

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1997

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
(State or other jurisdiction of
incorporation or organization)

73-1395733
(I.R.S. Employer
Identification No.)

6100 NORTH WESTERN AVENUE
OKLAHOMA CITY, OKLAHOMA
(Address of principal executive offices)

73118
(Zip Code)

(405) 848-8000
(Registrant's telephone number, including area code)

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, 1997, there were 69,709,906 shares of the registrant's \$.01 par value Common Stock outstanding.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

INDEX TO FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

PAGE

Item 1.	Consolidated Financial Statements (Unaudited):	
	Consolidated Balance Sheets at March 31, 1997 and June 30, 1996	
	Consolidated Statements of Income for the Three and Nine Months Ended March 31, 1997 and 1996	
	Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 1997 and 1996	
	Notes to Consolidated Financial Statements	
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS

	MARCH 31, 1997	JUNE 30, 1996
	-----	-----
	(\$ IN THOUSANDS)	
CURRENT ASSETS:		
Cash and cash equivalents	\$300,810	\$ 51,638
Short-term investments	62,003	-
Accounts receivable:		
Oil and gas sales	10,384	12,687
Oil and gas marketing sales	15,630	6,982
Joint interest and other, net of allowance for doubtful accounts of \$182,000 and \$340,000	25,273	27,661
Related parties	5,191	2,884
Inventory	7,454	5,163
Other	12,333	2,158
	-----	-----
Total Current Assets	438,978	109,173
	-----	-----
PROPERTY AND EQUIPMENT:		
Oil and gas properties, at cost based on full cost accounting:		
Evaluated oil and gas properties	653,400	363,213
Unevaluated properties	211,337	165,441
Less: accumulated depreciation, depletion and amortization	(153,625)	(92,720)
	-----	-----
	711,112	435,934
Other property and equipment	26,669	18,162
Less: accumulated depreciation and amortization	(4,410)	(2,922)
	-----	-----
Total Property and Equipment	733,371	451,174
	-----	-----
OTHER ASSETS	17,697	11,988
	-----	-----
TOTAL ASSETS	\$1,190,046	\$572,335
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	\$ 4,375	\$ 6,755
Accounts payable	86,691	54,514
Accrued liabilities and other	15,716	14,062
Revenues and royalties due others	34,532	33,503
	-----	-----
Total Current Liabilities	141,314	108,834
	-----	-----
LONG-TERM DEBT, NET	508,961	268,431
	-----	-----
REVENUES AND ROYALTIES DUE OTHERS	6,928	5,118
	-----	-----
DEFERRED INCOME TAXES	29,787	12,185
	-----	-----
STOCKHOLDERS' EQUITY:		
Preferred Stock, \$.01 par value, 10,000,000 shares authorized; none issued	-	-
Common Stock, 100,000,000 shares authorized; \$.01 par value at March 31, 1997, \$.05 par value at June 30, 1996; 69,665,457 and 60,159,826 shares issued and outstanding at March 31, 1997, and June 30, 1996, respectively	697	3,008
Paid-in capital	429,976	136,782
Accumulated earnings	72,383	37,977
	-----	-----
Total Stockholders' Equity	503,056	177,767
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,190,046	\$572,335
	=====	=====

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(in thousands, except per share data)

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	1997	1996	1997	1996
REVENUES:				
Oil and gas sales	\$57,399	\$30,887	\$147,566	\$77,237
Oil and gas marketing sales	22,410	11,558	52,429	15,345
Oil and gas service operations	-	1,700	-	5,317
Interest and other	3,277	250	5,793	2,041
	-----	-----	-----	-----
Total revenues	83,086	44,395	205,788	99,940
	-----	-----	-----	-----
COSTS AND EXPENSES				
Production expenses and taxes	4,308	2,136	10,182	5,839
Oil and gas marketing expenses	21,747	10,788	51,295	14,554
Oil and gas service operations	-	1,244	-	4,263
Oil and gas depreciation, depletion and amortization	24,663	13,035	60,906	35,268
Depreciation and amortization of other assets	873	766	2,709	2,151
General and administrative	2,481	1,435	6,220	3,347
Interest	3,654	3,173	9,870	9,717
	-----	-----	-----	-----
Total costs and expenses	57,726	32,577	141,182	75,139
	-----	-----	-----	-----
INCOME BEFORE INCOME TAX AND EXTRAORDINARY ITEM	25,360	11,818	64,606	24,801
	-----	-----	-----	-----
INCOME TAX EXPENSE				
Current	-	-	-	-
Deferred	9,255	4,195	23,580	8,804
	-----	-----	-----	-----
Total income tax expense	9,255	4,195	23,580	8,804
	-----	-----	-----	-----
INCOME BEFORE EXTRAORDINARY ITEM	16,105	7,623	41,026	15,997
	-----	-----	-----	-----
EXTRAORDINARY ITEM:				
Loss on early extinguishment of debt, net of applicable income tax of \$101 and \$3,804, respectively	(177)	-	(6,620)	-
	-----	-----	-----	-----
NET INCOME	\$15,928	\$ 7,623	\$34,406	\$15,997
	=====	=====	=====	=====
NET EARNINGS PER COMMON SHARE AND COMMON SHARE EQUIVALENT (PRIMARY)				
Income before extraordinary item	\$.22	\$.13	\$.60	\$.28
Extraordinary item	-	-	(.10)	-
	-----	-----	-----	-----
Net Income	\$.22	\$.13	\$.50	\$.28
	=====	=====	=====	=====
NET EARNINGS PER COMMON SHARE AND COMMON SHARE EQUIVALENT (FULLY DILUTED)				
Income before extraordinary item	\$.22	\$.13	\$.60	\$.27
Extraordinary item	-	-	(.10)	-
	-----	-----	-----	-----
Net Income	\$.22	\$.13	\$.50	\$.27
	=====	=====	=====	=====
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING				
Primary	73,493	58,470	68,683	57,984
	=====	=====	=====	=====
Fully-diluted	73,493	58,642	68,680	58,692
	=====	=====	=====	=====

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

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1997
(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 and nine months ended March 31, 1997, are not necessarily indicative of the results to be expected for the full fiscal year.

