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 MARCH 31, 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 April 30, 1999, there were 96,910,308 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 MARCH 31, 1999

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	MARCH 31, 1999	DECEMBER 31, 1998
	(UNAUDITED)	
	($ IN THOUSANDS)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,803	$ 29,520
Restricted cash	946	5,754
Accounts receivable:		
Oil and gas sales	9,131	13,835
Oil and gas marketing sales	15,224	19,636
Joint interest and other, net of allowance for doubtful accounts of $3.2 million and $3.2 million	12,906	27,373
Related parties	13,726	15,455
Inventory	5,389	5,325
Other	2,070	1,101
Total Current Assets	70,195	117,999
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full-cost accounting:		
Evaluated oil and gas properties	2,192,636	2,142,943
Unevaluated properties	49,502	52,687
Less: accumulated depreciation, depletion and amortization	(1,597,697)	(1,574,282)
	644,441	621,348
Other property and equipment	79,368	79,718
Less: accumulated depreciation and amortization	(38,287)	(37,075)
Total Property and Equipment	685,522	663,991
OTHER ASSETS	29,532	30,625
TOTAL ASSETS	$ 785,249	$ 812,615

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	MARCH 31, 1999	DECEMBER 31, 1998
CURRENT LIABILITIES:		
Notes payable	$ 25,000	$ 25,000
Accounts payable	26,482	36,854
Accrued liabilities and other	46,376	46,572
Revenues and royalties due others	16,252	22,858
Total Current Liabilities	114,110	131,284
LONG-TERM DEBT, NET	919,097	919,076
REVENUES AND ROYALTIES DUE OTHERS	11,744	10,823
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred Stock, $.01 par value, 10,000,000 shares authorized; 4,600,000 shares of 7% cumulative convertible stock issued and outstanding at March 31, 1999 and December 31, 1998, liquidation preference of $230 million plus accrued but unpaid dividends of $8.1 million and $4.0 million at March 31, 1999 and December 31, 1998, respectively	230,000	230,000
Common Stock, $.01 par value, 250,000,000 shares authorized; 105,213,750 shares issued at March 31, 1999 and December 31, 1998, respectively	1,052	1,052
Paid-in capital	682,263	682,263
Accumulated deficit	(1,139,145)	(1,127,195)
Accumulated other comprehensive income (loss)	(3,910)	(4,726)
Less: treasury stock, at cost; 8,503,300 shares at March 31, 1999 and December 31, 1998	(29,962)	(29,962)
Total Stockholders' Equity (Deficit)	(259,702)	(248,568)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 785,249	$ 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 MARCH 31, 1999	1998
REVENUES:		
Oil and gas sales	$ 51,806	$ 50,241
Oil and gas marketing sales	13,871	26,524
Total revenues	65,677	76,765
OPERATING COSTS:		
Production expenses	13,992	7,894
Production taxes	1,990	1,544
Oil and gas marketing expenses	13,285	26,261
Impairment of oil and gas properties	--	250,000
Oil and gas depreciation, depletion and amortization	23,153	31,342
Depreciation and amortization of other assets	2,166	1,380
General and administrative	4,024	4,380
Total operating costs	58,610	322,801
INCOME (LOSS) FROM OPERATIONS	7,067	(246,036)
OTHER INCOME (EXPENSE):		
Interest and other income	873	224
Interest expense	(19,890)	(10,688)
Total other income (expense)	(19,017)	(10,464)
OPERATING LOSS BEFORE INCOME TAX	(11,950)	(256,500)
INCOME TAX EXPENSE:		
Current	--	--
Deferred	--	--
Total income tax expense	--	--
NET LOSS	(11,950)	(256,500)
PREFERRED STOCK DIVIDENDS	(4,026)	--
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$ (15,976)	$(256,500)
LOSS PER COMMON SHARE (BASIC AND ASSUMING DILUTION)	$ (0.17)	$ (3.19)
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING		
Basic and Assuming Dilution	96,710	80,330

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 1998
	($ IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (11,950)	$(256,500)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	24,550	32,326
Impairment of oil and gas assets	--	250,000
Amortization of loan costs	769	396
Amortization of bond discount	21	21
Loss on sale of fixed assets and other	78	368
Equity in losses of equity investees	--	22
Bad debt expense	--	604
Cash provided by operating activities before changes in current assets and liabilities	13,468	27,237
Changes in current assets and liabilities	12,830	21,948
Cash provided by operating activities	26,298	49,185
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration, development and acquisition of oil and gas properties	(49,030)	(148,782)
Proceeds from sale of assets	3,584	--
Repayment of long-term loan	--	2,000
Additions to other property and equipment	(712)	(19,684)
Other	327	--
Cash used in investing activities	(45,831)	(166,466)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	--	145,000
Payments on long-term borrowings	--	(120,000)
Cash received from exercise of stock options	--	61
Other financing	--	305
Cash provided by financing activities	--	25,366
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH	816	--
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,717)	(91,915)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	29,520	123,860
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 10,803	$ 31,945

