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From: Eoin Treacy (FT MONEY LTD) <eointreacy@bloomberg.net>
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By Allison McNeely

(Bloomberg) -- Chesapeake Energy Corp.'s efforts to remain on the right side of its covenants may not be enough if higher oil and gas prices don't materialize.

* The Oklahoma City-based producer once led by Aubrey McClendon is likely to trip its leverage covenant and will need to seek waivers from some of its lenders, according to CreditSights.

** The company warned there is doubt about its ability to continue operating. Its shares and bonds have plunged since reporting earnings Nov. 5.

* Based on price assumptions of \$55 per barrel for oil and \$2.50 per million British thermal units for natural gas as well as no debt reduction, Chesapeake is likely to trip its leverage covenant by the third quarter of next year, if not sooner, CreditSights analysts Jake Leiby and Michael Mistras wrote in the report.

** They predict Chesapeake will have a free cash flow shortfall of about \$50 million in 2020 and finish the year with gross leverage of 4.6 times debt to a measure of earnings, above the 4.25 ratio in its covenant.

* It's possible that lenders behind Chesapeake's first-lien revolving credit facility cut the company some slack, but any waivers are likely to include tight restrictions on refinancing its junior debt, adding to the challenges ahead, the analysts wrote in the note.

* Asset sales won't be much help either given the weak market and the company's need to sell them at a high enough price to reduce leverage, CreditSights said in the report.

* A spokesman for Chesapeake didn't immediately respond to a request for comment.

* DATA POINTS

* QUOTABLE

* "They spent thousands of hours on theoretical models. If you don't like reality, claim reality is wrong."

** Duston McFaul of Sidley Austin LLP, referring to Legacy Reserves Inc. creditors' arguments about an alleged low-ball valuation

Read more: Legacy's Creditors Charge 'Greed and Arrogance' in Court Battle

* DEADLINES AND DOCKETS

** All times are U.S. Eastern unless specified and are subject to late revision or cancellation.

* Thursday, Nov. 7

** Alta Mesa Resources hearing on stay motions, 9 a.m.

** EP Energy final hearing on first days, 1:30 p.m. CT

* READING LIST

** News, research and insight relevant to distressed investing

* Frontier Fuels Speculation on Its Fate by Draining Credit Line

* Dean Foods Bondholders Are Said to Tap Advisers for Debt Talks

* Mallinckrodt Sinks After Saying It's Exploring Contingency Plans

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--With assistance from Jeremy Hill.

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