2. Recent Events

On March 17, 1997, the Company issued in a private offering \$150 million in 7-7/8% Senior Notes due 2004 and \$150 million in 8-1/2% Senior Notes due 2012, which resulted in net proceeds to the Company of approximately \$293 million. Using a portion of the proceeds from this offering the Company paid off all balances outstanding under its commercial bank credit facilities.

On April 23, 1997, the Company commenced an offer to exchange all of the outstanding 7-7/8% and 8-1/2% Senior Notes for substantially identical notes registered under the Securities Act of 1933. The exchange offer is scheduled to expire on May 23, 1997.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share ("FAS 128"). FAS 128 will change the computation, presentation and disclosure requirements for earnings per share. FAS 128 requires presentation of "basic" and "diluted" earnings per share, as defined, on the face of the income statement for all entities with complex capital structures. FAS 128 is effective for financial statements issued for periods ending after December 15, 1997 and requires restatement of all prior period earnings per share amounts. The Company has not yet determined the impact that FAS 128 will have on its earnings per share when adopted.

3. Legal Proceedings

As previously disclosed, on October 15, 1996, Union Pacific Resources Company ("UPRC") filed suit against the Company alleging patent infringement and tortious interference with contracts regarding confidentiality and proprietary information of UPRC. UPRC is seeking injunctive relief and damages in an unspecified amount, including actual, enhanced, consequential and punitive damages. The Company believes it has meritorious defenses to the allegations, including its belief that the subject patent is invalid. Given the subject of the claims, the Company is unable to predict the outcome of the matter or estimate a range of financial exposure.

4. Senior Notes

10-1/2% Notes

The Company has outstanding \$90 million in aggregate principal amount of 10-1/2% Senior Notes which mature June 1, 2002. The 10-1/2% Notes bear interest at an annual rate of 10-1/2%, payable semiannually on each June 1 and December 1. The 10-1/2% Notes are senior, unsecured obligations of the Company and are fully and unconditionally guaranteed, jointly and severally, by certain subsidiaries of the Company (the "Guarantor Subsidiaries").

9-1/8% Notes

The Company has outstanding \$120 million in aggregate principal amount of 9-1/8% Senior Notes which mature April 15, 2006. The 9-1/8% Notes bear interest at an annual rate of 9-1/8%, payable semiannually on each April 15 and October 15. The 9-1/8% Notes are senior, unsecured obligations of the Company and are fully and unconditionally guaranteed, jointly and severally, by the Guarantor Subsidiaries.

7-7/8% Notes

The Company has outstanding \$150 million in aggregate principal amount of 7-7/8% Senior Notes which mature March 15, 2004. The 7-7/8% Notes bear interest at the rate of 7-7/8%, payable semiannually on each March 15 and September 15. The 7-7/8% Notes are senior, unsecured obligations of the Company and are fully and unconditionally guaranteed, jointly and severally, by the Guarantor Subsidiaries.

8-1/2% Notes

The Company has outstanding \$150 million in aggregate principal amount of 8-1/2% Senior Notes which mature March 15, 2012. The 8-1/2% Notes bear interest at the rate of 8-1/2%, payable semiannually on each March 15 and September 15. The 8-1/2% 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
MARCH 31, 1997
(Unaudited)

Set forth below are condensed consolidating financial statements of the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries and the Company. Prior to fiscal 1997, the Guarantor Subsidiaries were Chesapeake Operating, Inc. ("COI") and Chesapeake Exploration Limited Partnership ("CELP"), as well as the Company's service company subsidiaries: Lindsay Oil Field Supply, Inc., Sander Trucking Company, Inc. and Whitmire Dozer Service, Inc. (collectively, the "Service Companies"). The assets of the Service Companies were sold effective June 30, 1996, and the Service Companies' operations ceased. Prior to fiscal 1997, Chesapeake Gas Development Corporation ("CGDC") was a Non-Guarantor Subsidiary. In conjunction with the issuance of the 7-7/8% Senior Notes and the 8-1/2% Senior Notes in March 1997, CGDC became a guarantor of all the Company's outstanding senior notes. As of March 31, 1997, the Guarantor Subsidiaries were COI, CELP and CGDC, and the Non-Guarantor Subsidiaries were Chesapeake Energy Marketing, Inc. and Chesapeake Canada Corporation, and the Company has reported the Guarantor and Non-Guarantor Subsidiaries accordingly in the following fiscal 1997 financial statements. Separate financial statements of each Guarantor Subsidiary have not been included because management has determined that they are not material to investors.

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 MARCH 31, 1997
 (unaudited)

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

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$(13,929)	\$ 6,662	\$308,077	\$ -	\$ 300,810
Short-term investments	-	-	62,003	-	62,003
Accounts receivable, net	46,771	15,632	100	(6,025)	56,478
Inventory	7,202	252	-	-	7,454
Other	801	26	11,406	-	12,233
Total Current Assets	40,845	22,572	381,586	(6,025)	438,978
PROPERTY AND EQUIPMENT:					
Oil and gas properties	653,382	18	-	-	653,400
Unevaluated leasehold	211,281	56	-	-	211,337
Other property and equipment	12,592	109	13,968	-	26,669
Less: accumulated depreciation, depletion and amortization	(157,367)	-	(668)	-	(158,035)
Total Property & Equipment	719,888	183	13,300	-	733,371
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	403,106	-	577,241	(980,347)	-
OTHER ASSETS	4,591	693	12,413	-	17,697
TOTAL ASSETS	\$1,168,430	\$ 23,448	\$984,540	\$(986,372)	\$1,190,046
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	\$ 4,375	\$ -	\$ -	\$ -	\$ 4,375
Accounts payable and other	117,584	16,106	9,274	(6,025)	136,939
Total Current Liabilities	121,959	16,106	9,274	(6,025)	141,314
LONG-TERM DEBT	32	-	508,929	-	508,961
REVENUES PAYABLE	6,928	-	-	-	6,928
DEFERRED INCOME TAXES	24,708	890	4,189	-	29,787
INTERCOMPANY PAYABLES	924,868	8	51,630	(976,506)	-
STOCKHOLDERS' EQUITY:					
Common Stock	11	1	687	(2)	697
Other	89,924	6,443	409,831	(3,839)	502,359
Total Stockholders' Equity	89,935	6,444	410,518	(3,841)	503,056
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,168,430	\$ 23,448	\$984,540	\$(986,372)	\$1,190,046

