DEVON ENERGY CORP/DE

FORM 10-Q
(Quarterly Report)

Filed 05/14/01 for the Period Ending 03/31/01

Address	333 W. SHERIDAN AVENUE OKLAHOMA CITY, OK 73102
Telephone	4055528183
CIK	0001090012
Symbol	DVN
SIC Code	1311 - Crude Petroleum and Natural Gas
Fiscal Year	12/31

DEVON ENERGY CORP/DE

FORM 10-Q
(Quarterly Report)

Filed 5/14/2001 For Period Ending 3/31/2001

Address	20 N BROADWAY STE 1500
	OKLAHOMA CITY, Oklahoma 73102
Telephone	405-235-3611
CIK	0001090012
Industry	Oil & Gas Operations
Sector	Energy
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2001

OR

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

Commission File No. 000-30176

DEVON ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	73-1567067 (I.R.S. Employer Identification Number)
20 NORTH BROADWAY, SUITE 1500 OKLAHOMA CITY, OKLAHOMA (Address of Principal Executive Offices)	73102 -8260 (Zip Code)

Registrant's telephone number, including area code: (405) 235-3611

Not applicable

Former name, former address and former fiscal year, if changed from 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 .

The number of shares outstanding of Registrant's common stock, par value $.10, as of April 30, 2001, was 129,420,000.

1 of 83 total pages

(Exhibit Index is found at page 29)

DEVON ENERGY CORPORATION

Index to Form 10-Q Quarterly Report
to the Securities and Exchange Commission

DEFINITIONS

As used in this document:
"Mcf" means thousand cubic feet
"MMcf" means million cubic feet
"Bcf" means billion cubic feet
"Bbl" means barrel
"MBbls" means thousand barrels
"MMBbls" means million barrels
"Boe" means equivalent barrels of oil

"Mboe" means thousand equivalent barrels of oil "Oil" includes crude oil and condensate "NGLs" means natural gas liquids

DEVON ENERGY CORPORATION

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2001 AND 2000

(FORMING A PART OF FORM 10-Q QUARTERLY REPORT
TO THE SECURITIES AND EXCHANGE COMMISSION)

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	MARCH 31, 2001 (UNAUDITED)	DECEMBER 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 609,702	228,050
Accounts receivable	555,967	615,463
Inventories	40,256	47,272
Deferred income taxes	8,979	8,979
Investments and other current assets	35,199	34,373
Total current assets	1,250,103	934,137
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties	9,966,413	9,709,352
Less accumulated depreciation, depletion and amortization	4,925,204	4,799,816
	5,041,209	4,909,536
Investment in Chevron Corporation common stock, at fair value	622,715	598,867
Goodwill, net of amortization	286,227	289,489
Other assets	126,498	128,449
Total assets	$ 7,326,752	6,860,478
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable:		
Trade	314,325	305,210
Revenues and royalties due to others	117,306	151,951
Income taxes payable	162,546	65,674
Accrued interest payable	31,690	23,191
Merger related expenses payable	23,799	36,981
Accrued expenses and other current liabilities	47,127	45,980
Total current liabilities	696,793	628,987
Other liabilities	180,429	164,469
Debentures exchangeable into shares of Chevron Corporation common stock	639,257	760,313
Other long-term debt	1,229,916	1,288,523
Deferred revenue	97,545	113,756
Fair value of derivative instruments	89,711	--
Deferred income taxes	728,552	626,826
Stockholders' equity:		
Preferred stock of $1.00 par value ($100 liquidation value) Authorized 4,500,000 shares; issued 1,500,000 in 2001 and 2000	1,500	1,500
Common stock of $.10 par value Authorized 400,000,000 shares; issued 129,414,000 in 2001 and 128,638,000 in 2000	12,941	12,864
Additional paid-in capital	3,582,982	3,563,994
Retained earnings (accumulated deficit)	176,654	(214,708)
Accumulated other comprehensive loss	(108,961)	(85,397)
Unamortized restricted stock awards	(567)	(649)
Total stockholders' equity	3,664,549	3,277,604
Total liabilities and stockholders' equity	$ 7,326,752	6,860,478

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED MARCH 31, 2001	2000
	(UNAUDITED)	
REVENUES		
Oil sales	$ 253,982	270,157
Gas sales	725,164	240,817
Natural gas liquids sales	32,337	37,377
Other	12,104	12,065
Total revenues	1,023,587	560,416
COSTS AND EXPENSES		
Lease operating expenses	122,648	106,707
Transportation costs	17,404	11,813
Production taxes	44,509	19,398
Depreciation, depletion and amortization of property and equipment	182,892	165,252
Amortization of goodwill	8,462	10,332
General and administrative expenses	22,262	24,850
Interest expense	34,538	40,076
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	2,408
Total costs and expenses	432,715	380,836
Earnings before change in fair value of derivative instruments, income tax expense, and cumulative effect of change in accounting principle	590,872	179,580
Change in fair value of derivative instruments	(14,042)	--
Earnings before income tax expense and cumulative effect of change in accounting principle	576,830	179,580
INCOME TAX EXPENSE		
Current	144,096	36,147
Deferred	81,919	38,246
Total income tax expense	226,015	74,393
Earnings before cumulative effect of change in accounting principle	350,815	105,187
Cumulative effect of change in accounting principle, net of income tax expense of $31,617	49,452	--
Net earnings	400,267	105,187
Preferred stock dividends	2,434	2,434
Net earnings applicable to common shareholders	$ 397,833	102,753
Net earnings before cumulative effect of change in accounting principle per average common share outstanding:		
Basic	$ 2.70	0.81
Diluted	$ 2.59	0.80
Net earnings per average common share outstanding:		
Basic	$ 3.08	0.81
Diluted	$ 2.96	0.80
Weighted average common shares outstanding - basic	129,030	126,336
Weighted average common shares outstanding - diluted	135,361	127,667

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS
(IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	(UNAUDITED)	
Net earnings	$ 400,267	105,187
Other comprehensive (loss) earnings, net of tax:		
Foreign currency translation adjustments	(19,634)	(355)
Cumulative effect of change in accounting principle	(36,579)	--
Reclassification adjustment for derivative losses reclassified into oil and gas sales	4,643	--
Change in fair value of outstanding hedging positions	13,459	--
Unrealized gains on marketable securities	14,547	25,447
Comprehensive earnings	$ 376,703	130,279

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31, 2001	2000
	(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 400,267	105,187
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization of property and equipment	182,892	165,252
Amortization of goodwill	8,462	10,332
Accretion of interest on zero-coupon convertible senior debentures	3,483	--
Amortization of discounts (premiums) on other long-term debt	1,985	(923)
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	2,408
Gain on sale of assets	(49)	(22)
Change in fair value of derivative instruments	14,042	--
Cumulative effect of change in accounting principle	(49,452)	--
Deferred income taxes	81,919	38,246
Other	302	1,900
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	79,130	(29,370)
Inventories	7,044	(247)
Prepaid expenses	(24,416)	(9,807)
Other assets	(12,600)	(10,551)
Increase (decrease) in:		
Accounts payable	2,319	(1,678)
Income taxes payable	96,977	26,141
Accrued expenses and other current liabilities	(20,910)	(3,611)
Deferred revenue	(16,014)	61,700
Long-term other liabilities	1,349	(8,887)
Net cash provided by operating activities	756,730	345,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	22,215	3,448
Capital expenditures	(345,926)	(436,055)
Decrease in other assets	--	96
Net cash used in investing activities	(323,711)	(432,511)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings of long-term debt, net of issuance costs	62,406	487,386
Principal payments on long-term debt	(117,763)	(505,670)
Issuance of common stock, net of issuance costs	32,403	11,186
Repurchase of common stock	(13,337)	(8,800)
Issuance of treasury stock	--	1,900
Dividends paid on common stock	(6,471)	(4,317)
Dividends paid on preferred stock	(2,434)	(2,434)
Decrease in long-term other liabilities	(5,163)	(4,522)
Net cash used in financing activities	(50,359)	(25,271)
Effect of exchange rate changes on cash	(1,008)	(467)
Net increase (decrease) in cash and cash equivalents	381,652	(112,279)
Cash and cash equivalents at beginning of period	228,050	173,167
Cash and cash equivalents at end of period	$ 609,702	60,888

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

On August 29, 2000, Devon Energy Corporation ("Devon") and Santa Fe Snyder Corporation ("Santa Fe Snyder") completed a merger of the two companies (the "Santa Fe Snyder merger"). At that date, Santa Fe Snyder became a wholly-owned subsidiary of Devon. The Santa Fe Snyder merger was accounted for under the pooling-of-interests method of accounting for business combinations. All operational and financial information contained herein includes the combined amounts of Devon and Santa Fe Snyder for all periods presented.

The accompanying consolidated financial statements and notes thereto have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in Devon's 2000 Annual Report on Form 10-K.

In the opinion of Devon's management, all adjustments (all of which are normal and recurring) have been made which are necessary to fairly state the consolidated financial position of Devon and its subsidiaries as of March 31, 2001, and the results of their operations and their cash flows for the three month periods ended March 31, 2001 and 2000. Certain of the 2000 amounts in the accompanying consolidated financial statements have been reclassified to conform to the 2001 presentation.

2. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

As of January 1, 2001, Devon adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an Amendment of SFAS No. 133." SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded on the balance sheet at their respective fair values. In accordance with the transition provisions of SFAS No. 133, Devon recorded a net-of-tax cumulative-effect-type adjustment of a $36.6 million loss in accumulated other comprehensive loss to recognize at fair value all derivatives that are designated as cash-flow hedging instruments. Additionally, Devon recorded a net-of-tax cumulative-effect-type adjustment to net earnings for a $49.5 million gain ($0.38 per basic share and $0.37 per diluted share) related to the fair value of derivative instruments that do not qualify as hedges. This gain related principally to the option embedded in Devon's debentures that are exchangeable into shares of Chevron Corporation common stock.

All derivatives are recognized on the balance sheet at their fair value. All of Devon's derivatives that qualify for hedge accounting treatment are either "cash flow" hedges or "foreign currency cash flow" hedges (collectively, "cash flow hedges"). Devon designates its cash flow hedge derivatives as such on the date the derivative contract is entered into. Devon formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. Devon also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

During the first quarter of 2001, there were no gains or losses reclassified into earnings as a result of the discontinuance of hedge accounting treatment for any of Devon's derivatives.

By using derivative instruments to hedge exposures to changes in commodity prices and exchange rates, Devon exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. To mitigate this risk, the hedging instruments are usually placed with counterparties that Devon believes are minimal credit risks.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates, commodity prices, or currency exchange rates. The market risk associated with commodity price and foreign exchange contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Devon periodically enters into financial hedging activities with respect to a portion of its projected oil and natural gas production through various financial transactions to manage its exposure to oil and gas price volatility. These transactions include financial price swaps whereby Devon will receive a fixed price for its production and pay a variable market price to the contract counterparty. These transactions also include costless price collars that set a floor and ceiling price for the hedged production. If the applicable monthly price indices are outside of the ranges set by the floor and ceiling prices in the various collars, Devon and the counterparty to the collars will settle the difference. These financial hedging activities are intended to support oil and natural gas prices at targeted levels and to manage Devon's exposure to oil and gas price fluctuations. The oil and gas reference prices upon which these price hedging instruments are based reflect various market indices that have a high degree of historical correlation with actual prices received by Devon.

Devon also periodically enters into foreign exchange rate swaps to manage its exposure to oil and gas price volatility. The foreign exchange rate swaps mitigate the effect of volatility in the Canadian-to-U.S. dollar exchange rate on Canadian oil revenues that are predominantly based on U.S. dollar prices.

Devon does not hold or issue derivative instruments for trading purposes. All of Devon's commodity price financial swaps and costless price collars and foreign exchange rate swaps in place at January 1, 2001 and March 31, 2001 have been designated as cash flow hedges. Changes in the fair value of these derivatives are reported on the balance sheet in "Accumulated other comprehensive loss" ("AOCL"). These amounts are reclassified to oil and gas sales when the forecasted transaction takes place.

Devon assesses the effectiveness of its hedges based on changes in the derivative's intrinsic value. The change in the time value of the derivative is excluded from the assessment of hedge effectiveness and, along with any ineffectiveness, is recorded on the statement of operations in "Change in fair value of derivative instruments." For the quarter ended March 31, 2001, Devon recorded a net charge of less than $0.1 million which represented the ineffectiveness of the various cash flow hedges.

As of January 1, 2001, $31.9 million of net deferred losses on derivative instruments accumulated in AOCL as a result of the $36.6 million transition adjustment are expected to be reclassified to earnings during the next 12 months.

As of March 31, 2001, $16.1 million of net deferred losses on derivative instruments accumulated in AOCL are expected to be reclassified to earnings during the next 12 months. Transactions and events expected to occur over the next 12 months that will necessitate reclassifying these derivatives' losses to earnings are the production and sale of oil and gas which includes the production hedged under the various derivative instruments. The maximum term over which the Company is hedging exposures to the variability of cash flows for commodity price risk is 21 months.

Devon recorded an expense of $14.0 million in the first quarter of 2001 for the change in fair value of derivative instruments. Substantially all of this expense related to the fair value change in the option that is embedded in Devon's debentures which are exchangeable into shares of Chevron Corporation common stock.

3. EARNINGS PER SHARE

The following tables reconcile the net earnings and common shares outstanding used in the calculations of basic and diluted earnings per share for the three-month periods ended March 31, 2001 and 2000.

Options to purchase approximately 0.8 million shares of Devon's common stock with exercise prices ranging from $58.84 per share to $89.66 per share (with a weighted average price of $66.49 per share) were outstanding at March 31, 2001, but were not included in the computation of diluted earnings per share for the first quarter of 2001 because the options' exercise price exceeded the average market price of Devon's common stock during the first quarter. Similarly, options to purchase approximately 2.6 million shares of Devon's common stock with exercise prices ranging from $39.44 per share to $92.78 per share (with a weighted average price of $59.96 per share) were excluded from the diluted earnings per share calculation for the first quarter of 2000. The excluded options for the 2001 period expire between May 22, 2001 and February 22, 2011.

3. EARNINGS PER SHARE (CONTINUED)

	NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	COMMON SHARES OUTSTANDING	NET EARNINGS PER SHARE
	(IN THOUSANDS)		
THREE MONTHS ENDED MARCH 31, 2001:			
Basic earnings per share	$397,833	129,030	$3.08
Dilutive effect of:			
Potential common shares issuable upon conversion of senior convertible debentures (the increase in net earnings is net of income tax expense of $1,380,000)	2,159	4,377	
Potential common shares issuable upon the exercise of outstanding stock options	--	1,954	
Diluted earnings per share	$399,992	135,361	$2.96
THREE MONTHS ENDED MARCH 31, 2000:			
Basic earnings per share	$102,753	126,336	$0.81
Dilutive effect of potential common shares issuable upon the exercise of outstanding stock options	--	1,331	
Diluted earnings per share	$102,753	127,667	$0.80

4. SEGMENT INFORMATION

Devon manages its business by country. As such, Devon identifies its segments based on geographic areas. Devon has three segments: its operations in the U.S., its operations in Canada and its international operations outside of North America. Substantially all of these segments' operations involve oil and gas producing activities. Following is certain financial information regarding Devon's segments for the first quarters of 2001 and 2000. The revenues reported are all from external customers.

	U.S.	CANADA	INTER-NATIONAL	TOTAL
		(IN THOUSANDS)		
AS OF MARCH 31, 2001:				
Current assets	$ 928,456	83,797	237,850	1,250,103
Property and equipment, net of accumulated depreciation, depletion and amortization	3,679,823	597,381	764,005	5,041,209
Investment in Chevron Corporation common stock	622,715	--	--	622,715
Goodwill, net of amortization	238,880	--	47,347	286,227
Other assets	123,152	82	3,264	126,498
Total assets	$5,593,026	681,260	1,052,466	7,326,752
Current liabilities	460,627	105,336	130,830	696,793
Other liabilities	144,423	796	35,210	180,429
Debentures exchangeable into shares of Chevron Corporation common stock	639,257	--	--	639,257
Other long-term debt	1,144,326	85,590	--	1,229,916
Deferred revenue	96,325	729	491	97,545
Fair value of derivative instruments	63,822	25,889	--	89,711
Deferred income taxes	616,451	83,327	28,774	728,552
Stockholders' equity	2,427,795	379,593	857,161	3,664,549
Total liabilities and stockholders' equity	$5,593,026	681,260	1,052,466	7,326,752

4. SEGMENT INFORMATION (CONTINUED)

	U.S.	CANADA	INTER-NATIONAL	TOTAL
		(IN THOUSANDS)		
THREE MONTHS ENDED MARCH 31, 2001:				
REVENUES				
Oil sales	$ 166,548	27,787	59,647	253,982
Gas sales	643,181	79,465	2,518	725,164
Natural gas liquids sales	27,163	5,124	50	32,337
Other	13,581	1,053	(2,530)	12,104
Total revenues	850,473	113,429	59,685	1,023,587
COSTS AND EXPENSES				
Lease operating expenses	88,463	15,337	18,848	122,648
Transportation costs	14,636	2,768	--	17,404
Production taxes	43,916	418	175	44,509
Depreciation, depletion and amortization of property and equipment	149,134	19,285	14,473	182,892
Amortization of goodwill	8,451	--	11	8,462
General and administrative expenses	20,443	1,910	(91)	22,262
Interest expense	32,168	2,115	255	34,538
Total costs and expenses	357,211	41,833	33,671	432,715
Earnings before change in fair value of derivative instruments, income tax expense and cumulative effect of change in accounting principle	493,262	71,596	26,014	590,872
Change in fair value of derivative instruments	(14,042)	--	--	(14,042)
Earnings before income tax expense and cumulative effect of change in accounting principle	479,220	71,596	26,014	576,830
INCOME TAX EXPENSE				
Current	139,877	936	3,283	144,096
Deferred	43,634	30,712	7,573	81,919
Total income tax expense	183,511	31,648	10,856	226,015
Earnings before cumulative effect of change in accounting principle	295,709	39,948	15,158	350,815
Cumulative effect of change in accounting principle	49,452	--	--	49,452
Net earnings	345,161	39,948	15,158	400,267
Preferred stock dividends	2,434	--	--	2,434
Net earnings applicable to common shareholders	$ 342,727	39,948	15,158	397,833
Capital expenditures	$ 230,754	61,364	53,808	345,926

