UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

FOR THE TRANSITION PERIOD FROM____________TO____________

COMMISSION FILE NO. 1-13726

CHESAPEAKE ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

OKLAHOMA	73-1395733
(State or other jurisdiction of incorporation or organization)	(I.R.S. 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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

At November 8, 1999, there were 97,248,730 shares of the registrant's $.01 par value Common Stock outstanding.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

INDEX TO FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 1999

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	SEPTEMBER 30, 1999 (UNAUDITED)	DECEMBER 31, 1998
	($ IN THOUSANDS)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 25,372	$ 29,520
Restricted cash	4,544	5,754
	29,916	35,274
Accounts receivable:		
Oil and gas sales	19,654	13,835
Oil and gas marketing sales	20,764	19,636
Joint interest and other, net of allowance for doubtful accounts of $3.2 million	8,063	27,373
Related parties	12,619	15,455
Inventory	4,226	5,325
Other	2,600	1,101
Total current assets	97,842	117,999
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full-cost accounting:		
Evaluated oil and gas properties	2,235,208	2,142,943
Unevaluated properties	43,927	52,687
Less: accumulated depreciation, depletion and amortization	(1,645,285)	(1,574,282)
	633,850	621,348
Other property and equipment	66,671	79,718
Less: accumulated depreciation and amortization	(32,405)	(37,075)
Total property and equipment	668,116	663,991
OTHER ASSETS	29,546	30,625
TOTAL ASSETS	$ 795,504	$ 812,615

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
CURRENT LIABILITIES:		
Notes payable	$ 681	$ 25,000
Accounts payable	12,634	36,854
Accrued liabilities and other	44,021	46,572
Revenues and royalties due others	31,237	22,858
Total current liabilities	88,573	131,284
LONG-TERM DEBT, NET	920,838	919,076
REVENUES AND ROYALTIES DUE OTHERS	10,830	10,823
DEFERRED INCOME TAXES	5,464	--
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock, $.01 par value, 10,000,000 shares authorized; 4,600,000 shares of 7% cumulative convertible stock issued at September 30, 1999 and December 31, 1998; entitled in liquidation to $230 million plus earned but unpaid dividends of $15.1 million and $2.7 million at September 30, 1999 and December 31, 1998, respectively	230,000	230,000
Common stock, 250,000,000 shares authorized; $.01 par value; 105,628,944 and 105,213,750 shares issued at September 30, 1999 and December 31, 1998, respectively	1,056	1,052
Paid-in capital	682,662	682,263
Accumulated deficit	(1,112,883)	(1,127,195)
Accumulated other comprehensive income (loss)	(1,021)	(4,726)
Less: treasury stock, at cost; 8,503,300 common shares at September 30, 1999 and December 31, 1998, respectively	(29,962)	(29,962)
Less: treasury stock, at cost; 3,600 and 0 preferred shares at September 30, 1999 and December 31, 1998, respectively	(53)	--
Total stockholders' equity (deficit)	(230,201)	(248,568)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 795,504	$ 812,615

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
REVENUES:				
Oil and gas sales	$ 78,521	$ 70,082	$ 198,599	$ 195,962
Oil and gas marketing sales	23,619	36,256	50,110	96,451
Total revenues	102,140	106,338	248,709	292,413
OPERATING COSTS:				
Production expenses	11,747	14,208	36,922	36,775
Production taxes	3,652	1,976	8,440	6,141
Oil and gas marketing expenses	22,851	34,720	47,809	94,686
Impairment of oil and gas properties	--	--	--	466,000
Impairment of other assets	--	--	--	10,000
Oil and gas depreciation, depletion and amortization	22,816	34,069	70,202	109,311
Depreciation and amortization of other assets	1,840	2,518	5,978	5,820
General and administrative	2,736	5,197	10,028	14,711
Total operating costs	65,642	92,688	179,379	743,444
INCOME (LOSS) FROM OPERATIONS	36,498	13,650	69,330	(451,031)
OTHER INCOME (EXPENSE):				
Interest and other income	2,686	778	6,526	3,573
Interest expense	(20,420)	(18,577)	(60,569)	(47,930)
	(17,734)	(17,799)	(54,043)	(44,357)
INCOME (LOSS) BEFORE INCOME TAX AND EXTRAORDINARY ITEM	18,764	(4,149)	15,287	(495,388)
INCOME TAX EXPENSE	649	--	975	--
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	18,115	(4,149)	14,312	(495,388)
EXTRAORDINARY ITEM:				
Loss on early extinguishment of debt	--	--	--	(13,334)
NET INCOME (LOSS)	18,115	(4,149)	14,312	(508,722)
PREFERRED STOCK DIVIDENDS	(4,381)	(4,026)	(12,433)	(8,051)
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 13,734	$ (8,175)	$ 1,879	$ (516,773)
EARNINGS PER COMMON SHARE (BASIC)				
Income (loss) before extraordinary item	$ 0.14	$ (0.08)	$ 0.02	$ (5.34)
Extraordinary item	--	--	--	(0.14)
Net income (loss)	$ 0.14	$ (0.08)	$ 0.02	$ (5.48)
EARNINGS PER COMMON SHARE (ASSUMING DILUTION)				
Income (loss) before extraordinary item	$ 0.13	$ (0.08)	$ 0.02	$ (5.34)
Extraordinary item	--	--	--	(0.14)
Net income (loss)	$ 0.13	$ (0.08)	$ 0.02	$ (5.48)
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING				
Basic	97,126	98,046	97,126	94,355
Assuming dilution	103,576	98,046	101,625	94,355

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
	($ IN THOUSANDS)			
Net income (loss)	$ 18,115	$ (4,149)	$ 14,312	$ (508,722)
Other comprehensive income (loss) - foreign currency translation adjustments	80	(3,100)	3,705	(4,967)
Comprehensive income (loss)	$ 18,195	$ (7,249)	$ 18,017	$ (513,689)

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 1999	1998
	($ IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 14,312	$ (508,722)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	73,673	113,389
Impairment of oil and gas assets	--	466,000
Impairment of other assets	--	10,000
Deferred income taxes	975	--
Amortization of goodwill	62	60
Amortization of loan costs	2,445	1,682
Amortization of bond discount	63	77
Gain on sale of fixed assets and other	(377)	(142)
Extraordinary loss	--	13,334
Equity in losses of equity investees	306	487
Bad debt expense	--	516
Cash provided by operating activities before changes in current assets and liabilities	91,459	96,681
Changes in current assets and liabilities	2,682	(43,358)
Cash provided by operating activities	94,141	53,323
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration and development of oil and gas properties	(106,413)	(140,821)
Oil and gas property acquisitions	(11,077)	(345,000)
Oil and gas property divestitures	36,365	10,541
Investment in preferred stock of Gothic	--	(39,500)
Proceeds from sales of other assets	5,438	3,600
Long-term loans made to third parties	(523)	--
Other investments	(675)	--
Repayment of long-term loan	--	2,000
Additions to other property and equipment	(475)	(9,771)
Cash used in investing activities	(77,360)	(518,951)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	29,000	658,750
Payments on long-term borrowings	(54,000)	(474,166)
Proceeds from issuance of preferred stock	--	222,760
Purchase of treasury stock	(53)	(29,962)
Dividends paid on common stock	--	(5,592)
Dividends paid on preferred stock	--	(4,025)
Cash received from exercise of stock options	419	131
Cash provided by (used in) financing activities	(24,634)	367,896
EFFECTS OF CHANGES IN EXCHANGE RATE ON CASH	3,705	(5,379)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,148)	(103,111)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	29,520	123,860
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 25,372	$ 20,749

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. ACCOUNTING PRINCIPLES

The accompanying unaudited consolidated financial statements of Chesapeake Energy Corporation and subsidiaries (the "Company") have been prepared in accordance with the instructions to Form 10-Q as prescribed by the Securities and Exchange Commission. All material adjustments (consisting solely of normal recurring adjustments) which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods have been reflected. The results for the three and nine months ended September 30, 1999 are not necessarily indicative of the results to be expected for the full fiscal year.

This Form 10-Q relates to the three and nine months ended September 30, 1999 (the "Current Quarter" and "Current Period", respectively) and September 30, 1998 (the "Prior Quarter" and "Prior Period", respectively).

