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: June 30, 1998

OR

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

For the transition period from ______ to ______

Commission file number: 001-11590

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

Delaware	51-0064146
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

909 Silver Lake Boulevard, Dover, Delaware	19904
(Address of principal executive offices)	(Zip Code)

(302) 734-6799
(Registrant's Telephone Number, Including Area Code)

(Former name, former address and former fiscal year, if changed since last report.)

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 [ ]

Common Stock, par value $.4867 - 5,059,373 shares issued as of June 30, 1998.

PART I
FINANCIAL INFORMATION

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	JUNE 30, 1998 (Unaudited)	DECEMBER 31, 1997 (Restated)
PROPERTY, PLANT AND EQUIPMENT		
Natural gas distribution	$ 77,921,682	$ 74,769,458
Natural gas transmission	34,207,410	33,856,873
Propane distribution and marketing	26,645,447	27,091,102
Advanced information services	899,901	841,757
Other plant	7,650,012	6,896,899
Gas plant acquisition adjustment	795,004	795,004
Total property, plant and equipment	148,119,456	144,251,093
Less: Accumulated depreciation and amortization	(46,941,185)	(44,371,890)
Net property, plant and equipment	101,178,271	99,879,203
INVESTMENTS	3,348,994	2,721,443

CURRENT ASSETS		
Cash and cash equivalents	2,702,957	4,829,176
Accounts receivable, less for uncollectibles	12,431,881	15,598,777
Materials and supplies, at average cost	1,697,201	1,424,312
Propane inventory, at average cost	1,153,476	2,436,200
Storage gas prepayments	1,630,408	2,926,618
Underrecovered purchased gas costs	-	1,673,389
Income taxes receivable	-	787,034
Prepaid expenses	1,139,663	1,107,825
Deferred income taxes	755,481	247,487
Total current assets	21,511,067	31,030,818
DEFERRED CHARGES AND OTHER ASSETS		
Environmental regulatory assets	4,773,638	4,865,073
Environmental expenditures, net	2,557,923	2,372,929
Other deferred charges and intangible assets	4,244,335	4,053,068
Total deferred charges and other assets	11,575,896	11,291,070
TOTAL ASSETS	$137,614,228	$144,922,534

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

CAPITALIZATION AND LIABILITIES	JUNE 30, 1998 (Unaudited)	December 31, 1997 (Restated)
CAPITALIZATION		
Stockholders' equity		
Common Stock, par value $.4867 per share; (authorized 12,000,000 shares; issued 5,059,373 and 5,004,078 shares, respectively)	$ 2,462,270	$ 2,435,142
Additional paid-in capital	23,601,702	22,581,463
Retained earnings	31,709,187	28,554,001
Accumulated other comprehensive income	679,956	296,872
Less:		
Unearned compensation - restricted stock awards	(130,964)	(190,886)
Total stockholders' equity	58,322,151	53,676,592
Long-term debt, net of current portion	37,892,000	38,694,741
Total capitalization	96,214,151	92,371,333
CURRENT LIABILITIES		
Current portion of long-term debt	520,000	582,500
Short-term borrowing	2,100,000	7,600,010
Accounts payable	9,301,448	16,164,032
Refunds payable to customers	256,708	357,041
Income taxes payable	2,378,705	-
Accrued interest	1,173,290	784,533
Dividends payable	-	1,092,168
Overrecovered purchased gas costs	188,337	-
Other accrued expenses	3,362,835	3,829,497
Total current liabilities	19,281,323	30,409,781
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes	11,337,417	11,490,358
Deferred investment tax credits	799,091	821,617
Environmental liability	4,773,638	4,865,073
Accrued pension costs	1,972,792	1,754,715
Other liabilities	3,235,816	3,209,657
Total deferred credits and other liabilities	22,118,754	22,141,420
TOTAL CAPITALIZATION AND LIABILITIES	$137,614,228	$144,922,534

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30,	1998	Restated 1997
OPERATING REVENUES	$43,594,944	$44,918,820
COST OF SALES	33,309,758	34,415,711
GROSS MARGIN	10,285,186	10,503,109
OPERATING EXPENSES		
Operations	6,203,139	5,729,758
Maintenance	532,539	602,836
Depreciation and amortization	1,521,802	1,363,140
Other taxes	963,097	980,795
Income taxes	102,507	415,558
Total operating expenses	9,323,084	9,092,087
OPERATING INCOME	962,102	1,411,022
OTHER INCOME, NET	89,187	104,911
INCOME BEFORE INTEREST CHARGES	1,051,289	1,515,933
INTEREST CHARGES	787,538	790,278
NET INCOME	$ 263,751	$ 725,655
EARNINGS PER SHARE OF COMMON STOCK:		
Basic:	$ 0.05	$ 0.15
Diluted:	$ 0.05	$ 0.15

COMPREHENSIVE INCOME STATEMENTS
(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30,	1998	Restated 1997
NET INCOME	$ 263,751	$ 725,655
COMPONENTS OF COMPREHENSIVE INCOME, NET OF INCOME TAXES		
Unrealized Gain / (Loss) on Marketable	198,696	-
COMPREHENSIVE INCOME	$ 462,447	$ 725,655

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30,	1998	Restated 1997
OPERATING REVENUES	$103,764,046	$121,221,105
COST OF SALES	77,175,201	95,258,547
GROSS MARGIN	26,588,845	25,962,558
OPERATING EXPENSES		
Operations	12,173,257	11,776,176
Maintenance	1,011,651	1,101,418
Depreciation and amortization	3,034,375	2,726,218
Other taxes	2,133,944	2,129,775
Income taxes	2,503,381	2,662,434
Total operating expenses	20,856,608	20,396,021
OPERATING INCOME	5,732,237	5,566,537
OTHER INCOME, NET	200,417	199,594
INCOME BEFORE INTEREST CHARGES	5,932,654	5,766,131
INTEREST CHARGES	1,641,544	1,600,068
NET INCOME	$ 4,291,110	$ 4,166,063
EARNINGS PER SHARE OF COMMON STOCK:		
Basic:	$ 0.85	$ 0.84
Diluted:	$ 0.83	$ 0.82