	THREE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 1998
	($ IN THOUSANDS)	
DETAILS OF ACQUISITION OF HUGOTON ENERGY CORPORATION:		
Fair value of assets acquired	$ --	$ 336,517
Liabilities acquired	$ --	$(128,146)
Stock issued	$ --	$(206,321)
Fair value of Hugoton stock options converted into Chesapeake stock options	$ --	$ (2,050)

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1999
(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 months ended March 31, 1999 are not necessarily indicative of the results to be expected for the full fiscal year.

This Form 10-Q relates to the three months ended March 31, 1999 (the "Current Quarter") and March 31, 1998 (the "Prior Quarter").

2. LEGAL PROCEEDINGS

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 have filed a motion to dismiss. No estimate of loss or range of estimate of loss, if any, can be made at this time.

Another purported class action alleging violations of the Securities Act of 1933 and the Oklahoma Securities Act is pending 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 as a selling shareholder. Plaintiffs allege that the Company, which owned 30.1% of Bayard's common stock outstanding prior to the offering, was a controlling person of Bayard. Plaintiffs also allege that the Company had established an interlocking financial relationship with Bayard and was a customer of Bayard's drilling services under allegedly below-market terms. Plaintiffs also note the fact that three executive officers and directors of the Company were formerly directors of Bayard. Plaintiffs assert that the Bayard prospectus contained material omissions and misstatements relating to (i) the Company's financial "problems" and their impact on Bayard's operating results, (ii) increased costs associated with Bayard's growth strategy, (iii) undisclosed pending related-party transactions between Bayard and third parties other than the Company, (iv) Bayard's planned use of offering proceeds and (v) Bayard's capital expenditures and liquidity. The alleged defective disclosures are claimed to have resulted in a decline in Bayard's share price following the public offering. The 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. The Company believes that these actions are without merit and has filed a motion to dismiss. 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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1999
(UNAUDITED)

is seeking injunctive relief, damages of an unspecified amount, including actual, enhanced, consequential and punitive damages, interest, costs and attorneys' fees. In May 1998, the court ruled as a matter of law that UPRC's tort claims for misappropriation of trade secrets and tortious interference with business relations are barred by the statute of limitations. Further, the court found that UPRC's claim for inducement to infringe its patent for a drillbit steering method is barred as to any wells drilled by the Company prior to August 14, 1995. The only issues remaining in the case involve the validity, potential infringement and value, if any, of UPRC's patent. The Company believes that it has meritorious defenses to UPRC's allegations and has petitioned the court to declare the UPRC patent invalid. Various motions for summary judgment are pending. The issues of validity and infringement are set for trial beginning June 7, 1999. 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.

3. IMPAIRMENT OF OIL AND GAS PROPERTIES

The Company incurred an impairment of oil and gas properties charge of $250 million in the Prior Quarter. This writedown was caused by several factors, including the effects of accounting for the acquisition of Hugoton Energy Corporation ("Hugoton") using the purchase accounting method, oil prices declining from $17.62 at December 31, 1997 to $13.92 at March 31, 1998, gas prices declining from $2.29 at December 31, 1997 to $2.01 at March 31, 1998 and higher drilling and completion costs compared to previous estimates. Additionally, lower oil and gas prices at March 31, 1998 and higher drilling costs caused downward revisions in the Company's proved reserves as certain proved undeveloped reserves previously estimated by the Company were rendered uneconomic and therefore excluded by the Company from its proved reserves.

4. 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 requires a reconciliation of the numerators and denominators of the basic and diluted EPS computations. For the Current Quarter and Prior Quarter 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. Options to purchase 13.7 million shares and 10.2 million shares of common stock at a weighted average exercise price of $1.71 and $5.69 were outstanding during the Current Quarter and Prior Quarter, respectively, but were not included in the computation of diluted EPS because the effect of these outstanding options would be antidilutive.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1999
(UNAUDITED)

5. SENIOR NOTES

10.5% Notes

The Company had outstanding at March 31, 1998, $90 million in aggregate principal amount of 10.5% Senior Notes due 2002. The 10.5% Notes were senior, unsecured obligations of the Company and were fully and unconditionally guaranteed, jointly and severally, by Guarantor Subsidiaries (as defined below). All outstanding 10.5% Notes were acquired by the Company effective April 30, 1998.

9.625% Notes

The Company has outstanding $500 million in aggregate principal amount of 9.625% Senior Notes which mature May 1, 2005. The 9.625% Notes 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 million in aggregate principal amount of 9.125% Senior Notes which mature April 15, 2006. The 9.125% Notes 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.