2. LEGAL PROCEEDINGS

Chesapeake Securities Litigation
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, in suits first filed in August 1997, 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.

Bayard Securities Litigation
A purported class action alleging violations of the Securities Act of 1933 and the Oklahoma Securities Act was first filed in February 1998 against the Company and others on behalf of investors who purchased common stock of Bayard Drilling Technologies, Inc. ("Bayard") in, or traceable to, its initial public offering in November 1997. Total proceeds of the offering were $254 million, of which the Company received net proceeds of $90 million as a selling shareholder. 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. Alleged defective disclosures are claimed to have resulted in a decline in Bayard's share price following the public offering. Plaintiffs seek 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.

On August 24, 1999, the court dismissed plaintiffs' claims against the Company under Section 15 of the Securities Act of 1933 alleging that the Company was a "controlling person" of Bayard. Claims under Section 11 of the Securities Act of 1933 and Section 408 of the Oklahoma Securities Act continue to be asserted against the Company. The Company believes that it has meritorious defenses to these claims and intends to defend this action vigorously. No estimate of loss or range of estimate of loss, if any, can be made at this time. Bayard, which was acquired by Nabors Industries, Inc. in April 1999, has been reimbursing the Company for its costs of defense as incurred.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Patent Litigation
On September 21, 1999, judgment was entered in favor of the Company in a patent infringement lawsuit tried to the U.S. District Court for the Northern District of Texas, Fort Worth Division. Filed in October 1996, the lawsuit asserted that the Company had infringed a patent belonging to Union Pacific Resources Company. The court declared the patent invalid, held that the Company could not have infringed the patent, dismissed all of UPRC's claims with prejudice and assessed court costs against UPRC. The Company has filed a motion to amend final judgment to make additional findings and has also applied for attorneys' fees which total approximately $5 million.

West Panhandle Field Cessation Cases
A subsidiary of the Company, Chesapeake Panhandle Limited Partnership ("CP") (f/k/a MC Panhandle, Inc.), and two subsidiaries of Kinder Morgan, Inc. are defendants in 13 lawsuits filed in 1997 and 1998 by royalty owners seeking the cancellation of oil and gas leases in the West Panhandle Field in Texas. The Company acquired MC Panhandle, Inc. on April 28, 1998. MC Panhandle, Inc. has owned the leases since January 1, 1997. Plaintiffs claim the leases terminated upon the cessation of production for various periods between 1926 and 1997 and/or for failure to produce in paying quantities. In addition, plaintiffs seek to recover conversion damages or, in the alternative, damages for the breach of implied covenants of the leases, i.e., for failure to protect against drainage, to maximize production, and to reasonably develop and market. Plaintiffs also seek exemplary damages, attorneys' fees and interest. Defendants assert that any cessation of production was excused by their timely commencement of operations to restore production and assert affirmative defenses of limitations, waiver, estoppel, laches and title by adverse possession.

The 13 pending cases were described in the Company's June 30, 1999 Form 10-Q. Of the ten cases filed in the District Court of Moore County, Texas, 69th Judicial District, three have been tried to a jury. One resulted in a verdict for CP and its co-defendants, but judgment has not yet been entered. In the other two cases, the court has entered judgment against CP and its co-defendants, although the jury verdict in one of the cases was for defendants. The Company's liability for these two judgments is $545,000 of actual damages and $1.2 million of exemplary damages and, jointly and severally with the other two defendants, $1.5 million of actual damages, $175,000 of attorneys' fees in the event of an appeal, $1,900 of sanctions, interest and court costs. The court also quieted title to the leases in dispute in plaintiffs. CP and the other defendants have each filed a notice of appeal and will post a supersedeas bond in both cases in which judgment has been entered. There are three related cases pending in other courts. In one, a jury trial in the U.S. District Court, Northern District of Texas, Amarillo Division resulted in a verdict for CP and its co-defendants, but judgment has not yet been entered. None of the other cases have been set for trial.

The Company has previously established an accrued liability that management believes will be sufficient to cover the estimated costs of litigation for each of these cases. Because of the inconsistent verdicts reached by the juries in the four cases tried to date and because the amount of damages sought is not specified in all of the other cases, the outcome of the remaining trials and the amount of damages that might ultimately be awarded could differ from management's estimates. Management believes, however, that the leases are valid, there is no basis for exemplary damages and that any findings of fraud or bad faith will be overturned on appeal. CP and the other defendants intend to vigorously defend against the plaintiffs' claims.

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.

3. EARNINGS PER SHARE

Statement of Financial Accounting Standards No. 128, Earnings Per Share ("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 requires a reconciliation of the numerators and denominators of the basic and diluted EPS computations. For the Prior Quarter and the Prior Period, there was no difference between actual

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

weighted average shares outstanding, which are used in computing basic EPS, and diluted weighted average shares outstanding, which are used in computing diluted EPS. Options to purchase 13.0 million and 10.6 million shares of common stock at a weighted average exercise price of $1.74 and $3.88 were outstanding at September 30, 1999 and 1998, respectively, but were not included in the computation of diluted EPS in the Prior Quarter or Prior Period because the effect of these outstanding options would be antidilutive. A reconciliation for the Current Quarter and Current Period is as follows (in thousands, except per share amounts):

	Income (Numerator)	Shares (Denominator)	Per Share Amount
FOR THE QUARTER ENDED SEPTEMBER 30, 1999:			
BASIC EPS			
Income available to common shareholders	$ 13,734	97,126	$ 0.14
EFFECT OF DILUTIVE SECURITIES			
Employee stock options	--	6,450	
DILUTED EPS			
Income available to common shareholders and assumed conversions	$ 13,734	103,576	$ 0.13
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999:			
BASIC EPS			
Income available to common shareholders	$ 1,879	97,126	$ 0.02
EFFECT OF DILUTIVE SECURITIES			
Employee stock options	--	4,499	
DILUTED EPS			
Income available to common shareholders and assumed conversions	$ 1,879	101,625	$ 0.02

4. SENIOR NOTES

7.875% Notes
The Company has outstanding $150.0 million in aggregate principal amount of 7.875% Senior Notes which mature March 15, 2004, and bear interest at the rate of 7.875%, payable semiannually on each March 15 and September 15. The 7.875% Notes are senior, unsecured obligations of the Company and are fully and unconditionally guaranteed, jointly and severally, by the Guarantor Subsidiaries.

9.625% Notes
The Company has outstanding $500.0 million in aggregate principal amount of 9.625% Senior Notes which mature May 1, 2005, and bear interest at the rate of 9.625%, payable semiannually on each May 1 and November 1. The 9.625% Notes are senior, unsecured obligations of the Company and are fully and unconditionally guaranteed, jointly and severally, by the Guarantor Subsidiaries.

9.125% Notes
The Company has outstanding $120.0 million in aggregate principal amount of 9.125% Senior Notes which mature April 15, 2006, and bear interest at an annual rate of 9.125%, payable semiannually on each April 15 and October 15. The 9.125% Notes are senior, unsecured obligations of the Company and are fully and unconditionally guaranteed, jointly and severally, by the Guarantor Subsidiaries.

8.5% Notes
The Company has outstanding $150.0 million in aggregate principal amount of 8.5% Senior Notes which mature March 15, 2012, and bear interest at the rate of 8.5%, payable semiannually on each March 15 and September 15. The 8.5% Notes are senior, unsecured obligations of the Company and are fully and unconditionally guaranteed, jointly and severally, by the Guarantor Subsidiaries.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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 its 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 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 9.625% and 9.125% Senior Notes in the event of a change of control or certain asset sales.

These Senior Note indentures also limit the Company's ability to make restricted payments (as defined in the indentures), including the payment of preferred stock dividends, unless certain tests are met. As of December 31, 1998, March 31, 1999, June 30, 1999 and September 30, 1999, the Company was unable to meet the requirements to incur additional unsecured indebtedness, and consequently was unable to pay the quarterly cash dividend of $4.025 million (before compounding of dividends in arrears) on its 7% cumulative convertible preferred stock on February 1, 1999, May 1, 1999, August 1, 1999 or November 1, 1999. As of September 30, 1999, the cumulative earned but unpaid dividends on the preferred stock were $15.1 million. Subsequent payments will be subject to the same restrictions and are dependent upon variables, most particularly oil and gas prices, that are beyond the Company's ability to predict. This restriction does not affect the Company's ability to borrow under or expand its secured commercial bank facility. If the Company fails to pay dividends for six quarterly periods, the holders of preferred stock would be entitled to elect two additional members to the Board.