COMPREHENSIVE INCOME STATEMENTS
(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30,	1998	Restated 1997
NET INCOME	$ 4,291,110	$ 4,166,063
COMPONENTS OF COMPREHENSIVE INCOME, NET OF INCOME TAXES		
Unrealized Gain / (Loss) on Marketable	383,084	(7,654)
COMPREHENSIVE INCOME	$ 4,674,194	$ 4,158,409

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30,	1998	Restated 1997
OPERATING ACTIVITIES		
Net Income	$ 4,291,110	$ 4,166,063
Adjustments to reconcile net income to net operating cash:		
Depreciation and amortization	3,339,205	2,934,011
Deferred income taxes, net	(905,402)	(176,775)
Investment tax credit adjustments	(22,526)	(22,527)
Employee benefits	218,076	249,872
Employee compensation from lapsing stock restrictions	59,922	86,719
Other	26,160	(149,555)
Changes in assets and liabilities:		
Accounts receivable	2,841,198	18,966,757
Inventory, materials, supplies and storage gas	2,306,045	3,008,600
Assets and liabilities from trading activities	325,699	(1,077,710)
Prepaid expenses	(31,838)	277,959
Other deferred charges	(268,559)	(89,852)
Accounts payable	(6,862,583)	(18,621,206)
Refunds payable to customers	(100,333)	(112,685)
Overrecovered purchased gas costs	1,861,725	1,750,116
Income taxes payable	3,165,740	2,153,081
Compensation accruals	-	(1,636,190)
Other current liabilities	391,141	(391,238)
Net cash provided by operating activities	10,634,780	11,315,440
INVESTING ACTIVITIES		
Property, plant and equipment expenditures, net	(4,745,976)	(6,075,251)
Net cash used by investing activities	(4,745,976)	(6,075,251)
FINANCING ACTIVITIES		
Common stock dividends net of amounts reinvested of $296,457 and $272,738, respectively	(1,931,637)	(1,772,944)
Net repayments under line of credit agreements	(5,500,010)	(2,834,990)
Converted debenture bonds	73,915	-
Proceeds from issuance of stock to Company 401(k) plan	207,950	193,017
Repayments of long-term debt	(865,241)	(2,685,626)
Net cash used by financing activities	(8,015,023)	(7,100,543)
NET DECREASE IN CASH	$ (2,126,219)	$ (1,860,354)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,829,176	7,139,838
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,702,957	$ 5,279,484

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

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. QUARTERLY FINANCIAL DATA

The financial information included herein is unaudited; however, the financial information reflects normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the Company's interim results. Due to the seasonal nature of the Company's business, there are substantial variations in the results of operations reported on a quarterly basis. Certain amounts in 1997 have been reclassified to conform with the 1998 presentation.

2. ACQUISITIONS

On March 31, 1998, Chesapeake acquired Sam Shannahan Well Company, Inc., operating as Tolan Water Service, in exchange for 25,000 shares of the Company's common stock. Tolan provides water treatment services to 3,000 residential, commercial and industrial customers on the Delmarva Peninsula.

On May 29, 1998, the Company acquired all of the outstanding shares of Xeron, Inc. ("Xeron"), a privately held company headquartered in Houston, Texas, engaged in the wholesale marketing of natural gas liquids, primarily propane, to both major and large independent oil and petrochemical companies, wholesale gas resellers and southeastern propane companies. The transaction was effected through the exchange of 475,000 shares of the Company's common stock and was accounted for as a pooling of interests. Xeron will continue to operate as a subsidiary of Chesapeake. Due to the acquisition, the Company is in the process of establishing a policy to account for derivatives.

The results of operations for the separate companies and the combined amounts are presented in the following table.

	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Operating Revenues				
Chesapeake	$ 21,170,929	$ 24,805,428	$ 60,428,921	$ 68,450,539
Xeron	21,872,431	19,725,971	42,466,757	52,065,912
Tolan	551,584	387,421	868,368	704,654
Combined	$ 43,594,944	$ 44,918,820	$103,764,046	$121,221,105
Net Income				
Chesapeake	$ 126,340	$ 692,841	$ 4,080,178	$ 4,058,953
Xeron	95,566	(15,150)	170,641	42,506
Tolan	41,845	47,964	40,291	64,604
Combined	$ 263,751	$ 725,655	$ 4,291,110	$ 4,166,063

3. CALCULATION OF DILUTED EARNINGS PER SHARE

FOR THE THREE MONTHS ENDED JUNE 30,	1998	1997
RECONCILIATION OF NUMERATOR:		
Net Income -- basic	$ 263,751	$ 725,655
Effect of 8.25% Convertible debentures *	-	-
Adjusted numerator -- diluted	$ 263,751	$ 725,655
RECONCILIATION OF DENOMINATOR		
Weighted Shares Outstanding -- basic	5,055,237	4,963,212
Effect of Dilutive Securities		
8.25% Convertible debentures *	-	-
Stock options and performance shares	11,860	29,416
Adjusted denominator -- diluted	5,067,097	4,992,628
DILUTED EARNINGS PER SHARE	$ 0.05	$ 0.15

* Inclusion of the convertible debentures produces an anti-dilutive effect of less than $0.01 per share in the calculation of dilutive

earnings per share for the three months ended June 30, 1998 and 1997; therefore, they are not shown in this calculation although they could have a dilutive effect in the future or in other periods.

FOR THE SIX MONTHS ENDED JUNE 30,	1998	1997
RECONCILIATION OF NUMERATOR:		
Net Income -- basic	$4,291,110	$4,166,063
Effect of 8.25% Convertible debentures	96,412	102,038
Adjusted numerator -- diluted	$4,387,522	$4,268,101
RECONCILIATION OF DENOMINATOR		
Weighted Shares Outstanding -- basic	5,040,043	4,956,317
Effect of Dilutive Securities		
8.25% Convertible debentures	227,087	240,338
Stock options and performance shares	13,034	30,149
Adjusted denominator -- diluted	5,280,164	5,226,804
DILUTED EARNINGS PER SHARE	$ 0.83	$ 0.82

4. COMMITMENTS AND CONTINGENCIES - ENVIRONMENTAL MATTERS

The Company is currently participating in the investigation, assessment and remediation of three former gas manufacturing plant sites located in different jurisdictions, including the exploration of corrective action options to remove environmental contaminants. The Company has accrued liabilities for two of these sites, the Dover Gas Light and Salisbury Town Gas Light sites.

