9,608	61	8,493	--	18,162
Less: accumulated depreciation, depletion and amortization	(87,193)	(8,007)	(442)	--	(95,642)
	426,466	16,657	8,051	--	451,174
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	519,386	8,132	382,388	(909,906)	--
OTHER ASSETS	2,310	940	8,738	--	11,988
TOTAL ASSETS	$ 1,003,405	$ 36,422	$ 444,003	$ (911,495)	$ 572,335

LIABILITIES AND STOCKHOLDERS' EQUITY

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 3,846	$ 2,880	$ 29	$ --	$ 6,755
Accounts payable and other	91,069	7,339	5,260	(1,589)	102,079
Total Current Liabilities	94,915	10,219	5,289	(1,589)	108,834
LONG-TERM DEBT	2,113	10,020	256,298	--	268,431
REVENUES AND ROYALTIES DUE OTHERS	5,118	--	--	--	5,118
DEFERRED INCOME TAXES	23,950	1,335	(13,100)	--	12,185
INTERCOMPANY PAYABLES	824,307	8,182	73,647	(906,136)	--
STOCKHOLDERS' EQUITY:					
Common Stock	117	2	2,891	(2)	3,008
Other	52,885	6,664	118,978	(3,768)	174,759
	53,002	6,666	121,869	(3,770)	177,767
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,003,405	$ 36,422	$ 444,003	$ (911,495)	$ 572,335

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE SIX MONTHS ENDED DECEMBER 31, 1997:					
REVENUES:					
Oil and gas sales	$ 93,384	$ 1,199	$ --	$ 1,074	$ 95,657
Oil and gas marketing sales	--	101,689	--	(43,448)	58,241
Interest and other	515	192	110,751	(32,492)	78,966
Total Revenues	93,899	103,080	110,751	(74,866)	232,864
COSTS AND EXPENSES:					
Production expenses and taxes	9,905	189	--	--	10,094
Oil and gas marketing expenses	--	100,601	--	(42,374)	58,227
Impairment of oil and gas properties	96,000	14,000	--	--	110,000
Oil and gas depreciation, depletion and amortization	59,758	650	--	--	60,408
Other depreciation and amortization	1,383	40	991	--	2,414
General and administrative	4,598	1,132	117	--	5,847
Interest	27,481	39	22,420	(32,492)	17,448
Total Costs & Expenses	199,125	116,651	23,528	(74,866)	264,438
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(105,226)	(13,571)	87,223	--	(31,574)
INCOME TAX EXPENSE (BENEFIT)	--	--	--	--	--
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	$ (105,226)	$ (13,571)	$ 87,223	$ --	$ (31,574)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 1997:					
REVENUES:					
Oil and gas sales	$ 191,303	$ --	$ --	$ 1,617	$ 192,920
Oil and gas marketing sales	--	145,942	--	(69,770)	76,172
Interest and other	778	749	49,224	(39,528)	11,223
Total Revenues	192,081	146,691	49,224	(107,681)	280,315
COSTS AND EXPENSES:					
Production expenses and taxes	15,107	--	--	--	15,107
Oil and gas marketing expenses	--	143,293	--	(68,153)	75,140
Impairment of oil and gas properties	236,000	--	--	--	236,000
Oil and gas depreciation, depletion and amortization	103,264	--	--	--	103,264
Other depreciation and amortization	2,152	80	1,550	--	3,782
General and administrative	6,313	921	1,568	--	8,802
Interest	37,644	10	20,424	(39,528)	18,550
Total Costs & Expenses	400,480	144,304	23,542	(107,681)	460,645
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(208,399)	2,387	25,682	--	(180,330)
INCOME TAX EXPENSE (BENEFIT)	(4,129)	47	509	--	(3,573)
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(204,270)	2,340	25,173	--	(176,757)
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	(769)	--	(5,851)	--	(6,620)
NET INCOME (LOSS)	$ (205,039)	$ 2,340	$ 19,322	$ --	$ (183,377)
FOR THE YEAR ENDED JUNE 30, 1996:					
REVENUES:					
Oil and gas sales	$ 103,712	$ 6,884	$ --	$ 253	$ 110,849
Gas marketing sales	--	34,973	--	(6,545)	28,428
Oil and gas service operations	6,314	--	--	--	6,314
Interest and other	1,917	238	1,676	--	3,831
	111,943	42,095	1,676	(6,292)	149,422
COSTS AND EXPENSES:					
Production expenses and taxes	7,557	746	--	--	8,303
Gas marketing expenses	--	33,744	--	(6,292)	27,452
Oil and gas service operations	4,895	--	--	--	4,895
Oil and gas depreciation, depletion and amortization	48,333	2,566	--	--	50,899
Other depreciation and amortization	1,924	73	1,160	--	3,157
General and administrative	3,683	496	649	--	4,828
Interest and other	508	711	12,460	--	13,679
	66,900	38,336	14,269	(6,292)	113,213
Income (loss) before income taxes	45,043	3,759	(12,593)	--	36,209
Income tax expense (benefit)	15,990	1,335	(4,471)	--	12,854
Net income (loss)	$ 29,053	$ 2,424	$ (8,122)	$ --	$ 23,355
FOR THE YEAR ENDED JUNE 30, 1995:					
REVENUES:					
Oil and gas sales	$ 55,417	$ 1,566	$ --	$ --	$ 56,983
Oil and gas service operations	8,836	--	--	--	8,836
Interest and other	1,394	--	130	--	1,524
	65,647	1,566	130	--	67,343
COSTS AND EXPENSES:					
Production expenses and taxes	4,045	211	--	--	4,256
Oil and gas service operations	7,747	--	--	--	7,747
Oil and gas depreciation, depletion and amortization	24,775	635	--	--	25,410
Other depreciation and amortization	1,245	5	515	--	1,765
General and administrative	2,620	58	900	--	3,578
Interest and other	570	184	5,873	--	6,627
	41,002	1,093	7,288	--	49,383
Income (loss) before income taxes	24,645	473	(7,158)	--	17,960
Income tax expense (benefit)	8,639	165	(2,505)	--	6,299
Net Income (loss)	$ 16,006	$ 308	$ (4,653)	$ --	$ 11,661

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE SIX MONTHS ENDED DECEMBER 31, 1997:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 28,598	$(10,842)	$ 121,401	$ --	$ 139,157
CASH FLOWS FROM INVESTING ACTIVITIES					
Oil and gas properties	(189,772)	17	--	--	(189,755)
Proceeds from sale of assets	2,520	--	--	--	2,520
Investment in service operations	(200)	--	--	--	(200)
Other investments	(26,472)	--	99,380	--	72,908
Other additions	(22,864)	1,340	(453)	--	(21,977)
	(236,788)	1,357	98,927	--	(136,504)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividends paid on common stock	--	--	(2,810)	--	(2,810)
Exercise of stock options	--	--	322	--	322
Other financing	--	(322)	--	--	(322)
Intercompany advances, net	214,135	19,443	(233,578)	--	--
	214,135	19,121	(236,066)	--	(2,810)
Net increase (decrease) in cash and cash equivalents	5,945	9,636	(15,738)	--	(157)
Cash, beginning of period	(6,534)	4,363	126,188	--	124,017
Cash, end of period	$ (589)	$ 13,999	$ 110,450	$ --	$ 123,860