7.875% Notes

The Company has outstanding $150 million in aggregate principal amount of 7.875% Senior Notes which mature March 15, 2004. The 7.875% Notes 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.

8.5% Notes

The Company has outstanding $150 million in aggregate principal amount of 8.5% Senior Notes which mature March 15, 2012. The 8.5% Notes 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.

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.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1999
(UNAUDITED)

These senior note indentures also limit the Company's ability to make restricted payments (as defined), including the payment of preferred stock dividends, unless certain tests are met. As of December 31, 1998 and March 31, 1999, the Company was unable to meet the requirements to incur additional unsecured indebtedness, and consequently was not able to pay the quarterly cash dividend of $4.0 million on its 7% cumulative convertible preferred stock on February 1, 1999 or May 1, 1999. Subsequent payments will be subject to the same restrictions and are dependent upon variables 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 subsidiaries which are not guarantors of the Senior Notes (the "Non-Guarantor Subsidiaries") and the Company. Separate 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 three months ended March 31, 1999, the Non-Guarantor Subsidiary was Chesapeake Energy Marketing, Inc. ("CEMI"). As of and for the three months ended March 31, 1998, the Non-Guarantor Subsidiaries were CEMI, Chesapeake Acquisition Corporation and subsidiaries of those companies. For both periods, the remaining subsidiaries of the Company were Guarantor Subsidiaries.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF MARCH 31, 1999
($ IN THOUSANDS)

ASSETS

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
CURRENT ASSETS:					
Cash and cash equivalents	$ (14,000)	$ 11,407	$ 14,342	$ --	$ 11,749
Accounts receivable, net	33,347	24,124	325	(6,809)	50,987
Inventory	5,001	388	--	--	5,389
Other	1,707	2	361	--	2,070
Total Current Assets	26,055	35,921	15,028	(6,809)	70,195
PROPERTY AND EQUIPMENT:					
Oil and gas properties	2,192,636	--	--	--	2,192,636
Unevaluated leasehold	49,502	--	--	--	49,502
Other property and equipment	46,351	15,304	17,713	--	79,368
Less: accumulated depreciation, depletion and amortization	(1,626,372)	(8,109)	(1,503)	--	(1,635,984)
Total Property & Equipment	662,117	7,195	16,210	--	685,522
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	473,578	--	493,738	(967,316)	--
OTHER ASSETS	10,258	540	18,734	--	29,532
TOTAL ASSETS	$ 1,172,008	$ 43,656	$ 543,710	$ (974,125)	$ 785,249

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	$ 25,000	$ --	$ --	$ --	$ 25,000
Accounts payable and other	57,169	12,653	26,110	(6,822)	89,110
Total Current Liabilities	82,169	12,653	26,110	(6,822)	114,110
LONG-TERM DEBT	--	--	919,097	--	919,097
REVENUES PAYABLE	11,744	--	--	--	11,744
INTERCOMPANY PAYABLES	1,379,792	(55)	(1,379,750)	13	--
STOCKHOLDERS' EQUITY (DEFICIT):					
Common Stock	26	1	1,042	(17)	1,052
Other	(301,723)	31,057	977,211	(967,299)	(260,754)
Total Stockholders' Equity (Deficit)	(301,697)	31,058	978,253	(967,316)	(259,702)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,172,008	$ 43,656	$ 543,710	$ (974,125)	$ 785,249

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 SUBSIDIARIES	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	473,578	--	481,150	(954,728)	--
OTHER ASSETS	10,610	560	19,455	--	30,625
TOTAL ASSETS	$ 1,173,974	$ 44,695	$ 556,670	$ (962,724)	$ 812,615

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	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):					
Common Stock	26	1	1,042	(17)	1,052
Other	(281,609)	17,326	969,374	(954,711)	(249,620)
Total Stockholders' Equity (Deficit)	(281,583)	17,327	970,416	(954,728)	(248,568)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,173,974	$ 44,695	$ 556,670	$ (962,724)	$ 812,615