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1997
(unaudited)

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

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
ASSETS					

CURRENT ASSETS:					
Cash and cash equivalents	\$ 4,061	\$ 2,751	\$ 44,826	\$ -	\$ 51,638
Accounts receivable, net	44,080	7,723	-	(1,589)	50,214
Inventory	4,947	216	-	-	5,163
Other	2,155	3	-	-	2,158
	-----	-----	-----	-----	-----
Total Current Assets	55,243	10,693	44,826	(1,589)	109,173
	-----	-----	-----	-----	-----
PROPERTY AND EQUIPMENT:					
Oil and gas properties	338,610	24,603	-	-	363,213
Unevaluated leasehold	165,441	-	-	-	165,441
Other property and equipment	9,608	61	8,493	-	18,162
Less: accumulated depreciation, depletion and amortization	(87,193)	(8,007)	(442)	-	(95,642)
	-----	-----	-----	-----	-----
Total Property & Equipment	426,466	16,657	8,051	-	451,174
	-----	-----	-----	-----	-----
INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY ADVANCES	519,386	8,132	382,388	(909,906)	-
	-----	-----	-----	-----	-----
OTHER ASSETS	2,310	940	8,738	-	11,988
	-----	-----	-----	-----	-----
TOTAL ASSETS	\$1,003,405	\$ 36,422	\$444,003	\$(911,495)	\$572,335
	=====	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Notes payable and current maturities of long-term debt	\$ 3,846	\$ 2,880	\$ 29	\$ -	\$ 6,755
Accounts payable and other	91,069	7,339	5,260	(1,589)	102,079
	-----	-----	-----	-----	-----
Total Current Liabilities	94,915	10,219	5,289	(1,589)	108,834
	-----	-----	-----	-----	-----
LONG-TERM DEBT	2,113	10,020	256,298	-	268,431
	-----	-----	-----	-----	-----
REVENUES PAYABLE	5,118	-	-	-	5,118
	-----	-----	-----	-----	-----
DEFERRED INCOME TAXES	23,950	1,335	(13,100)	-	12,185
	-----	-----	-----	-----	-----
INTERCOMPANY PAYABLES	824,307	8,182	73,647	(906,136)	-
	-----	-----	-----	-----	-----
STOCKHOLDERS' EQUITY:					
Common Stock	117	2	2,891	(2)	3,008
Other	52,885	6,664	118,978	(3,768)	174,759
	-----	-----	-----	-----	-----
Total Stockholders' Equity	53,002	6,666	121,869	(3,770)	177,767
	-----	-----	-----	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,003,405	\$ 36,422	\$444,003	\$(911,495)	\$572,335
	=====	=====	=====	=====	=====

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1997
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME
(\$ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
FOR THE THREE MONTHS ENDED MARCH 31, 1997:					
REVENUES:					
Oil and gas sales	\$ 56,795	\$ -	\$ -	\$ 604	\$ 57,399
Oil and gas marketing sales	-	45,568	-	(23,158)	22,410
Interest and other	177	197	2,903	-	3,277
	-----	-----	-----	-----	-----
Total Revenues	56,972	45,765	2,903	(22,554)	83,086
	-----	-----	-----	-----	-----
COSTS AND EXPENSES:					
Production expenses and taxes	4,308	-	-	-	4,308
Oil and gas marketing expenses	-	44,301	-	(22,554)	21,747
Oil and gas depreciation, depletion and amortization	24,663	-	-	-	24,663
Other depreciation and amortization	508	20	345	-	873
General and administrative	1,757	235	489	-	2,481
Interest	172	-	3,482	-	3,654
	-----	-----	-----	-----	-----
Total Costs & Expenses	31,408	44,556	4,316	(22,554)	57,726
	-----	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	25,564	1,209	(1,413)	-	25,360
INCOME TAX EXPENSE (BENEFIT)	9,330	441	(516)	-	9,255
	-----	-----	-----	-----	-----
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	16,234	768	(897)	-	16,105
	-----	-----	-----	-----	-----
EXTRAORDINARY ITEM: Loss on early extinguishment of debt, net of applicable income tax	(179)	-	2	-	(177)
	-----	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 16,055	\$ 768	\$(895)	\$ -	\$ 15,928
	=====	=====	=====	=====	=====
FOR THE THREE MONTHS ENDED MARCH 31, 1996:					
REVENUES:					
Oil and gas sales	\$ 28,579	\$ 2,308	\$ -	\$ -	\$ 30,887
Oil and gas marketing sales	-	13,594	-	(2,036)	11,558
Oil and gas service operations	1,700	-	-	-	1,700
Interest and other	143	99	8	-	250
	-----	-----	-----	-----	-----
Total revenues	30,422	16,001	8	(2,036)	44,395
	-----	-----	-----	-----	-----
COSTS AND EXPENSES:					
Production expenses and taxes	1,929	207	-	-	2,136
Oil and gas marketing expenses	-	12,824	-	(2,036)	10,788
Oil and gas service operations	1,244	-	-	-	1,244
Oil and gas depreciation, depletion and amortization	12,300	735	-	-	13,035
Other depreciation and amortization	507	26	233	-	766
General and administrative	1,043	190	202	-	1,435
Interest	324	201	2,648	-	3,173
	-----	-----	-----	-----	-----
Total Costs & Expenses	17,347	14,183	3,083	(2,036)	32,577
	-----	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAX	13,075	1,818	(3,075)	-	11,818
	-----	-----	-----	-----	-----
INCOME TAX EXPENSE	4,713	646	(1,164)	-	4,195
	-----	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 8,362	\$ 1,172	\$(1,911)	\$ -	\$ 7,623
	=====	=====	=====	=====	=====