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY	ELIMINATIONS	CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 1997:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 165,850	$ (11,008)	$ (70,753)	$ --	$ 84,089
CASH FLOWS FROM INVESTING ACTIVITIES					
Oil and gas properties	(468,519)	57	--	--	(468,462)
Proceeds from sale of assets	9,523	--	--	--	9,523
Investment in service operations	(3,048)	--	--	--	(3,048)
Long-term loans to third parties	(2,000)	--	(18,000)	--	(20,000)
Other investments	--	--	(8,000)	--	(8,000)
Other additions	(24,318)	(1,999)	(7,550)	--	(33,867)
	(488,362)	(1,942)	(33,550)	--	(523,854)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	50,000	--	292,626	--	342,626
Payments on borrowings	(118,901)	--	(680)	--	(119,581)
Exercise of stock options	--	--	1,387	--	1,387
Issuance of common stock	--	--	288,091	--	288,091
Other financing	--	--	(379)	--	(379)
Intercompany advances, net	380,735	14,645	(395,380)	--	--
	311,834	14,645	185,665	--	512,144
Net increase (decrease) in cash and cash equivalents	(10,678)	1,695	81,362	--	72,379
Cash, beginning of period	4,144	2,668	44,826	--	51,638
Cash, end of period	$ (6,534)	$ 4,363	$ 126,188	$ --	$ 124,017
FOR THE YEAR ENDED JUNE 30, 1996:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 126,868	$ 4,204	$ (10,100)	$ --	$ 120,972
CASH FLOWS FROM INVESTING ACTIVITIES					
Oil and gas properties	(341,246)	(6,099)	--	5,300	(342,045)
Proceeds from sales	12,165	--	--	(5,300)	6,865
Investment in gas marketing company	--	266	(629)	--	(363)
Other additions	(4,683)	(109)	(4,054)	--	(8,846)
	(333,764)	(5,942)	(4,683)	--	(344,389)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	40,350	10,300	116,017	--	166,667
Payments on borrowings	(45,397)	(3,200)	(37)	--	(48,634)
Exercise of stock options	--	--	1,989	--	1,989
Issuance of common stock	--	--	99,498	--	99,498
Intercompany advances, net	162,777	(2,616)	(160,161)	--	--
	157,730	4,484	57,306	--	219,520
Net increase (decrease) in cash and cash equivalents	(49,166)	2,746	42,523	--	(3,897)
Cash, beginning of period	53,227	5	2,303	--	55,535
Cash, end of period	$ 4,061	$ 2,751	$ 44,826	$ --	$ 51,638
FOR THE YEAR ENDED JUNE 30, 1995:					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 60,049	$ 305	$ (4,692)	$ (931)	$ 54,731
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(113,722)	(4,109)	--	--	(117,831)
Proceeds from sales	24,557	--	--	(11,500)	13,057
Purchase of oil and gas properties	--	(11,500)	--	11,500	--
Other additions	(7,929)	--	--	--	(7,929)
	(97,094)	(15,609)	--	--	(112,703)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	30,034	11,500	87,300	--	128,834
Payments on borrowings	(32,032)	(700)	362	--	(32,370)
Intercompany advances, net	78,324	4,509	(83,764)	931	--
Other financing	--	--	818	--	818
	76,326	15,309	4,716	931	97,282
Net increase (decrease) in cash and cash equivalents	39,281	5	24	--	39,310
Cash, beginning of period	13,946	--	2,279	--	16,225
Cash, end of period	$ 53,227	$ 5	$ 2,303	$ --	$ 55,535

3. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

	DECEMBER 31, 1997	JUNE 30, 1997	JUNE 30, 1996
	($ IN THOUSANDS)		
7.875% Senior Notes (see Note 2)	$ 150,000	$ 150,000	$ --
Discount on 7.875% Senior Notes	(106)	(115)	--
8.5% Senior Notes (see Note 2)	150,000	150,000	--
Discount on 8.5% Senior Notes	(833)	(862)	--
9.125% Senior Notes (see Note 2)	120,000	120,000	120,000
Discount on 9.125% Senior Notes	(69)	(73)	(81)
10.5% Senior Notes (see Note 2)	90,000	90,000	90,000
12% Senior Notes	--	--	47,500
Discount on 12% Senior Notes	--	--	(1,772)
Term note payable to Union Bank collateralized by CGDC, not guaranteed by the Company, variable interest at Union Bank's base rate (8.25% per annum at June 30, 1996), or at Eurodollar rate +1.875% collateralized by CGDC's producing oil and gas properties, payable in monthly installments through November 2002	--	--	12,900
Note payable to a vendor, collateralized by oil and gas tubulars, payments due 60 days from shipment of the tubulars	--	1,380	3,156
Note payable to a bank, variable interest at a referenced base rate + 1.75% (10% per annum at June 30, 1996), collateralized by office buildings, payments due in monthly installments through May 1998	--	--	680
Notes payable to various entities to acquire oil service equipment, interest varies from 7% to 11% per annum, collateralized by equipment	--	--	1,212
Other collateralized	--	--	1,469
Other unsecured	--	--	122
Total notes payable and long-term debt	508,992	510,330	275,186
Less-- Current maturities	--	(1,380)	(6,755)
Notes payable and long-term debt, net of current maturities	$ 508,992	$ 508,950	$ 268,431

The aggregate scheduled maturities of notes payable and long-term debt for the next five fiscal years ending December 31, 2002 and thereafter were as follows as of December 31, 1997 (in thousands of dollars):

1998	$ --
1999	--
2000	--
2001	--
2002	90,000
After 2002	418,992
	$ 508,992

In January 1998, the Company arranged a $500 million revolving credit facility with a group of commercial banks. The facility has an initial committed borrowing base of $200 million ($168 million until the acquisition of DLB Oil & Gas, Inc. (see Footnote 14) is consummated), of which $120 million was used to pay off bank debt assumed in the acquisition of Hugoton Energy Corporation (see footnote 14) on March 10, 1998 and the remainder is anticipated to be used for other acquisitions. The borrowing base can be expanded as other acquisitions create collateral value. Borrowings under the facility are collateralized by CAC's pledge of its subsidiaries capital stock and bear interest currently at a rate equal to the Eurodollar rate plus 1.5%.

During the quarter ended December 31, 1996, the Company exercised its covenant defeasance rights with respect to all of its outstanding $47.5 million of 12% Senior Notes due 2001. A combination of cash and non-callable U.S. Government Securities in the amount of $55.0 million was irrevocably deposited in trust to satisfy the Company's obligations, including accrued but unpaid interest through the date of defeasance of $1.3 million.