(a) Dover Gas Light Site

The Dover site has been listed by the Environmental Protection Agency Region III ("EPA") on the Superfund National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). On August 19, 1994, the EPA issued the site Record of Decision ("ROD"), which selected a remedial plan and estimated the costs of the selected remedy at $2.7 million for ground-water remediation and $3.3 million for soil remediation. In May 1995, EPA issued an order to the Company under Section 106 of CERCLA (the "Order"), requiring the Company to fund or implement the ROD. The Order was also issued to General Public Utilities Corporation, Inc. ("GPU"), which both the EPA and the Company believe is liable under CERCLA. Other potentially responsible parties ("PRPs") such as the State of Delaware were not ordered to perform the ROD. Although notifying EPA of objections to the Order, the Company agreed to comply. GPU informed EPA that it did not intend to comply with the Order. EPA may seek judicial enforcement of its Order, as well as significant financial penalties for failure to comply. Additional information pertaining to remediation costs, investigations related to additional parties who may be PRPs and/or litigation initiated by the Company can be found in the Company's annual report on Form 10-K for the year ended December 31, 1997 (see the "Environmental - Dover Gas Light Site" section, beginning on page 11).

In conjunction with the commencement of the design phase of the ROD, a pre-design investigation report ("the report") was filed in October 1996 with the EPA. The report, which required EPA approval, provided an up to date status on the site, which the EPA used to determine if the remedial design selected in the ROD was still the appropriate remedy.

In the report, the Company proposed a modification to the soil cleanup remedy selected in the ROD to take into account an existing land use restriction banning future development at the site. In April of 1997, the EPA issued a fact sheet stating that the EPA was considering the proposed modification. The fact sheet included an overall cost estimate of $5.7 million for the proposed modified remedy and a new overall cost estimate of $13.2 million for the remedy selected in the ROD. On August 28, 1997, the EPA issued a Proposed Plan to modify the current clean-up plan that would involve: (1) excavation of off-site thermal treatment of the contents of the former subsurface gas holders; (2) implementation of soil vaporization extraction; (3) pavement of the parking lot; and (4) use of institutional controls that would restrict future development of the Site. The overall estimated clean-up cost of the Site under the proposed plan was $4.2 million, as compared to EPA's estimate of the previous clean-up plan at $13.2 million. In January 1998, the EPA issued a revised ROD, which modified the soil remediation to conform to the proposed plan and included the estimated clean-up costs of $4.2 million.

Chesapeake is complying with the ROD as amended in the Proposed Plan, as listed above, and is currently seeking EPA approval for the ground-water remediation design. Soil vaporization extraction is now in the design phase and soil remediation pertaining to the former subsurface gas holders is scheduled to begin in the third quarter.

The Company adjusted its accrued liability recorded with respect to the Dover Site to $4.2 million at December 31, 1997. This amount reflects the EPA's estimate, as stated in the ROD issued in January 1998, for remediation of the site according to the ROD. The recorded liability may be adjusted upward or downward as the design phase progresses and the Company obtains construction bids for performance of the work. The Company has also recorded a regulatory asset of $4.2 million, corresponding to the recorded liability. Management believes that in addition to the $600,000 expected to be contributed by the State of Delaware pursuant to a settlement agreement between the parties, the Company will be equitably entitled to contribution from other responsible parties for a portion of the expenses to be incurred in connection with the remedies selected in the ROD. Management also believes that the amounts not so contributed will be recoverable in the Company's rates.

As of June 30, 1998, the Company has incurred approximately $5.5 million in costs relating to environmental testing and remedial action studies. In 1990, the Company entered into settlement agreements with a number of insurance companies resulting in proceeds to fund actual environmental costs incurred over a five to seven-year period beginning in 1990. The final insurance proceeds were requested and received in 1992. In December 1995, the Delaware Public Service Commission authorized a process to review and provide recovery of all current and future unrecovered environmental costs incurred by a means of a rider (supplement) to base rates, applicable to all firm service customers. As of June 30, 1998, $630,000 of environmental costs are not included in the rider, effective December 1, 1997. With the rider mechanism established, it is management's opinion that these costs and any future costs, net of the deferred income tax benefit, will be recoverable in rates. For additional information pertaining to the rider, refer to the "Environmental - Dover Gas Light Site" section of the Company's annual report on Form 10-K for the year ended December 31, 1997, beginning on page 11.

(b) Salisbury Town Gas Light Site
In cooperation with the Maryland Department of the Environment ("MDE"), in 1996 the Company completed construction and began remediation procedures at the Salisbury site. In addition, the Company began quarterly reporting of the remediation and monitoring results to the MDE.

The cost of remediation is estimated to range from $140,000 to $190,000 per year for operating expenses. Based on these estimated costs, the Company recorded both a liability and a deferred regulatory asset of $665,000 on December 31, 1997, to cover the Company's projected remediation costs for this site. The liability payout for this site is expected to be over a five-year period. As of June 30, 1998, the Company has incurred approximately $2.5 million for remedial actions and environmental studies. In January 1990, the Company entered into settlement agreements with a number of insurance companies resulting in proceeds to fund actual environmental costs incurred over a three to five-year period beginning in 1990. The final insurance proceeds were requested and received in 1992. In December 1995, the Maryland Public Service Commission approved recovery of all environmental costs incurred through September 30, 1995 less amounts previously amortized and insurance proceeds. The amount approved for a 10-year amortization period was $964,251. Of the $2.5 million in costs reported above, approximately $689,000 has not been recovered through insurance proceeds or received ratemaking treatment. It is management's opinion that these and any future costs incurred will be recoverable in rates.