Set forth below are condensed consolidating financial statements of the Guarantor Subsidiaries, the Company's subsidiary which is not a guarantor of the Senior Notes (the "Non-Guarantor Subsidiary") and the Company. As of and for the three and nine months ended September 30, 1999 and 1998, Chesapeake Energy Marketing, Inc. was the only Non-Guarantor Subsidiary. For these periods, all other subsidiaries of the Company were Guarantor Subsidiaries. Separate financial statements of each Guarantor Subsidiary have not been provided because management has determined that they are not material to investors.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 1999
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (3,371)	$ 18,811	$ 14,476	$ --	$ 29,916
Accounts receivable, net	46,657	29,145	192	(14,894)	61,100
Inventory	4,052	174	--	--	4,226
Other	2,234	10	356	--	2,600
Total Current Assets	49,572	48,140	15,024	(14,894)	97,842
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,231,622	3,586	--	--	2,235,208
Unevaluated leasehold	43,927	--	--	--	43,927
Other property and equipment	45,935	2,887	17,849	--	66,671
Less: accumulated depreciation, depletion and amortization	(1,675,473)	(478)	(1,739)	--	(1,677,690)
Total Property and Equipment	646,011	5,995	16,110	--	668,116
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	806,180	--	493,738	(1,299,918)	--
OTHER ASSETS	11,477	546	17,576	(53)	29,546
TOTAL ASSETS	$ 1,513,240	$ 54,681	$ 542,448	$(1,314,865)	$ 795,504

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ --	$ 681	$ --	$ --	$ 681
Accounts payable and other	52,959	24,171	26,148	(15,386)	87,892
Total Current Liabilities	52,959	24,852	26,148	(15,386)	88,573
LONG-TERM DEBT	--	1,699	919,139	--	920,838
REVENUES PAYABLE	10,830	--	--	--	10,830
DEFERRED INCOME TAXES	5,464	--	--	--	5,464
INTERCOMPANY PAYABLES	1,402,647	(5,167)	(1,397,972)	492	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Preferred Stock	--	--	230,000	--	230,000
Common Stock	27	1	1,045	(17)	1,056
Other	41,313	33,296	764,088	(1,299,954)	(461,257)
Total Stockholders' Equity (Deficit)	41,340	33,297	995,133	(1,299,971)	(230,201)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,513,240	$ 54,681	$ 542,448	$(1,314,865)	$ 795,504

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 1998
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (11,565)	$ 7,000	$ 39,839	$ --	$ 35,274
Accounts receivable	54,384	29,641	270	(7,996)	76,299
Inventory	4,919	406	--	--	5,325
Other	721	15	365	--	1,101
Total Current Assets	48,459	37,062	40,474	(7,996)	117,999
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,142,943	--	--	--	2,142,943
Unevaluated leasehold	52,687	--	--	--	52,687
Other property and equipment	47,628	15,109	16,981	--	79,718
Less: accumulated depreciation, depletion and amortization	(1,601,931)	(8,036)	(1,390)	--	(1,611,357)
Total Property & Equipment	641,327	7,073	15,591	--	663,991
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	809,310	--	481,150	(1,290,460)	--
OTHER ASSETS	10,610	560	19,455	--	30,625
TOTAL ASSETS	$ 1,509,706	$ 44,695	$ 556,670	$ (1,298,456)	$ 812,615

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 25,000	$ --	$ --	$ --	$ 25,000
Accounts payable and other	80,786	15,992	17,529	(8,023)	106,284
Total Current Liabilities	105,786	15,992	17,529	(8,023)	131,284
LONG-TERM DEBT	--	--	919,076	--	919,076
REVENUES PAYABLE	10,823	--	--	--	10,823
INTERCOMPANY PAYABLES	1,338,948	11,376	(1,350,351)	27	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Preferred Stock	--	--	230,000	--	230,000
Common Stock	26	1	1,042	(17)	1,052
Other	54,123	17,326	739,374	(1,290,443)	(479,620)
Total Stockholders' Equity (Deficit)	54,149	17,327	970,416	(1,290,460)	(248,568)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,509,706	$ 44,695	$ 556,670	$ (1,298,456)	$ 812,615

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1999					
REVENUES:					
Oil and gas sales	$ 77,390	$ 594	$ --	$ 537	$ 78,521
Oil and gas marketing sales	--	61,105	--	(37,486)	23,619
Total Revenues	77,390	61,699	--	(36,949)	102,140
OPERATING COSTS:					
Production expenses and taxes	15,156	243	--	--	15,399
Oil and gas marketing expenses	--	59,800	--	(36,949)	22,851
Oil and gas depreciation, depletion and amortization	22,568	248	--	--	22,816
Other depreciation and amortization	1,005	20	815	--	1,840
General and administrative	2,514	201	21	--	2,736
Total Operating Costs	41,243	60,512	836	(36,949)	65,642
INCOME (LOSS) FROM OPERATIONS	36,147	1,187	(836)	--	36,498
OTHER INCOME (LOSS)					
Interest and other income	1,487	935	29,789	(29,525)	2,686
Interest expense	(29,376)	(45)	(20,524)	29,525	(20,420)
	(27,889)	890	9,265	--	(17,734)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	8,258	2,077	8,429	--	18,764
INCOME TAX EXPENSE	649	--	--	--	649
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	7,609	2,077	8,429	--	18,115
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	--	--	--	--	--
NET INCOME	$ 7,609	$ 2,077	$ 8,429	$ --	$ 18,115
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1998					
REVENUES:					
Oil and gas sales	$ 69,780	$ (187)	$ --	$ 489	$ 70,082
Oil and gas marketing sales	973	64,769	--	(29,486)	36,256
Total Revenues	70,753	64,582	--	(28,997)	106,338
OPERATING COSTS:					
Production expenses and taxes	16,184	--	--	--	16,184
Oil and gas marketing expenses	1,040	62,677	--	(28,997)	34,720
Impairment of oil and gas properties	--	--	--	--	--
Impairment of other assets	--	--	--	--	--
Oil and gas depreciation, depletion and amortization	34,069	--	--	--	34,069
Other depreciation and amortization	1,637	88	793	--	2,518
General and administrative	4,514	636	47	--	5,197
Total Operating Costs	57,444	63,401	840	(28,997)	92,688
INCOME (LOSS) FROM OPERATIONS	13,309	1,181	(840)	--	13,650
OTHER INCOME (LOSS)					
Interest and other income	966	405	28,024	(28,617)	778
Interest expense	(26,605)	(4)	(20,585)	28,617	(18,577)
	(25,639)	401	7,439	--	(17,799)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(12,330)	1,582	6,599	--	(4,149)
INCOME TAX EXPENSE	--	--	--	--	--
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(12,330)	1,582	6,599	--	(4,149)
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	--	--	--	--	--
NET INCOME (LOSS)	$ (12,330)	$ 1,582	$ 6,599	$ --	$ (4,149)