4. CONTINGENCIES AND COMMITMENTS

The Company and certain of its officers and directors are defendants in a consolidated class action suit alleging violations of the Securities Exchange Act of 1934. The plaintiffs assert that the defendants made material misrepresentations and failed to disclose material facts about the success of the Company's exploration efforts in the Louisiana Trend. As a result, the complaint alleges the price of the Company's common stock was artificially inflated from January 25, 1996 until June 27, 1997, when the Company issued a press release announcing disappointing drilling results in the Louisiana Trend and a full-cost ceiling writedown to be reflected in its June 30, 1997 financial statements. The plaintiffs further allege that certain of the named individual defendants sold common stock during the class period when they knew or should have known adverse nonpublic information. The plaintiffs seek a determination that the suit is a proper class action and damages in an unspecified amount, together with interest and costs of litigation, including attorneys' fees. The Company and the individual defendants believe that these claims are without merit, and intend to defend against them vigorously. No estimate of loss or range of estimate of loss, if any, can be made at this time.

Various purported class actions alleging violations of the Securities Act of 1933 and the Oklahoma Securities Act have been filed against the Company and others on behalf of investors who purchased common stock of Bayard Drilling Technologies, Inc. ("Bayard"), in its initial public offering in November 1997. Total proceeds of the offering were $254 million, of which the Company received net proceeds of $90.2 million. Plaintiffs allege that the Company, a major customer of Bayard's drilling services and the owner of 30.1% of Bayard's common stock outstanding prior to the offering, was a controlling person of Bayard. Plaintiffs assert that the Bayard prospectus contained material omissions and misstatements relating to (i) the Company's financial "hardships" and their significance on Bayard's business, (ii) increased costs associated with Bayard's growth strategy and (iii) undisclosed pending related-party transactions between Bayard and third parties other than the Company. The alleged defective disclosures are claimed to have resulted in a decline in Bayard's share price following the public offering. Each plaintiff seeks a determination that the suit is a proper class action and damages in an unspecified amount or rescission, together with interest and costs of litigation, including attorneys' fees. The Company believes that these actions are without merit and intends to defend against them vigorously. No estimate of loss or range of estimate of loss, if any, can be made at this time.

In October 1996, Union Pacific Resources Company ("UPRC") sued the Company alleging infringement of a patent for a drilling method, tortious interference with confidentiality contracts between UPRC and certain of its former employees and misappropriation of proprietary information of UPRC. UPRC's claims against the Company are based on services provided to the Company by a third party vendor controlled by former UPRC employees. UPRC is seeking injunctive relief, damages of an unspecified amount, including actual, enhanced, consequential and punitive damages, interest, costs and attorneys' fees. The Company believes that it has meritorious defenses to UPRC's allegations and has requested the court to declare the UPRC patent invalid. The Company has also filed a motion to construe UPRC's patent claims and various motions for summary judgment. No estimate of a probable loss or range of estimate of a probable loss, if any, can be made at this time; however, in reports filed in the proceeding, experts for UPRC claim that damages could be as much as $18 million while Company experts state that the amount should not exceed $25,000, in each case based on a reasonable royalty.

The Company is currently involved in various other routine disputes incidental to its business operations. While it is not possible to determine the ultimate disposition of these matters, management, after consultation with legal counsel, is of the opinion that the final resolution of all such currently pending or threatened litigation is not likely to have a material adverse effect on the consolidated financial position or results of operations of the Company.

The Company has employment contracts with its two principal shareholders and its chief financial officer and various other senior management personnel which provide for annual base salaries, bonus compensation and various benefits. The contracts provide for the continuation of salary and benefits for the respective terms of the agreements in the event of termination of employment without cause. These agreements expire at various times from June 30, 1998 through June 30, 2000.

Due to the nature of the oil and gas business, the Company and its subsidiaries are exposed to possible environmental risks. The Company has implemented various policies and procedures to avoid environmental contamination and risks from environmental contamination. The Company is not aware of any potential material environmental issues or claims.

As of December 31, 1997, the Company had guaranteed $1.8 million of debt owed by Peak.

On December 16, 1997, the Company acquired AnSon Production Corporation ("AnSon"), a privately owned oil and gas producer based in Oklahoma City. Consideration for this acquisition was approximately $43 million consisting of the issuance of 3,792,724 shares of Chesapeake's common stock and cash consideration in accordance with the terms of the merger agreement. The Company has accrued $15.5 million as the estimated cash payment which will be made during 1998.

The Company is in the process of acquiring various proved oil and gas reserves through mergers or through purchases of oil and gas properties. Upon the closing of each of these acquisitions, the Company will issue either cash or a combination of cash and Chesapeake common stock as consideration for the assets and liabilities being acquired. See Note 14 -- Subsequent Events and Pending Transactions.

5. INCOME TAXES

The components of the income tax provision (benefit) for each of the periods are as follows:

	SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,		
	1997	1997	1996	1995
	($ IN THOUSANDS)			
Current	$ --	$ --	$ --	$ --
Deferred	--	(3,573)	12,854	6,299
Total	$ --	$(3,573)	$ 12,854	$ 6,299

The effective income tax expense (benefit) differed from the computed "expected" federal income tax expense (benefit) on earnings before income taxes for the following reasons:

	SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,		
	1997	1997	1996	1995
Computed "expected" income tax provision (benefit)	$(11,051)	$(63,116)	$ 12,673	$6,286
Tax percentage depletion	(48)	(294)	(238)	(144)
Valuation allowance	13,818	64,116	--	--
State income taxes and other	(2,719)	(4,279)	419	157
	$ --	$ (3,573)	$ 12,854	$6,299

Deferred income taxes are provided to reflect temporary differences in the basis of net assets for income tax and financial reporting purposes. The tax effected temporary differences and tax loss carryforwards which comprise deferred taxes are as follows:

	SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED JUNE 30,		
	1997	1997	1996	1995
	($ IN THOUSANDS)			
Deferred tax liabilities:				
Acquisition, exploration and development costs and related depreciation, depletion and amortization	$ (49,657)	$ (49,831)	$ (63,725)	$ (31,220)
Deferred tax assets:				
Net operating loss carryforwards	126,485	112,889	50,776	23,414
Percentage depletion carryforward	1,106	1,058	764	526
	127,591	113,947	51,540	23,940
Net deferred tax asset (liability)	77,934	64,116	(12,185)	(7,280)
Less: Valuation allowance	(77,934)	(64,116)	--	--
Total deferred tax asset (liability)	$ --	$ --	$ (12,185)	$ (7,280)

SFAS 109 requires that the Company record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In the Transition Period and the fourth quarter of fiscal 1997, the Company recorded a $110 million writedown and a $236 million writedown, respectively, related to the impairment of oil and gas properties. The writedowns and significant tax net operating loss carryforwards (caused primarily by expensing intangible drilling costs for tax purposes) resulted in a net deferred tax asset at December 31, 1997 and June 30, 1997. Management believes it is more likely than not that the Company will generate future tax net operating losses for at least the next five years, based in part on the Company's continued drilling efforts. Therefore, the Company has recorded a valuation allowance equal to the net deferred tax asset.