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1997
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME
(\$ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	COMPANY (PARENT)	ELIMINATIONS	CONSOLIDATED
	-----	-----	-----	-----	-----
FOR THE NINE MONTHS ENDED MARCH 31, 1997:					
REVENUES:					
Oil and gas sales	\$146,310	\$ -	\$ -	\$ 1,256	\$147,566
Oil and gas marketing sales	-	104,175	-	(51,746)	52,429
Interest and other	344	768	4,681	-	5,793
	-----	-----	-----	-----	-----
Total Revenues	146,654	104,943	4,681	(50,490)	205,788
	-----	-----	-----	-----	-----
COSTS AND EXPENSES:					
Production expenses and taxes	10,182	-	-	-	10,182
Oil and gas marketing expenses	-	101,785	-	(50,490)	51,295
Oil and gas depreciation, depletion and amortization	60,906	-	-	-	60,906
Other depreciation and amortization	1,582	60	1,067	-	2,709
General and administrative	4,370	660	1,190	-	6,220
Interest	707	-	9,163	-	9,870
	-----	-----	-----	-----	-----
Total Costs & Expenses	77,747	102,505	11,420	(50,490)	141,182
	-----	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	68,907	2,438	(6,739)	-	64,606
INCOME TAX EXPENSE (BENEFIT)	25,150	890	(2,460)	-	23,580
	-----	-----	-----	-----	-----
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	43,757	1,548	(4,279)	-	41,026
	-----	-----	-----	-----	-----
EXTRAORDINARY ITEM:					
Loss on early extinguishment of debt, net of applicable income tax	(769)	-	(5,851)	-	(6,620)
	-----	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 42,988	\$ 1,548	\$(10,130)	\$ -	\$ 34,406
	=====	=====	=====	=====	=====
FOR THE NINE MONTHS ENDED MARCH 31, 1996:					
REVENUES:					
Oil and gas sales	\$ 72,112	\$ 5,125	\$ -	\$ -	\$ 77,237
Oil and gas marketing sales	-	17,964	-	(2,619)	15,345
Oil and gas service operations	5,317	-	-	-	5,317
Interest and other	1,379	105	557	-	2,041
	-----	-----	-----	-----	-----
Total Revenues	78,808	23,194	557	(2,619)	99,940
	-----	-----	-----	-----	-----
COSTS AND EXPENSES:					
Production expenses and taxes	5,321	518	-	-	5,839
Oil and gas marketing expenses	-	17,173	-	(2,619)	14,554
Oil and gas service operations	4,263	-	-	-	4,263
Oil and gas depreciation, depletion and amortization	33,359	1,909	-	-	35,268
Other depreciation and amortization	1,357	44	750	-	2,151
General and administrative	2,542	291	514	-	3,347
Interest	405	551	8,761	-	9,717
	-----	-----	-----	-----	-----
Total Costs & Expenses	47,247	20,486	10,025	(2,619)	75,139
	-----	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAX	31,561	2,708	(9,468)	-	24,801
INCOME TAX EXPENSE (BENEFIT)	11,275	962	(3,433)	-	8,804
	-----	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 20,286	\$ 1,746	\$(6,035)	\$ -	\$ 15,997
	=====	=====	=====	=====	=====

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1997
(UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
(\$ IN THOUSANDS)

	GUARANTOR SUBSIDIARIES -----	NON-GUARANTOR SUBSIDIARIES -----	COMPANY (PARENT) -----	ELIMINATIONS -----	CONSOLIDATED -----
FOR THE NINE MONTHS ENDED MARCH 31, 1997:					
CASH FLOWS FROM OPERATING ACTIVITIES:	\$ 160,431	\$(3,557)	\$(75,287)	\$ -	\$ 81,587
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(344,998)	-	-	-	(344,998)
Proceeds from sale of assets	15,124	-	-	-	15,124
Investment in service operations	(3,048)	-	-	-	(3,048)
Long-term loan to third party	(2,000)	-	-	-	(2,000)
Other additions	(3,044)	(204)	(6,086)	-	(9,334)
	-----	-----	-----	-----	-----
	(337,966)	(204)	(6,086)	-	(344,256)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings	50,000	-	292,626	-	342,626
Payments on borrowings	(118,815)	-	(680)	-	(119,495)
Cash received from exercise of stock options	-	-	898	-	898
Cash received from issuance of common stock	-	-	288,091	-	288,091
Other financing	-	-	(279)	-	(279)
Intercompany advances, net	228,277	7,755	(236,032)	-	-
	-----	-----	-----	-----	-----
	159,462	7,755	344,624	-	511,841
Net increase (decrease) in cash	(18,073)	3,994	263,251	-	249,172
Cash, beginning of period	4,144	2,668	44,826	-	51,638
	-----	-----	-----	-----	-----
Cash, end of period	\$ (13,929)	\$ 6,662	\$ 308,077	\$ -	\$300,810
	=====	=====	=====	=====	=====
FOR THE NINE MONTHS ENDED MARCH 31, 1996:					
CASH FLOWS FROM OPERATING ACTIVITIES:	\$ 103,967	\$ 2,877	\$(6,729)	\$ -	\$100,115
CASH FLOWS FROM INVESTING ACTIVITIES:					
Oil and gas properties	(164,843)	(11,980)	-	5,300	(171,523)
Proceeds from sales	14,449	-	-	(5,300)	9,149
Investment in gas marketing company	-	266	(629)	-	(363)
Other additions	(3,400)	(40)	(2,894)	-	(6,334)
	-----	-----	-----	-----	-----
	(153,794)	(11,754)	(3,523)	-	(169,071)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term borrowings	31,350	10,300	-	-	41,650
Payments on borrowings	(753)	(2,494)	(20)	-	(3,267)
Cash received from exercise of stock options	-	-	986	-	986
Intercompany advances, net	(21,705)	2,461	19,244	-	-
	-----	-----	-----	-----	-----
	8,892	10,267	20,210	-	39,369
Net increase (decrease) in cash and cash equivalents	(40,935)	1,390	9,958	-	(29,587)
Cash, beginning of period	53,227	5	2,303	-	55,535
	-----	-----	-----	-----	-----
Cash, end of period	\$ 12,292	\$ 1,395	\$ 12,261	\$ -	\$ 25,948
	=====	=====	=====	=====	=====

PART I. FINANCIAL INFORMATION
ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

RECENT EVENTS

On March 17, 1997, the Company issued through a private offering \$150 million in 7-7/8% Senior Notes due 2004 and \$150 million in 8-1/2% Senior Notes due 2012, which resulted in net proceeds to the Company of approximately \$293 million. Using a portion of the proceeds from this offering, the Company repaid all balances outstanding under its commercial bank credit facilities.