4. SEGMENT INFORMATION (CONTINUED)

	U.S.	CANADA	INTER-NATIONAL	TOTAL
		(IN THOUSANDS)		
THREE MONTHS ENDED MARCH 31, 2000:				
REVENUES				
Oil sales	$189,834	29,473	50,850	270,157
Gas sales	206,869	31,348	2,600	240,817
Natural gas liquids sales	33,001	4,376	--	37,377
Other	11,450	1,091	(476)	12,065
Total revenues	441,154	66,288	52,974	560,416
COSTS AND EXPENSES				
Lease operating expenses	77,418	12,304	16,985	106,707
Transportation costs	9,025	2,788	--	11,813
Production taxes	19,071	227	100	19,398
Depreciation, depletion and amortization of property and equipment	139,976	15,994	9,282	165,252
Amortization of goodwill	10,326	--	6	10,332
General and administrative expenses	22,027	2,254	569	24,850
Interest expense	37,348	2,428	300	40,076
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	2,408	--	2,408
Total costs and expenses	315,191	38,403	27,242	380,836
Earnings before income tax expense	125,963	27,885	25,732	179,580
INCOME TAX EXPENSE				
Current	31,947	700	3,500	36,147
Deferred	16,496	12,910	8,840	38,246
Total income tax expense	48,443	13,610	12,340	74,393
Net earnings	77,520	14,275	13,392	105,187
Preferred stock dividends	2,434	--	--	2,434
Net earnings applicable to common shareholders	$ 75,086	14,275	13,392	102,753
Capital expenditures	$339,727	36,026	60,302	436,055

5. COMMITMENTS AND CONTINGENCIES

Devon is party to various legal actions arising in the normal course of business. Matters that are probable of unfavorable outcome to Devon and which can be reasonably estimated are accrued. Such accruals are based on information known about the matters, Devon's estimates of the outcomes of such matters and its experience in contesting, litigating and settling similar matters. None of the actions are believed by management to involve future amounts that would be material to Devon's financial position or results of operations after consideration of recorded accruals.

Environmental Matters

Devon is subject to certain laws and regulations relating to environmental remediation activities associated with past operations, such as the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and similar state statutes. In response to liabilities associated with these activities, accruals have been established when reasonable estimates are possible. Such accruals primarily include estimated costs associated with remediation. Devon has not used discounting in determining its accrued liabilities for environmental remediation, and no claims for possible recovery from third party insurers or other parties related to environmental costs have been recognized in Devon's consolidated financial statements. Devon adjusts the accruals when new remediation responsibilities are discovered and probable costs become estimable, or when current remediation estimates must be adjusted to reflect new information.

Certain of Devon's subsidiaries acquired in the PennzEnergy merger are involved in matters in which it has been alleged that such subsidiaries are potentially responsible parties ("PRPs") under CERCLA or similar state legislation with respect to various waste disposal areas owned or operated by third parties. As of March 31, 2001, Devon's consolidated balance sheet included $7.8 million of accrued liabilities, reflected in "Other liabilities," for environmental remediation. Devon does not currently believe there is a reasonable possibility of incurring additional material costs in excess of the current accruals recognized for such environmental remediation activities. With respect to the sites in which Devon subsidiaries are PRPs, Devon's conclusion is based in large part on (i) the availability of defenses to liability, including the availability of the "petroleum exclusion" under CERCLA and similar state laws, and/or (ii) Devon's current belief that its share of wastes at a particular site is or will be viewed by the Environmental Protection Agency or other PRPs as being de minimis. As a result, Devon's monetary exposure is not expected to be material.

Royalty Matters

More than 30 oil companies, including Devon, are involved in disputes in which it is alleged that such companies and related parties underpaid royalty, overriding royalty and working interests owners in connection with the production of crude oil. The proceedings include suits in federal court in Texas, Louisiana, Mississippi and Wyoming that have been consolidated into one proceeding in Texas. To avoid expensive and protracted litigation, certain parties, including Devon, have entered into a global settlement agreement which provides for a settlement of all claims of all members of the settlement class. The court held a fairness hearing and issued an Amended Final Judgment approving the settlement on September 10, 1999. However, certain entities have appealed their objections to the settlement.

Also, pending in federal court in Texas is a similar suit alleging underpaid royalties to the United States in connection with natural gas and natural gas liquids produced and sold from United States owned and/or controlled lands. The claims were filed by private litigants against Devon and numerous other producers, under the federal False Claims Act. The United States served notice of its intent to intervene as to certain defendants, but not Devon. Devon and certain other defendants are challenging the constitutionality of whether a claim under the federal False Claims Act can be maintained absent government intervention. Devon believes that it has acted reasonably and paid royalties in good faith. Devon does not currently believe that it is subject to material exposure in association with this litigation. As a result, Devon's monetary exposure in this suit is not expected to be material.

Maersk Rig Contract

In December 1997, the working interest owner partner of Pennzoil Venezuela Corporation, S.A. ("PVC"), a subsidiary of Devon as a result of the PennzEnergy merger, entered into a contract with Maersk Jupiter Drilling, S.A. ("Maersk") for the provision of a rig for drilling services relative to the anticipated drilling program associated with Devon's Block 70/80 in Lake Maracaibo, Venezuela. The rig was assembled and delivered by Maersk to Lake Maracaibo where it performed an abbreviated drilling program for both Blocks 68/79 and 70/80. It is currently stacked in Lake Maracaibo. The contract, which expires October 1, 2001, provides for early termination, with a charge for such termination which is currently estimated at $42,000 per day with certain escalation factors for the balance of the term. As of March 31, 2001, Devon's consolidated balance sheet included accrued liabilities, reflected in "Other liabilities," for the expected cost to terminate/settle the contract. Devon does not currently believe there is a reasonable possibility of incurring additional material costs in excess of the liability recognized for such termination/settlement of the contract.

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

The following discussion addresses material changes in results of operations for the three months ended March 31, 2001, compared to the three months ended March 31, 2000, and in financial condition since December 31, 2000. It is presumed that readers have read or have access to Devon's 2000 Annual Report on Form 10-K.

OVERVIEW

Devon's revenues and net earnings for the quarter ended March 31, 2001, were the highest of any quarter in its history. Net earnings for the first quarter of 2001 were $400.3 million, or $3.08 per share. This compares to net earnings of $105.2 million, or $0.81 per share for the first quarter of 2000. The increase in first quarter earnings was due to sharply higher natural gas prices and higher overall production.

RESULTS OF OPERATIONS

Total revenues increased $463.2 million, or 83%, in the first quarter of 2001. This was the result of increases in the average prices of gas and NGL, along with higher production on a combined Boe basis. Oil, gas and NGL revenues were up $463.1 million, or 84%, for the first quarter of 2001 compared to the first quarter of 2000. The quarterly comparisons of production and price changes are shown in the following tables. (Note: Unless otherwise stated, all dollar amounts are expressed in U.S. dollars.)

	TOTAL		
	THREE MONTHS ENDED MARCH 31,		
	2001	2000	CHANGE
PRODUCTION			
Oil (MBbls)	10,439	10,915	-4%
Gas (MMcf)	111,769	103,769	+8%
NGL (MBbls)	1,317	1,934	-32%
Oil, Gas and NGL (MBoe)(1)	30,384	30,144	+1%
AVERAGE PRICES			
Oil (Per Bbl)	$ 24.33	24.75	-2%
Gas (Per Mcf)	6.49	2.32	+180%
NGL (Per Bbl)	24.55	19.33	+27%
Oil, Gas and NGL (Per Boe)(1)	33.29	18.19	+83%
	(IN THOUSANDS)		
REVENUES			
Oil	$ 253,982	270,157	-6%
Gas	725,164	240,817	+201%
NGL	32,337	37,377	-13%
Combined	$1,011,483	548,351	+84%

	DOMESTIC		
	THREE MONTHS ENDED MARCH 31,		
	2001	2000	CHANGE
PRODUCTION			
Oil (MBbls)	6,702	7,564	-11%
Gas (MMcf)	94,654	85,206	+11%
NGL (MBbls)	1,141	1,760	-35%
Oil, Gas and NGL (MBoe)(1)	23,619	23,525	+0%
AVERAGE PRICES			
Oil (Per Bbl)	$ 24.85	25.10	-1%
Gas (Per Mcf)	6.80	2.43	+180%
NGL (Per Bbl)	23.81	18.75	+27%
Oil, Gas and NGL (Per Boe)(1)	35.43	18.27	+94%
	(IN THOUSANDS)		
REVENUES			
Oil	$166,548	189,834	-12%
Gas	643,181	206,869	+211%
NGL	27,163	33,001	-18%
Combined	$836,892	429,704	+95%

	CANADA		
	THREE MONTHS ENDED MARCH 31,		
	2001	2000	CHANGE
PRODUCTION			
Oil (MBbls)	1,286	1,202	+7%
Gas (MMcf)	15,192	16,378	-7%
NGL (MBbls)	174	174	+0%
Oil, Gas and NGL (MBoe)(1)	3,992	4,106	-3%
AVERAGE PRICES			
Oil (Per Bbl)	$ 21.61	24.52	-12%
Gas (Per Mcf)	5.23	1.91	+173%
NGL (Per Bbl)	29.45	25.15	+17%
Oil, Gas and NGL (Per Boe)(1)	28.15	15.88	+77%
	(IN THOUSANDS)		
REVENUES			
Oil	$ 27,787	29,473	-6%
Gas	79,465	31,348	+153%
NGL	5,124	4,376	+17%
Combined	$112,376	65,197	+72%

	INTERNATIONAL		
	THREE MONTHS ENDED MARCH 31,		
	2001	2000	CHANGE
PRODUCTION			
Oil (MBbls)	2,451	2,149	+14%
Gas (MMcf)	1,923	2,185	-12%
NGL (MBbls)	2	--	N/M
Oil, Gas and NGL (MBoe)(1)	2,774	2,513	+10%
AVERAGE PRICES			
Oil (Per Bbl)	$ 24.34	23.66	+3%
Gas (Per Mcf)	1.31	1.19	+10%
NGL (Per Bbl)	25.00	N/M	N/M
Oil, Gas and NGL (Per Boe)(1)	22.43	21.27	+5%
	(IN THOUSANDS)		
REVENUES			
Oil	$59,647	50,850	+17%
Gas	2,518	2,600	-3%
NGL	50	--	N/M
Combined	$62,215	53,450	+16%

(1) Gas volumes are converted to Boe or MBoe at the rate of six Mcf of gas per barrel of oil, based upon the approximate relative energy content of natural gas and oil, which rate is not necessarily indicative of the relationship of oil and gas prices. The respective prices of oil, gas and NGL are affected by market and other factors in addition to relative energy content.