(c) Winter Haven Coal Gas Site
In May 1996, the company filed an Air Sparging and Soil Vapor Extraction Pilot Study Work Plan for the Winter Haven site with the Florida Department of Environmental Protection ("FDEP"). The Work Plan described the Company's proposal to undertake an Air Sparging and Soil Vapor Extraction ("AS/SVE") pilot study to evaluate at the site. After discussions with the FDEP, the Company filed a modified AS/SVE Pilot Study Work Plan, scope of work to complete the site assessment activities and a report describing a limited sediment investigation performed recently. The Company will be awaiting FDEP's comments to the modified Work Plan. It is not possible to determine whether remedial action will be required by FDEP and, if so, the cost of such remediation.

The Company has spent and received recovery through rates charged to customers of approximately $696,000 on these investigations as of June 30, 1998. The Florida Public Service Commission has allowed the Company to continue to accrue for future environmental costs. At June 30, 1998, Chesapeake had $466,000 accrued. It is management's opinion that these and future costs, if any, will be recoverable in rates.

5. RECENT ACCOUNTING PRONOUNCEMENTS

(a) Comprehensive Income - As of January 1, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income, which requires additional disclosures with respect to certain changes in assets and liabilities that previously were not reported as results of operations for the period.

(b) Segment Information - The Financial Accounting Standards Board has issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, which became effective for periods beginning after December 15, 1997. Interim reporting is not required under SFAS No. 131 prior to its adoption. SFAS No. 131 requires financial and descriptive information with respect to "operating segments" of an entity based on the way management disaggregates the entity for making internal operating decisions. The Company will begin making the disclosures required by SFAS No. 131 with financial statements for the period ending December 31, 1998. The impact of SFAS No. 131 will only effect disclosure, as results are disaggregated. There will be no financial impact from the adoption.

(c) Pensions and Other Post-retirement Benefits - The FASB has issued SFAS No. 132, Employers' Disclosures about Pensions and Other Post-retirement Benefits, for periods beginning after December 15, 1997. Interim reporting is not required prior to its adoption. This statement standardizes the disclosure requirements for pensions and other post-retirement benefits, requires additional information on changes in the benefit obligations and fair values of plan assets and eliminates certain disclosures that are no longer useful. The Company will begin making the disclosures required by SFAS No. 132 with financial statements for the period ending December 31, 1998. The impact of SFAS No. 132 will only effect disclosure. There will be no financial impact from the adoption.

(d) Derivatives - SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Management is currently assessing any financial impact the adoption may have.

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

RESULTS OF OPERATIONS FOR THE QUARTER ENDED JUNE 30, 1998

The Company recognized net income of $263,751 for the second quarter of 1998, representing a decrease in net income of $461,904 as compared to the corresponding period in 1997. As indicated in the following table, the decrease in income is primarily due to lower contributions to Earnings Before Interest and Taxes ("EBIT") from the natural gas distribution and propane segments. These were partially offset by increased EBIT contributions from the remaining segments.

FOR THE THREE MONTHS ENDED JUNE 30,	1998	1997	Change
Earnings Before Interest & Taxes			
Natural Gas Distribution	$ 498,140	$ 998,202	$ (500,062)
Natural Gas Transmission	813,222	696,878	116,344
Propane Distribution & Marketing	(781,021)	(332,700)	(448,321)
Advanced Information Services	337,016	310,217	26,799
Other & Eliminations	197,252	153,983	43,269
EBIT	1,064,609	1,826,580	(761,971)
Operating Income Taxes	102,507	415,558	(313,051)
Interest	787,538	790,278	(2,740)
Non-Operating Income, net	89,187	104,911	(15,724)
Net Income	$ 263,751	$ 725,655	$ (461,904)

NATURAL GAS DISTRIBUTION

The natural gas distribution segment reported EBIT of $498,140 for the second quarter of 1998 as compared to $998,202 for the corresponding period last year - a decrease of $500,062. The decrease in EBIT is due to lower margins combined with higher operating expenses.

FOR THE THREE MONTHS ENDED JUNE 30,	1998	1997	Change
Revenue	$14,015,180	$15,810,312	$(1,795,132)
Cost of Gas	9,106,036	10,669,854	(1,563,818)
Gross Margin	4,909,144	5,140,458	(231,314)
Operations & Maintenance	2,950,064	2,735,615	214,449
Depreciation & Amortization	849,383	789,003	60,380
Other Taxes	611,557	617,638	(6,081)
EBIT	$ 498,140	$ 998,202	$ (500,062)

Gross margin is down due to decreased deliveries to both interruptible and firm customers. Interruptible volumes were primarily effected by lower sales to our Florida division's interruptible industrial customers primarily engaged in the phosphate industry. Firm customer growth from 1997 to 1998 helped to offset the impact of the unseasonably warmer weather on volumes. Temperatures during the second quarter of 1998 were 28% warmer than the same period last year and 18% warmer than the 10-year average. Increased operating expenses are partially related to an aggressive marketing campaign designed to build awareness of the Company's services and continue building customer growth. In addition compensation and customer installation expenses increased. These are partially offset by decreased legal fees, data processing costs, pensions and benefits. Depreciation and amortization expense increased due to plant placed in service during the past year.

NATURAL GAS TRANSMISSION

The natural gas transmission segment reported EBIT of $813,222 for the second quarter of 1998 as compared to EBIT of $696,878 for the corresponding period last year - an increase of $116,344. The increase in EBIT is primarily due to an increase in gross margin.

FOR THE THREE MONTHS ENDED JUNE 30,	1998	1997	Change
Revenue	$ 2,469,478	$ 6,673,540	$(4,204,062)
Cost of Gas	561,317	4,877,330	(4,316,013)
Gross Margin	1,908,161	1,796,210	111,951
Operations & Maintenance	728,796	774,055	(45,259)
Depreciation & Amortization	267,774	222,688	45,086
Other Taxes	98,369	102,589	(4,220)
EBIT	$ 813,222	$ 696,878	$ 116,344

Revenues and cost of gas have declined in 1998 as a result of Eastern Shore Natural Gas Company becoming an open access pipeline on November 1, 1997. The rise in EBIT is partially attributable to a rate increase and an increase in firm services implemented in 1997. Additional revenues generated by the increase in transportation services, effective with the implementation of open access, also contributed to the increase in EBIT. For additional information related to open access and its impact on gross margin, see the Results of Operations for the Six Months Ended June 30, 1998 for Natural Gas Transmission. Compensation expenditures as well as lower costs associated with the maintenance of communication equipment and the pipeline system were offset by the increase in depreciation and amortization due to capital additions placed in service during the past year.