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
FOR THE THREE MONTHS ENDED MARCH 31, 1999					
REVENUES:					
Oil and gas sales	$ 51,209	$ --	$ --	$ 597	$ 51,806
Oil and gas marketing sales	--	35,435	--	(21,564)	13,871
Total Revenues	51,209	35,435	--	(20,967)	65,677
OPERATING COSTS:					
Production expenses and taxes	15,982	--	--	--	15,982
Oil and gas marketing expenses	--	34,252	--	(20,967)	13,285
Oil and gas depreciation, depletion and amortization	23,153	--	--	--	23,153
Other depreciation and amortization	1,338	20	808	--	2,166
General and administrative	3,522	457	45	--	4,024
Total Operating Costs	43,995	34,729	853	(20,967)	58,610
INCOME (LOSS) FROM OPERATIONS	7,214	706	(853)	--	7,067
OTHER INCOME (LOSS):					
Interest and other income	267	437	29,140	(28,971)	873
Interest expense	(28,406)	--	(20,455)	28,971	(19,890)
	(28,139)	437	8,685	--	(19,017)
INCOME (LOSS) BEFORE INCOME TAXES	(20,925)	1,143	7,832	--	(11,950)
INCOME TAX EXPENSE (BENEFIT)	--	--	--	--	--
NET INCOME (LOSS)	$ (20,925)	$ 1,143	$ 7,832	$ --	$ (11,950)
FOR THE THREE MONTHS ENDED MARCH 31, 1998					
REVENUES:					
Oil and gas sales	$ 41,803	$ 7,812	$ --	$ 626	$ 50,241
Oil and gas marketing sales	--	47,725	--	(21,201)	26,524
Total Revenues	41,803	55,537	--	(20,575)	76,765
OPERATING COSTS:					
Production expenses and taxes	6,901	2,537	--	--	9,438
Oil and gas marketing expenses	--	46,836	--	(20,575)	26,261
Impairment of oil and gas properties	83,500	166,500	--	--	250,000
Oil and gas depreciation, depletion and amortization	26,121	5,221	--	--	31,342
Other depreciation and amortization	806	77	497	--	1,380
General and administrative	3,755	593	32	--	4,380
Total Operating Costs	121,083	221,764	529	(20,575)	322,801
INCOME (LOSS) FROM OPERATIONS	(79,280)	(166,227)	(529)	--	(246,036)
OTHER INCOME (LOSS):					
Interest and other income	(28)	142	20,035	(19,925)	224
Interest	(17,482)	(1,741)	(11,390)	19,925	(10,688)
	(17,510)	(1,599)	8,645	--	(10,464)
INCOME (LOSS) BEFORE INCOME TAXES	(96,790)	(167,826)	8,116	--	(256,500)
INCOME TAX EXPENSE (BENEFIT)	--	--	--	--	--
NET INCOME (LOSS)	$ (96,790)	$(167,826)	$ 8,116	$ --	$(256,500)

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
($ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
FOR THE THREE MONTHS ENDED MARCH 31, 1999					
CASH FLOWS FROM OPERATING ACTIVITIES	$ 1,617	$ 7,490	$ 17,191	$ --	$ 26,298
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(49,030)	--	--	--	(49,030)
Proceeds from sale of assets	3,584	--	--	--	3,584
Additions to other property and equipment	240	(195)	(757)	--	(712)
Other	327	--	--	--	327
	(44,879)	(195)	(757)	--	(45,831)
CASH FLOWS FROM FINANCING ACTIVITIES	--	--	--	--	--
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH	816	--	--	--	816
NET INCREASE (DECREASE) IN CASH	(42,446)	7,295	16,434	--	(18,717)
CASH, BEGINNING OF PERIOD	(17,319)	7,000	39,839	--	29,520
CASH, END OF PERIOD	$ (59,765)	$ 14,295	$ 56,273	$ --	$ 10,803
FOR THE THREE MONTHS ENDED MARCH 31, 1998					
CASH FLOWS FROM OPERATING ACTIVITIES	$(128,409)	$ 161,162	$ 16,432	$ --	$ 49,185
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(114,478)	(34,304)	--	--	(148,782)
Repayment of long-term loan	2,000	--	--	--	2,000
Other	(21,538)	2,313	(459)	--	(19,684)
	(134,016)	(31,991)	(459)	--	(166,466)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	--	--	145,000	--	145,000
Payments on borrowings	--	--	(120,000)	--	(120,000)
Cash received from exercise of stock options ...	--	--	61	--	61
Other financing	--	305	--	--	305
Intercompany advances, net	245,547	(134,327)	(111,220)	--	--
	245,547	(134,022)	(86,159)	--	25,366
NET INCREASE (DECREASE) IN CASH	(16,878)	(4,851)	(70,186)	--	(91,915)
CASH, BEGINNING OF PERIOD	(589)	13,999	110,450	--	123,860
CASH, END OF PERIOD	$ (17,467)	$ 9,148	$ 40,264	$ --	$ 31,945

PART I. FINANCIAL INFORMATION

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

RESULTS OF OPERATIONS - Three months ended March 31, 1999 vs. March 31, 1998

General. For the three months ended March 31, 1999 (the "Current Quarter"), the Company realized a net loss of $12.0 million, or a net loss of $0.17 per common share after deducting preferred dividends of $4.0 million. This compares to a net loss of $256.5 million, or $3.19 per common share, in the three months ended March 31, 1998 (the "Prior Quarter"). The loss in the Current Quarter was primarily caused by low oil and gas prices during the Current Quarter. The loss in the Prior Quarter was primarily caused by a $250.0 million asset writedown recorded under the full-cost method of accounting. The asset writedown was primarily caused by the acquisition of Hugoton Energy Corporation ("Hugoton") in March 1998 for consideration in excess of the present value (10% discount) of the future net revenues of the proved reserves acquired as of March 31, 1998 (approximately $150 million of the writedown) and by decreases in oil and gas prices from December 31, 1997 to March 31, 1998. See "Impairment of Oil and Gas Properties".