N/M Not meaningful.

OIL REVENUES. Oil revenues decreased $16.2 million, or 6%, in the first quarter of 2001. Oil revenues decreased $4.4 million due to a $0.42 per barrel decrease in the average price of oil in 2001. A decrease in 2001's production of 0.5 million barrels caused oil revenues to decrease by $11.8 million. This reduction was primarily the result of the disposition of certain domestic and international properties whose production was included in the 2000 quarter but which were sold prior to the 2001 quarter.

GAS REVENUES. Gas revenues increased $484.4 million, or 201%, in 2001's first quarter. Production rose 8.0 Bcf in the 2001 period, which added $18.6 million of gas revenues. A $4.17 per Mcf increase in the average gas price in the first quarter of 2001 contributed $465.8 million of the increase in gas revenues.

The largest contributor to the 2001 production increase was production added as a result of new drilling and development domestically, primarily in Devon's coalbed methane properties.

These domestic increases were partially offset by a decline in Canadian gas production of 1.2 Bcf, or 7% in the 2001 quarter. Increased royalty rates and natural declines, partially offset by new drilling, development and acquisitions were the primary reasons for the production decline. The increase in gas prices from the 2000 quarter to the 2001 quarter, resulted in an increase in the Canadian government's royalty percentage from 21.2% in the 2000 quarter to 28.8% in the 2001 quarter. Gross Canadian gas production, before royalties, was 21.3 Bcf in the 2001 quarter compared to 20.8 Bcf in the 2000 quarter.

NGL REVENUES. NGL revenues decreased $5.0 million, or 13%, in the first quarter of 2001. An increase in the average price in 2001 of $5.22 per barrel, or 27%, caused NGL revenues to increase $6.9 million in the 2001 period. A production decrease of 0.6 million barrels caused revenues to decrease $11.9 million. The production drop was primarily the result of a temporary shutdown of a gas processing plant in the Gulf of Mexico and the sale of certain domestic properties.

PRODUCTION AND OPERATING EXPENSES. The components of production and operating expenses for the first quarter of 2001 and 2000 are set forth in the following tables.

	TOTAL		
	THREE MONTHS ENDED MARCH 31,		
	2001	2000	CHANGE
ABSOLUTE (Thousands)			
Recurring operations and maintenance expenses	$ 116,192	103,555	+12%
Well workover expenses	6,456	3,152	+105%
Transportation costs	17,404	11,813	+47%
Production taxes	44,509	19,398	+129%
Total production and operating expenses	$ 184,561	137,918	+34%
PER BOE			
Recurring operations and maintenance expenses	3.82	3.44	+11%
Well workover expenses	0.21	0.10	+91%
Transportation costs	0.57	0.39	+46%
Production taxes	1.47	0.64	+130%
Total production and operating expenses	$ 6.07	4.58	+33%

Recurring operations and maintenance expenses increased $12.6 million, or 12%, in the first quarter of 2001. This increase was primarily the result of increases in fuel and electricity costs as well as increases in many third-party field service costs.

Transportation costs increased $5.6 million, primarily due to an increase in coalbed methane gas production and increases in transportation costs.

Production taxes increased $25.1 million, or 129%, in the 2001 quarter. The majority of Devon's production taxes are assessed on its onshore domestic properties. In the U.S., most of the production taxes are based on a fixed percentage of revenues. Therefore, the 95% increase in domestic oil, gas and NGL revenues in the first quarter of 2001 was the primary cause of the production tax increase. Production taxes did not increase proportionately to the increase in revenues. This was primarily due to the fact that most of the increase in domestic revenues occurred in the Rocky Mountain division which has higher production tax rates than the other domestic divisions.

DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES ("DD&A"). Oil and gas property related DD&A increased $15.3 million, or 10%, from $158.9 million in the first quarter of 2000 to $174.2 million in the first quarter of 2001. Oil and gas property related DD&A expense increased $1.3 million due to the 1% increase in combined oil, gas and NGLs production in 2001. Additionally, an increase in the combined U.S., Canadian and international DD&A rate from $5.27 per Boe in 2000 to $5.73 per Boe in 2001 caused oil and gas property related DD&A to increase by $14.0 million. The $0.46 increase in the 2001 rate over the 2000 rate is primarily the result of an increase in future development costs and the disposition of certain properties during 2000, partially offset by an increase in total reserves.

Non-oil and gas property DD&A expense increased $2.4 million from $6.3 million in the first quarter of 2000 compared to $8.7 million the first quarter of 2001. Depreciation of new non-oil and gas property and the gas pipeline and gathering system in Wyoming accounted for the increase.

AMORTIZATION OF GOODWILL. In connection with Devon's August 1999 merger with PennzEnergy Company, Devon recorded $352.1 million of goodwill. Subsequent to the first quarter of 2000, adjustments to the purchase price resulted in changes to goodwill. These changes caused goodwill amortization to decrease from $10.3 million in the first quarter of 2000 to $8.5 million in the first quarter of 2001.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A"). Devon's net G&A consists of three primary components. The largest of these components is the gross amount of expenses incurred for personnel costs, office expenses, professional fees and other G&A items. The gross amount of these expenses is partially reduced by two offsetting components. One is the amount of G&A capitalized pursuant to the full-cost method of accounting. The other is the amount of G&A reimbursed by working interest owners of properties for which Devon serves as the operator. These reimbursements are received during both the drilling and operational stages of a property's life. The gross amount of G&A incurred, less the amounts capitalized and reimbursed, is recorded as net G&A in the consolidated statements of operations. The following table is a summary of G&A expenses by component for the first quarter of 2001 and 2000.

	THREE MONTHS ENDED MARCH 31, 2001	2000
	(IN THOUSANDS)	
Gross G&A	$ 51,399	52,701
Capitalized G&A	(15,893)	(14,286)
Reimbursed G&A	(13,244)	(13,565)
Net G&A	$ 22,262	24,850

Net G&A decreased $2.6 million, or 10%, in the first quarter of 2001 compared to the first quarter of 2000. Gross G&A decreased $1.3 million, or 2%. The decrease in gross expenses in the first quarter of 2001 was primarily related to cost savings realized from the Santa Fe Snyder merger.

G&A was reduced $1.6 million due to an increase in the amount capitalized as part of oil and gas properties. The increase in capitalized G&A was primarily related to increased drilling activities. G&A, however, rose by $0.3 million due to a decrease in the amount of reimbursements on operated properties in the 2001 quarter.

INTEREST EXPENSE. Interest expense decreased $5.5 million, or 14%, in 2001's first quarter. A decrease in the average debt balance outstanding from $2.4 billion in 2000 to $1.9 billion in 2001 caused interest expense to decrease by $8.6 million. The decrease in the average debt balance in the first quarter of 2001 was primarily attributable to the repayment of long-term debt from excess cash flow. Approximately $0.1 billion of the reduction was due to certain debentures being revalued upon the adoption of a new accounting principle as discussed below.

The increase in the average rate on the debt outstanding from 6.8% in the 2000 quarter to 6.9% in the 2001 quarter resulted in a $0.3 million increase in interest expense. The increase in the rate is the result of the adoption of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133 ("SFAS No. 133") effective January 1, 2001. Pursuant to SFAS No. 133, the debentures that are exchangeable into shares of Chevron Corporation common stock were revalued as of August 17, 1999. This is the date the debentures were assumed as part of the PennzEnergy merger. Under SFAS No. 133, the total fair value of the debentures was allocated between the interest-bearing debt and the option that is embedded in the debentures. Accordingly, the debt portion of the debentures was reduced by $139.6 million as of August 17, 1999. This discount is being accreted in interest expense, which has raised the effective interest rate on the debentures to 7.76% in the first quarter of 2001 compared to 4.92% recorded prior to 2001. The accretion in the first quarter of 2001 was $3.0 million.

The following schedule includes the components of interest expense for the first quarter of 2001 and 2000.

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000
	(IN THOUSANDS)	
Interest on debt outstanding	$ 32,401	40,698
Amortization of discounts (premiums)	1,985	(923)
Facility and agency fees	277	690
Amortization of capitalized loan costs	300	447
Capitalized interest	(694)	(696)
Other	269	(140)
Total interest expense	$ 34,538	40,076

DEFERRED EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATE ON SUBSIDIARY'S LONG-TERM DEBT. Until mid-January 2000, Devon's Canadian subsidiary Northstar Energy Corporation had certain fixed-rate senior notes which were denominated in U.S. dollars. Changes in the exchange rate between the U.S. dollar and the Canadian dollar from the dates the notes were issued to the date of repayment increased or decreased the expected amount of Canadian dollars eventually required to repay the notes. Such changes in the Canadian dollar equivalent balance of the debt were required to be included in determining net earnings for the period in which the exchange rate changed. In mid-January 2000, the U.S. dollar denominated notes were retired prior to maturity with cash on hand and borrowings under Devon's long-term credit facilities. The Canadian-to-U.S. dollar exchange rate dropped slightly in January 2000 prior to the debt retirement. As a result, $2.4 million of expense was recognized in the first quarter of 2000.

CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS. As a result of the adoption of SFAS No. 133 effective January 1, 2001, all derivatives are included on the balance sheet at their fair value. The $14.0 million charge included in the first quarter of 2001 principally represents the change in the fair value of derivatives that do not qualify as hedges. The change is primarily the result of changes in the fair value of the option embedded in the debentures exchangeable into shares of Chevron Corporation common stock.

INCOME TAXES. During interim periods, income tax expense is based on the estimated effective income tax rate that is expected for the entire fiscal year. The estimated effective tax rate in the first quarter of 2001 was 39%, compared to 41% estimated in the first quarter of 2000.

The lower expected 2001 rate is primarily due to the effect of certain components of 2001's income tax expense that will not fluctuate in relation to pre-tax earnings. Examples are the amounts of amortization of goodwill and certain Canadian DD&A recorded for financial statement purposes that are not deductible for income tax purposes, and the Canadian large corporation tax that is based on capitalization levels instead of pre-tax earnings. As pre-tax earnings increase as they did in 2001, these fixed components have less impact on the effective tax rate.

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), requires that the tax benefit of available tax carryforwards be recorded as an asset to the extent that management assesses the utilization of such carryforwards to be "more likely than not". When the future utilization of some portion of the carryforwards is determined not to be "more likely than not", SFAS No. 109 requires that a valuation allowance be provided to reduce the recorded tax benefits from such assets.

Included as deferred tax assets at March 31, 2001, were approximately $208 million of net operating loss carryforwards. The carryforwards include U.S. federal net operating loss carryforwards, the majority of which do not begin to expire until 2008, U.S. state net operating loss carryforwards which expire primarily between 2002 and 2014, Canadian carryforwards which expire primarily between 2001 and 2007 and minimum tax credits which have no expiration. Devon expects the tax benefits from the net operating loss carryforwards to be utilized between 2001 and 2006. Such expectation is based upon current estimates of taxable income during this period, considering limitations on the annual utilization of these benefits as set forth by federal tax regulations. Significant changes in such estimates caused by variables such as future oil and gas prices or capital expenditures could alter the timing of the eventual utilization of such carryforwards. There can be no assurance that Devon will generate any specific level of continuing taxable earnings. However, Devon's management believes that future taxable income will more likely than not be sufficient to utilize substantially all its tax carryforwards prior to their expirations.

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. At the time of adoption of SFAS No. 133, Devon recorded a cumulative-effect-type adjustment to net earnings for a $49.5 million gain related to the fair value of derivatives that do not qualify as hedges. This gain included $46.2 million related to the option embedded in the debentures that are exchangeable into shares of Chevron Corporation common stock.

CAPITAL EXPENDITURES, CAPITAL RESOURCES AND LIQUIDITY

The following discussion of capital expenditures, capital resources and liquidity should be read in conjunction with the consolidated statements of cash flows included in Part 1, Item 1.

CAPITAL EXPENDITURES. Approximately $345.9 million was spent in the first three months of 2001 for capital expenditures. This total includes $332.1 million for the acquisition, drilling or development of oil and gas properties, $4.5 million related to the construction of an extensive gas gathering system, related CO2 removal facilities and gas processing project all located in the Powder River Basin of Wyoming, and $9.3 million for other fixed assets.

Approximately $436.1 million was spent for capital expenditures in the first quarter of 2000. This total includes $409.5 million for the acquisition, drilling or development of oil and gas properties, $16.6 million related to the construction of the gas pipeline and gathering system in Wyoming, and $10.0 million for other fixed assets.

CAPITAL RESOURCES AND LIQUIDITY. Net cash provided by operating activities ("operating cash flow") continued to be the primary source of capital and liquidity in the first quarter of 2001. Operating cash flow in the first quarter of 2001 was $756.7 million, compared to $346.0 million in the first quarter of 2000. The increase in operating cash flow in the 2001 quarter was primarily caused by the rise in revenues, partially offset by increased expenses, as discussed earlier in this section.

Devon used its operating cash flow to fund its capital expenditures, reduce long-term debt by over $55 million and increase cash and cash equivalents by almost $382 million during the first quarter. As of April 30, 2001, Devon had approximately $933 million available under its $1 billion credit facilities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information included in "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Devon's 2000 Annual Report on Form 10-K is incorporated herein by reference. Such information includes a description of Devon's potential exposure to market risks, including commodity price risk, interest rate risk and foreign currency risk. As of March 31, 2001, there have been no material changes in Devon's market risk exposure from that disclosed in the 2000 Form 10-K.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits required by Item 601 of Regulation S-K are as follows:

Exhibit No.	
10.1.1	First Amendment to U.S. Credit Agreement dated March 1, 2001, among Devon Energy Corporation, Bank of America N.A., individually and as administrative agent, and the U.S. Lenders party to the Original Agreement.
10.2.1	First Amendment to Canadian Credit Agreement dated March 1, 2001, among Northstar Energy Corporation, Bank of America Canada, individually and as administrative agent and the Canadian Lenders party to the Original Agreement.

(b) Reports on Form 8-K - A Current Report on Form 8-K dated January 29, 2001, was filed by the Registrant regarding year-end 2000 oil and gas reserves and various gas hedging instruments entered into in January 2001.

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.

DEVON ENERGY CORPORATION

Date: May 14, 2001

/s/ Danny J. Heatly

Danny J. Heatly
Vice President - Accounting

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
10.1.1	First Amendment to U.S. Credit Agreement dated March 1, 2001, among Devon Energy Corporation, Bank of America N.A., individually and as administrative agent, and the U.S. Lenders party to the Original Agreement
10.2.1	First Amendment to Canadian Credit Agreement dated March 1, 2001, among Northstar Energy Corporation, Bank of America Canada, individually and as administrative agent and the Canadian Lenders party to the Original Agreement

EXHIBIT 10.1.1

FIRST AMENDMENT TO US CREDIT AGREEMENT

THIS FIRST AMENDMENT TO US CREDIT AGREEMENT (herein called the "Amendment") made as of March 1, 2001 by and among Devon Energy Corporation, a Delaware corporation ("US Borrower"), Bank of America, N.A., individually and as administrative agent ("US Agent"), and the US Lenders party to the Original Agreement defined below ("US Lenders").

WITNESSETH:

WHEREAS, US Borrower, US Agent and US Lenders entered into that certain US Credit Agreement dated as of August 29, 2000 (as amended, supplemented, or restated to the date hereof, the "Original Agreement"), for the purpose and consideration therein expressed, whereby US Lenders became obligated to make loans to US Borrower as therein provided;

WHEREAS, US Borrower has filed a Registration Statement on Form S-3 under the Securities Act of 1933 on November 16, 2000, with respect to the issuance by US Borrower of Common Stock, Preferred Stock, Debt Securities, Stock Purchase Agreements and Stock Purchase Units and the issuance by Devon Financing Trust II of Trust Preferred Securities guaranteed by US Borrower;

WHEREAS, in connection with the issuance of such securities, US Borrower, US Agent and US Lenders desire to amend the Original Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Agreement, in consideration of the loans which may hereafter be made by US Lenders to US Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I.

Definitions and References

Section 1.1. Terms Defined in the Original Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Original Agreement shall have the same meanings whenever used in this Amendment.

Section 1.2. Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2.

"Amendment" means this First Amendment to US Credit Agreement.

"Amendment Documents" means this Amendment and any other documents delivered to US Agent pursuant to Article III.

"US Agreement" means the Original Agreement as amended hereby.

ARTICLE II.

Amendments to Original Agreement

Section 2.1. Defined Terms. (a) The following defined terms in Annex I of the Original Agreement are hereby amended in their entirety to read as follows:

"Canadian Borrower(s)" means Northstar Energy Corporation, an amalgamated Alberta corporation resulting from the amalgamation on January 1, 2001 of Northstar Energy, Devon Energy Canada Holding Corporation (which in turn was formed from the prior amalgamation of Devon Energy Canada and Devon Energy Canada Holding Corporation on January 1, 2001) and other Alberta corporations, all of which were wholly-owned Subsidiaries of US Borrower.

"Total Capitalization" means the sum (without duplication) of
(i) US Borrower's Consolidated Total Funded Debt plus (ii) US Borrower's Consolidated shareholder's equity plus (iii) 60% of the outstanding balance of the Devon Trust Securities.

"Total Funded Debt" means (i) Liabilities referred to in clauses (a), (b), (c), (d), and (e) of the definition of "Indebtedness", plus (ii) 40% of the outstanding balance of the Devon Trust Securities. Total Funded Debt shall not include the PennzEnergy Exchangeable Debentures.

(b) The following additional defined terms are hereby added to Annex I of the Original Agreement in appropriate alphabetical order to read as follows:

"Devon Trust" means Devon Financing Trust II, a statutory business trust formed under the laws of the State of Delaware.

"Devon Trust Registration Statement" means the Registration Statement on Form S-3 filed by US Borrower under the Securities Act of 1933 on November 16, 2000 with respect to the issuance by US Borrower of Common Stock, Preferred Stock, Debt Securities, Stock Purchase Agreements and Stock Purchase Units, and the issuance by Devon Financing Trust II of Trust Preferred Securities guaranteed by US Borrower, as amended and supplemented from time to time.