PROPANE DISTRIBUTION AND MARKETING

The business of Xeron, Inc., the propane wholesale marketing company acquired in May 1998, has been combined with Chesapeake's propane distribution operation for financial statement reporting. Due to the high volume, low margin nature of the wholesale propane business, Xeron's revenues are strongly influenced by the wholesale cost of propane. See Note 2 to the Consolidated Financial Statements for further disclosure of Xeron's revenues and net income for the periods shown.

For the second quarter of 1998, the propane segment reported a loss before interest and taxes of $781,021, as compared to $332,700 for the same period last year. The decrease in earnings is primarily the result of lower margins.

FOR THE THREE MONTHS ENDED JUNE 30,	1998	1997	Change
Revenue	$25,774,384	$24,176,789	$ 1,597,595
Cost of Sales	23,825,736	21,775,543	2,050,193
Gross Margin	1,948,648	2,401,246	(452,598)
Operations & Maintenance	2,269,042	2,262,831	6,211
Depreciation & Amortization	322,038	301,817	20,221
Other Taxes	138,589	169,298	(30,709)
EBIT	$ (781,021)	$ (332,700)	$ (448,321)

The decrease in gross margin is due primarily to a 16% reduction in distribution margins combined with a 29% reduction in margins for the wholesale marketing operation. Although the distribution margin per gallon sold is up, 22% lower volumes more than offset this increase. The decreased volume is the result of the unseasonably warm weather, partially offset by customer growth. Wholesale margins are down due to a reduction in the margin earned per gallon, somewhat offset by an increase in the number of gallons marketed. Although operations and maintenance expenses remain basically unchanged, increased expenses related to the Company's marketing initiatives are being offset by lower incentive compensation related to lower earnings for the wholesale marketing operation. Depreciation and amortization increased due to plant additions placed in service during the past year.

ADVANCED INFORMATION SERVICES

The advanced information services segment recognized an EBIT of $337,016 and $310,217 for the quarters ended June 30, 1998 and

1997, respectively. This increase in EBIT of $26,799 is attributable an increase in margin earned offset by higher expenses.

FOR THE THREE MONTHS ENDED JUNE 30,	1998	1997	Change
Revenue	$ 2,470,655	$ 1,911,836	$ 558,819
Cost of Sales	1,191,276	907,968	283,308
Gross Margin	1,279,379	1,003,868	275,511
Operations & Maintenance	804,839	594,918	209,921
Depreciation & Amortization	42,116	24,480	17,636
Other Taxes	95,408	74,253	21,155
EBIT	$ 337,016	$ 310,217	$ 26,799

Higher revenues are primarily due to increased consulting services, partially offset by a reduction in placement service revenues. Increased compensation and training expenses due to associated increases in staffing levels partially offset the additional revenue. To improve service to our customers, the Company opened a new office in Detroit, Michigan and increased both billable and management staffing during the second half of 1997.

OPERATING INCOME TAXES

Operating income taxes decreased due to the decrease in operating income.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1998

The Company recognized net income of $4,291,110 for the first six months of 1998, representing an increase in net income of $125,047 as compared to the corresponding period in 1997. Included in 1997's results is a one-time charge of $318,000 to establish deferred income taxes associated with the acquisition of Tri-County Gas Company, Inc. Exclusive of this one-time charge, earnings decreased $192,953. As indicated in the following table, the increase in income is due to greater Earnings Before Interest and Taxes contributed by the natural gas transmission, offset by reduced contributions to EBIT from the remaining segments, primarily natural gas distribution and propane.

FOR THE SIX MONTHS ENDED JUNE 30,	1998	1997	Change
Earnings Before Interest & Taxes			
Natural Gas Distribution	$ 3,657,752	$ 4,419,765	$ (762,013)
Natural Gas Transmission	2,334,390	1,314,290	1,020,100
Propane Distribution & Marketing	1,325,144	1,370,509	(45,365)
Advanced Information Services	604,930	721,300	(116,370)
Other & Eliminations	313,402	403,107	(89,705)
EBIT	8,235,618	8,228,971	6,647
Operating Income Taxes	2,503,381	2,662,434	(159,053)
Interest	1,641,544	1,600,068	41,476
Non-Operating Income, net	200,417	199,594	823
Net Income	$ 4,291,110	$ 4,166,063	$ 125,047

NATURAL GAS DISTRIBUTION

The natural gas distribution segment reported EBIT of $3,657,752 for the first six months of 1998 as compared to $4,419,765 for the corresponding period last year - a decrease of $762,013. The decrease in EBIT is due lower margins, coupled with higher operating expenses.

FOR THE SIX MONTHS ENDED JUNE 30,	1998	1997	Change
Revenue	$40,197,989	$42,288,127	$ (2,090,138)
Cost of Gas	27,778,286	29,639,265	(1,860,979)
Gross Margin	12,419,703	12,648,862	(229,159)
Operations & Maintenance	5,715,315	5,306,164	409,151
Depreciation & Amortization	1,694,054	1,576,489	117,565
Other Taxes	1,352,582	1,346,444	6,138
EBIT	$ 3,657,752	$ 4,419,765	$ (762,013)

Gross margin is down due to decreased deliveries to our Florida division's interruptible industrial customers primarily engaged in the phosphate industry. Firm customer growth from 1997 to 1998 helped to offset the impact of the unseasonably warmer weather on volumes. Temperatures during the first six months of 1998 were 17% warmer than the same period last year and 18% warmer than the 10-year average. The Company estimates that 1998 gross margin would have been approximately $700,000 higher under normal weather conditions (i.e. the 10-year average). Increased expenses are partially due to an aggressive marketing campaign designed to build awareness of the Company's services and continue building customer growth. In addition, compensation, customer installation and rent expenses increased. These are partially offset by decreased data processing costs, legal fees, pensions and benefits. Depreciation and amortization expense increased due to plant placed in service during the past year.