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999					
REVENUES:					
Oil and gas sales	$ 197,468	$ 594	$ --	$ 537	$ 198,599
Oil and gas marketing sales	--	134,363	--	(84,253)	50,110
Total Revenues	197,468	134,957	--	(83,716)	248,709
OPERATING COSTS:					
Production expenses and taxes	45,119	243	--	--	45,362
Oil and gas marketing expenses	--	131,525	--	(83,716)	47,809
Oil and gas depreciation, depletion and amortization	69,954	248	--	--	70,202
Other depreciation and amortization	3,481	60	2,437	--	5,978
General and administrative	8,978	982	68	--	10,028
Total Operating Costs	127,532	133,058	2,505	(83,716)	179,379
INCOME (LOSS) FROM OPERATIONS	69,936	1,899	(2,505)	--	69,330
OTHER INCOME (LOSS)					
Interest and other income	2,194	3,780	88,117	(87,565)	6,526
Interest expense	(86,791)	(45)	(61,298)	87,565	(60,569)
	(84,597)	3,735	26,819	--	(54,043)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(14,661)	5,634	24,314	--	15,287
INCOME TAX EXPENSE	975	--	--	--	975
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(15,636)	5,634	24,314	--	14,312
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	--	--	--	--	--
NET INCOME (LOSS)	$ (15,636)	$ 5,634	$ 24,314	$ --	$ 14,312
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998					
REVENUES:					
Oil and gas sales	$ 193,800	$ --	$ --	$ 2,162	$ 195,962
Oil and gas marketing sales	973	173,405	--	(77,927)	96,451
Total Revenues	194,773	173,405	--	(75,765)	292,413
OPERATING COSTS:					
Production expenses and taxes	42,916	--	--	--	42,916
Oil and gas marketing expenses	1,040	169,411	--	(75,765)	94,686
Impairment of oil and gas properties	466,000	--	--	--	466,000
Impairment of other assets	10,000	--	--	--	10,000
Oil and gas depreciation, depletion and amortization	109,311	--	--	--	109,311
Other depreciation and amortization	3,698	142	1,980	--	5,820
General and administrative	13,122	1,535	54	--	14,711
Total Operating Costs	646,087	171,088	2,034	(75,765)	743,444
INCOME (LOSS) FROM OPERATIONS	(451,314)	2,317	(2,034)	--	(451,031)
OTHER INCOME (LOSS)					
Interest and other income	1,471	685	72,007	(70,590)	3,573
Interest expense	(67,704)	(4)	(50,812)	70,590	(47,930)
	(66,233)	681	21,195	--	(44,357)
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(517,547)	2,998	19,161	--	(495,388)
INCOME TAX EXPENSE	--	--	--	--	--
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(517,547)	2,998	19,161	--	(495,388)
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	(2,164)	--	(11,170)	--	(13,334)
NET INCOME (LOSS)	$ (519,711)	$ 2,998	$ 7,991	$ --	$ (508,722)

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARY	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 55,261	$ 3,363	$ 35,517	$ --	$ 94,141
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties, net	(79,920)	(1,205)	--	--	(81,125)
Proceeds from sale of other assets	1,990	3,448	--	--	5,438
Other	(1,659)	1,208	(1,222)	--	(1,673)
	(79,589)	3,451	(1,222)	--	(77,360)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	29,000	--	--	--	29,000
Payments on borrowings	(54,000)	--	--	--	(54,000)
Cash paid for purchase of treasury stock	--	(53)	--	--	(53)
Cash received from exercise of stock options	--	--	419	--	419
Intercompany advances, net	55,027	5,050	(60,077)	--	--
	30,027	4,997	(59,658)	--	(24,634)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3,705	--	--	--	3,705
Net increase (decrease) in cash	9,404	11,811	(25,363)	--	(4,148)
Cash, beginning of period	(17,319)	7,000	39,839	--	29,520
Cash, end of period	$ (7,915)	$ 18,811	$ 14,476	$ --	$ 25,372
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 32,384	$ (21,068)	$ 42,007	$ --	$ 53,323
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties, net	(475,280)	--	--	--	(475,280)
Proceeds from sale of assets	--	--	3,600	--	3,600
Investment in preferred stock of Gothic	(39,500)	--	--	--	(39,500)
Repayment of long-term loans	2,000	--	--	--	2,000
Other additions	(6,161)	(1,343)	(2,267)	--	(9,771)
	(518,941)	(1,343)	1,333	--	(518,951)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	--	--	658,750	--	658,750
Payments on borrowings	--	--	(474,166)	--	(474,166)
Cash received from issuance of preferred stock	--	--	222,760	--	222,760
Cash paid for purchase of treasury stock	--	--	(29,962)	--	(29,962)
Cash received from exercise of stock options	--	--	131	--	131
Cash dividends paid on common and preferred stock	--	--	(9,617)	--	(9,617)
Intercompany advances, net	483,138	11,698	(494,836)	--	--
	483,138	11,698	(126,940)	--	367,896
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(5,379)	--	--	--	(5,379)
Net increase (decrease) in cash	(8,798)	(10,713)	(83,600)	--	(103,111)
Cash, beginning of period	(284)	13,694	110,450	--	123,860
Cash, end of period	$ (9,082)	$ 2,981	$ 26,850	$ --	$ 20,749

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Three Months Ended September 30, 1999 vs. September 30, 1998

General. For the three months ended September 30, 1999 (the "Current Quarter"), the Company had net income of $18.1 million, or $0.14 per common share after deducting preferred dividends (including a 7% dividend on dividends in arrears) of $4.4 million. This compares to a net loss of $4.1 million, or a loss of $0.08 per common share after deducting preferred dividends of $4.0 million, in the three months ended September 30, 1998 (the "Prior Quarter").

Oil and Gas Sales. During the Current Quarter, oil and gas sales increased to $78.5 million from $70.1 million, an increase of $8.4 million, or 12%. This increase was the result of higher oil and gas prices, partially offset by lower production volumes during the Current Quarter. Oil and gas production volumes decreased from 36.3 billion cubic feet equivalent of natural gas ("bcfe") in the Prior Quarter to 32.7 bcfe in the Current Quarter, a decrease of 3.6 bcfe, or 10%. The decrease in production volumes was primarily the result of asset divestitures of non-core properties completed during the fourth quarter of 1998 and throughout 1999. For the Current Quarter, the Company produced 0.9 million barrels of oil ("mmbo") and 27.4 billion cubic feet of natural gas ("bcf"), compared to 1.6 mmbo and 26.8 bcf in the Prior Quarter. Average oil prices realized were $18.90 per barrel of oil in the Current Quarter compared to $12.41 per barrel in the Prior Quarter, an increase of 52%. Average gas prices realized were $2.26 per thousand cubic feet ("mcf") in the Current Quarter compared to $1.88 per mcf in the Prior Quarter, an increase of 20%.

For the Current Quarter, the Company realized an average price of $2.40 per thousand cubic feet equivalent of natural gas ("mcfe"), compared to $1.93 per mcfe in the Prior Quarter. The Company's hedging activities resulted in decreased oil and gas revenues of $2.0 million, or $(0.06) per mcfe, in the Current Quarter, compared to increases in oil and gas revenues of $6.2 million, or $0.17 per mcfe, in the Prior Quarter.

The following table shows the Company's production by region for the Current Quarter and the Prior Quarter:

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,			
	1999		1998	
OPERATING AREAS	MMCFE	PERCENT	MMCFE	PERCENT
Mid-Continent	15,860	49%	19,050	53%
Gulf Coast	11,205	34	13,511	37
Canada	3,039	9	2,533	7
Other areas	2,558	8	1,174	3
Total	32,662	100%	36,268	100%

Natural gas production represented approximately 84% of the Company's total production volume on a gas equivalent basis in the Current Quarter, compared to 74% in the Prior Quarter. The Company anticipates natural gas will represent approximately 87% of 2000 production. As of September 30, 1999, natural gas represented approximately 87% of the Company's proved reserves.

Oil and Gas Marketing Sales. The Company realized $23.6 million in oil and gas marketing sales to third parties in the Current Quarter, with corresponding oil and gas marketing expenses of $22.9 million. This compares to sales of $36.3 million and expenses of $34.7 million in the Prior Quarter. The decrease in marketing sales and cost of sales was due primarily to a reduction in marketing efforts in the Current Quarter for third parties on wells where the Company is not the operator, as compared to the Prior Quarter, and the sale of certain gas gathering, transportation and marketing assets in June 1999, partially offset by higher oil and gas prices during the Current Quarter.

Production Expenses and Taxes. Production expenses decreased to $11.7 million in the Current Quarter, a $2.5 million decrease from $14.2 million incurred in the Prior Quarter. The decrease was due primarily to the Company's divestiture of higher cost oil and gas properties, the closing of various field offices and reduced production. On a production unit basis, production expenses were $0.36 and $0.39 per mcfe in the Current and Prior Quarters, respectively. The Company anticipates that production expenses will average $0.36 per mcfe for 2000.

Production taxes, which consist primarily of wellhead severance taxes, were $3.7 million and $2.0 million in the Current and Prior Quarters, respectively. On a per unit basis, production taxes were $0.11 per mcfe in the Current Quarter compared to $0.05 per mcfe in the Prior Quarter. The per unit increase in production taxes is the result of the higher oil and gas prices during the Current Quarter.