At December 31, 1997, the Company had regular tax net operating loss carryforwards of approximately $337 million and alternative minimum tax net operating loss carryforwards of approximately $83 million. These loss carryforward amounts will expire during the years 2007 through 2012. The Company also had a percentage depletion carryforward of approximately $2.9 million at December 31, 1997, which is available to offset future federal income taxes payable and has no expiration date.

In accordance with certain provisions of the Tax Reform Act of 1986, a change of greater than 50% of the beneficial ownership of the Company within a three-year period (an "Ownership Change") would place an annual limitation on the Company's ability to utilize its existing tax carryforwards. Under regulations issued by the Internal Revenue Service, the Company has had an Ownership Change. However, management believes this will not result in a significant limitation of the utilization of the tax carryforwards.

6. RELATED PARTY TRANSACTIONS

Certain directors, shareholders and employees of the Company have acquired working interests in certain of the Company's oil and gas properties. The owners of such working interests are required to pay their proportionate share of all costs. As of December 31, 1997 and June 30, 1997, 1996 and 1995, the Company had accounts receivable from such parties of $4.2 million, $7.4 million, $2.9 million and $4.4 million, respectively.

During the six months ended December 31, 1997 and during fiscal 1997, 1996 and 1995, the Company incurred legal expenses of $388,000, $207,000, $347,000 and $516,000, respectively, for legal services provided by a law firm of which a director is a member.

7. EMPLOYEE BENEFIT PLANS

The Company maintains the Chesapeake Energy Corporation Savings and Incentive Stock Bonus Plan, a 401(k) profit sharing plan. Eligible employees may make voluntary contributions to the plan which are matched by the Company for up to 10% of the employee's annual salary with the Company's common stock. The amount of employee contribution is limited as specified in the plan. The Company may, at its discretion, make additional contributions to the plan. The Company contributed $418,000, $603,000, $187,000 and $95,000 to the plan during the six months ended December 31, 1997 and the fiscal years ended June 30, 1997, 1996 and 1995, respectively.

8. MAJOR CUSTOMERS

Sales to individual customers constituting 10% or more of total oil and gas sales were as follows:

SIX MONTHS ENDED DECEMBER 31,		AMOUNT ($ IN THOUSANDS)	PERCENT OF OIL AND GAS SALES
1997	Aquila Southwest Pipeline Corporation	$20,138	21%
	Koch Oil Company	$18,594	19%
	GPM Gas Corporation	$12,610	13%
FISCAL YEAR ENDED JUNE 30,			
1997	Aquila Southwest Pipeline Corporation	$53,885	28%
	Koch Oil Company	$29,580	15%
	GPM Gas Corporation	$27,682	14%
1996	Aquila Southwest Pipeline Corporation	$41,900	38%
	GPM Gas Corporation	$28,700	26%
	Wickford Energy Marketing, L.C.	$18,500	17%
1995	Aquila Southwest Pipeline Corporation	$18,548	33%
	Wickford Energy Marketing, L.C.	$15,704	28%
	GPM Gas Corporation	$11,686	21%

Management believes that the loss of any of the above customers would not have a material impact on the Company's results of operations or its financial position.

9. STOCKHOLDERS' EQUITY AND STOCK BASED COMPENSATION

On December 16, 1997, Chesapeake acquired AnSon, a privately owned oil and gas producer based in Oklahoma City. Consideration for this acquisition was approximately $43 million consisting of the issuance of 3,792,724 shares of Chesapeake common stock and cash consideration in accordance with the terms of the merger agreement.

On December 2, 1996, the Company completed a public offering of 8,972,000 shares of Common Stock at a price of $33.63 per share, resulting in net proceeds to the Company of approximately $288.1 million.

On April 12, 1996, the Company completed a public offering of 5,989,500 shares of Common Stock at a price of $17.67 per share, resulting in net proceeds to the Company of approximately $99.4 million.

A 2-for-1 stock split of the Common Stock in December 1994, and in December 1996, and a 3-for-2 stock split of the Common Stock in December 1995 and in June 1996 have been given retroactive effect in these financial statements.

Stock Option Plans

Under the Company's 1992 Incentive Stock Option Plan (the "ISO Plan"), options to purchase Common Stock may be granted only to employees of the Company and its subsidiaries. Subject to any adjustment as provided by the ISO Plan, the aggregate number of shares which may be issued and sold may not exceed 3,762,000 shares. The maximum period for exercise of an option may not be more than 10 years (or five years for an optionee who owns more than 10% of the Common Stock) from the date of grant, and the exercise price may not be less than the fair market value of the shares underlying the options on the date of grant (or 110% of such value for an optionee who owns more than 10% of the Common Stock). Options granted become exercisable at dates determined by the Stock Option Committee of the Board of Directors. No options could be granted under the ISO Plan after December 16, 1994.

Under the Company's 1992 Nonstatutory Stock Option Plan (the "NSO Plan"), non-qualified options to purchase Common Stock may be granted only to directors and consultants of the Company. Subject to any adjustment as provided by the NSO Plan, the aggregate number of shares which may be issued and sold may not exceed 3,132,000 shares. The maximum period for exercise of an option may not be more than 10 years from the date of grant, and the exercise price may not be less than the fair market value of the shares underlying the options on the date of grant. Options granted become exercisable at dates determined by the Stock Option Committee of the Board of Directors. No options can be granted under the NSO Plan after December 10, 2002.

Under the Company's 1994 Stock Option Plan (the "1994 Plan"), and its 1996 Stock Option Plan (the "1996 Plan"), incentive and nonqualified stock options to purchase Common Stock may be granted to employees and consultants of the Company and its subsidiaries. Subject to any adjustment as provided by the respective plans, the aggregate number of shares which may be issued and sold may not exceed 4,886,910 shares under the 1994 Plan and 6,000,000 shares under the 1996 Plan. The maximum period for exercise of an option may not be more than 10 years from the date of grant and the exercise price may not be less than 75% of the fair market value of the shares underlying the options on the date of grant. Options granted become exercisable at dates determined by the Stock Option Committee of the Board of Directors. No options can be granted under the 1994 Plan after December 16, 2004 or under the 1996 Plan after October 14, 2006.