"Devon Trust Securities" means those certain Trust Preferred Securities, which may be issued by Devon Trust pursuant to the Registration Statement in an aggregate face amount not to exceed $447,261,200.

"Subordinated US Borrower Debentures" means those certain Convertible Junior Subordinated Debentures which may be issued by US Borrower to Devon Trust pursuant to the Registration Statement in an aggregate amount not to exceed $447,261,200, which will be subordinate to the Obligations.

Section 2.2. Subsection (l) of Section 7.1 of the Original Agreement is hereby deleted and the following new subsections (l) and (m) are hereby substituted therefor:

(l) Indebtedness arising under the Devon Trust Securities.

(m) miscellaneous items of Indebtedness of all Restricted Persons (other than US Borrower) not described in subsections (a) through (l) which do not in the aggregate exceed US $200,000,000 in principal amount at any one time outstanding.

Section 2.3. Section 7.4 of the Original Agreement is hereby amended in its entirety to read as follows:

Section 7.4. Limitation on Issuance of Securities by Subsidiaries of US Borrower; Ownership of certain Restricted Subsidiaries by US Borrower.

(a) No Restricted Subsidiary of US Borrower will issue any additional shares of its capital stock, additional partnership interests or other securities or any options, warrants or other rights to acquire such additional shares, partnership interests or other securities except to another Restricted Person which is a wholly-owned direct or indirect Subsidiary of US Borrower unless (i) such securities are being issued to acquire a business, directly or indirectly through the use of the proceeds of such issuance, and (ii) such securities are convertible into the common or similar securities of US Borrower and/or may be redeemed in cash at the option of the Restricted Person that issued such securities. In addition, (A) Canadian Borrower may issue "Exchangeable Shares" (as defined in the Articles of Amalgamation of Canadian Borrower and in this section called "Exchangeable Shares") upon the terms specified in the Articles of Amalgamation of Canadian Borrower as in effect on January 1, 2001, which terms are substantially the same as those set forth in the Restated Articles of Incorporation of Northstar Energy Corporation immediately prior to the amalgamation of Canadian Borrower, (B) Canadian Borrower may issue stock options to its employees from time to time to acquire such Exchangeable Shares, provided that such options are granted under a stock option plan of Canadian Borrower and/or US Borrower, and (C) Devon Trust may issue common securities to US Borrower and the Devon Trust Securities.

(b) US Borrower will at all times own, directly or indirectly, 100% of the partnership interests in Devon Energy Production Company, L.P., 100% of the outstanding shares of common stock of Devon SFS and Northstar Energy, and 100% of the outstanding common securities of Devon Trust.

Section 2.4. Devon Financing Trust II. A new Section 7.9 is hereby added to the Original Agreement to read as follows:

Section 7.9. Devon Trust; Devon Trust Securities. Devon Trust is a Restricted Person and shall exist for the exclusive purposes of issuing the Devon Trust Securities, investing the gross proceeds of the Devon Trust Securities in the Subordinated US Borrower Debentures and engaging in only those other activities necessary or incidental thereto. US Borrower shall exercise its option to defer interest payments on the Subordinated US Borrower Debentures rather than default on such interest payments. Devon Trust shall not be dissolved without prior written notice by US Borrower to Lenders. Devon Trust shall not redeem the Devon Trust Securities prior to their stated maturity, and US Borrower shall not prepay or redeem the Subordinated US Borrower Debentures prior to their stated maturity, unless both immediately before and immediately after any such proposed prepayment or redemption, US Borrower is in compliance with Section 7.8 and no Default under Section 8.1(a), 8.1(f) or 8.1(h) is continuing.

Section 2.5. Disclosure Schedule. Paragraph 6 of the Disclosure Schedule to the Original Agreement is hereby deleted and replaced by the list set forth in Schedule 1.

ARTICLE III.

Conditions of Effectiveness

Section 3.1. Effective Date. This Amendment shall become effective as of the date first above written when and only when:

(a) US Agent shall have received all of the following, at US Agent's office, duly executed and delivered and in form and substance satisfactory to US Agent, all of the following:

(i) the Amendment;

(ii) the written opinion of US Borrower's counsel, addressed to US Agent, to the effect that this Amendment and the other Amendment Documents have been duly authorized, executed and delivered by US Borrower and that the US Agreement and the other Amendment Documents constitute the legal, valid and binding obligations of US Borrower, enforceable in accordance with their terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency and similar laws and to moratorium laws and other laws affecting creditors' rights generally from time to time in effect);

(iii) a certificate of the Secretary or Assistant Secretary and of the Chairman of the Board, President, or Senior Vice President - Finance of US Borrower dated the date of this Amendment certifying: (i) that resolutions adopted by the Board of Directors of the US Borrower authorize the execution, delivery and performance of this Amendment and the other Amendment Documents by US Borrower; (ii) the names and true signatures of the officers of the US Borrower authorized to sign this Amendment and the other Amendment Documents; and (iii) that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of the time of such effectiveness; and

(iv) such other supporting documents as US Agent may reasonably request.

(b) US Borrower shall have paid, in connection with such US Loan Documents, all fees and reimbursements to be paid to US Agent pursuant to any US Loan Documents, or otherwise due US Agent and including fees and disbursements of US Agent's attorneys.

ARTICLE IV.

Representations and Warranties

Section 4.1. Representations and Warranties of US Borrower. In order to induce each US Lender to enter into this Amendment, US Borrower represents and warrants to each US Lender that:

(a) The representations and warranties contained in Article V of the Original Agreement are true and correct at and as of the time of the effectiveness hereof, except to the extent that the facts on which such representations and warranties are based have been changed by the extension of credit under the US Agreement.

(b) US Borrower is duly authorized to execute and deliver this Amendment and the other Amendment Documents and is and will continue to be duly authorized to borrow monies and to perform its obligations under the US Agreement. US Borrower has duly taken all corporate action necessary to authorize the execution and delivery of this Amendment and the other Amendment Documents and to authorize the performance of the obligations of US Borrower hereunder and thereunder.

(c) The execution and delivery by US Borrower of this Amendment and the other Amendment Documents, the performance by US Borrower of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby do not and will not conflict with any provision of law, statute, rule or regulation or of the certificate of incorporation and bylaws of US Borrower, or of any material agreement, judgment, license, order or permit applicable to or binding upon US Borrower, or result in the creation of any lien, charge or encumbrance upon any assets or properties of US Borrower. Except for those which have been obtained, no consent, approval, authorization or order of any court or governmental authority or third party is required in connection with the execution and delivery by US Borrower of this Amendment and the other Amendment Documents or to consummate the transactions contemplated hereby and thereby.

(d) When duly executed and delivered, each of this Amendment, the US Agreement and the other Amendment Documents will be a legal and binding obligation of US Borrower, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights and by equitable principles of general application.

(e) The audited annual Consolidated financial statements of US Borrower dated as of December 31, 1999 and the unaudited quarterly Consolidated financial statements of US Borrower dated as of September 30, 2000 fairly present the Consolidated financial position at such dates and the Consolidated statement of operations and the changes in Consolidated financial position for the periods ending on such dates for US Borrower. Copies of such financial statements have heretofore been delivered to each US Lender. Since such dates no material adverse change has occurred in the financial condition or businesses or in the Consolidated financial condition or businesses of US Borrower.

ARTICLE V.

Miscellaneous

Section 5.1. Ratification of Agreements. The Original Agreement as hereby amended is hereby ratified and confirmed in all respects. The US Loan Documents, as they may be amended or affected by the various Amendment Documents, are hereby ratified and confirmed in all respects. Any reference to the US Agreement in any Loan Document shall be deemed to be a reference to the Original Agreement as hereby amended. The execution, delivery and effectiveness of this Amendment and the other Amendment Documents shall not, except as expressly provided herein or therein, operate as a waiver of any right, power or remedy of US Lenders under the US Agreement or any other US Loan Document nor constitute a waiver of any provision of the US Agreement or any other US Loan Document.

Section 5.2. Survival of Agreements. All representations, warranties, covenants and agreements of US Borrower herein shall survive the execution and delivery of this Amendment and the performance hereof, including without limitation the making or granting of the Loans, and shall further survive until all of the Obligations are paid in full. All statements and agreements contained in any certificate or instrument delivered by US Borrower or any Restricted Person hereunder or under the US Agreement to any US Lender shall be deemed to constitute representations and warranties by, and/or agreements and covenants of, US Borrower under this Amendment and under the US Agreement.

Section 5.3. US Loan Documents. This Amendment is a US Loan Document, and all provisions in the US Agreement pertaining to US Loan Documents apply hereto and thereto.

Section 5.4. Governing Law. This Amendment shall be governed by and construed in accordance the laws of the State of Texas and any applicable laws of the United States of America in all respects, including construction, validity and performance.

Section 5.5. Counterparts; Fax. This Amendment may be separately executed in counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment. This Amendment and the other Amendment Documents may be validly executed by facsimile or other electronic transmission.

THIS AMENDMENT AND THE OTHER US LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS OF THE PARTIES.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, this Amendment is executed as of the date first above written.