Oil and Gas Depreciation, Depletion and Amortization. Depreciation, depletion and amortization of oil and gas properties ("DD&A") for the Current Quarter was $22.8 million, compared to $34.1 million in the Prior Quarter. This decrease was caused by a decrease in the DD&A rate per mcfe from $0.94 to $0.70 in the Prior and Current Quarters, respectively, and reduced production. The decrease in the DD&A rate per mcfe is due primarily to the impairment of oil and gas properties recorded during 1998 and the Company's lower finding and development costs to date in 1999.

Depreciation and Amortization of Other Assets. Depreciation and amortization of other assets ("D&A") decreased to $1.8 million in the Current Quarter compared to $2.5 million in the Prior Quarter. This decrease was due to the lower D&A recorded on certain gas processing assets that were sold during the Current Quarter. The Company anticipates D&A expense throughout the remainder of 1999 and 2000 to remain at approximately the same level as in the Current Quarter.

General and Administrative. General and administrative expenses ("G&A"), which are net of capitalized internal payroll and non-payroll expenses, were $2.7 million in the Current Quarter compared to $5.2 million in the Prior Quarter. This decrease was primarily caused by various actions taken to lower corporate overhead, including staff reductions and office closings which occurred subsequent to September 30, 1998. The Company capitalized $0.3 million of internal costs in the Current Quarter directly related to the Company's oil and gas exploration and development efforts, compared to $0.8 million in the Prior Quarter. The Company anticipates that G&A costs for the remainder of 1999 and 2000 will remain at generally the same level as in the Current Quarter.

Interest and Other Income. Interest and other income for the Current Quarter was $2.7 million compared to $0.8 million in the Prior Quarter. Included in the Current Quarter's results is a $0.5 million gain from the sale of the Company's interest in a gas processing plant plus income earned on various investments.

Interest. Interest expense increased to $20.4 million in the Current Quarter from $18.6 million in the Prior Quarter. This increase was primarily due to lower capitalized interest in the Current Quarter. The Company capitalized $0.8 million of interest during the Current Quarter compared to $2.0 million capitalized in the Prior Quarter. The Company anticipates that interest expense will remain at generally the same level as in the Current Quarter during the remainder of 1999 and 2000.

Provision for Income Taxes. The Company recorded $0.6 million of income tax expense for the Current Quarter, compared to none in the Prior Quarter. The income tax expense in the Current Quarter is entirely related to the Company's operations in Canada. At September 30, 1999, the Company had a net operating loss carryforward of approximately $615 million for regular U.S. federal income taxes which will expire in future years beginning in 2007. Management believes that it cannot be demonstrated at this time that it is more likely than not that its domestic deferred income tax assets, comprised primarily of the net operating loss carryforward generated in the United States, will be realizable in future years, and therefore a valuation allowance of $448 million has been recorded. Consequently, there was no income tax expense or benefit related to the Company's domestic operations during the Current and Prior Quarters.

Nine Months Ended September 30, 1999 vs. September 30, 1998

General. For the nine months ended September 30, 1999 (the "Current Period"), the Company realized net income of $14.3 million, or net income of $0.02 per common share after deducting preferred dividends (including a 7% dividend on dividends in arrears) of $12.4 million. This compares to a net loss of $508.7 million, or a net loss of $5.48 per common share after deducting preferred dividends of $8.1 million, in the nine months ended September 30, 1998 (the "Prior Period"). The loss in the Prior Period was primarily caused by a $466.0 million asset writedown recorded under the full-cost method of accounting, a $10.0 million impairment related to certain of the Company's gas processing and transportation assets located in Louisiana, a $13.3 million extraordinary loss on the early extinguishment of debt, and a $19.4 million loss from recurring operations. The asset writedown was partially caused by acquisitions completed during the Prior Period for consideration in excess of the present value (10% discount) of the future net revenues of the proved reserves acquired as of June 30, 1998. See "- Impairment of Oil and Gas Properties".

Oil and Gas Sales. During the Current Period, oil and gas sales increased to $198.6 million from $196.0 million, an increase of $2.6 million, or 1%. This increase resulted from an increase in oil and gas production volumes from 96.5 bcfe in the Prior Period to 99.5 bcfe in the Current Period, an increase of 3.0 bcfe, or 3%. For the Current Period, the Company produced 3.2 mmbo and 80.1 bcf, compared to 4.6 mmbo and 69.0 bcf in the Prior Period. Average oil prices realized were $14.79 per barrel in the Current Period compared to $13.21 per barrel in the Prior Period, an increase of 12%. Average gas prices realized were $1.88 per mcf in the Current Period compared to $1.96 per mcf in the Prior Period, a decrease of 4%.

For the Current Period, the Company realized an average price of $2.00 per mcfe, compared to $2.03 per mcfe in the Prior Period. The Company's hedging activities resulted in increased oil and gas revenues of $1.2 million, or $0.01 per mcfe, in the Current Period, compared to increases in oil and gas revenues of $10.5 million, or $0.11 per mcfe, in the Prior Period.

The following table shows the Company's production by region for the Current Period and the Prior Period:

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,			
	1999		1998	
OPERATING AREAS	MMCFE	PERCENT	MMCFE	PERCENT
Mid-Continent	51,733	52%	43,571	45%
Gulf Coast	33,921	34	40,599	42
Canada	8,602	9	5,677	6
Other areas	5,284	5	6,615	7
Total	99,540	100%	96,462	100%

Natural gas production represented approximately 80% of the Company's total production volume on an equivalent basis in the Current Period, compared to 72% in the Prior Period.

Oil and Gas Marketing Sales. The Company realized $50.1 million in oil and gas marketing sales to third parties in the Current Period, with corresponding oil and gas marketing expenses of $47.8 million. This compares to sales of $96.5 million and expenses of $94.7 million in the Prior Period. The decrease in marketing sales and cost of sales was due primarily to a reduction in marketing efforts in the Current Period for third parties on wells where the Company is not the operator and the sale of certain gas gathering, transportation and marketing assets in June 1999.

Production Expenses and Taxes. Production expenses increased to $36.9 million in the Current Period, a $0.1 million increase from $36.8 million incurred in the Prior Period. On a production unit basis, production expenses were $0.37 and $0.38 per mcfe in the Current and Prior Periods, respectively.

Production taxes, which consist primarily of wellhead severance taxes, were $8.4 million and $6.1 million in the Current and Prior Periods, respectively. On a per unit basis, production taxes were $0.08 per mcfe in the Current Period compared to $0.06 per mcfe in the Prior Period.

Impairment of Oil and Gas Properties. The Company utilizes the full-cost method to account for its investment in oil and gas properties. Under this method, all costs of acquisition, exploration and development of oil and gas reserves (including such costs as leasehold acquisition costs, geological and geophysical expenditures, certain capitalized internal costs, dry hole costs and tangible and intangible development costs) are capitalized as incurred. These oil and gas property costs, including the estimated future capital expenditures to develop proved undeveloped reserves, are depleted and charged to operations using the unit-of-production method based on the ratio of current production to proved oil and gas reserves as estimated by the Company's independent engineering consultants and in-house engineers. Costs directly associated with the acquisition and evaluation of unproved properties are excluded from the amortization computation until it is determined whether or not proved reserves can be assigned to the property or whether impairment has occurred. The excess of capitalized costs of oil and gas properties, net of accumulated depreciation, depletion and amortization and related deferred income taxes, over the discounted future net revenues of proved oil and gas properties is charged to operations.

The Company incurred an impairment of oil and gas properties charge of $466.0 million in the Prior Period, compared to no impairment charge in the Current Period. The writedown in the Prior Period was caused by a combination of several factors, including acquisitions completed by the Company during the Prior Period, which were accounted for using the purchase method. The most significant factors were the acquisitions of Hugoton Energy Corporation ("Hugoton") and DLB Oil & Gas, Inc. ("DLB"). Higher drilling and completion costs, the evaluation of certain leasehold, seismic and other exploration-related costs that were previously unevaluated, together with decreases in oil and gas prices from December 31, 1997 to June 30, 1998 were the remaining contributing factors which led to the writedown in the Prior Period.

Impairment of Other Assets. In the Prior Period, the Company incurred an impairment charge of $10.0 million related to certain of the Company's gas processing and transportation assets located in Louisiana. No such charge was recorded in the Current Period.