Oil and Gas Sales. During the Current Quarter, oil and gas sales increased 3% to $51.8 million from $50.2 million in the Prior Quarter. For the Current Quarter, the Company produced 33.3 billion cubic feet equivalent ("bcfe"), consisting of 1.3 million barrels of oil ("mmbo") and 25.7 billion cubic feet of natural gas ("bcf"), compared to 1.2 mmbo and 15.9 bcf, or 23.0 bcfe, in the Prior Quarter. Average oil prices realized were $10.92 per barrel of oil ("bo") in the Current Quarter compared to $14.84 in the Prior Quarter, a decrease of 26%. Average gas prices realized were $1.48 per thousand cubic feet ("mcf") in the Current Quarter compared to $2.06 per mcf in the Prior Quarter, a decrease of 28%.

For the Current Quarter, the Company realized an average price of $1.56 per thousand cubic feet equivalent ("mcfe"), compared to $2.19 per mcfe in the Prior Quarter. The Company's hedging activities resulted in increased oil and gas revenues of $0.4 million, or $0.01 per mcfe, in the Current Quarter, compared to increases in oil and gas revenues of $1.8 million, or $0.08 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 MARCH 31,			
	1999		1998	
OPERATING AREAS	(mmcfe)	PERCENT	(mmcfe)	PERCENT
Mid-Continent	16,974	51%	7,646	33%
Gulf Coast	10,694	32	12,054	53
Canada	2,431	7	730	3
Other Areas	3,213	10	2,533	11
Total	33,312	100%	22,963	100%

Natural gas production represented approximately 77% of the Company's total production volume on an equivalent basis in the Current Quarter, compared to 69% in the Prior Quarter. This increase in natural gas production as a percentage of total production was primarily the result of new gas production acquired by the Company on or after March 1, 1998 primarily in the Mid-Continent and Canada.

Oil and Gas Marketing Sales. The Company realized $13.9 million in oil and gas marketing sales for third parties in the Current Quarter, with corresponding oil and gas marketing expenses of $13.3 million, for a margin of $0.6 million. This compares to sales of $26.5 million, expenses of $26.3 million, and a margin of $0.2 million in the Prior Quarter. The decrease in marketing sales and cost of sales was due primarily to lower oil and gas prices and lower third party sales in the Current Quarter as compared to the Prior Quarter. The increase in gross margin between periods was due primarily to the operating results of certain gas gathering, transportation and marketing assets which were acquired subsequent to March 31, 1998.

Production Expenses and Taxes. Production expenses increased to $14.0 million in the Current Quarter, a $6.1 million increase from the $7.9 million incurred in the Prior Quarter. On a unit of production basis, production expenses were $0.42 and $0.34 per mcfe in the Current and Prior Quarters, respectively. The primary reason for the increase in production expenses was the increased lifting costs associated with oil and gas reserves acquired on or after March 1, 1998. The majority of reserves acquired during 1998 were located in the Mid-Continent and are more expensive to operate as compared to the Company's historical production base. The Company anticipates production expenses will not vary significantly from current levels during the remainder of 1999.

Production taxes, which consist primarily of well-head severance taxes, were $2.0 million and $1.5 million in the Current and Prior Quarters, respectively. On a per unit basis, production taxes were $0.06 per mcfe in the Current Quarter compared to $0.07 per mcfe in the Prior Quarter.

Impairment of Oil and Gas Properties. The Company utilizes the full-cost method to account for its investments 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 the 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 Company 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. To the extent that capitalized costs of oil and gas properties, net of accumulated depreciation, depletion and amortization and related deferred income taxes, exceed the discounted future net revenues of proved oil and gas properties, such excess costs are charged to operations.

The Company incurred an impairment of oil and gas properties charge of $250 million in the Prior Quarter, compared to no impairment in the Current Quarter. The Prior Quarter writedown was caused by several factors, including the Hugoton acquisition, oil prices declining from $17.62 at December 31, 1997 to $13.92 at March 31, 1998, gas prices declining from $2.29 at December 31, 1997 to $2.01 at March 31, 1998 and higher drilling and completion costs compared to previous estimates. Additionally, lower oil and gas prices at March 31, 1998 and higher drilling costs caused downward revisions in the Company's proved reserves as certain proved undeveloped reserves previously estimated by the Company were rendered uneconomic and therefore not included in the Company's evaluation of its proved reserves.

The primary reason for the impairment charge was the completion of the acquisition in March 1998 of Hugoton, which was accounted for using the purchase method. The purchase price, which was established in November 1997 when the acquisition was announced (based on a Chesapeake common stock price of $8.00 per share), was allocated almost entirely to Hugoton's evaluated oil and gas properties. Based upon reserve estimates as of March 31, 1998, the portion of the purchase price which was allocated to evaluated oil and gas properties exceeded the associated discounted future net revenues from Hugoton's estimated proved reserves by approximately $150 million.

Oil and Gas Depreciation, Depletion and Amortization. Depreciation, depletion and amortization of oil and gas properties ("DD&A") for the Current Quarter was $23.2 million, compared to $31.3 million in the Prior Quarter. This decrease was caused by a decrease in the DD&A rate per mcfe from $1.36 to $0.70 in the Prior and Current Quarters, respectively, offset by increased production between periods. The decrease in the DD&A rate per mcfe is due primarily to the impairment of oil and gas properties recorded during 1998. The Company expects DD&A will increase slightly from current levels during the remainder of 1999.

Depreciation and Amortization of Other Assets. Depreciation and amortization of other assets ("D&A") increased to $2.2 million in the Current Quarter compared to $1.4 million in the Prior Quarter. This increase in D&A was caused by increased investments in depreciable buildings and equipment acquired during 1998 and increased amortization of debt issuance costs as a result of the issuance of Senior Notes in April 1998. The Company anticipates D&A to continue at current levels during the remainder of 1999.

General and Administrative. General and administrative expenses ("G&A"), which are net of capitalized internal payroll and non-payroll expenses, were $4.0 million in the Current Quarter compared to $4.4 million in the Prior Quarter. The decrease was due primarily to overhead charges incurred during the Prior Quarter associated with Hugoton which were subsequently eliminated as Hugoton's operations were integrated into the Company's operations. The Company capitalized $1.2 million of internal costs in the Current Quarter directly related to the Company's oil and gas exploration and development efforts, compared to $2.1 million in the Prior Quarter. The Company anticipates that G&A costs will decrease slightly during the remainder of 1999.

Interest and Other Income. Interest and other income for the Current Quarter was $0.9 million compared to $0.2 million in the Prior Quarter. The increase was due primarily to losses of $0.4 million incurred in the Prior Quarter related to the sale of assets as well as other individually insignificant items.

Interest Expense. Interest expense increased to $19.9 million in the Current Quarter from $10.7 million in the Prior Quarter. This increase was a result of interest expense in the Current Quarter on the $500 million principal amount of 9.625% Senior Notes issued in April 1998, offset by lower interest expense resulting from the early retirement of the Company's $90 million principal amount of 10.5% Senior Notes in April 1998. In addition to the interest expense reported, the Company capitalized $1.1 million of interest during the Current Quarter compared to $2.3 million capitalized in the Prior Quarter.

Provision for Income Taxes. The Company recorded no income tax expense for the Current Quarter or Prior Quarter. At March 31, 1999, the Company had a net operating loss carryforward of approximately $600 million for regular 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 the deferred income tax assets generated for U.S. income tax purposes, comprised primarily of the net operating loss carryforward, will be realizable in future years, and therefore a valuation allowance of $458 million has been recorded.

RISK MANAGEMENT ACTIVITIES

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

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficit of $43.9 million at March 31, 1999 and a cash balance of $10.8 million. The Company has a $50 million revolving bank credit facility, which matures in August 1999, with an initial committed borrowing base of $50 million. As of March 31, 1999, the Company had borrowed $25 million under this facility, which was included in the working capital deficit as a short-term obligation. Borrowings under the facility are secured by certain producing oil and gas properties and bear interest at a rate of 7.75% per annum as of March 31, 1999. The Company is currently negotiating with the lender to renew the revolving bank credit facility under similar terms and conditions. However, no assurance can be given that the facility will be renewed or, if it is renewed, that the terms and conditions will be similar to the existing facility.

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 $112 million of secured commercial bank indebtedness as of March 31, 1999 under the most restrictive of its indenture debt incurrence tests.

As of December 31, 1998 and March 31, 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, 1999 or May 1, 1999. 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 nominate two additional members to the board.

None of the senior note indenture covenants apply to CEMI, an unrestricted subsidiary of the Company. The Company's Board of Directors has authorized CEMI to purchase up to $10 million of the Company's senior notes and preferred stock. 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. On April 22, 1999, CEMI commenced an offer to purchase up to 666,667 shares of preferred stock at $15.00 per share ($10 million in the aggregate, plus fees and expenses). The offer expires May 20, 1999, unless extended. It is not known how many shares of preferred stock CEMI will acquire, if any, pursuant to the offer to purchase.