On April 23, 1997, the Company commenced an offer to exchange all of the outstanding 7-7/8% and 8-1/2% Senior Notes for substantially identical notes registered under the Securities Act of 1933. The exchange offer is scheduled to expire on May 23, 1997.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1997 VS. MARCH 31, 1996

Net income for the three months ended March 31, 1997 (the "Current Quarter") was \$15.9 million, an \$8.3 million increase from net income of \$7.6 million for the quarter ended March 31, 1996 (the "Prior Quarter"), after giving effect to an extraordinary loss of \$0.2 million (net of income tax) incurred during the Current Quarter. This increase in net income was caused primarily by the Company's significantly higher oil and gas production and increases in oil and gas sales prices.

Revenues from oil and gas sales for the Current Quarter were \$57.4 million, an increase of \$26.5 million, or 86%, from the Prior Quarter. Gas production increased to 15.7 billion cubic feet ("Bcf"), an increase of 2.2 Bcf, or 16%, compared to the Prior Quarter. Oil production increased 459 thousand barrels ("MBbls"), or 134%, from 342 MBbls to 801 MBbls. The increase in oil and gas production was accompanied by increases in the average oil and gas prices realized. In the Current Quarter, the Company received an average oil price of \$21.55 per barrel ("Bbl"). This was an increase of \$3.11 per Bbl, or 17%, from the \$18.44 per Bbl realized in the Prior Quarter. Gas price realizations increased to \$2.55 per thousand cubic feet ("Mcf") in the Current Quarter, an increase of 39% from the \$1.83 per Mcf realized in the Prior Quarter.

The following table sets forth oil and gas production for the Company's primary operating areas during the Current Quarter.

OPERATING AREAS -----	Producing WELLS -----	Oil (MBBLS) -----	Gas (MMCF) -----	Total (MMCFE) -----	Percent (%) -----
Giddings	206	106	10,389	11,025	54%
Louisiana Trend	37	414	1,550	4,034	20%
Southern Oklahoma	211	147	2,729	3,611	17%
All Other	133	134	1,074	1,878	9%
Total	587	801	15,742	20,548	100%
	=====	=====	=====	=====	=====

Includes producing wells as of March 31, 1997 and wells being drilled as of that date.

Revenues from the Company's oil and gas marketing operations in the Current Quarter, which commenced in December 1995 with the purchase of Chesapeake Energy Marketing, Inc. ("CEM"), were \$22.4 million compared to \$11.6 million in the Prior Quarter. Oil and gas marketing expenses were \$21.7 million during the Current Quarter, resulting in a gross profit margin of \$0.7 million. In the Prior Quarter, the gross profit margin was \$0.8 million.

The Company had no revenues or expenses for oil and gas service operations in the Current Quarter as a result of the sale of this business in June 1996 to Peak USA Energy Services, Ltd. ("Peak"). Peak is a limited partnership formed by Peak Oilfield Services Company (a joint venture between Cook Inlet Region, Inc. and Nabors Industries, Inc.) and the Company. The Company's investment in Peak is accounted for using the equity method.

The Company had interest and other revenues of \$3.3 million in the Current Quarter compared to \$0.3 million in the Prior Quarter. This significant increase resulted from the Company's large cash balances that are invested in short term interest and dividend earning investments until needed for the Company's oil and gas exploration and development activities. The Company expects this revenue to decrease through fiscal 1998 as cash balances decrease.

Production expenses and taxes increased to \$4.3 million in the Current Quarter from \$2.1 million in the Prior Quarter. This increase was the result of a significant increase in oil and gas production volumes during the Current Quarter, higher oil and gas prices which increased severance taxes and slightly higher lifting costs per unit of production. On a gas equivalent production

unit ("Mcf") basis, production expenses and taxes were \$0.21 per Mcfe in the Current Quarter compared to \$0.14 per Mcfe in the Prior Quarter. Much of the Company's gas production from wells drilled before September 1996 in the downdip Giddings Field qualifies for exemption from Texas state production taxes for production through August 31, 2001. Additionally, certain oil and gas production from the Company's wells in the Knox and Sholem Alechem fields in Oklahoma and the Louisiana Austin Chalk Trend qualifies for production tax exemption until well costs are recovered. These exemptions, combined with the fact that many of the Company's wells are high volume gas wells that tend to have lower operating costs per Mcfe than lower volume wells, help generate the Company's historically low production costs per Mcfe. The Company expects that production expenses and taxes in fiscal 1997 will continue to increase because of the Company's expansion of drilling efforts in the Louisiana Trend which is an oil prone area with significant associated water production which results in higher operating costs than gas prone areas, and because severance tax exemptions will be more limited in the Louisiana Trend compared to existing exemptions in the Giddings Field.

Depreciation, depletion and amortization ("DD&A") of oil and gas properties for the Current Quarter was \$24.7 million, an increase of \$11.7 million from the Prior Quarter. The increase in DD&A expense for oil and gas properties between quarters is the result of a 32% increase in production volumes and an increase in the DD&A rate per Mcfe. The average DD&A rate per Mcfe, a function of capitalized and estimated future development costs and the related proved reserves, was \$1.20 for the Current Quarter and \$0.84 for the Prior Quarter. The Company believes the DD&A rate will continue to increase during fiscal 1997 and into fiscal 1998 based on projected higher finding costs for wells drilled in the Louisiana Trend and as a result of increasing drilling costs throughout the industry.

Depreciation and amortization of other assets increased to \$0.9 million in the Current Quarter compared to \$0.8 million in the Prior Quarter. This increase is primarily the result of higher amortization expense related to debt issuance costs, and higher depreciation related to the Company's acquisition of additional buildings and equipment in its Oklahoma City headquarters complex to support the Company's growth.

General and administrative expenses increased to \$2.5 million during the Current Quarter, a \$1.1 million, or 79%, increase from the Prior Quarter. This increase is the result of the continued growth of the Company. General and administrative expenses were \$0.12 per Mcfe in the Current Quarter as compared to \$0.09 per Mcfe in the Prior Quarter. The Company capitalized \$1.4 million and \$0.4 million of payroll and other internal costs directly related to oil and gas exploration and development activities, net of partner reimbursements, in the Current Quarter and Prior Quarter, respectively.