NATURAL GAS TRANSMISSION

The natural gas transmission segment reported EBIT of $2,334,390 for the first six months of 1998 as compared to EBIT of $1,314,290 for the corresponding period last year - an increase of $1,020,100. The increase in EBIT is primarily due to an increase in gross margin.

FOR THE SIX MONTHS ENDED JUNE 30,	1998	1997	Change
Revenue	$ 5,632,135	$18,733,593	$(13,101,458)
Cost of Gas	1,139,829	15,254,182	(14,114,353)
Gross Margin	4,492,306	3,479,411	1,012,895
Operations & Maintenance	1,418,633	1,510,372	(91,739)
Depreciation & Amortization	535,548	445,376	90,172
Other Taxes	203,735	209,373	(5,638)
EBIT	$ 2,334,390	$ 1,314,290	$ 1,020,100

Revenues and cost of gas have declined in 1998 as a result of Eastern Shore Natural Gas Company becoming an open access pipeline on November 1, 1997. On an annual basis, the additional services will generate revenue of approximately $1.3 million. Taking into account the 1997 rate increase, revenues associated with additional capacity and lower margins on services provided to industrial customers, the Company expects gross margin during 1998 to be between $7.9 and $8.2 million (see Cautionary Statement). Comparatively, gross margin for the past two years has been $7.9 and $6.7 million for 1997 and 1996, respectively. Compensation expenditures as well as lower costs associated with the maintenance of communication equipment and the pipeline system were offset by the increase in depreciation and amortization due to capital additions placed in service during the past year.

PROPANE DISTRIBUTION AND MARKETING

As previously stated, Xeron has been combined with Chesapeake's propane distribution operation for financial statement reporting. Due to the high volume, low margin nature of the wholesale propane business, Xeron's revenues are strongly influenced by the wholesale cost of propane. See Note 2 to the Consolidated Financial Statements for further disclosure of Xeron's revenues and net income for the periods shown.

For the first six months of 1998, the propane segment reported EBIT of $1,325,144, as compared to $1,370,509 for the same period last year. The decrease in EBIT is due to lower margins, mostly offset by lower operating expenses.

FOR THE SIX MONTHS ENDED JUNE 30,	1998	1997	Change
Revenue	$56,270,628	$67,694,282	$(11,423,654)
Cost of Sales	49,438,683	60,429,061	(10,990,378)
Gross Margin	6,831,945	7,265,221	(433,276)
Operations & Maintenance	4,532,201	4,946,810	(414,609)
Depreciation & Amortization	649,681	594,820	54,861
Other Taxes	324,919	353,082	(28,163)
EBIT	$ 1,325,144	$ 1,370,509	$ (45,365)

The decrease in gross margin is primarily due to a 37% reduction in wholesale marketing margins combined with a one-percent reduction in margins from the distribution operation. Wholesale margins are down due to a reduction in the margin earned per gallon, somewhat offset by an increase in gallons marketed. Although the distribution margins are down slightly due to the unseasonably warmer weather, customer growth has helped to offset the decrease. The Company estimates that distribution margins would have been $950,000 higher under normal weather conditions (i.e. the 10-year average). Operations and maintenance expenses are down due to lower incentive compensation related to lower earnings from the wholesale marketing operation partially offset by expenses related to the Company's marketing plan. Depreciation and amortization increased due to plant additions placed in service during the past year.

ADVANCED INFORMATION SERVICES

The advanced information services segment recognized an EBIT of $604,930 and $721,300 for the six months ended June 30, 1998 and

1997, respectively. This decrease in EBIT of $116,370 is attributable to a reduction on margin earned during the first quarter coupled with a second quarter rise in expenses. Gross margin for the second quarter increased, helping to offset the first quarter results.

FOR THE SIX MONTHS ENDED JUNE 30,	1998	1997	Change
Revenue	$ 4,748,914	$ 3,903,552	$ 845,362
Cost of Sales	2,308,662	1,627,180	681,482
Gross Margin	2,440,252	2,276,372	163,880
Operations & Maintenance	1,538,056	1,328,787	209,269
Depreciation & Amortization	83,773	50,763	33,010
Other Taxes	213,493	175,522	37,971
EBIT	$ 604,930	$ 721,300	$ (116,370)

Higher revenues are primarily due to increased sales of consulting services. Increased compensation and training expenses due to associated increases in staffing levels partially offset the additional revenue. To improve service to our customers, the Company opened a new office in Detroit, Michigan and increased both billable and management staffing during the second half of 1997. The additional expenses associated with the new office and management infrastructure, coupled with increased marketing activity, is having a negative impact on 1998 earnings.

OPERATING INCOME TAXES

During the first quarter of 1997, the Company recorded $318,000 as a one-time expense to establish deferred income taxes due to the acquisition of Tri-County Gas Company, Inc. Exclusive of this expense, operating income taxes increased approximately $169,000.

ENVIRONMENTAL MATTERS

The Company continues to work with federal and state environmental agencies to assess the environmental impacts and explore corrective action at several former gas manufacturing plant sites (see Note 4 to the Consolidated Financial Statements). The Company believes that any future costs associated with these sites will be recoverable in future rates.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's capital requirements reflect the capital-intensive nature of its business and are attributable principally to its construction program and the retirement of its outstanding debt. The Company relies on funds provided by operations and short-term borrowings to meet normal working capital requirements and temporarily finance capital expenditures. During the first six months of 1998, the Company's net cash flow provided by operating activities, net cash used by investing activities and net cash used by financing activities were approximately $10.6 million, $4.7 million and $8.0 million, respectively. Due to the seasonal nature of the Company's business, there are substantial variations in the results of operations reported on a quarterly basis.