DEVON ENERGY CORPORATION
US Borrower

By: /s/ William T. Vaughn

William T. Vaughn
Senior Vice President - Finance

BANK OF AMERICA, N.A.,
Administrative Agent, US LC Issuer
and Lender

By: /s/ Denise A. Smith

Denise A. Smith
Managing Director

BANK OF MONTREAL
Lender

By: /s/ Melissa Bauman

Name: Melissa Bauman
Title: Director

BANK ONE, NA (Chicago Office) Lender

By: /s/ Jeanie Harman

Name: Jeanie Harman
Title: First Vice President

THE CHASE MANHATTAN BANK
Lender

By: /s/ Russell A. Johnson

Name: Russell A. Johnson
Title: Vice President

UMB BANK
Lender

By: /s/ Richard J. Lehrter

Name: Richard J. Lehrter
Title: Community Bank President

FIRST UNION NATIONAL BANK
Lender

By: /s/ David Humphreys

Name: David Humphreys
Title: Vice President

TORONTO-DOMINION (TEXAS), INC.
Lender

By: /s/ Carol Brandt

Name: Carol Brandt
Title: Vice President

WESTDEUTSCHE LANDESBANK GIROZENTRALE
Lender

By: /s/ Duncan M. Robertson

Name: Duncan M. Robertson
Title: Director

By: /s/ Thomas Lee

Name: Thomas Lee
Title: Associate

THE BANK OF NEW YORK
Lender

By: /s/ Raymond J. Palmer

Name: Raymond J. Palmer
Title: Vice President

ROYAL BANK OF CANADA
Lender

By: /s/ Jason York

Name: Jason York
Title: Manager

SUNTRUST BANK, ATLANTA
Lender

By: /s/ David J. Edge

Name: David J. Edge
Title: Director

**MORGAN GUARANTY TRUST
COMPANY OF NEW YORK
Lender**

By: /s/ Carl J. Mehldau, Jr.

Name: Carl J. Mehldau, Jr.
Title: Vice President

CITIBANK, N.A.
Lender

By: /s/ J. Christopher Lyons

Name: J. Christopher Lyons
Title: Attorney-in-fact

DEUTSCHE BANK AG NEW YORK AND/OR CAYMAN ISLANDS BRANCHES
Lender

By: /s/ Joel Makowsky

Name: Joel Makowsky
Title: Vice President

By: /s/ Hans C. Narberhaus

Name: Hans C. Narberhaus
Title: Vice President

CIBC, INC.
Lender

By: /s/ Nora Q. Catiis

Name: Nora Q. Catiis
Title: Authorized Signature

ABN AMRO BANK, N.V.
Lender

By: /s/ Frank R. Russo, Jr.

Name: Frank R. Russo, Jr.
Title: Group Vice President

By: /s/ Bo Ford

Name: Bo Ford
Title: Assistant Vice President

BAYERISCHE LANDESBANK GIROZENTRALE, CAYMAN ISLANDS BRANCH
Lender

By: /s/ Peter Obermann

Name: Peter Obermann
Title: Senior Vice President

By: /s/ James H. Boyle

Name: James H. Boyle
Title: Vice President

THE FUJI BANK, LIMITED
Lender

By: /s/ Jacques Azagury

Name: Jacques Azagury
Title: Senior Vice President & Manager

CREDIT LYONNAIS (New York Branch) Lender

By: /s/ Philippe Soustra

Name: Philippe Soustra
Title: Senior Vice President

BANK OF TOKYO - MITSUBISHI LTD.
HOUSTON AGENCY
Lender

By: /s/ K. Glasscock

Name: K. Glasscock
Title: Vice President & Manager

EXHIBIT 10.2.1

FIRST AMENDMENT TO CANADIAN CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CANADIAN CREDIT AGREEMENT (herein called the "Amendment") made as of March 1, 2001 by and among Northstar Energy Corporation, an Alberta corporation, "Canadian Borrower"), Bank of America Canada, individually and as administrative agent ("Canadian Agent"), and the Canadian Lenders party to the Original Agreement defined below ("Canadian Lenders").

WITNESSETH:

WHEREAS, Canadian Borrowers, Canadian Agent and Canadian Lenders entered into that certain Canadian Credit Agreement dated as of August 29, 2000 (as amended, supplemented, or restated to the date hereof, the "Original Agreement"), for the purpose and consideration therein expressed, whereby Canadian Lenders became obligated to make loans to Canadian Borrowers as therein provided;

WHEREAS, on January 1, 2001 Northstar Energy, Devon Energy Canada Holding Corporation (the successor by amalgamation to Devon Energy Canada) and certain other Alberta corporations, all of which were Subsidiaries of US Borrower, amalgamated under the name Northstar Energy Corporation (defined above as the "Canadian Borrower") which is now the sole Canadian Borrower;

WHEREAS, US Borrower has filed a Registration Statement on Form S-3 under the Securities Act of 1933 on November 16, 2000, with respect to the issuance by US Borrower of Common Stock, Preferred Stock, Debt Securities, Stock Purchase Agreements and Stock Purchase Units and the issuance by Devon Financing Trust II of Trust Preferred Securities guaranteed by US Borrower;

WHEREAS, in connection with the issuance of such securities, Canadian Borrower, Canadian Agent and Canadian Lenders desire to amend the Original Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Agreement, in consideration of the loans which may hereafter be made by Canadian Lenders to Canadian Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I.

Definitions and References

Section 1.1. Terms Defined in the Original Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Original Agreement shall have the same meanings whenever used in this Amendment.

Section 1.2. Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2.

"Amendment" means this First Amendment to Canadian Credit Agreement.

"Amendment Documents" means this Amendment and any other documents delivered to Canadian Agent pursuant to Article III.

"Canadian Agreement" means the Original Agreement as amended hereby.

ARTICLE II.

Amendments to Original Agreement

Section 2.1. Defined Terms. (a) The following defined terms in Annex I of the Original Agreement are hereby amended in their entirety to read as follows:

"Canadian Borrower(s)" means Northstar Energy Corporation, an amalgamated Alberta corporation resulting from the amalgamation on January 1, 2001 of Northstar Energy, Devon Energy Canada Holding Corporation (which in turn was formed from the prior amalgamation of Devon Energy Canada and Devon Energy Canada Holding Corporation on January 1, 2001) and other Alberta corporations, all of which were wholly-owned Subsidiaries of US Borrower.

"Total Capitalization" means the sum (without duplication) of
(i) US Borrower's Consolidated Total Funded Debt plus (ii) US Borrower's Consolidated shareholder's equity plus (iii) 60% of the outstanding balance of the Devon Trust Securities.

"Total Funded Debt" means (i) Liabilities referred to in clauses (a), (b), (c), (d), and (e) of the definition of "Indebtedness", plus (ii) 40% of the outstanding balance of the Devon Trust Securities. Total Funded Debt shall not include the PennzEnergy Exchangeable Debentures.

(b) The following additional defined terms are hereby added to Annex I of the Original Agreement in appropriate alphabetical order to read as follows:

"Devon Trust" means Devon Financing Trust II, a statutory business trust formed under the laws of the State of Delaware.

"Devon Trust Registration Statement" means the Registration Statement on Form S-3 filed by US Borrower under the Securities Act of 1933 on November 16, 2000 with respect to the issuance by US Borrower of Common Stock, Preferred Stock, Debt Securities, Stock Purchase Agreements and Stock Purchase Units, and the issuance by Devon Financing Trust II of Trust Preferred Securities guaranteed by US Borrower, as amended and supplemented from time to time.

"Devon Trust Securities" means those certain Trust Preferred Securities, which may be issued by Devon Trust pursuant to the Registration Statement in an aggregate face amount not to exceed $447,261,200.

"Subordinated US Borrower Debentures" means those certain Convertible Junior Subordinated Debentures which may be issued by US Borrower to Devon Trust pursuant to the Registration Statement in an aggregate amount not to exceed $447,261,200, which will be subordinate to the Obligations.

(c) Section 7.4(a) of the Original Agreement is deleted and replaced with the following:

Section 7.4. Limitation on Issuance of Securities by Subsidiaries of US Borrower; Ownership of certain Restricted Subsidiaries by US Borrower.

(a) Neither Canadian Borrower nor any Subsidiary of Canadian Borrower that is a Restricted Person will issue any additional shares of its capital stock, additional partnership interests or other securities or any options, warrants or other rights to acquire such additional shares, partnership interests or other securities except to another Restricted Person which is a wholly-owned direct or indirect Subsidiary of US Borrower unless (i) such securities are being issued to acquire a business, directly or indirectly through the use of the proceeds of such issuance, and (ii) such securities are convertible into the common shares or similar securities of US Borrower and/or can be redeemed in cash at the option of the Restricted Person that issued such securities. In addition, (A) Canadian Borrower may issue "Exchangeable Shares" (as defined in the Articles of Amalgamation of Canadian Borrower and in this section called "Exchangeable Shares") upon the terms specified in the Articles of Amalgamation of Canadian Borrower as in effect on January 1, 2001, which terms are substantially the same as those set forth in the Restated Articles of Incorporation of Northstar Energy Corporation immediately prior to the amalgamation of Canadian Borrower, and (B) Canadian Borrower may issue stock options to its employees from time to time to acquire such Exchangeable Shares, provided that such options are granted under a stock option plan of Canadian Borrower and/or US Borrower.

(d) Section 10.22 of the Original Agreement is deleted and replaced with the following:

Section 10.22. Canadian Borrower. It is acknowledged that on January 1, 2001 Northstar Energy, Devon Energy Canada Holding Corporation (which in turn was formed from the prior amalgamation of Devon Energy Canada and Devon Energy Canada Holding Corporation on January 1, 2001) and other Alberta corporations, all of which were wholly-owned Subsidiaries of US Borrower, amalgamated under the name Northstar Energy Corporation and that effective January 1, 2001 Northstar Energy Corporation is the only Canadian Borrower. Effective January 1, 2001, all references in the Original Agreement to Northstar Energy or to Canadian Borrower(s) shall be construed as a reference to such amalgamated corporation Northstar Energy Corporation. Northstar Energy Corporation shall continue to be liable for all of the obligations of Northstar Energy and Devon Energy Canada under the Original Agreement and the other Canadian Loan Documents.