Interest expense increased to \$3.7 million during the Current Quarter, from \$3.2 million in the Prior Quarter, as a result of higher levels of total debt during the Current Quarter. During the Current Quarter, the Company capitalized \$2.7 million of interest costs representing the estimated costs to carry its unevaluated leasehold inventory, compared to \$1.6 million in the Prior Quarter. This increase in capitalized interest costs is the result of larger investments being carried during the Current Quarter in leasehold that have yet to be evaluated than in the Prior Quarter.

Income tax expense increased to \$9.3 million in the Current Quarter (before giving effect to the income tax benefit applicable to the extraordinary item) from \$4.2 million in the Prior Quarter. The Company's estimated effective income tax rate was 36.5% for the Current Quarter, compared to 35.5% for the Prior Quarter. The Company estimates its effective rate based on anticipated levels of income for the year, estimated production in excess of that allowed in computing statutory depletion for tax purposes, the interplay between state location of production revenue and the related state income tax, and other factors. The provision for income tax expense is deferred in its entirety because the Company is not currently a cash income taxpayer. The Company has a significant tax net operating loss carryforward generated from the intangible drilling cost deduction for income tax purposes associated with the Company's drilling activities which are available to offset regular taxable income in the future.

The Company recorded an extraordinary loss in the Current Quarter of \$0.2 million, net of applicable income tax effect. This loss was the result of the Company paying all amounts outstanding under the Company's term bank credit facility from the proceeds of the senior note offerings during the Current Quarter, and terminating its commercial bank credit facilities.

NINE MONTHS ENDED MARCH 31, 1997 VS. MARCH 31, 1996

Net income for the nine months ended March 31, 1997 (the "Current Period") was \$34.4 million, an \$18.4 million increase from net income of \$16 million for the nine months ended March 31, 1996 (the "Prior Period"), after giving effect to an extraordinary loss of \$6.6 million (net of income tax) incurred in the Current Period. This increase was caused by the Company's significantly higher oil and gas production and increases in oil and gas sales prices.

Revenues from oil and gas sales for the Current Period were \$147.6 million, an increase of \$70.4 million, or 91%, from the Prior Period. Gas production increased to 45.8 Bcf, an increase of 9.4 Bcf, or 26%, compared to the Prior Period. Oil production increased to 1,917 MBbls, an increase of 881 MBbls, or 85%, compared to the Prior Period. In the Current Period the Company realized an average gas price of \$2.31 per Mcf. This was an increase of \$0.69 per Mcf, or 43%, as compared to the \$1.62 per Mcf realized in the Prior Period. The Company realized an average oil price of \$21.74 per Bbl. This was an increase of \$4.28 per Bbl, or 25%, compared to the \$17.46 per Bbl realized in the Prior Period.

The following table sets forth oil and gas production for the Company's primary

operating areas during the Current Period.

OPERATING AREAS	Producing WELLS	Oil (MBBLS)	Gas (MMCF)	Total (MMCFE)	Percent (%)
Giddings	206	399	31,021	33,415	58%
Southern Oklahoma	211	445	8,929	11,599	20%
Louisiana Trend	37	865	3,362	8,552	15%
All Other	133	208	2,525	3,773	7%
Total	587	1,917	45,837	57,339	100%

Includes producing wells as of March 31, 1997 and wells drilled as of that date.

Revenues from the Company's oil and gas marketing operations were \$52.4 million in the Current Period compared to \$15.3 million in the Prior Period, which included only four months of operation. Oil and gas marketing expenses were \$51.3 million in the Current Period, resulting in a gross profit margin of \$1.1 million.

The Company had no revenues or expenses for oil and gas service operations in the Current Period as a result of the sale of this business in June 1996 to Peak.

The Company had interest and other investment revenues of \$5.8 million in the Current Period compared to \$2 million in the Prior Period. This significant increase resulted from the Company's large cash balances that are invested in short term interest and dividend earning investments until needed for the Company's oil and gas exploration and development activities. The Company expects this revenue to decrease through fiscal 1998 as cash balances decrease.

Production expenses and taxes increased to \$10.2 million in the Current Period, an increase of \$4.4 million, or 76%, from \$5.8 million incurred in the Prior Period. This increase was the result of a significant increase in oil and gas production volumes during the Current Period, higher oil and gas prices which increase severance taxes, and slightly higher lifting costs per unit of production. On an Mcfe basis, production expenses and taxes were \$0.18 per Mcfe in the Current Period compared to \$0.14 in the Prior Period. The Company expects that production expenses will continue to increase in fiscal 1997 and throughout fiscal 1998 because of the Company's expansion of drilling efforts in the Louisiana Trend which is an oil prone area with significant associated water production which results in higher operating costs than gas prone areas, and because severance tax exemptions will be more limited in the Louisiana Trend compared to existing exemptions in the Giddings Field.

DD&A of oil and gas properties in the Current Period was \$60.9 million, an increase of \$25.6 million, or 73%, from \$35.3 million expensed in the Prior Period. The increase in DD&A expense is the result of a 35% increase in production volumes and an increase in the DD&A rate per Mcfe. The average DD&A rate per Mcfe was \$1.06 in the Current Period as compared to \$0.83 in the Prior Period. The Company believes the DD&A rate will continue to trend higher during fiscal 1997 and fiscal 1998 based on higher projected finding costs for wells drilled in the Louisiana Trend and as a result of increasing drilling costs throughout the industry.

Depreciation and amortization of other assets increased to \$2.7 in the Current Period, a \$0.5 million, or 23%, increase from the Prior Period. This increase is the result of higher amortization expense related to debt issuance costs, and higher depreciation related to the Company's acquisition of additional buildings and equipment in its Oklahoma City headquarters complex to support the Company's growth.

General and administrative expenses increased to \$6.2 million during the Current Period, a \$2.9 million, or 88%, increase from the Prior Period. This increase is the result of the continued growth of the Company. General and administrative expenses were \$0.11 per Mcfe in the Current Period, compared to \$0.08 per Mcfe in the Prior Period. The Company capitalized \$2.5 million and \$0.8 million of payroll and other internal costs directly related to oil and gas exploration and development activities, net of partner reimbursements, in the Current Period and Prior Period, respectively.

Interest expense increased to \$9.9 million in the Current Period from \$9.7 million in the Prior Period as a result of higher levels of total debt during the Current Period compared to the Prior Period. During the Current Period, the Company capitalized \$10.4 million of interest costs representing the estimated costs to carry its unevaluated leasehold inventory, compared to \$3.5 million in the Prior Period.