Debt ratings for the senior notes are B3 by Moody's Investors Service and B by Standard & Poor's Corporation as of May 14, 1999, and both have the Company on review with negative implications. There are no scheduled principal payments required on any of the Company's senior notes until March 2004.

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 capital expenditure budget for 1999, which is currently estimated to be approximately $90-$95 million for exploration and development activities and $25 million for property acquisitions. The Company anticipates proceeds from miscellaneous asset sales will be approximately $50 million during 1999. However, lower oil and gas prices or unfavorable drilling results could cause the Company to further reduce its drilling program.

The Company's cash provided by operating activities decreased 47% to $26.3 million during the Current Quarter compared to $49.2 million during the Prior Quarter. The decrease was due primarily to lower oil and gas prices realized during the Current Quarter.

Cash used in investing activities decreased to $45.8 million during the Current Quarter from $166.5 million in the Prior Quarter. The Company completed several acquisitions requiring cash in the Prior Quarter which totaled $82 million, compared to $4.4 million in the Current Quarter, and significantly reduced its drilling activity and leasehold acquisitions in the Current Quarter compared to the Prior Quarter. During the Current Quarter the Company expended approximately $40.2 million to initiate drilling on 41 gross (25.6 net) wells and invested approximately $4.4 million in leasehold acquisitions. This compares to $62 million to initiate drilling on 52 gross (32.9 net) wells and $5 million to purchase leasehold in the Prior Quarter. Also during the Current Quarter, the Company sold $2.5 million of oil and gas properties, and had other fixed asset sales of $1.1 million.

There was no cash provided by financing activities in the Current Quarter, compared to $25.4 million in the Prior Quarter. During the Prior Quarter, the Company retired $120 million in bank debt which it assumed at the completion of the Hugoton acquisition. The Company refinanced the Hugoton debt and obtained additional working capital of $25 million with proceeds from the Company's commercial bank credit facility.

YEAR 2000

Project. The Company has placed a high priority on proactively resolving computer or embedded chip problems related to the "Year 2000" which may have adverse material effects on its continuing operations or cash flow. This problem 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 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 result 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 includes 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 is taking a similar approach to mitigating risks associated with the Year 2000 readiness of material business partners (vendors, suppliers, customers, etc.). The project will also identify 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 in use at the Company is available and has been scheduled for implementation during the third quarter of 1999. The production accounting system in use at the Company is also scheduled for upgrade to a Year 2000 compliant version during the first half of 1999. The timing of these upgrades has been scheduled to be concurrent with the respective vendors' support requirements and to take advantage of additional feature 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. The terms of this development arrangement stipulated Year 2000 compliance. Preliminary versions of the system have been installed and are being tested. As part of the testing, Year 2000 compliance will be assured. Assessment continues for lower priority software systems.

In addition, the Year 2000 compliant AS/400, on which the accounting package resides, was upgraded to provide additional capacity in late 1997. Operating system upgrades will be implemented in the near future for the Windows NT based servers to complete their remediation.

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

	PHASE		
COMPONENT	INVENTORY	ASSESSMENT/ PRIORITIZATION	REMEDIATION/ CONTINGENCY
Software	March 1999	May 1999	September 1999
Hardware	March 1999	May 1999	June 1999
Business partners	March 1999	May 1999	June 1999
Embedded systems (non-IT systems)	June 1999	July 1999	September 1999

In addition to the above, during the third quarter of 1999 the Company will develop an overall contingency plan to assure continued operations which will include precautionary measures.

Cost. To date, the Company has incurred minimal consulting costs for Year 2000 project planning and scope definition. The Company acquired a Year 2000 assessment and testing suite for approximately $50,000. Contract staff will be used to assist in the financial systems upgrade at a projected cost of $70,000. 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 and 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 $1 million. 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 any interruption in operation will be minor and short-lived and will pose no safety or environmental risks. However, until all assessment phases have been completed, it is impossible to accurately identify the risks, quantify potential impacts or establish a contingency plan. The Company has not yet clearly identified the most reasonably likely worst case scenario if the Company and material business partners do not achieve Year 2000 compliance on a timely basis. The Company currently intends to complete its contingency planning by September 30, 1999, with testing and training to take place early in the fourth quarter.

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 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999.

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 (i) whether the derivative is designated and qualifies as a hedge, and (ii) 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.

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 period 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, restrictions imposed by lenders, liquidity and capital requirements, the effects of governmental and environmental regulation, pending patent and securities 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 March 31, 1999, the Company had the following natural gas swap arrangements designed to hedge a portion of the Company's domestic gas production for periods after March 1999:

MONTHS	MONTHLY VOLUME (MMBTU)	NYMEX-INDEX STRIKE PRICE (PER MMBTU)
April 1999.................	4,500,000	$ 1.968
May 1999...................	4,600,000	$ 1.968
June 1999..................	4,500,000	$ 1.925
July 1999..................	4,650,000	$ 1.925
August 1999................	4,650,000	$ 1.925
September 1999.............	4,500,000	$ 1.925

The Company also entered into additional transactions designed to hedge a portion of the Company's domestic oil and gas production. Such transactions, along with those listed above, were closed as of April 13, 1999. The net gains resulting from these transactions equal $3.4 million, and will be recognized as price adjustments in the months of related production and can be summarized as follows ($ in 000's):

	HEDGING GAINS (LOSSES)		
MONTH	GAS	OIL	TOTAL
April..........	$ 1,386	$ (72)	$ 1,314
May............	1,327	(74)	1,253
June...........	232	(71)	161
July...........	210	(73)	137
August.........	180	(73)	107
September......	144	(70)	74
October........	421	(72)	349
November.......	102	(69)	33
December.......	--	(71)	(71)
	$ 4,002	$ (645)	$ 3,357

As of March 31, 1999, the Company had the following natural gas swap arrangements designed to hedge a portion of the Company's Canadian gas production for periods after March 1999:

MONTHS	VOLUME (MMBTU)	INDEX STRIKE PRICE (PER MMBTU) (IN US $)
April 1999	570,000	$1.60
May 1999	589,000	$1.60
June 1999	570,000	$1.60
July 1999	589,000	$1.60
August 1999	589,000	$1.60
September 1999	570,000	$1.60
October 1999	589,000	$1.60

If the swap arrangements listed above had been settled on March 31, 1999, the Company would have incurred a loss of $0.3 million. On May 11, 1999 the above swap arrangements for August, September and October were closed. The net loss resulting from these transactions of $0.6 million (in US $) will be recognized as price adjustments in the months of related production.

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

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 $0.5 million reduction of interest expense.

The table below presents principal cash flows and related weighted average interest rates by expected maturity dates. As of March 31, 1999, the carrying amounts of short-term borrowings are representative of fair values because of the short-term maturity of these instruments. The fair value of the long-term debt has been estimated based on quoted market prices.

	MARCH 31, 1999							
	EXPECTED FISCAL YEAR OF MATURITY							
	1999	2000	2001	2002	2003	THEREAFTER	TOTAL	FAIR.VALUE
LIABILITIES:	($ IN MILLIONS)							
Short-term debt - variable rate	$ 25	$ --	$ --	$ --	$ --	$ --	$ 25	$ 25
Average interest rate	7.75%	--	--	--	--	--		
Long-term debt, including current portion - fixed rate	$ --	$ --	$ --	$ --	$ --	$ 920	$ 920	$ 750
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 other 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.

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	Schedule of Ratios
27	Financial Data Schedule

(b) Reports on Form 8-K

During the quarter ended March 31, 1999, the Company filed the following Current Report on Form 8-K dated:

March 19, 1999 reporting 1998 year-end financial and operating results.

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)

May 14, 1999	/s/ Aubrey K. McClendon
Date	Aubrey K. McClendon Chairman and Chief Executive Officer
May 14, 1999	/s/ Marcus C. Rowland
Date	Marcus C. Rowland Executive Vice President and Chief Financial Officer

Index to Exhibits

Exhibit No.	Description
12	Schedule of Ratios
27	Financial Data Schedule

EXHIBIT 12

SCHEDULE OF RATIOS

	3 Months Ended March 31, 1999	3 Months Ended March 31, 1998
	($ in 000's)	
RATIO OF EARNINGS TO FIXED CHARGES		
Income before income taxes and extraordinary item	$(11,950)	$(258,500)
Interest	19,890	10,688
Preferred Stock Dividends	4,028	--
Bond discount amortization (a)	--	--
Loan cost amortization	21	21
Earnings	$ 11,987	$(245,791)
Interest expense	$ 19,890	$ 10,688
Capitalized interest	1,060	2,252
Preferred Stock Dividends	4,026	--
Bond discount amortization (a)	--	--
Loan cost amortization	21	21
Fixed Charges	$ 24,987	$ 12,961
Ratio	0.48	(18.96)

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

Insufficient coverage	$ 13,000	$ 258,752

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM BALANCE SHEET AS OF MARCH 31, 1999 AND STATEMENT OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 1999

1,000

3-MOS
DEC-31-1999
JAN-01-1999
MAR-31-1999
11,749
0
54,196
3,209
5,389
70,195
2,321,506
1,635,984
785,249
114,110
919,097
0
230,000
1,052
(490,754)
785,249
65,677
66,550
58,610
78,500
0
0
19,890
(11,950)
0
(11,950)
0
0
0
(11,950)
(.17)
(.17)