Oil and Gas Depreciation, Depletion and Amortization. DD&A for the Current Period was $70.2 million, compared to $109.3 million in the Prior Period. This decrease was caused by a decrease in the DD&A rate per mcfe from $1.13 to $0.71 in the Prior and Current Periods, respectively, partially offset by increased production in the Current Period. The decrease in the DD&A rate per mcfe is due primarily to the impairment of oil and gas properties recorded during 1998 and the Company's lower finding and development costs to date in 1999.

Depreciation and Amortization of Other Assets. D&A increased to $6.0 million in the Current Period compared to $5.8 million in the Prior Period. This increase in D&A was caused by a full nine months of amortization of debt issuance costs during the Current Period related to the issuance of senior notes in April 1998.

General and Administrative. G&A, which is net of capitalized internal payroll and non-payroll expenses, was $10.0 million in the Current Period compared to $14.7 million in the Prior Period. This decrease was primarily caused by various actions taken to lower corporate overhead, including staff reductions and office closings which occurred subsequent to September 30, 1998. The Company capitalized $2.3 million of internal costs in the Current Period directly related to the Company's oil and gas exploration and development efforts, compared to $4.0 million in the Prior Period.

Interest and Other Income. Interest and other income for the Current Period was $6.5 million compared to $3.6 million in the Prior Period. This increase is due primarily to a $1.7 million gain on the sale of certain marketing assets located in the Mid-Continent, as well as a $0.5 million gain from the sale of the Company's interest in a gas processing plant.

Interest. Interest expense increased to $60.6 million in the Current Period from $47.9 million in the Prior Period. This increase was a result of the issuance of the 9.625% senior notes in April 1998 as well as lower capitalized interest in the Current Period. The Company capitalized $2.7 million of interest during the Current Period compared to $5.8 million capitalized in the Prior Period.

Provision for Income Taxes. The Company recorded income tax expense of $1.0 million for the Current Period, compared to none in the Prior Period. The income tax expense in the Current Period is entirely related to the Company's operations in Canada. At September 30, 1999, the Company had a net operating loss carryforward of approximately $615 million for regular U.S. federal income taxes which will expire in future years beginning in 2007. Management believes that it cannot be demonstrated that it is more likely than not that its domestic deferred income tax assets will be realizable in future years, and therefore a valuation allowance of $448 million has been recorded. Consequently, there was no income tax expense or benefit related to the Company's domestic operations during the Current and Prior Periods.

RISK MANAGEMENT ACTIVITIES

See Item 3 - "Quantitative and Qualitative Disclosures About Market Risks".

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1999, the Company had working capital of approximately $9.3 million. The Company has a $50 million revolving bank credit facility with a committed borrowing base of $50 million which matures January 2001. As of September 30, 1999, the Company had no outstanding borrowings under the facility. Borrowings under the facility are secured by certain producing oil and gas properties. The interest rate at September 30, 1999 was 8.75% per annum.

Two of the Company's senior note indentures contain financial covenants which restrict the ability of the Company and its restricted subsidiaries to incur additional indebtedness and to make restricted payments, such as paying cash dividends and repurchasing Company stock. These restrictions do not affect the Company's ability to borrow under or expand its secured commercial bank facility. The Company estimates that it could have incurred up to $125 million of secured commercial bank indebtedness as of September 30, 1999 under the most restrictive of its indenture debt incurrence tests.

As of December 31, 1998 and March 31, June 30, and September 30, 1999, the Company was unable to meet the restricted payment test under these indentures, including the requirement that the Company be able to incur additional unsecured indebtedness. As a result, the Company was not able to pay cash dividends on its 7% cumulative convertible preferred stock on February 1, May 1, August 1, or November 1, 1999. As of September 30, 1999, the cumulative earned but unpaid dividends on the preferred stock was $15.1 million. Subsequent dividend payments will be subject to the same restrictions and are dependent upon variables that are beyond the Company's ability to predict. If the Company fails to pay dividends for six quarterly periods, the holders of preferred stock would be entitled to elect two additional members to the board.

None of the senior note indenture covenants apply to Chesapeake Energy Marketing, Inc. ("CEMI"), an unrestricted subsidiary of the Company. The Company's Board of Directors has authorized CEMI to purchase up to $10.0 million of the Company's senior notes and preferred stock in open market transactions or otherwise. In April 1999, CEMI purchased 3,600 shares of preferred stock for an aggregate purchase price of $53,000, or $14.63 per share, in an open market transaction.

Debt ratings for the senior notes are B3 by Moody's Investors Service and B by Standard & Poor's Corporation as of November 12, 1999. Recently Standard & Poor's confirmed its rating and removed the Company from credit watch. Moody's is presently reviewing the Company's ratings. There are no scheduled principal payments required on any of the Company's senior notes until March 2004, when $150.0 million is due.

The Company believes it has adequate resources, including cash on hand, budgeted cash flow from operations and proceeds from miscellaneous asset sales, to fund its exploration, development and acquisition capital expenditure budget for the remainder of 1999 and throughout the year 2000. The budget for 2000 has tentatively been established at $185 million, which includes up to $50 million for property acquisitions. The Company has largely completed its property divestiture program for 1999, and through October total sales were approximately $50 million. Changes in oil and gas prices or drilling results different from expectations could cause the Company to alter its drilling program, or the amount of anticipated property acquisitions and/or asset sales.

The Company's cash provided by operating activities before changes in current assets and liabilities decreased 5% to $91.5 million during the Current Period compared to $96.7 million during the Prior Period. The decrease was due primarily to reduced operating income as a result of a decrease in gas prices between periods, and an increase in interest expense during the Current Period.

Cash used in investing activities decreased to $77.4 million during the Current Period from $519.0 million in the Prior Period. The Company completed several acquisitions requiring cash in the Prior Period which totaled $345.0 million, compared to $11.1 million in the Current Period. The Company also significantly decreased its drilling activity and leasehold acquisitions in the Current Period compared to the Prior Period. During the Current Period, the Company expended approximately $90.0 million to initiate drilling on 142 gross (83.8 net) wells and invested approximately $16.4 million in leasehold acquisitions. This compares to $129.7 million to initiate drilling on 166 gross (91.5 net) wells and $11.1 million to purchase leasehold in the Prior Period. The Company also completed several divestitures resulting in sales proceeds of $36.4 million and $10.5 million in the Current Period and Prior Period, respectively.

Cash used in financing activities was $24.6 million in the Current Period, compared to cash provided by financing activities of $367.9 million in the Prior Period. During the Current Period, the Company expanded its borrowings under its commercial bank facility by $29 million and subsequently retired all outstanding borrowings under the facility. During the Prior Period, the Company retired $465.0 million in debt consisting of $85.0 million in debt assumed at the completion of the DLB acquisition, $120.0 million in debt assumed at the completion of the Hugoton acquisition, $90.0 million in senior notes, and $170.0 million in borrowings made under its commercial bank credit facilities. Also during the Prior Period, the Company issued $500.0 million in senior notes and $230.0 million in preferred stock.

YEAR 2000

Project. The Company has placed a high priority on proactively resolving computer or embedded chip problems related to the "Year 2000" problem which may have adverse material effects on its continuing operations or cash flow. These problems would be caused by the inability of a component (software, hardware or equipment with embedded microprocessors) to correctly process date data in and between the 20th and 21st centuries and therefore fail to properly perform in its intended functions, and/or to exchange correct date data with other components. This problem would most typically be caused by erroneous date calculations, which results from using two digits to signify a year (century implied), handling leap years incorrectly or the use of "special" values that can be confused with legitimate calendar dates. The scope of the Year 2000 project included conducting an inventory of the Company's software, hardware and "embedded systems" equipment, assessing potential for failure and the associated risk, prioritizing the need for remedial actions, identifying an appropriate action, then implementing and testing. In addition, the Company has taken a similar approach to mitigating risks associated with the Year 2000 readiness of material business partners (vendors, suppliers, customers, etc.). The project is identifying contingency plans to cope with unexpected events resulting from Year 2000 issues.

Beginning in mid-1997, the Company began an assessment of its core financial and operational software systems. Three critical systems were identified with date sensitivities: oil and gas financial accounting, production accounting, and land/lease administration. A Year 2000 compliant release of the oil and gas financial accounting package was implemented at the beginning of September 1999. The Year 2000-ready version of the production accounting system was successfully implemented during June 1999. The timing of remaining upgrades has been scheduled to be concurrent with the respective vendors' support requirements and to take advantage of additional features or performance enhancements. A project has been underway since early 1997 to implement a completely revamped version of the land/lease administration package in use at the Company to provide significantly increased functionality and reliability. All Year 2000-related issues in this application have been satisfactorily resolved and a full roll-out of the software is proceeding.