Income tax expense increased to \$23.6 million in the Current Period (before giving effect to the income tax benefit applicable to the extraordinary item) from \$8.8 in the Prior Period. The Company's estimated effective income tax rate was 36.5% for the Current Period, compared to 35.5% for the Prior Period. The Company estimates its effective rate based on anticipated levels of income for the year, estimated production in excess of that allowed in computing statutory depletion for tax purposes, the interplay between state location of production revenue and the related state income tax, and other factors. The

provision for income tax expense is deferred in its entirety because the Company is not currently a cash income taxpayer. The Company has a significant federal tax net operating loss carryforward generated from the intangible drilling cost deduction for income tax purposes associated with the Company's drilling activities which are available to offset regular taxable income in the future. The Company expects its effective tax rate to remain between 36.5% and 37.5% for the foreseeable future.

RISK MANAGEMENT ACTIVITIES

Periodically the Company utilizes hedging strategies to hedge the price of a portion of its future oil and gas production. These strategies include swap arrangements that establish an index-related price above which the Company pays the hedging partner and below which the Company is paid by the hedging partner, the purchase of index-related puts that provide for a "floor" price to the Company to be paid by the counterparty to the extent the price of the commodity is below the contracted floor, and basis protection swaps. 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 has not entered into hedging transactions unrelated to the Company's oil and gas production.

The Company has the following oil swap arrangements for periods after the Current Quarter:

MONTH -----	Monthly VOLUME (BBLs)	NYMEX-Index STRIKE PRICE (PER BBL) -----
April 1997	30,000	\$19.22
May 1997	31,000	\$18.97
June 1997	30,000	\$18.79
July 1997	31,000	\$18.60
August 1997	31,000	\$18.43
September 1997	30,000	\$18.30
October 1997	31,000	\$18.19
November 1997	30,000	\$18.13
December 1997	31,000	\$18.08
January through June 1998	124,000	\$19.72

The Company has entered into oil swap arrangements to cancel the effect of the swaps for the months of August through December at an average price of \$22.10 per Bbl.

The Company has the following gas swap arrangements for periods after the Current Quarter:

MONTHS -----	Monthly VOLUME (MMBTU) -----	Houston Ship Channel INDEX STRIKE PRICE (PER MMBTU) -----
April 1997	600,000	\$2.022
May 1997	620,000	\$1.937

Gains or losses on the crude oil and natural gas hedging transactions are recognized as price adjustments in the month of related production. The Company estimates that had all of the crude oil and natural gas swap agreements in effect for production periods beginning April 1, 1997 terminated on March 31, 1997, based on the closing prices for NYMEX futures contracts as of that date, the Company would have paid the counterparty approximately \$0.4 million, which would have represented the "fair value" at that date. These agreements were not terminated.

CAPITAL RESOURCES AND LIQUIDITY

During the Current Quarter the Company completed an offering of \$300 million in senior notes resulting in net proceeds to the Company of approximately \$293 million. The Company used approximately \$11 million to repay and terminate the Company's commercial bank credit facilities. The Company used approximately \$2 million to repay other debt outstanding. The balance of the net proceeds has been and will be used to fund oil and gas exploration and development expenditures and for general corporate purposes.

As of March 31, 1997, the Company had working capital of \$297.7 million. The Company has estimated that its capital expenditures for fiscal 1997 will be approximately \$425 million, including approximately \$320 million for drilling, completion and production expenditures, \$30 million for pipeline and gathering facilities, and the balance for acreage acquisition, seismic programs and general corporate purposes. The capital expenditure budget is largely discretionary, and can be adjusted by the Company based on operating results or other factors. The Company believes it has sufficient capital resources, including expected cash flow from operations, to fund its capital program for the foreseeable future.

During the Current Quarter, the Company received a senior debt credit rating increase from Moody's Investors Service to Ba2. Standard & Poor's Rating Services has currently rated the Company's senior debt as BB. The Company's long-term debt to total book capitalization is approximately 50% as of March 31, 1997.

The Company's cash provided by operating activities decreased to \$81.6 million

during the Current Period, compared to \$100.1 million during the Prior Period. The decrease of \$18.5 million is the result of additional investments in short-term marketable securities during the Current Period partially offset by increases in net income, adjusted for non-cash charges (such as DD&A and deferred income taxes), and cash provided by changes in current assets and current liabilities between the two periods.

Cash used in investing activities increased to \$344.3 million in the Current Period, up from \$169.1 million in the Prior Period. The \$175.2 million increase is a result of the Company's increased drilling activity and increased investment in leasehold during the Current Period.

Cash provided by financing activities was \$511.8 million during the Current Period, as compared to consolidated cash provided by financing activities of \$39.4 million during the Prior Period. The increase resulted primarily from the Company's issuance of \$300 million in senior notes and 8,972,000 shares of common stock offset by the repayment of balances outstanding on the Company's commercial bank credit facilities.

The Company is subject to certain routine legal proceedings, none of which are expected to have a material adverse effect upon the Company's financial condition or operations. The Company is also involved in certain litigation that the Company is unable to predict the ultimate financial impact (see Part II, Item 1).

FORWARD LOOKING STATEMENTS

All statements other than statements of historical fact contained in this Form 10-Q, including statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements. When used herein, the words "budget", "budgeted", "anticipate", "expects", "believes", "seeks", "goals", "intends", or "projects" and similar expressions are intended to identify forward-looking statements. It is important to note that the Company's actual results could differ materially from those projected by such forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Factors that could cause the Company's results to differ materially from the results discussed in such forward-looking statements include but are not limited to the following: production variances from expectations, volatility of oil and gas prices, the need to develop and replace its reserves, the substantial capital expenditures required to fund its operations, environmental risks, drilling and operating risks, risks related to exploration and development drilling, uncertainties about estimates of reserves, competition, government regulation, and the ability of the Company to implement its business strategy. All forward-looking statements in this document are expressly qualified in their entirety by the cautionary statements in this paragraph.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As previously disclosed in the Company's Form 10-Q for the quarter ended September 30, 1996, on October 15, 1996, Union Pacific Resources Company ("UPRC") filed suit against the Company alleging patent infringement and tortious interference with contracts regarding confidentiality and proprietary information of UPRC. UPRC is seeking injunctive relief and damages in an unspecified amount, including actual, enhanced, consequential and punitive damages. The Company believes it has meritorious defenses to the allegations, including its belief that the subject patent is invalid. Given the subject of the claims, the Company is unable to predict the outcome of the matter or estimate a range of financial exposure.