The Company has elected to follow APB No. 25, Accounting for Stock Issued to Employees and related interpretations in accounting for its employee stock options. Under APB No. 25, compensation expense is recognized for the difference between the option price and market value on the measurement date. No compensation expense has been recognized because the exercise price of the stock options equaled the market price of the underlying stock on the date of grant.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method of the statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for the six months ended December 31, 1997 and fiscal 1997 and 1996, respectively: interest rates (zero-coupon U.S. government issues with a remaining life equal to the expected term of the options) of 6.45%, 6.74% and 6.21%; dividend yields of 0.9%, 0.9% and 0.9%; volatility factors of the expected market price of the Company's common stock of .67, .60 and .60; and weighted-average expected life of the options of four years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The Company's pro forma information follows:

	SIX MONTHS ENDED DECEMBER 31, 1997	YEAR ENDED JUNE 30, 1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Net Income (Loss)			
As reported	$ (31,574)	$ (183,377)	$ 23,355
Pro forma	(35,084)	(190,160)	22,081
Earnings (Loss) per Share			
As reported	$ (0.45)	$ (2.79)	$ 0.40
Pro forma	(0.50)	(2.89)	0.38

[CAPTION]

For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period, which is four years. Because the Company's stock options vest over four years and additional awards are typically made each year, the above pro forma disclosures are not likely to be representative of the effects on pro forma net income for future years. A summary of the Company's stock option activity and related information follows:

	SIX MONTHS ENDED DECEMBER 31, 1997	
	OPTIONS	WEIGHTED-AVG EXERCISE PRICE
Outstanding Beginning of Period	7,903,659	$ 7.09
Granted	3,362,207	8.29
Exercised	(219,349)	3.13
Forfeited	(2,716,136)	13.87
Outstanding End of Period	8,330,381	5.49
Exercisable End of Period	3,838,869	
Shares Authorized for Future Grants	4,585,973	
Fair Value of Options Granted During the Period		$ 4.98

	YEAR ENDED JUNE 30,					
	1997		1996		1995	
	OPTIONS	WEIGHTED-AVG EXERCISE PRICE	OPTIONS	WEIGHTED-AVG EXERCISE PRICE	OPTIONS	WEIGHTED-AVG EXERCISE PRICE
Outstanding Beginning of Year	7,602,884	$ 4.66	6,828,592	$ 1.97	5,033,340	$ 0.72
Granted	3,564,884	19.35	2,426,850	9.98	3,185,550	3.38
Exercised	(1,197,998)	1.95	(1,574,046)	1.31	(1,288,732)	0.67
Forfeited	(2,066,111)	22.26	(78,512)	2.61	(101,566)	0.92
Outstanding End of Year	7,903,659	7.09	7,602,884	4.66	6,828,592	1.97
Exercisable End of Year	3,323,824		2,974,386		2,489,742	
Shares Authorized for Future Grants	5,212,056		713,826		3,102,982	
Fair Value of Options Granted During the Year		$ 7.51		$ 4.84		N/A

The following table summarizes information about stock options outstanding at December 31, 1997:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING 12/31/97	WEIGHTED-AVG. REMAINING CONTRACTUAL LIFE	WEIGHTED-AVG. EXERCISE PRICE	NUMBER EXERCISABLE 12/31/97	WEIGHTED-AVG. EXERCISE PRICE
$ 0.56-$ 0.71	1,010,675	5.04	$ 0.61	1,010,675	$ 0.61
$ 0.78-$ 1.33	562,500	4.47	$ 1.12	562,500	$ 1.12
$ 2.25-$ 2.25	1,048,207	6.80	$ 2.25	687,982	$ 2.25
$ 2.43-$ 4.92	408,689	6.92	$ 3.15	394,159	$ 3.08
$ 4.92-$ 4.92	963,378	7.32	$ 4.92	382,618	$ 4.92
$ 5.67-$ 5.67	1,138,724	7.67	$ 5.67	479,061	$ 5.67
$ 6.47-$ 6.47	180,000	7.78	$ 6.47	180,000	$ 6.47
$ 7.31- $7.31	997,606	9.64	$ 7.31	0	$ 0.00
$ 8.04- $8.04	136,790	4.64	$ 8.04	0	$ 0.00
$ 8.75- $30.63	1,883,812	9.45	$ 10.67	141,874	$ 24.80
$ 0.56-$30.63	8,330,381	7.54	$ 5.49	3,838,869	$ 3.46

The exercise of certain stock options results in state and federal income tax benefits to the Company related to the difference between the market price of the Common Stock at the date of disposition (or sale) and the option price. During the six months ended December 31, 1997 and fiscal 1997, 1996 and 1995, $0, $4,808,000, $7,950,000 and $1,229,000, respectively, were recorded as adjustments to additional paid-in capital and deferred income taxes with respect to such tax benefits.

10. FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company has only limited involvement with derivative financial instruments, as defined in Statement of Financial Accounting Standards No. 119 "Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments", and does not use them for trading purposes. The Company's objective is to hedge a portion of its exposure to price volatility from producing crude oil and natural gas. These arrangements may expose the Company to credit risk from its counterparties and to basis risk. The Company does not expect that the counterparties will fail to meet their obligations given their high credit ratings.

Hedging Activities

Periodically the Company utilizes hedging strategies to hedge the price of a portion of its future oil and gas production. These strategies include (1) swap arrangements that establish an index-related price above which the Company pays the counterparty and below which the Company is paid by the counterparty, (2) the purchase of index-related puts that provide for a "floor" price below which the counterparty pays the Company the amount by which the price of the commodity is below the contracted floor, (3) the sale of index-related calls that provide for a "ceiling" price above which the Company pays the counterparty the amount by which the price of the commodity is above the contracted ceiling, and (4) basis protection swaps, which are arrangements that guarantee the price differential of oil or gas from a specified delivery point or points. Results from hedging transactions are reflected in oil and gas sales to the extent related to the Company's oil and gas production. The Company only enters into hedging transactions related to the Company's oil and gas production volumes or CEMI physical purchase or sale commitments.

As of December 31, 1997, the Company had the following oil swap arrangements for periods after December 1997:

MONTHS	VOLUME (Bbls)	NYMEX-INDEX STRIKE PRICE (per Bbl)
January through June 1998	724,000	$ 19.82

The Company entered into oil swap arrangements to cancel the effect of the swaps at a price of $18.85 per Bbl.

As of December 31, 1997, the Company had the following gas swap arrangements for periods after December 1997:

MONTHS	VOLUME (MMBTU)	HOUSTON SHIP CHANNEL INDEX STRIKE PRICE (PER MMBTU)
April 1998	600,000	$ 2.300
May 1998	620,000	$ 2.215

The Company received $1.3 million as a premium for calls sold for January and February 1998 volumes of 2,480,000 MMBtu and 2,240,000 MMBtu, respectively. The January calls expired on December 31, 1997, the February calls expired on January 31, 1998, and the associated premiums will be recognized as income during the corresponding months of production.