Section 2.2. Disclosure Schedule. Paragraph 6 of the Disclosure Schedule to the Original Agreement is hereby deleted and replaced by the list set forth in Schedule 1.

ARTICLE III.

Conditions of Effectiveness

Section 3.1. Effective Date. This Amendment shall become effective as of the date first above written when and only when:

(a) Canadian Agent shall have received all of the following, at Canadian Agent's office, duly executed and delivered and in form and substance satisfactory to Canadian Agent, all of the following:

(i) the Amendment;

(ii) the written opinion of Canadian Borrower's counsel, addressed to Canadian Agent, to the effect that this Amendment and the other Amendment Documents have been duly authorized, executed and delivered by Canadian Borrower and that the Canadian Agreement and the other Amendment Documents constitute the legal, valid and binding obligations of Canadian Borrower, enforceable in accordance with their terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency and similar laws and to moratorium laws and other laws affecting creditors' rights generally from time to time in effect);

(iii) a certificate of the Secretary or Assistant Secretary and of the Chairman of the Board, President, or Vice President - Finance of Canadian Borrower dated the date of this Amendment certifying: (i) that resolutions adopted by the Board of Directors of

Canadian Borrower authorize the execution, delivery and performance of this Amendment and the other Amendment Documents by Canadian Borrower;
(ii) the names and true signatures of the officers of Canadian Borrower authorized to sign this Amendment and the other Amendment Documents; and (iii) that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of the time of such effectiveness; and

(iv) such other supporting documents as Canadian Agent may reasonably request.

(b) Canadian Borrower shall have paid, in connection with such Canadian Loan Documents, all fees and reimbursements to be paid to Canadian Agent pursuant to any Canadian Loan Documents, or otherwise due Canadian Agent and including fees and disbursements of Canadian Agent's attorneys.

ARTICLE IV.

Representations and Warranties

Section 4.1. Representations and Warranties of Canadian Borrower. In order to induce each Canadian Lender to enter into this Amendment, Canadian Borrower represents and warrants to each Canadian Lender that:

(a) The representations and warranties contained in Article V of the Original Agreement are true and correct at and as of the time of the effectiveness hereof, except to the extent that the facts on which such representations and warranties are based have been changed by the extension of credit under the Canadian Agreement.

(b) Canadian Borrower is duly authorized to execute and deliver this Amendment and the other Amendment Documents and is and will continue to be duly authorized to borrow monies and to perform its obligations under the Canadian Agreement. Canadian Borrower has duly taken all corporate action necessary to authorize the execution and delivery of this Amendment and the other Amendment Documents and to authorize the performance of its obligations hereunder and thereunder.

(c) The execution and delivery by Canadian Borrower of this Amendment and the other Amendment Documents, the performance by Canadian Borrower of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby do not and will not conflict with any provision of law, statute, rule or regulation or of the organizational documents and any unanimous shareholders agreement of Canadian Borrower, or of any material agreement, judgment, license, order or permit applicable to or binding upon Canadian Borrower, or result in the creation of any lien, charge or encumbrance upon any assets or properties of Canadian Borrower. Except for those which have been obtained, no consent, approval, authorization or order of any court or governmental authority or third party is required in connection with the execution and delivery by Canadian Borrower of this Amendment and the other Amendment Documents or to consummate the transactions contemplated hereby and thereby.

(d) When duly executed and delivered, each of this Amendment, the Canadian Agreement and the other Amendment Documents will be a legal and binding obligation of Canadian Borrower, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights and by equitable principles of general application.

(e) The audited annual Consolidated financial statements of US Borrower dated as of December 31, 1999 and the unaudited quarterly Consolidated financial statements of US Borrower dated as of September 30, 2000 fairly present the Consolidated financial position at such dates and the Consolidated statement of operations and the changes in Consolidated financial position for the periods ending on such dates for US Borrower. Copies of such financial statements have heretofore been delivered to each Canadian Lender. Since such dates no material adverse change has occurred in the financial condition or businesses or in the Consolidated financial condition or businesses of US Borrower.

ARTICLE V.

Miscellaneous

Section 5.1. Ratification of Agreements. The Original Agreement as hereby amended is hereby ratified and confirmed in all respects. The Canadian Loan Documents, as they may be amended or affected by the various Amendment Documents, are hereby ratified and confirmed in all respects. Any reference to the Canadian Agreement in any Loan Document shall be deemed to be a reference to the Original Agreement as hereby amended. The execution, delivery and effectiveness of this Amendment and the other Amendment Documents shall not, except as expressly provided herein or therein, operate as a waiver of any right, power or remedy of Canadian Lenders under the Canadian Agreement, or any other Canadian Loan Document nor constitute a waiver of any provision of the Canadian Agreement, or any other Canadian Loan Document.

Section 5.2. Survival of Agreements. All representations, warranties, covenants and agreements of Canadian Borrower herein shall survive the execution and delivery of this Amendment and the performance hereof, including without limitation the making or granting of the Loans, and shall further survive until all of the Obligations are paid in full. All statements and agreements contained in any certificate or instrument delivered by Canadian Borrower or any Restricted Person hereunder or under the Canadian Agreement to any Canadian Lender shall be deemed to constitute representations and warranties by, and/or agreements and covenants of, Canadian Borrower under this Amendment and under the Canadian Agreement.

Section 5.3. Canadian Loan Documents. This Amendment is a Canadian Loan Document, and all provisions in the Canadian Agreement pertaining to Canadian Loan Documents apply hereto and thereto.

Section 5.4. Governing Law. This Amendment shall be governed by and construed in accordance the laws of the Province of Alberta and any applicable laws of Canada in all respects, including construction, validity and performance.

Section 5.5. Counterparts; Fax. This Amendment may be separately executed in counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment. This Amendment and the other Amendment Documents may be validly executed by facsimile or other electronic transmission.

THIS AMENDMENT AND THE OTHER CANADIAN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS OF THE PARTIES.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, this Amendment is executed as of the date first above written.

NORTHSTAR ENERGY CORPORATION
Canadian Borrower

By: /s/ Paul Brereton

Paul Brereton
Vice President - Finance

BANK OF AMERICA CANADA
Administrative Agent, Canadian LC Issuer
and Lender

By: /s/ Donald R. Chung

Name: Donald R. Chung
Title: Vice President
Corporate Investment Banking

BANK ONE CANADA
Lender

By: /s/ Jeanie Harman

Name: Jeanie Harman
Title: First Vice President

THE CHASE MANHATTAN BANK
Lender

By: /s/ Russell A. Johnson

Name: Russell A. Johnson
Title: Vice President

UMB BANK
Lender

By: /s/ Richard J. Lehrter

Name: Richard J. Lehrter
Title: Community Bank President

FIRST UNION NATIONAL BANK
Lender

By: /s/ David Humphreys

Name: David Humphreys
Title: Vice President

WESTDEUTSCHE LANDESBANK GIROZENTRALE
Lender

By: /s/ Duncan M. Robertson

Name: Duncan M. Robertson
Title: Director

By: /s/ Thomas Lee

Name: Thomas Lee
Title: Associate

THE BANK OF NEW YORK
Lender

By: /s/ Raymond J. Palmer

Name: Raymond J. Palmer
Title: Vice President

ROYAL BANK OF CANADA
Lender

By: /s/ S. G. Tibbatts

Name: S. G. Tibbatts
Title: Senior Manager

SUNTRUST BANK, ATLANTA
Lender

By: /s/ David J. Edge

Name: David J. Edge
Title: Director

J.P. MORGAN CANADA
Lender

By: /s/ Kenneth Knowles

Name: Kenneth Knowles
Title: Vice President

CITIBANK CANADA
Lender

By: /s/ James K. G. Campbell

Name: James K. G. Campbell
Title: Vice President

DEUTSCHE BANK AG NEW YORK AND/OR CAYMAN ISLANDS BRANCHES
Lender

By: /s/ Joel Makowsky

Name: Joel Makowsky
Title: Vice President

By: /s/ Hans C. Narberhaus

Name: Hans C. Narberhaus
Title: Vice President

CANADIAN IMPERIAL BANK OF COMMERCE
Lender

By: /s/ Joelle Schellenberg

Name: Joelle Schellenberg
Title: Director

By: /s/ Chris A. Perks

Name: Chris A. Perks
Title: Executive Director

ABN AMRO BANK CANADA
Lender

By: /s/ Mark Bohn

Name: Mark Bohn
Title: Group Vice President

By: /s/ Teresa Wu

Name: Teresa Wu
Title: Vice President

BAYERISCHE LANDESBANK GIROZENTRALE, CAYMAN ISLANDS BRANCH
Lender

By: /s/ Peter Obermann

Name: Peter Obermann
Title: Senior Vice President

By: /s/ James H. Boyle

Name: James H. Boyle
Title: Vice President

THE FUJI BANK, LIMITED
Lender

By: /s/ Jacques Azagury

Name: Jacques Azagury
Title: Senior Vice President & Manager

CREDIT LYONNAIS (New York Branch) Lender

By: /s/ Philippe Soustra

Name: Philippe Soustra
Title: Senior Vice President

TOKYO - MITSUBISHI
(CANADA)

Lender

```
By: /s/ Davis J. Stewart
    -------------------------------------
    Name: Davis J. Stewart
    Title: Vice President
```