The Board of Directors has authorized the Company to borrow up to $20 million from various banks and trust companies. As of June 30, 1998, the Company had four unsecured bank lines of credit, totaling $34 million. Funds provided from these lines of credit are used for short-term cash needs to meet seasonal working capital requirements and to fund portions of its capital expenditures. The outstanding balances of short-term borrowings at June 30, 1998 and 1997 were $2.1 and $9.9 million, respectively.

During the six months ended June 30, 1998 and 1997, net property, plant and equipment expenditures were approximately $4.7 and $6.1 million, respectively. Chesapeake has budgeted $15.5 million for capital expenditures during 1998. This amount includes $9.1 million and $2.0 million for natural gas and propane distribution, respectively; $3.1 million for natural gas transmission, $395,000 for advanced information services and $987,000 for general plant. The natural gas and propane distribution expenditures are for expansion and improvement of facilities in existing service territories. Natural gas transmission expenditures are for improvement and expansion of the pipeline system. The advanced information services expenditures are for computer hardware, software and related equipment. Financing for the 1998 construction program is expected to be provided from short-term borrowing and cash from operations. The construction program is subject to continuous review and modification. Actual construction expenditures may vary from the above estimates due to a number of factors including inflation, changing economic conditions, regulation, sales growth and the cost and availability of capital.

Chesapeake has budgeted $2.8 million for environmental related expenditures during 1998 and expects to incur additional expenditures in future years (see Note 4 to the Consolidated Financial Statements), a portion of which may need to be financed through external sources. Management does not expect such financing to have a material adverse effect on the financial position or capital resources of the Company.

The Company is continually evaluating new business opportunities and acquisitions, some of which may require the Company to obtain financing. Management will consider the impact of any such financing on the Company's financial position in its evaluation of the business opportunity or acquisition. Such financings are not expected to have a material adverse effect on the financial position or capital resources of the Company.

As of June 30, 1998, common equity represented 60.6% of permanent capitalization, compared to 58.1% as of December 31, 1997. The Company remains committed to maintaining a sound capital structure and strong credit ratings in order to provide the financial flexibility needed to access the capital markets when required. This commitment, along with adequate and timely rate relief for the Company's regulated operations, helps to ensure that the Company will be able to attract capital from outside sources at a reasonable cost.

OTHER MATTERS

THE YEAR 2000

Chesapeake is dependent upon a variety of information systems to operate efficiently and effectively. In order to address the impact of the year 2000 on its many information systems, Chesapeake is in the process of evaluating and remediating any deficiencies. The Company has segregated the evaluation of its readiness and the potential impact of the year 2000 on its systems into two components: primary internal applications and other applications. Chesapeake's primary applications include systems for its financial information; natural gas customer information and billing; and propane customer information, billing and delivery. Other applications include systems for services such as telephone, system control and data acquisition for the pipeline, as well as other vendors' systems. Chesapeake has updated its propane customer information, billing and delivery system to a year 2000 compliant version. This system will be tested further during 1998 to insure compliance. The Company's has recently completed testing of its other two primary applications and has deemed them year 2000 compliant. Chesapeake has developed an inventory of other applications and is in the process contacting vendors and testing applications. Remediation will be done to the extent necessary.

CAUTIONARY STATEMENT

Statements made herein and elsewhere in this Form 10-Q that are not historical fact are forward-looking statements. In connection with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, Chesapeake is providing the following cautionary statement to identify important factors that could cause actual results to differ materially from those anticipated in forward-looking statements made herein or otherwise by or on behalf of the Company.

A number of factors and uncertainties make it difficult to predict the effect on future operating results, relative to historical results, of Eastern Shore operating as an open access pipeline. While open access eliminates industrial interruptible sales margins, such sales have varied widely from year to year and, in future years, might have made a less significant contribution to earnings even in the absence of open access.

In addition, a number of factors and uncertainties affecting other aspects of Chesapeake's business could have a material impact on earnings. These include: the seasonality and temperature sensitivity of the natural gas and propane businesses; the relative price of alternative energy sources; the effects of competition on both unregulated and natural gas sales, now that the Company operates in an open access environment; and with respect to the acquisition of Xeron, Inc., the price volatility in wholesale propane transactions. There are also uncertainties relative to the impact of the year 2000 on the information systems of the Company, its vendors and other third parties.

RECENT ACCOUNTING PRONOUNCEMENTS

Comprehensive Income - As of January 1, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income, which requires additional disclosures with respect to certain changes in assets and liabilities that previously were not reported as results of operations for the period.

Segment Information - The Financial Accounting Standards Board has issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, which became effective for periods beginning after December 15, 1997. Interim reporting is not required under SFAS No. 131 prior to its adoption. SFAS No. 131 requires financial and descriptive information with respect to "operating segments" of an entity based on the way management disaggregates the entity for making internal operating decisions. The Company will begin making the disclosures required by SFAS No. 131 with financial statements for the period ending December 31, 1998. The impact of SFAS No. 131 will only effect disclosure, as results are disaggregated. There will be no financial impact from the adoption.

Pensions and Other Post-retirement Benefits - The FASB has issued SFAS No. 132, Employers' Disclosures about Pensions and Other Post-retirement Benefits, for periods beginning after December 15, 1997. Interim reporting is not required prior to its adoption. This statement standardizes the disclosure requirements for pensions and other post-retirement benefits, requires additional information on changes in the benefit obligations and fair values of plan assets and eliminates certain disclosures that are no longer useful. The Company will begin making the disclosures required by SFAS No. 132 with financial statements for the period ending December 31, 1998. The impact of SFAS No. 132 will only effect disclosure. There will be no financial impact from the adoption.

Derivatives - SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Management is currently assessing any financial impact the adoption may have.

PART II
OTHER INFORMATION

CHESAPEAKE UTILITIES CORPORATION AND SUBSIDIARIES

Item 1: Legal Proceedings
See Note 4 to the Consolidated Financial Statements

Item 2(c): Changes in Securities
Previously reported by the Company on Form 8-K, filed with the Securities and Exchange Commission on June 11, 1998.