The Company has also entered into the following collar transactions:

MONTHS	VOLUME (MMBTU)	NYMEX DEFINED HIGH STRIKE PRICE	NYMEX DEFINED LOW STRIKE PRICE
March 1998	1,240,000	$ 2.693	$ 2.33
April 1998	1,200,000	$ 2.483	$ 2.11

These transactions require that the Company pay the counterparty if the NYMEX price exceeds the defined high strike price and that the counterparty pay the Company if the NYMEX price is less than the defined low strike price.

The Company entered into a curve lock for 4.9 Bcf of gas which allows the Company the option to hedge April 1999 through November 1999 gas based upon a negative $0.285 differential to December 1998 gas any time between the strike date and December 1998. A curve lock is a commodity swap arrangement that establishes, or hedges, a price differential between one commodity contract period and another. In markets where the forward curve is typically negatively sloped (prompt prices exceed deferred prices), an upward sloping price curve allows hedgers to lock in a deferred forward sale at a higher premium to a more prompt swap by a curve lock.

Gains or losses on crude oil and natural gas hedging transactions are recognized as price adjustments in the month of related production. The Company estimates that had all of the crude oil and natural gas swap agreements in effect for production periods beginning on or after January 1, 1998 terminated on December 31, 1997, based on the closing prices for NYMEX futures contracts as of that date, the Company would have received a net amount of approximately $1.1 million from the counterparty which would have represented the "fair value" at that date. These agreements were not terminated.

Periodically, CEMI enters into various hedging transactions designed to hedge against physical purchase commitments made by CEMI. Gains or losses on these transactions are recorded as adjustments to Oil and Gas Marketing Sales in the consolidated statements of operations and are not considered by management to be material.

Concentration of Credit Risk

Other financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, short-term investments in debt instruments and trade receivables. The Company's accounts receivable are primarily from purchasers of oil and natural gas products and exploration and production companies which own interests in properties operated by the Company. The industry concentration has the potential to impact the Company's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic, industry or other conditions. The Company generally requires letters of credit for receivables from customers which are judged to have sub-standard credit, unless the credit risk can otherwise be mitigated. The cash and investments in debt securities are with major banks or institutions with high credit ratings.

Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments". The estimated fair value amounts have been determined by the Company using available market information and valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying values of items comprising current assets and current liabilities approximate fair values due to the short-term maturities of these instruments. See Note 15 for the fair value of financial instruments included in noncurrent other assets at December 31, 1997. The Company estimates the fair value of its long-term, fixed-rate debt using quoted market prices. The Company's carrying amount for such debt at December 31, 1997 and June 30, 1997 and 1996 was $509.0 million, $508.9 million and $255.6 million, respectively, compared to approximate fair values of $517.0 million, $514.1 million and $261.2 million, respectively. The carrying value of other long-term debt approximates its fair value as interest rates are primarily variable, based on prevailing market rates.

11. DISCLOSURES ABOUT OIL AND GAS PRODUCING ACTIVITIES

Net Capitalized Costs

Evaluated and unevaluated capitalized costs related to the Company's oil and gas producing activities are summarized as follows:

	DECEMBER 31, 1997	JUNE 30, 1997	JUNE 30, 1996
	($ IN THOUSANDS)		
Oil and gas properties:			
Proved	$1,095,363	$ 865,516	$ 363,213
Unproved	125,155	128,505	165,441
Total	1,220,518	994,021	528,654
Less accumulated depreciation, depletion and amortization	(602,391)	(431,983)	(92,720)
Net capitalized costs	$ 618,127	$ 562,038	$ 435,934

Unproved properties not subject to amortization at December 31, 1997, June 30, 1997 and 1996 consisted mainly of lease acquisition costs. The Company capitalized approximately $5,087,000, $12,935,000 and $6,428,000 of interest during the six months ended December 31, 1997 and the years ended June 30, 1997 and 1996 on significant investments in unproved properties that were not yet included in the amortization base of the full-cost pool. The Company will continue to evaluate its unevaluated properties; however, the timing of the ultimate evaluation and disposition of the properties has not been determined.

Costs Incurred in Oil and Gas Acquisition, Exploration and Development

Costs incurred in oil and gas property acquisition, exploration and development activities which have been capitalized are summarized as follows:

	SIX MONTHS ENDED DECEMBER 31, 1997	YEAR ENDED JUNE 30, 1997	1996	1995
		($ IN THOUSANDS)		
Development costs	$ 120,628	$ 187,736	$ 138,188	$ 78,679
Exploration costs	40,534	136,473	39,410	14,129
Acquisition costs:				
Unproved properties	25,516	140,348	138,188	24,437
Proved properties	39,245	--	24,560	--
Capitalized internal costs	2,435	3,905	1,699	586
Proceeds from sale of leasehold, equipment and other	(1,861)	(3,095)	(6,167)	(11,953)
Total	$ 226,497	$ 465,367	$ 335,878	$ 105,878

Results of Operations from Oil and Gas Producing Activities (unaudited)

The Company's results of operations from oil and gas producing activities are presented below for the six months ended December 31, 1997 and for the years ended June 30, 1997, 1996 and 1995, respectively. The following table includes revenues and expenses associated directly with the Company's oil and gas producing activities. It does not include any allocation of the Company's interest costs and, therefore, is not necessarily indicative of the contribution to consolidated net operating results of the Company's oil and gas operations.

	SIX MONTHS ENDED DECEMBER 31, 1997	YEAR ENDED JUNE 30, 1997	1996	1995
		($ IN THOUSANDS)		
Oil and gas sales	$ 95,657	$ 192,920	$ 110,849	$ 56,983
Production costs (a)	(10,094)	(15,107)	(8,303)	(4,256)
Impairment of oil and gas properties	(110,000)	(236,000)	--	--
Depletion and depreciation	(60,408)	(103,264)	(50,899)	(25,410)
Imputed income tax (provision) benefit(b)	31,817	60,544	(18,335)	(9,561)
Results of operations from oil and gas producing activities	$ (53,028)	$ (100,907)	$ 33,312	$ 17,756

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(a) Production costs include lease operating expenses and production taxes.

(b) The imputed income tax provision is hypothetical (at the statutory rate) and determined without regard to the Company's deduction for general and administrative expenses, interest costs and other income tax credits and deductions.

Capitalized costs, less accumulated amortization and related deferred income taxes, can not exceed an amount equal to the sum of the present value (discounted at 10%) of estimated future net revenues less estimated future expenditures to be incurred in developing and producing the proved reserves, less any related income tax effects. At December 31, 1997, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues for the Company's proved reserves, net of related income tax considerations, resulting in a writedown in the carrying value of oil and gas properties of $110 million. At June 30, 1997, capitalized costs of oil and gas properties also exceeded the estimated present value of future net revenues for the Company's proved reserves, net of related income tax considerations, resulting in a writedown in the carrying value of oil and gas properties of $236 million.

Oil and Gas Reserve Quantities (unaudited)

The reserve information presented below is based upon reports prepared by independent petroleum engineers and the Company's petroleum engineers. As of December 31, 1997, Williamson Petroleum Consultants ("Williamson"), Porter Engineering Associates, Netherland, Sewell & Associates, Inc. and internal reservoir engineers evaluated approximately 46%, 48%, 4% and 2% of total proved oil and gas reserves, respectively. As of June 30, 1997, 1996 and 1995, the reserves evaluated by Williamson constituted approximately 50%, 99% and 99% of total proved reserves, respectively, with the remaining reserves being evaluated internally. The reserves evaluated internally in fiscal 1997 were subsequently evaluated by Williamson with a variance of approximately 4% of total proved reserves. The information is presented in accordance with regulations prescribed by the Securities and Exchange Commission. The Company emphasizes that reserve estimates are inherently imprecise. The Company's reserve estimates were generally based upon extrapolation of historical production trends, analogy to similar properties and volumetric calculations. Accordingly, these estimates are expected to change, and such changes could be material and occur in the near term as future information becomes available.

Proved oil and gas reserves represent the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are those expected to be recovered through existing wells with existing equipment and operating methods. As of December 31, 1997, all of the Company's oil and gas reserves were located in the United States.

Presented below is a summary of changes in estimated reserves of the Company for the six months ended December 31, 1997 and for the years 1997, 1996 and 1995:

	DECEMBER 31,		JUNE 30,					
	1997		1997		1996		1995	
	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)	OIL (MBBL)	GAS (MMCF)
Proved reserves, beginning of period	17,373	298,766	12,258	351,224	5,116	211,808	4,154	117,066
Extensions, discoveries and other additions	5,573	68,813	13,874	147,485	8,781	158,052	2,549	138,372
Revisions of previous estimate	(3,428)	(24,189)	(5,989)	(137,938)	(669)	12,987	(448)	(18,516)
Production	(1,857)	(27,327)	(2,770)	(62,005)	(1,413)	(51,710)	(1,139)	(25,114)
Sale of reserves-in-place	--	--	--	--	--	--	--	--
Purchase of reserves-in-place	565	23,055	--	--	443	20,087	--	--
Proved reserves, end of period	18,226	339,118	17,373	298,766	12,258	351,224	5,116	211,808
Proved developed reserves, end of period	10,087	178,082	7,324	151,879	3,648	144,721	1,973	77,764

For the six months ended December 31, 1997 the Company recorded revisions to the June 30, 1997 reserve estimates of approximately 3,428 MBbl and 24,189 MMcf, or approximately 45 Bcfe. The reserve revisions are primarily attributable to lower than expected results from development drilling and production which eliminated certain previously established proven reserves.

On December 16, 1997, Chesapeake acquired AnSon, a privately owned oil and gas producer, based in Oklahoma City. Consideration for this acquisition was approximately $43 million. The Company estimates that it acquired approximately 26.4 Bcfe in connection with this acquisition.

For the fiscal year ended June 30, 1997, the Company recorded revisions to the previous year's reserve estimates of approximately 5,989 MBbl and 137,938 MMcf, or approximately 174 Bcfe. The reserve revisions are primarily attributable to the decrease in oil and gas prices between periods, higher drilling and completion costs, and unfavorable developmental drilling and production results during fiscal 1997. Specifically, the Company recorded aggregate downward adjustments to proved reserves of 159 Bcfe for the Knox, Giddings and Louisiana Trend areas.

On April 30, 1996, the Company purchased interests in certain producing and non-producing oil and gas properties, including approximately 14,000 net acres of unevaluated leasehold, from Amerada Hess Corporation for $37.8 million. The properties are located in the Knox and Golden Trend fields of southern Oklahoma, most of which are operated by the Company. In fiscal 1996 the reserves acquired from Amerada Hess Corporation were included in both "Extensions, discoveries and other additions" and "Purchase of reserves in-place". The fiscal 1996 presentation has been restated in the current year to remove the acquired reserves from "Extensions, discoveries and other additions" with a corresponding offset to "Revisions of previous estimate". This revision resulted in no net change to total oil and gas reserves.

Standardized Measure of Discounted Future Net Cash Flows (unaudited)

Statement of Financial Accounting Standards No. 69 ("SFAS 69") prescribes guidelines for computing a standardized measure of future net cash flows and changes therein relating to estimated proved reserves. The Company has followed these guidelines which are briefly discussed below.

Future cash inflows and future production and development costs are determined by applying year-end prices and costs to the estimated quantities of oil and gas to be produced. Estimates are made of quantities of proved reserves and the future periods during which they are expected to be produced based on year-end economic conditions. Estimated future income taxes are computed using current statutory income tax rates including consideration for the current tax basis of the properties and related carryforwards, giving effect to permanent differences and tax credits. The resulting future net cash flows are reduced to present value amounts by applying a 10% annual discount factor.

Subsequent to December 31, 1997, oil and gas prices have declined. Such decreases in commodity prices could result in an additional full-cost ceiling writedown at March 31, 1998, as well as a reduction to the standardized measure of discounted future net cash flows.

The assumptions used to compute the standardized measure are those prescribed by the Financial Accounting Standards Board and, as such, do not necessarily reflect the Company's expectations of actual revenue to be derived from those reserves nor their present worth. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these estimates are the basis for the valuation process.

The following summary sets forth the Company's future net cash flows relating to proved oil and gas reserves based on the standardized measure prescribed in SFAS 69:

	DECEMBER 31,	JUNE 30,		
	1997	1997	1996	1995
	($ IN THOUSANDS)			
Future cash inflows	$1,100,807	$ 954,839	$ 1,101,642	$ 427,377
Future production costs	(223,030)	(190,604)	(168,974)	(75,927)
Future development costs	(158,387)	(152,281)	(137,068)	(76,543)
Future income tax provision	(108,027)	(104,183)	(135,543)	(51,789)
Future net cash flows	611,363	507,771	660,057	223,118
Less effect of a 10% discount factor	(181,253)	(92,273)	(198,646)	(63,207)
Standardized measure of discounted future net cash flows	$430,110	$ 415,498	$ 461,411	$ 159,911

The principal sources of change in the standardized measure of discounted future net cash flows are as follows:

	DECEMBER 31,	JUNE 30,		
	1997	1997	1996	1995
	($ IN THOUSANDS)			
Standardized measure, beginning of period	$ 415,498	$ 461,411	$ 159,911	$ 118,608
Sales of oil and gas produced, net of production costs	(85,563)	(177,813)	(102,546)	(52,727)
Net changes in prices and production costs	26,106	(99,234)	88,729	(24,807)
Extensions and discoveries, net of production and development costs	92,597	287,068	275,916	108,644
Changes in future development costs	(7,422)	(12,831)	(11,201)	3,406
Development costs incurred during the period that reduced future development costs	47,703	46,888	43,409	23,678
Revisions of previous quantity estimates	(62,655)	(199,738)	12,728	(21,595)
Purchase of reserves-in-place	25,236	--	29,641	--
Accretion of discount	43,739	54,702	18,814	14,126
Net change in income taxes	(14,510)	63,719	(57,382)	(5,586)
Changes in production rates and other	(50,619)	(8,674)	3,392	(3,836)
Standardized measure, end of period	$ 430,110	$ 415,498	$ 461,411	$ 159,911

12. TRANSITION PERIOD COMPARATIVE DATA

The following table presents certain financial information for the six months ended December 31, 1997 and 1996, respectively:

	SIX MONTHS ENDED DECEMBER 31, 1997	1996 (UNAUDITED)
	($ IN THOUSANDS, EXCEPT PER SHARE DATA)	
Revenues	$ 232,864	$ 122,702
Gross profit (loss) (a)	$ (93,092)	$ 42,946
Income (loss) before income taxes and extraordinary item	$ (31,574)	$ 39,246
Income taxes	--	14,325
Income (loss) before extraordinary item	(31,574)	24,921
Extraordinary item	--	(6,443)
Net income (loss)	$ (31,574)	$ 18,478
Earnings per share - basic		
Income (loss) before extraordinary item	$ (0.45)	$ 0.40
Extraordinary item	--	(0.10)
Net income (loss)	$ (0.45)	$ 0.30
Earnings per share - assuming dilution		
Income (loss) before extraordinary item	$ (0.45)	$ 0.38
Extraordinary item	--	(0.10)
Net income (loss)	$ (0.45)	$ 0.28
Weighted average common shares outstanding (in 000's)		
Basic	70,835	61,985
Assuming dilution	70,835	66,300

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(a) Total revenue excluding interest and other income, less total costs and expenses excluding interest and other expense.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized unaudited quarterly financial data for the six months ended December 31, 1997 and fiscal 1997 and 1996 are as follows ($ in thousands except per share data):

	QUARTER ENDED	
	SEPTEMBER 30, 1997	DECEMBER 31, 1997
Net sales	$ 72,532	$81,366
Gross profit (loss)(a)	8,210	(101,302)
Net income (loss)	5,513	(37,087)
Net income (loss) per share:		
Basic	.08	(.52)
Diluted	.08	(.52)

	QUARTER ENDED			
	SEPTEMBER 30, 1996	DECEMBER 31, 1996	MARCH 31, 1997	JUNE 30, 1997
Net sales	$ 48,937	$ 71,249	$ 79,809	$ 69,097
Gross profit (loss)(a)	14,889	28,057	25,737	(241,686)
Income (loss) before extraordinary item	8,204	16,717	16,105	(217,783)
Net income (loss)	8,204	10,274	15,928	(217,783)
Income (loss) per share before extraordinary item:				
Basic	.14	.26	.23	(3.12)
Diluted	.13	.25	.22	(3.12)

	QUARTER ENDED			
	SEPTEMBER 30, 1995	DECEMBER 31, 1995	MARCH 31, 1996	JUNE 30, 1996
Net sales	$ 21,988	$ 31,766	$ 44,145	$ 47,692
Gross profit(a)	6,368	11,368	14,741	13,580
Net income	2,915	5,459	7,623	7,358
Net income per share:				
Basic	.06	.10	.14	.12
Diluted	.05	.10	.13	.12

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(a) Total revenue excluding interest and other income, less total costs and expenses excluding interest and other expense.

Capitalized costs, less accumulated amortization and related deferred income taxes, cannot exceed an amount equal to the sum of the present value of estimated future net revenues less estimated future expenditures to be incurred in developing and producing the proved reserves, less any related income tax effects. At December 31, 1997 and at June 30, 1997, capitalized costs of oil and gas properties exceeded the estimated present value of future net revenues for the Company's proved reserves, net of related income tax considerations, resulting in writedowns in the carrying value of oil and gas properties of $110 million and $236 million, respectively.

14. SUBSEQUENT EVENTS AND PENDING TRANSACTIONS

On October 22, 1997, the Company entered into an agreement to acquire by merger the Mid-Continent operations of DLB Oil & Gas, Inc. The Company will pay $17.5 million cash and will issue a total of five million shares of the Company's common stock as merger consideration to the shareholders of DLB. The closing of the DLB acquisition is expected to occur in late April 1998 and is subject to approval by DLB shareholders and other customary conditions. Certain shareholders of DLB, who collectively own approximately 77.7% of outstanding DLB common stock, have granted the Company an irrevocable proxy to vote such shares (or executed a written consent) in favor of the merger.

On November 12, 1997, the Company entered into an agreement to acquire Hugoton Energy Corporation which was consummated on March 10, 1998. Each share of Hugoton common stock was converted into the right to receive 1.3 shares of Chesapeake common stock, requiring the Company to issue approximately 25.8 million shares of Chesapeake common stock (based on 19.8 million shares of Hugoton common stock outstanding as of February 6, 1998, which amount excludes shares issuable upon exercise of outstanding Hugoton options).

On January 30, 1998, the Company entered into an alliance with Ranger Oil Limited to jointly develop a 3.2 million acre area of mutual interest in the Helmet, Midwinter, and Peggo areas of northeastern British Columbia. In addition, the Company paid Ranger approximately $48 million. The transaction closed in January 1998 with an effective date of December 1, 1997.

In February 1998, the Company closed the purchase of the Mid-Continent properties of privately owned Enervest Management Company L.L.C. for $38 million.

On March 5, 1998, the Company entered into a definitive agreement to acquire 100% of the stock of MC Panhandle Corp., a wholly owned subsidiary of Occidental Petroleum Corporation. The Company has agreed to pay $105 million in cash for the estimated proved reserves in the West Panhandle Field in Carson, Gray, Hutchinson and Moore Counties of the Texas Panhandle. The effective date of the transaction is January 1, 1998 with closing scheduled for May 29, 1998.

15. ACQUISITIONS

On December 5, 1997, Chesapeake purchased from Pan East Petroleum Corporation ("Pan East"), a publicly-traded Canadian exploration and production company, 19.9% of Pan East's common stock for $22 million. The purpose of Chesapeake's investment is to assist Pan East in financing its share of the exploration, development and acquisition activities under a joint venture whereby Chesapeake has the right to participate as a non-operator with up to a 50% interest in all drilling activities and acquisitions made by Pan East during the two years ending December 31, 1999. The Company will account for its investment in Pan East using the equity method. Based upon the closing price of Pan East's common stock at December 31, 1997, the market value of Chesapeake's investment in Pan East was $12.6 million.

On December 16, 1997, the Company acquired AnSon, a privately owned oil and gas producer based in Oklahoma City. Consideration for this acquisition was approximately $43 million consisting of the issuance of 3,792,724 shares of Chesapeake's common stock and cash consideration in accordance with the terms of the merger agreement. The Company has accrued $15.5 million as the estimated cash payment which will be made during 1998.