Other activities, either already underway or scheduled, include assessment of material business partners and assessment of embedded systems in field locations. The following table summarizes the current overall status of the project with anticipated completion dates:

COMPONENT	PHASE INVENTORY	 ASSESSMENT/ PRIORITIZATION	 REMEDIATION/ CONTINGENCY
Software	Completed	Completed	Completed
Hardware	Completed	Completed	Completed
Business partners	Completed	November 1999	November 1999
Embedded systems (non-IT systems)	Completed	November 1999	November 1999

The following schedule changes were made in the Current Quarter:

- Delays in the embedded systems and business partner schedules result from a later than planned start. To mitigate the effect of the late start, the inventory and assessment/prioritization phases of each were run concurrently.
- The field inventory has been completed, with approximately half of the unique device types researched. To-date, no required device upgrades have been identified.
- Information has been gathered from several of the most critical business partners, all of which indicate readiness in areas of concern to on-going Company operations.

Cost. Expenses to date have totaled $140,000, composed of $39,000 for software and $101,000 for consulting. For currently identified software systems requiring a Year 2000 upgrade, the vendor is providing that upgrade under the terms of existing maintenance agreements, and thus no additional license or upgrade fees are required. In all cases these upgrades had been previously scheduled to maintain desired vendor support. No upgrade project schedule has been accelerated to achieve Year 2000 compliance, nor has any project been deferred because of Year 2000 concerns or efforts. An accurate cost cannot be determined prior to conclusion of the Assessment/Prioritization phase, but it is expected total project expenditures, including the use of outside consultants, should not exceed $300,000. This does not include any costs which may be assessed by joint venture partners on properties not operated by the Company.

Risks/Contingency. The failure to remediate critical systems (software, hardware or embedded systems), or the failure of a material business partner to resolve critical Year 2000 issues could have a serious adverse impact on the ability of the Company to continue operations and meet obligations. At the current time, it is believed that the most likely worst case scenario would involve a failure in the infrastructure, specifically, an electrical outage of at most a few days. It is expected that any interruption in operation will be minor and short-lived and will pose no safety or environmental risks. Should the most likely worst case scenario occur, the Company has identified and is currently testing emergency response procedures. In addition, the proper operation of safety equipment is being verified, and various pre-cautionary measures are being implemented.

RECENTLY ISSUED ACCOUNTING STANDARDS

On June 15, 1998, the Financial Accounting Standards Board issued FAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133"). FAS 133 establishes a new model for accounting for derivatives and hedging activities and supersedes and amends a number of existing standards. FAS 133 (as amended by FAS 137) is effective for all fiscal quarters of fiscal years beginning after June 15, 2000.

FAS 133 standardizes the accounting for derivative instruments by requiring that all derivatives be recognized as assets and liabilities and measured at fair value. The accounting for changes in the fair value of derivatives (gains and losses) depends on whether the derivative is designated and qualifies as a hedge, and the type of hedging relationship that exists. Changes in the fair value of derivatives that are not designated as hedges or that do not meet the hedge accounting criteria in FAS 133 are required to be reported in earnings. In addition, all hedging relationships must be designated, reassessed and documented pursuant to the provisions of FAS 133. The Company has not yet determined the impact that adoption of FAS 133 will have on the financial statements. However, the Company believes all of its derivative instruments will be designated as hedges in accordance with the relevant accounting criteria, and therefore the impact of the adoption of FAS 133 is not expected to have a material effect on the Company's financial statements.

FORWARD LOOKING STATEMENTS

This Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, statements regarding oil and gas reserve estimates, planned capital expenditures, expected oil and gas production, the Company's financial position, business strategy and other plans and objectives for future operations, expected future expenses, realization of deferred tax assets, and Year 2000 compliance efforts, are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Factors that could cause actual results to differ materially from those expected by the Company, including, without limitation, factors discussed under Risk Factors in the Company's Form 10-K for the year ended December 31, 1998, are substantial indebtedness, impairment of asset value, need to replace reserves, substantial capital requirements, ability to supplement capital resources with asset sales, fluctuations in the prices of oil and gas, uncertainties inherent in estimating quantities of oil and gas reserves, projecting future rates of production and the timing of development expenditures, competition, operating risks, risks associated with foreign operations, restrictions imposed by lenders, liquidity and capital requirements, the effects of governmental and environmental regulation, pending patent, securities and lease cancellation litigation, adverse changes in the market for the Company's oil and gas production and the Company's ability to successfully address Year 2000 issues. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in the Company's business strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

COMMODITY PRICE RISK

Periodically the Company utilizes hedging strategies to hedge the price of a portion of its future oil and gas production. These strategies include (i) 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, (ii) 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, (iii) 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 (iv) 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 physical purchase or sale commitments of its oil and gas marketing subsidiary. Gains or losses on crude oil and natural gas hedging transactions are recognized as price adjustments in the months of related production.

As of November 11, 1999, the Company had closed transactions designed to hedge a portion of the Company's domestic oil and gas production. The net unrecognized losses resulting from these transactions, $5.8 million, will be recognized as price adjustments in the months of related production. These hedging gains and losses are set forth below ($ in thousands):

MONTH	HEDGING GAINS (LOSSES) GAS	OIL	TOTAL
October 1999.......	421	(72)	349
November 1999......	102	(69)	33
December 1999......	--	(1,066)	(1,066)
January 2000.......	--	(995)	(995)
February 2000......	--	(931)	(931)
March 2000.........	--	(851)	(851)
April 2000.........	(25)	(647)	(672)
May 2000...........	(26)	(668)	(694)
June 2000..........	(25)	(647)	(672)
July 2000..........	(26)	(231)	(257)
August 2000........	(26)	--	(26)
September 2000.....	(25)	--	(25)
October 2000.......	(26)	--	(26)
	$ 344	$ (6,177)	$ (5,833)

As of November 11, 1999, the Company had the following crude oil collar transactions related to its domestic oil production which remain open:

MONTHS	VOLUME (BBLS)	NYMEX-DEFINED HIGH STRIKE PRICE	NYMEX-DEFINED LOW STRIKE PRICE
October 1999...............	310,000	$ 20.255	$ 17.75
November 1999..............	300,000	$ 20.255	$ 17.75

The Company also entered into an additional transaction designed to hedge the Company's Canadian gas production during October 1999. This transaction was closed in May 1999. The net loss resulting from this transaction of $0.2 million (in US $) will be recognized as a price adjustment in the month of related production.

In addition to commodity hedging transactions related to the Company's oil and gas production, CEMI periodically enters into 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.

INTEREST RATE RISK

The Company also utilizes hedging strategies to manage fixed-interest rate exposure. Through the use of a swap arrangement, the Company believes it can benefit from stable or falling interest rates and reduce its current interest expense. During the Current Quarter, the Company's interest rate swap resulted in a $0.4 million reduction of interest expense.

The table below presents principal cash flows and related weighted average interest rates by expected maturity dates. The fair value of the long-term debt has been estimated based on quoted market prices.

	SEPTEMBER 30, 1999 YEAR OF MATURITY 1999	2000	2001	2002	2003	THEREAFTER	TOTAL	FAIR.VALUE
LIABILITIES:				($ IN MILLIONS)				
Long-term debt, including current portion - fixed rate............	$ --	$ --	$ --	$ --	$ --	$ 920	$ 920	$ 850
Average interest rate...........	--	--	--	--	--	9.1%	--	--

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to ordinary routine litigation incidental to its business. In addition, the Company and certain of its officers and directors are defendants in pending actions which are described in Item 3 of the Company's annual report on Form 10-K for the year ended December 31, 1998 and its quarterly report on Form 10-Q for the quarter ended June 30, 1999. Subsequent developments are as follows:

Bayard Securities Litigation. A purported class action alleging violations of Sections 11 and 12 of the Securities Act of 1933 and Section 408 of the Oklahoma Securities Act was first filed in February 1998 against the Company and others on behalf of investors who purchased common stock of Bayard Drilling Technologies, Inc. ("Bayard") in, or traceable to, its initial public offering in November 1997. The action, styled Yuan v. Bayard, et al., is pending in the U.S. District Court for the Western District of Oklahoma. Total proceeds of the offering were $254 million, of which the Company received net proceeds of $90 million as a selling shareholder. 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. Alleged defective disclosures are claimed to have resulted in a decline in Bayard's share price following the public offering. Plaintiffs seek 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.

On August 24, 1999, the District Court entered an order granting in part and denying in part defendants' motion to dismiss the action. The court dismissed plaintiffs' claims against the Company under Section 15 of the Securities Act of 1933 alleging that Chesapeake was a "controlling person" of Bayard. The Court denied that portion of defendants' motion seeking dismissal of plaintiffs' claims under Sections 11 and 12(a)(2) of the Securities Act of 1933 and Section 408 of the Oklahoma Securities Act. Of these, only the Section 11 claim and the Section 408 claim are asserted against the Company. The court has also entered an order setting September 15, 2000 as the cutoff for merits discovery, November 1, 2000 for the filing of any dispositive motions and February 1, 2001 as the trial date. The Company believes that it has meritorious defenses to these claims and intends to defend this action vigorously. No estimate of loss or range of estimate of loss, if any, can be made at this time. Bayard, which was acquired by Nabors Industries, Inc. in April 1999, has been reimbursing the Company for its costs of defense as incurred.

Patent Litigation. In Union Pacific Resources Company v. Chesapeake, et al., the U.S. District Court for the Northern District of Texas, Fort Worth Division, issued its ruling on September 21, 1999 that the patent claimed by UPRC covering a "geosteering" method utilized in drilling horizontal wells was invalid. The ruling was entered following a trial to the court in June 1999. Filed in October 1996, the lawsuit asserted that the Company had infringed UPRC's patent. Because the patent was declared invalid, the court held that the Company could not have infringed the patent, dismissed all of UPRC's claims with prejudice and assessed court costs against UPRC. The court concluded that the UPRC patent was invalid for failure to definitively describe the patented method in the patent claims and for failure to provide sufficient disclosure in the patent to enable one of ordinary skill in the art to practice the patented method. The Company has filed a motion to amend final judgment to make additional findings and has also applied for attorneys' fees which total approximately $5 million.

West Panhandle Field Cessation Cases. A subsidiary of the Company, Chesapeake Panhandle Limited Partnership ("CP") (f/k/a MC Panhandle, Inc.), and two subsidiaries of Kinder Morgan, Inc., are defendants in 13 lawsuits filed in 1997 and 1998 by royalty owners seeking the cancellation of oil and gas leases in the West Panhandle Field in Texas. The Company acquired MC Panhandle, Inc. effective on April 28, 1998; MC Panhandle, Inc. has owned the leases since January 1, 1997. Plaintiffs claim the leases terminated upon the cessation of production for various periods between 1926 and 1997 and/or for failure to produce in paying quantities. In addition, plaintiffs seek to recover conversion damages or, in the alternative, damages for the breach of implied covenants of the leases, i.e., for failure to protect against drainage, to maximize production, and to reasonably develop and market. Plaintiffs also seek exemplary damages, attorneys' fees and interest. Defendants assert that any cessation of production was excused by their timely commencement of operations to restore production and assert affirmative defenses of limitations, waiver, estoppel, laches and title by adverse possession.

The 13 pending cases were described in the Company's June 30, 1999 Form 10-Q. There have been additional developments in the following three cases in the District Court of Moore County, Texas, 69th Judicial District:

- A.C. Smith, et al. v. NGPL, et al., No. 98-47, first filed January 26, 1998 and refiled May 29, 1998. On June 18, 1999, the court granted plaintiffs' motion for summary judgment in part, finding that the lease had terminated due to the cessation of production, subject to the defendants' affirmative defenses.

- Joseph H. Pool, et al. v. NGPL, et al., No. 98-30, first filed December 17, 1997 and refiled May 11, 1998, jury trial in June 1999, verdict for defendants. On September 28, 1999, the court granted plaintiffs' motion for judgment notwithstanding verdict and entered judgment in favor of plaintiffs. In addition to quieting title to the lease (including existing gas wells and all attached equipment) in plaintiffs, the court awarded actual damages as of June 28, 1999 of $545,000 from CP and $235,000 jointly and severally from the other two defendants. The court further awarded, jointly and severally from all defendants, $77,500 of attorneys' fees in the event of an appeal, $1,900 of sanctions, interest and court costs. CP and the other defendants have each filed a notice of appeal and will post a supersedeas bond.

- Joseph H. Pool, et al. v. NGPL, et al., No. 98-36, first filed February 2, 1998 and refiled May 20, 1998, jury trial in July 1999, verdict for plaintiffs. On September 28, 1999, the court entered final judgment for plaintiffs terminating the lease, quieting title to the lease (including existing gas wells and all attached equipment) in plaintiffs as of June 1, 1999 and awarding actual damages of $1.5 million, attorneys' fees of $97,500 in the event of an appeal, interest and court costs (CP's liability is joint and several with the other two defendants). The court also awarded exemplary damages of $1.2 million against each of CP and the other two defendants. The three defendants have each filed a notice of appeal and will post a supersedeas bond.

The Company has previously established an accrued liability that management believes will be sufficient to cover the estimated costs of litigation for each of these cases. Because of the inconsistent verdicts reached by the juries in the four cases tried to date and because the amount of damages sought is not specified in all of the other cases, the outcome of the remaining trials and the amount of damages that might ultimately be awarded could differ from management's estimates. Management believes, however, that the leases are valid, there is no basis for exemplary damages and that any findings of fraud or bad faith will be overturned on appeal. CP and the other defendants intend to vigorously defend against the plaintiffs' claims.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

- - Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

- - Not applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- - Not applicable

ITEM 5. OTHER INFORMATION

- - Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed as a part of this report:

Exhibit No.	
12	Computation of Ratios
27	Financial Data Schedule

(b) Reports on Form 8-K

During the quarter ended September 30, 1999, the Company filed the following current reports on Form 8-K:

On July 29, 1999, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release announcing the second quarter and first half 1999 results.

On August 17, 1999, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release announcing the hiring of Douglas J. Jacobson as Senior Vice President - Acquisitions and Divestitures.

On August 19, 1999, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release announcing it had fully exercised a common stock purchase warrant issued to it from Gothic Energy Corporation.

On September 17, 1999, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release announcing the planned sale of Gothic Energy Corporation common stock.

On September 27, 1999, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release announcing a significant legal victory in a patent infringement lawsuit filed by Union Pacific Resources.

On September 28, 1999, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release to provide the third quarter 1999 outlook.

SIGNATURES

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
(Registrant)

November 12, 1999	/s/ Aubrey K. McClendon
Date	Aubrey K. McClendon Chairman and Chief Executive Officer
November 12, 1999	/s/ Marcus C. Rowland
Date	Marcus C. Rowland Executive Vice President and Chief Financial Officer

Index to Exhibits

EXHIBIT 12

	3 Months Ended Sept. 30, 1999	3 Months Ended Sept. 30, 1998	9 Months Ended Sept. 30, 1999	9 Months Ended Sept. 30, 1998
RATIO OF EARNINGS TO FIXED CHARGES				
Income before income taxes and extraordinary item	18,764	(4,149)	15,287	(495,388)
Interest	20,420	18,577	60,569	47,930
Preferred Stock Dividends	4,381	4,026	12,433	8,051
Bond discount amortization(a)	--	--	--	--
Loan cost amortization	844	680	2,445	1,682
Earnings	44,409	19,134	90,734	(437,725)
Interest expense	20,420	18,577	60,569	47,930
Capitalized interest	846	1,984	2,730	5,805
Preferred Stock Dividends	4,381	4,026	12,433	8,051
Bond discount amortization(a)	--	--	--	--
Loan cost amortization	844	680	2,445	1,682
Fixed Charges	26,491	25,267	78,177	63,468
Ratio	1.68	0.76	1.16	(6.90)

(A) Bond discount excluded since its included in interest expense

Insufficient coverage	--	6,133	--	501,193

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM BALANCE SHEET AS OF SEPTEMBER 30, 1999, AND STATEMENT OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999.

1,000

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
29,916
0
64,650
3,208
4,226
97,842
2,345,806
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795,504
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920,838
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14,312
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0.02