ITEM 2. CHANGES IN SECURITIES

- - 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.

- | | |
|-----|--|
| 4.1 | Indenture dated as of March 15, 1997 among the registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation, and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 7-7/8% Senior Notes due 2004. Incorporated herein by reference to Exhibit 4.1 to registrant's registration statement on Form S-4 (No. 333-24995). |
| 4.2 | Indenture dated as of March 15, 1997 among the registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation, and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 8-1/2% Senior Notes due 2012. Incorporated herein by reference to Exhibit 4.3 to registrant's registration statement on Form S-4 (No. 333-24995). |
| 4.3 | Registration Rights Agreement dated March 12, 1997 among the registrant, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation, and Chesapeake Exploration Limited Partnership, and Donaldson, Lufkin & Jenrette Securities Corporation, Bear, Stearns & Co. Inc., J.P. Morgan Securities Inc. and Lehman Brothers Inc. Incorporated herein by reference to Exhibit 4.5 to registrant's registration statement on Form S-4 (No. 333-24995). |
| 11 | Statement regarding computation of earnings per common share |
| 27 | Financial Data Schedule |

(b) Reports on Form 8-K

The following reports on Form 8-K have been filed since January 1, 1997:

On March 6, 1997, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release on March 6, 1997 announcing its planned private offering of debt securities.

On April 4, 1997, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release on April 2, 1997 announcing the completion of its Brown #1-H in Washington County, Texas.

On May 2, 1997, the Company filed a current report on Form 8-K reporting under Item 5 that the Company issued a press release on April 24, 1997, reporting third quarter and first nine months fiscal 1997 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 15, 1997
Date

AUBREY K. MCCLENDON
Aubrey K. McClendon
Chairman and
Chief Executive Officer

MAY 15, 1997
Date

MARCUS C. ROWLAND
Marcus C. Rowland
Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT NO. -----	DESCRIPTION -----	METHOD OF FILING -----
4.1	Indenture dated as of March 15, 1997 among the registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation, and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 7-7/8% Senior Notes due 2004. Incorporated herein by reference to Exhibit 4.1 to registrant's registration statement on Form S-4 (No. 333-24995).	Incorporated by reference
4.2	Indenture dated as of March 15, 1997 among the registrant, as issuer, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation, and Chesapeake Exploration Limited Partnership, as Subsidiary Guarantors, and United States Trust Company of New York, as Trustee, with respect to 8-1/2% Senior Notes due 2012. Incorporated herein by reference to Exhibit 4.3 to registrant's registration statement on Form S-4 (No. 333-24995).	Incorporated by reference
4.3	Registration Rights Agreement dated March 12, 1997 among the registrant, Chesapeake Operating, Inc., Chesapeake Gas Development Corporation, and Chesapeake Exploration Limited Partnership, and Donaldson, Lufkin & Jenrette Securities Corporation, Bear, Stearns & Co. Inc., J.P. Morgan Securities Inc. and Lehman Brothers Inc. Incorporated herein by reference to Exhibit 4.5 to registrant's registration statement on Form S-4 (No. 333-24995).	Incorporated by reference
11	Statement regarding computation of earnings per common share	Filed herewith electronically
27	Financial Data Schedule	Filed herewith electronically

CHESAPEAKE ENERGY CORPORATION AND SUBSIDIARIES

STATEMENT OF NET INCOME PER SHARE
(in thousands, except per share data)

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	1997	1996	1997	1996
PRIMARY INCOME PER SHARE				
Computation for statement of income				
Net income per statement of income				
Income before extraordinary item	\$ 16,105	\$ 7,623	\$ 41,026	\$ 15,997
Extraordinary item	(177)	-	(6,620)	-
Net income	\$ 15,928	\$ 7,623	\$ 34,406	\$ 15,997
Weighted average Common shares outstanding	69,534	53,529	64,478	53,529
Adjustment to weighted average common shares outstanding:				
Add dilutive effect of:				
Employee Options	3,959	4,941	4,205	4,455
Weighted average common shares and common equivalent shares outstanding, as adjusted	73,493	58,470	68,683	57,984
Primary net income per common share:				
Income before extraordinary item	\$.22	\$.13	\$.60	\$.28
Extraordinary item	-	-	(.10)	-
Net income	\$.22	\$.13	\$.50	\$.28
FULLY DILUTED INCOME PER SHARE				
Net income per statement of income				
Income before extraordinary item	\$ 16,105	\$ 7,623	\$ 41,026	\$ 15,997
Extraordinary item	(177)	-	(6,620)	-
Net income	\$ 15,928	\$ 7,623	\$ 34,406	\$ 15,997
Weighted average Common shares outstanding	69,534	53,529	64,478	53,529
Adjustment to weighted average common shares outstanding:				
Add fully dilutive effect of:				
Employee Options	3,959	5,113	4,202	5,163
Weighted average common shares and common equivalent shares outstanding, as adjusted	73,493	58,642	68,680	58,692
Fully diluted net income per common share:				
Income before extraordinary item	\$.22	\$.13	\$.60	\$.27
Extraordinary item	-	-	(.10)	-
Net income	\$.22	\$.13	\$.50	\$.27

This Schedule contains summary financial information extracted from (A) Balance Sheet as of March 31, 1997 and Statement of Income for nine months ended March 31, 1997 and is qualified in its entirety by reference to such (B) Form 10-Q dated March 31, 1997.

0000895126
CHESAPEAKE ENERGY CORPORATION
1,000

9-MOS		
	JUN-30-1997	
	MAR-31-1997	
		300,810
		62,003
		56,660
		182
		7,454
	438,978	891,406
		158,035
		1,190,046
	141,314	
		508,961
	0	0
		697
		502,359
1,190,046		
		199,995
	205,788	
		131,312
		141,182
		0
		88
	9,870	
		64,606
		23,580
	41,026	
		0
	(6,620)	
		0
		34,406
		0.50
		0.50