Item 3: Defaults upon Senior Securities
None

Item 4: Submission of Matters to a Vote of Security Holders
The annual Meeting of Stockholders was held on May 19, 1998. Proposals as submitted in the proxy statement were voted on as follows:

(1) All nominees to the Board of Director were elected to the classes indicated in the proxy statement.
(2) Ratification of amendments to the Company's Performance Incentive Plan for the purposes of:
    (a) increasing the aggregate number of shares of common stock subject to awards;
    (b) extending the term of the Plan for five years through December 31, 2006; and
    (c) permitting the Board of Directors greater flexibility to amend, modify or terminate the Plan, subject to shareholder approval requirements imposed by applicable law.
(3) Ratification of amendments to the Company's Certificate of Incorporation to change the number of directors constituting the full Board, with the precise number determined by the Board, and to make a corresponding change in the number of directors required for a quorum.
(4) Ratification of the selection of the Company's independent auditors through the fiscal year ending December 31, 1998 was approved.

Item 5: Other Information
None

Item 6(a): Exhibits
(3.1) Restated Certificate of Incorporation of Chesapeake Utilities Corporation is filed herewith.

(3.2) Amended Bylaws of Chesapeake Utilities Corporation are filed herewith.

Item 6(b): Reports on Form 8-K
(1) On April 29, 1998, the Company filed under Item 5 that the Company had agreed to purchase all of the outstanding shares of Xeron, Inc.
(2) On June 11, 1998, the Company filed under Item 2 that the company had acquired all of the outstanding stock of Xeron, Inc. on May 29, 1998.

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 UTILITIES CORPORATION

/s/ Michael P. McMasters
- ----------------------------------
Michael P. McMasters
Vice President, Treasurer and Chief Financial Officer

Date: August 14, 1998

UT

This schedule contains summary financial information extracted from
the Balance Sheet, Income Statement and Statement of Cash Flows
of Chesapeake Utilities Corporation and is qualified in its entirety
by reference to such financial statements.

6-MOS
DEC-31-1998
JUN-30-1998
PER-BOOK
78824511
25702754
21511067
11575896
0
137614228
2462270
23601702
31709187
58322151
0
0
37892000
2100000
0
0
520000
0
0
0
38780077
137614228
103764046
2503381
18353227
20856608
5732237
200417
5932654
1641544
4291110
0
4291110
2228094
1487016
10634780
.85
.83

RESTATED CERTIFICATE OF INCORPORATION

OF

CHESAPEAKE UTILITIES CORPORATION

EIGHTH: The number of directors which shall constitute the whole Board of Directors of the Corporation shall be fixed from time to time by resolution of a majority of directors in office; provided that there shall be not fewer than five or more than fifteen directors. The Board shall be divided into three classes, Class I, Class II and Class III. The number of directors in each class shall be the whole number contained in the quotient arrived at by dividing the number of directors fixed by the Board by three and if a fraction is also contained in such quotient, and if such fraction is one-third (1/3) the extra director shall be a member of Class III and if the fraction is two-thirds (2/3) one of the directors shall be a member of Class III and the other shall be a member of Class II. Each director shall serve for a term ending on the third annual meeting following the annual meeting at which such director was elected. The foregoing notwithstanding, each director shall serve until such director's successor shall have been duly elected and qualified, unless such director shall resign, become disqualified, disabled or shall otherwise be removed.

At each annual election, the directors chosen to succeed those whose terms then expire shall be identified as being of the same class as the directors they succeed. If for any reason the number of directors in the various classes shall not conform with the formula set forth in the preceding paragraph, the Board of Directors may redesignate any director into a different class in order that the balance of directors in such classes shall conform thereto.

The Board of Directors, at its first meeting after each annual meeting of stockholders, shall choose such officers with such titles and duties as shall be stated in the Bylaws of the Corporation, who shall hold office until their successors are chosen and qualify in their stead.

A majority of the number of directors fixed by the Board shall constitute a quorum for the transaction of business, and if at any meeting of the Board of Directors there shall be less than a quorum, a majority of those present may adjourn the meeting from time to time. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors unless a greater number be required by law or by the Certificate of Incorporation.

No director of the Corporation shall be removed from office as a director by vote or other action of stockholders or otherwise unless the director to be removed is physically or mentally disabled or incapacitated to such an extent that such director is unable to perform the duties of a director, or unless the director has been convicted of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal, or unless the director to be removed has been adjudged to be liable for misconduct in the performance of such director's duty to the Corporation by a court of competent jurisdiction and such adjudication is no longer subject to direct appeal.

IN WITNESS WHEREOF, said CHESAPEAKE UTILITIES CORPORATION has caused its corporate seal to be hereunto affixed and this Restated Certificate of Incorporation to be signed by John R. Schimkaitis, its President, and attested by William C. Boyles, its Assistant Secretary, this 19th day of May, 1998.

Chesapeake Utilities Corporation

By /s/ John R. Schimkaitis

John R. Schimkaitis, President

(Corporate Seal)

Attest:

By /s/ William C. Boyles

William C. Boyles, Assistant Secretary

CHESAPEAKE UTILITIES CORPORATION

BYLAWS

(Including revisions through July 11, 1997)

ARTICLE III

DIRECTORS

3.2 Composition of the Board. The number of Directors which shall constitute the Board shall be fixed from time to time by resolution of a majority of directors in office; provided, that their number shall not be less than five nor more than fifteen. Directors shall be divided into three classes , as specified in the Certificate of Incorporation. Directors shall be elected at the annual meeting of the stockholders, and each Director shall be elected to serve until such Director's successor shall be elected and shall qualify; provided, however, no person who shall have attained the age of 75 years by the date of election shall be eligible for election as a Director of the Corporation. Directors shall be stockholders. The Board of Directors at its first meeting after each annual meeting of stockholders shall elect the Chair of the Board who shall perform such duties as are specified in these Bylaws or are properly required of the Chair by the Board of Directors.

3.11 Quorum; Adjournment. At all meetings of the Board a majority of the number of directors fixed by the Board shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by law or by the Certificate of Incorporation or these Bylaws. Whether or not a quorum is present at any meeting of the Board, a majority of the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting.