

DEVON ENERGY CORP /OK/

FORM 10-Q (Quarterly Report)

Filed 04/21/97 for the Period Ending 03/31/97

Address	20 N BROADWAY STE 1500 OKLAHOMA CITY, OK 73102-8260
Telephone	4052353611
CIK	0000837330
SIC Code	1311 - Crude Petroleum and Natural Gas
Fiscal Year	12/31

DEVON ENERGY CORP /OK/

FORM 10-Q (Quarterly Report)

Filed 4/21/1997 For Period Ending 3/31/1997

Address	20 N BROADWAY STE 1500 OKLAHOMA CITY, Oklahoma 73102-8260
Telephone	405-235-3611
CIK	0000837330
Fiscal Year	12/31

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 1997

OR

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

Commission File No. 1-10067

DEVON ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Oklahoma	73-1474008
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
20 N. Broadway, Suite 1500	
Oklahoma City, Oklahoma	73102
(Address of Principal Executive Offices)	(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 No .

The number of shares outstanding of Registrant's common stock, par value \$.10, as of April 14, 1997, was 32,141,295.

1 of 38 total pages

(Exhibit Index is found at page 24)

DEVON ENERGY CORPORATION

Index to Form 10-Q Quarterly Report

to the Securities and Exchange Commission

Page No.

Part I. Financial Information

Item 1. Consolidated Financial Statements

Consolidated Balance Sheets, March 31, 1997 (Unaudited) and December 31, 1996	4
Consolidated Statements of Operations (Unaudited), For the Three Months Ended March 31, 1997 and 1996	5
Consolidated Statements of Cash Flows (Unaudited), For the Three Months Ended March 31, 1997 and 1996	6
Notes to Consolidated Financial Statements.	7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. 9

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K 18

DEVON ENERGY CORPORATION

Part I. Financial Information

Item 1. Consolidated Financial Statements March 31, 1997 and 1996

(Forming a part of Form 10-Q Quarterly Report to the Securities and Exchange Commission)

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

	March 31, 1997 (Unaudited)	December 31, 1996
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,863,144	9,401,350
Accounts receivable	42,743,228	29,580,306
Inventories	2,005,919	2,103,486
Prepaid expenses	2,163,085	688,752
Deferred income taxes	1,600,000	1,600,000
Total current assets	73,375,376	43,373,894
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties		
	996,358,220	974,805,756
Less: Accumulated depreciation, depletion and amortization	301,173,988	281,959,410
	695,184,232	692,846,346
Other assets		
	10,347,121	10,030,560
Total assets	\$778,906,729	746,250,800
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable:		
Trade	10,864,944	4,861,428
Revenues and royalties due to others	10,503,020	10,569,960
Income taxes payable	5,613,447	4,705,447
Accrued expenses	2,240,355	3,503,420
Total current liabilities	29,221,766	23,640,255
Revenues and royalties due to others		
	1,056,568	1,053,270
Other liabilities		
	10,796,183	10,325,999
Long-term debt		
	-	8,000,000
Deferred revenue		
	103,475	205,859
Deferred income taxes		
	92,809,000	81,121,000
Company-obligated mandatorily redeemable convertible preferred securities of subsidiary trust holding solely 6.5% convertible junior subordinated debentures of Devon Energy Corporation		
	149,500,000	149,500,000
Stockholders' equity:		
Preferred stock of \$1.00 par value.		
Authorized 3,000,000 shares; none issued	-	-
Common stock of \$.10 par value.		
Authorized 400,000,000 shares; issued 32,141,295 in 1997 and in 1996	3,214,130	3,214,130
Additional paid-in capital	388,090,930	388,090,930
Retained earnings	104,717,838	81,099,357
Cumulative currency translation adjustment	(603,161)	-
Total stockholders' equity	495,419,737	472,404,417
Total liabilities and stockholders' equity	\$778,906,729	746,250,800

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

	Three Months Ended March 31, 1997 1996 (Unaudited)	
Revenues		
Oil sales	\$37,529,980	16,144,794
Gas sales	43,238,141	14,621,634
Natural gas liquids sales	5,803,921	2,967,801
Other	1,327,604	313,831
Total revenues	87,899,646	34,048,060
Costs and expenses		
Lease operating expenses	15,812,637	7,418,179
Production taxes	5,309,844	2,141,917
Depreciation, depletion and amortization	19,544,552	10,126,984
General and administrative expenses	2,629,885	2,135,898
Interest expense	130,807	2,481,156
Distributions on preferred securities of subsidiary trust	2,429,375	-
Total costs and expenses	45,857,100	24,304,134
Earnings before income taxes	42,042,546	9,743,926
Income tax expense		
Current	5,045,000	1,267,000
Deferred	11,772,000	2,923,000
Total income tax expense	16,817,000	4,190,000
Net earnings	\$25,225,546	5,553,926
Net earnings per average common share outstanding (Note 2):		
Assuming no dilution	\$0.78	0.25
Assuming full dilution	\$0.71	0.25
Weighted average common shares outstanding	32,141,295	22,112,489

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	1997	1996
	(Unaudited)	
Cash flows from operating activities		
Net earnings	\$25,225,546	5,553,926
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	19,544,552	10,126,984
Gain on sale of assets	(22,114)	(34,897)
Deferred income taxes	11,772,000	2,923,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(13,288,510)	(190,855)
Inventories	90,544	164,706
Prepaid expenses	(1,476,820)	(503,017)
Other assets	(218,505)	208,323
Increase (decrease) in:		
Accounts payable	6,655,857	(1,571,415)
Income taxes payable	930,632	300,298
Accrued expenses	(1,257,416)	(954,397)
Revenues and royalties due to others	3,298	222,260
Long-term other liabilities	129,995	85,648
Deferred revenue	(102,384)	(16,378)
Net cash provided by operating activities	47,986,675	16,314,186
Cash flows from investing activities		
Proceeds from sale of property and equipment	91,276	84,283
Capital expenditures	(23,299,647)	(18,537,574)
Net cash used in investing activities	(23,208,371)	(18,453,291)
Cash flows from financing activities		
Proceeds from borrowings on revolving lines of credit	1,847,750	12,000,000
Principal payments on revolving lines of credit	(9,843,750)	-
Issuance of common stock	-	16,750
Dividends paid on common stock	(1,607,065)	(663,416)
Increase in long-term other liabilities	340,189	266,385
Net cash provided (used) by financing activities	(9,262,876)	11,619,719
Effect of exchange rate changes on cash	(53,634)	-
Net increase in cash and cash equivalents	15,461,794	9,480,614
Cash and cash equivalents at beginning of period	9,401,350	8,897,891
Cash and cash equivalents at end of period	\$ 24,863,144	18,378,505

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation

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 generally accepted accounting principles 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 1996 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, 1997, and the results of their operations and their cash flows for the three month periods ended March 31, 1997 and 1996.

Foreign Currency Translation

Prior to December 31, 1996, Devon had no operations outside the United States. On December 31, 1996, Devon acquired certain Canadian oil and gas properties as part of a transaction in which Devon acquired all of Kerr-McGee Corporation's North American onshore oil and gas exploration and production properties and business in exchange for 9,954,000 shares of Devon common stock. The acquired Canadian properties are owned by a Canadian subsidiary which is wholly-owned by Devon.

For purposes of foreign currency translation, the Canadian dollar is the functional currency for Devon's Canadian operations. Translation adjustments resulting from translating the Canadian subsidiary's foreign currency financial statements into U.S. dollar equivalents are reported separately and accumulated in a separate component of stockholders' equity.

2. Earnings Per Share

The period ended March 31, 1997, includes a dilutive effect on earnings per share from Devon's 6.5% Trust Convertible Preferred Securities issued in July, 1996, and from employee stock options. The following table reconciles the net earnings and common shares outstanding used in the calculations of net earnings per share assuming no dilution, and assuming full dilution, for the three months ended March 31, 1997. (There was no dilutive effect on earnings per share in the first quarter of 1996.)

	Net Earnings	Common Shares Outstanding	Net Earnings Per Share
Net earnings per share, assuming no dilution	\$25,225,546	32,141,295	\$0.78
Dilutive effect of:			
Potential common shares issuable upon the conversion of Trust Convertible Preferred securities (the increase in net earnings is net of income tax expense of \$963,000)	1,506,488	4,901,507	
Potential common shares issuable upon the exercise of employee stock options (calculated using the treasury stock method)	-	358,398	
Net earnings per share, assuming full dilution	\$26,732,034	37,401,200	\$0.71

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, 1997, compared to the three months ended March 31, 1996, and in financial condition since December 31, 1996. It is presumed that readers have read or have access to Devon's 1996 annual report on Form 10-K.

Overview

On December 31, 1996, Devon acquired all of Kerr-McGee Corporation's North American onshore oil and gas exploration and production business and properties (the "KMG-NAOS Properties") in exchange for 9,954,000 shares of Devon common stock. This transaction added

approximately 62 million barrels of oil equivalent ("Boe") to Devon's year-end 1996 proved reserves, as well as 370,000 net undeveloped acres of leasehold. The addition of the KMG-NAOS Properties in the first quarter of 1997 resulted in record quarterly results for Devon's production, <F1> revenues, net earnings and cash margin1.

Production for the first quarter of 1997 totaled 5.0 million Boe of oil, gas and natural gas liquids ("NGL"). This was an increase of 91% over the first quarter of 1996. Revenues for the first three months of 1997 were \$87.9 million, an increase of 158% over the prior year's quarter. Net earnings for the 1997 quarter were \$25.2 million, or \$0.78 per share. The 1997 net earnings were 354% above the prior year's quarterly results. The 1997 per share amount was 212% above the comparable 1996 total, with approximately 10 million more shares outstanding in the 1997 period. The cash margin for the first quarter of 1997 also increased significantly to \$56.5 million, an increase of 204% over the 1996 first quarter's cash margin of \$18.6 million.

<F1>

1 "Cash margin" equals Devon's total revenues less cash expenses. Cash expenses are all expenses other than the non-cash expenses of depreciation, depletion and amortization and deferred income tax expense. Cash margin is an indicator which is commonly used in the oil and gas industry. This margin measures the net cash which is generated by a company's operations during a given period, without regard to the period such cash is actually physically received or spent by the company. This margin ignores the non-operations effects on a company's activities as an operator of oil and gas wells. Such activities produce net increases or decreases in temporary cash funds held by the operator which have no effect on net earnings of the company. Cash margin should be used as a supplement to, and not as a substitute for, net earnings and net cash provided by operating activities determined in accordance with generally accepted accounting principles in analyzing Devon's results of operations and liquidity.

Results of Operations

Total revenues increased by \$53.9 million, or 158%, in the first quarter of 1997. This increase was primarily caused by substantial gains in oil, gas and NGL revenues. Oil, gas and NGL revenues were up \$52.8 million, or 157%, for the quarter ended March 31, 1997. The relative contributions of production and price changes to the quarterly comparisons are shown in the tables below. (Note: Unless otherwise stated, all references in this report to dollar amounts regarding Devon's Canadian operations are expressed in U.S. dollars.)

		Total Three Months Ended March 31,		
		1997	1996	Change
Production				
	Oil (Bbls)	1,755,265	874,515	+101%
	Gas (Mcf)	17,017,875	8,983,622	+89%
	NGL (Bbls)	368,105	227,593	+62%
<F1>	Oil, Gas and NGL			
	(Boe)1	4,959,683	2,599,378	+91%
Revenues				
	Oil	\$37,529,980	16,144,794	+132%
	Gas	43,238,141	14,621,634	+196%
	NGL	5,803,921	2,967,801	+96%
	Combined	\$86,572,042	33,734,229	+157%
Average Prices				
	Oil (Per Bbl)	\$21.38	18.46	+16%
	Gas (Per Mcf)	\$2.54	1.63	+56%
	NGL (Per Bbl)	\$15.77	13.04	+21%
<F1>	Oil, Gas and NGL			
	(Per Boe)1	\$17.46	12.98	+35%
		Domestic Three Months Ended March 31,		
		1997	1996	Change
Production				
	Oil (Bbls)	1,513,582	874,515	+73%
	Gas (Mcf)	14,900,742	8,983,622	+66%
	NGL (Bbls)	333,615	227,593	+47%
<F1>	Oil, Gas and NGL			
	(Boe)1	4,330,654	2,599,378	+67%
Revenues				
	Oil	\$32,454,825	16,144,794	+101%
	Gas	39,610,876	14,621,634	+171%
	NGL	5,190,768	2,967,801	+75%
	Combined	\$77,256,469	33,734,229	+129%

	Average Prices			
	Oil (Per Bbl)	\$21.44	18.46	+16%
	Gas (Per Mcf)	\$2.66	1.63	+63%
	NGL (Per Bbl)	\$15.56	13.04	+19%
<F1>	Oil, Gas and NGL			
	(Per Boe) ¹	\$17.84	12.98	+37%
			Canada	
			Three Months Ended	
			March 31,	
		1997	1996	Change
	Production			
	Oil (Bbls)	241,683	-	NA
	Gas (Mcf)	2,117,133	-	NA
	NGL (Bbls)	34,490	-	NA
<F1>	Oil, Gas and NGL			
	(Boe) ¹	629,029	-	NA
	Revenues			
	Oil	\$5,075,155	-	NA
	Gas	3,627,265	-	NA
	NGL	613,153	-	NA
	Combined	\$9,315,573	-	NA
	Average Prices			
	Oil (Per Bbl)	\$21.00	-	NA
	Gas (Per Mcf)	\$1.71	-	NA
	NGL (Per Bbl)	\$17.78	-	NA
<F1>	Oil, Gas and NGL			
	(Per Boe) ¹	\$14.81	-	NA

<F1>

¹ Gas is converted to barrels of oil equivalent ("Boe") 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, gas and NGL prices. The respective prices of these products are affected by market and other factors in addition to relative energy content.

Oil Revenues. Oil revenues increased by \$21.4 million, or 132%, in the first quarter of 1997. Production gains of 881,000 barrels, or 101%, added \$16.3 million of oil revenues in the 1997 period. An increase in the average price of \$2.92 per barrel, or 16%, added the remaining \$5.1 million of increased oil revenues.

The KMG-NAOS Properties were responsible for the majority of the increased oil production. These properties produced 746,000 barrels of oil in the first quarter of 1997. Approximately 504,000 of these barrels were produced in the U.S. and another 242,000 barrels were produced in Canada. Devon's other domestic properties produced 1,009,000 barrels in the first three months of 1997. This is an increase of 134,000 barrels, or 15%, over the 875,000 barrels produced in the first quarter of 1996.

Gas Revenues. Gas revenues increased by \$28.6 million, or 196%, in the first quarter of 1997. An increase in the average gas price of \$0.91 per Mcf, or 56%, added \$15.5 million to the 1997 quarter's gas revenues. Also, an increase in gas production of 8.0 Bcf, or 89%, added the remaining \$13.1 million of increased gas revenues.

The KMG-NAOS Properties were the primary contributors to the increased production volumes in the 1997 quarter. These properties produced 7.7 Bcf in the first three months of 1997. The KMG-NAOS Properties produced approximately 5.6 Bcf in the U.S. and 2.1 Bcf in Canada. Devon's coal seam gas properties produced 4.1 Bcf in the first quarter of 1997 compared to 4.7 Bcf in the first quarter of 1996. Devon's other domestic properties produced 5.2 Bcf in the 1997 period compared to 4.3 Bcf in the 1996 quarter. Of this 0.9 Bcf increase, production from Permian Basin wells completed in the second half of 1996 contributed 0.6 Bcf and the Worland properties in Wyoming added 0.3 Bcf.

The coal seam gas properties averaged \$2.42 per Mcf in the first quarter of 1997 compared to \$1.40 in the first quarter of 1996. Devon's domestic conventional gas properties averaged \$2.75 per Mcf in the 1997 quarter compared to \$1.88 per Mcf in the 1996 quarter. Devon's Canadian gas production averaged \$1.71 per Mcf in the 1997 quarter.

NGL Revenues. NGL revenues increased by \$2.8 million, or 96%, in the first quarter of 1997. An increase in production of 141,000 barrels, or 62%, added \$1.8 million to 1997's revenues. An increase in the average price of \$2.73 per barrel, or 21%, added the remaining \$1.0 million of increased NGL revenues.

The KMG-NAOS Properties accounted for 95,000 barrels of the total 141,000 barrel increase in production. The KMG-NAOS Properties produced 61,000 barrels in the U.S. and 34,000 barrels in Canada.

Other Revenues. Other revenues increased by \$1.0 million, or 323%, in the first quarter of 1997. The addition of the KMG-NAOS Properties added \$0.6 million of revenues from processing third party natural gas. The investment of excess cash on hand in the 1997 quarter added \$0.2 million of interest income.

Production and Operating Expenses. Production and operating expenses in the first quarter of 1997 varied compared to the first quarter of 1996 as shown in the tables below.

	1997	Total Three Months Ended March 31, 1996	Change
Absolute			
Recurring operations and maintenance expenses	\$14,861,219	6,546,242	+127%
Well workover expenses	951,418	871,937	+9%
Production taxes	5,309,844	2,141,917	+148%
 Total production and operating expenses	 \$21,122,481	 9,560,096	 +121%
Per Boe			
Recurring operations and maintenance expenses	\$3.00	2.52	+19%
Well workover expenses	0.19	0.34	-44%
Production taxes	1.07	0.82	+30%
 Total production and operating expenses	 \$4.26	 3.68	 +16%
 Domestic			
	1997	Three Months Ended March 31, 1996	Change
Absolute			
Recurring operations and maintenance expenses	\$13,211,127	6,546,242	+102%
Well workover expenses	918,560	871,937	+5%
Production taxes	5,175,071	2,141,917	+142%
 Total production and operating expenses	 \$19,304,758	 9,560,096	 +102%
Per Boe			
Recurring operations and maintenance expenses	\$3.05	2.52	+21%
Well workover expenses	0.21	0.34	-38%
Production taxes	1.20	0.82	+46%
 Total production and operating expenses	 \$4.46	 3.68	 +21%
 Canada			
	1997	Three Months Ended March 31, 1996	Change
Absolute			
Recurring operations and maintenance expenses	\$1,650,092	-	NA
Well workover expenses	32,858	-	NA
Production taxes	134,773	-	NA
 Total production and operating expenses	 \$1,817,723	 -	 NA
Per Boe			
Recurring operations and maintenance expenses	\$2.62	-	NA
Well workover expenses	0.05	-	NA
Production taxes	0.22	-	NA
 Total production and operating expenses	 \$2.89	 -	 NA

Recurring operations and maintenance expenses increased by \$8.3 million, or 127%, in the first quarter of 1997. The addition of the KMG-NAOS Properties accounted for \$7.0 million of the increased expenses.

Production taxes increased by \$3.2 million, or 148%, in the first quarter of 1997. This increase was attributable to the 157% increase in combined oil, gas and NGL revenues in the 1997 period.

Recurring expenses per Boe were up by \$0.48, or 19%, in the first quarter of 1997 compared to the first quarter of 1996. This increase was caused by the reduction in the coal seam gas properties' share of total production. The recurring operating costs per Boe for these coal seam gas properties are extremely low (\$0.36 per Boe in the first quarter of 1997 and \$0.37 per Boe in the first quarter of 1996). However, as production from these properties declined and production from Devon's conventional properties increased in the 1997 quarter, the coal seam gas properties' percentage of overall production dropped from 30% in the first three months of 1996 to only 14% in the first three months of 1997. The result is that more of Devon's production in the 1997 period was attributable to its conventional oil and gas properties, which have a higher operating cost per Boe than the low-cost coal seam gas properties. The recurring operating costs per Boe for Devon's conventional properties actually dropped to \$3.42 per Boe in the first quarter of 1997 from \$3.45 per Boe in the first quarter of 1996. Even though both the coal seam and the conventional properties had lower costs per Boe in the 1997 quarter, the combined cost per Boe increased because of the shift in the production percentage toward the conventional properties.

Production taxes per Boe increased by \$0.25, or 30%, in the first quarter of 1997. This was primarily caused by the 35% increase in the average price per Boe for oil, gas and NGL production.

Depreciation, Depletion and Amortization Expenses ("DD&A"). Oil and gas property related DD&A increased \$9.2 million, or 95%, from \$9.7 million in the first quarter of 1996 to \$18.9 million in the first quarter of 1997. The increase in total oil, gas and NGL production of 2.4 Boe, or 91%, accounted for \$8.8 million of the increased DD&A. The remaining \$0.4 million of increased expense was caused by an increase in the DD&A rate from \$3.73 per Boe in the 1996 quarter to \$3.81 per Boe in the 1997 quarter.

General and Administrative Expenses ("G&A"). G&A increased \$0.5 million, or 23%, in the first quarter of 1997. Employee salaries and related overhead costs, including insurance and pension expense, increased \$1.2 million in the 1997 quarter. This increase was primarily related to the approximately 65 permanent and 15 temporary personnel added at Devon's Oklahoma City and Calgary offices as a result of the acquisition of the KMG-NAOS Properties. The expansion in personnel also caused office-related costs such as rent, dues, travel, supplies, telephone, etc., to increase by \$0.4 million in the first three months of 1997.

The higher salary, overhead and office costs were partially offset by an increase in Devon's overhead reimbursements. As the operator of a property, Devon receives these reimbursements from the property's working interest owners. Devon records the reimbursements as reductions to G&A. Due to the addition of the KMG-NAOS Properties, many of which Devon operates, Devon's overhead reimbursements increased by \$1.0 million in the first quarter of 1997.

Interest Expense. Interest expense decreased \$2.4 million, or 95%, in the first quarter of 1997 due to a substantial reduction in the average debt outstanding. The average debt balance outstanding dropped from \$149.9 million in the first quarter of 1996 to \$3.0 million in the first quarter of 1997. Devon issued \$149.5 million of 6.5% Trust Convertible Preferred Securities ("TCP Securities") in July, 1996. The proceeds from this issuance were used to substantially retire Devon's long-term bank debt. (The TCP Securities are discussed further below.)

Distributions on Preferred Securities of Subsidiary Trust. As mentioned in the above discussion of interest expense, Devon, through an affiliate, issued \$149.5 million of 6.5% TCP Securities in July, 1996. Distributions on the TCP Securities accrue at the rate of 1.625% per quarter. Distributions on the TCP Securities were \$2.4 million in the first quarter of 1997. There were no distributions in the first quarter of 1996, as the TCP Securities were not issued until the third quarter of 1996.

Income Taxes. During interim periods, income tax expense is based on the estimated effective tax rate which is expected for the entire fiscal year. The estimated effective tax rate in the first quarter of 1997 was 40%, compared to 43% estimated in the first quarter of 1996. However, the eventual actual tax rate for the year 1996 was reduced to 41%, which was only slightly higher than the current estimated rate for 1997.

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("Statement 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", Statement 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, 1997, were approximately \$11 million of various tax carryforwards. Of this amount, \$5 million were for net operating loss carryforwards which expire between 1998 and 2008. The remaining \$6 million of carryforward benefits related to depletion and minimum tax credit carryforwards which do not have expiration dates.

To assess the likelihood of realizing tax benefits from the future utilization of these carryforwards, management considered four primary factors: (1) estimates of future yearly taxable income which Devon is expected to generate; (2) the level of future taxable income necessary to utilize the carryforwards; (3) the expiration dates, if any, of such carryforwards, and (4) certain limitations on the annual utilization of the carryforwards as set forth by federal tax regulations.

Based upon current estimates of future production, average prices and pre-tax expenses, management believes that taxable income during the carryforward periods will be sufficient to utilize all of the carryforwards currently available. Devon expects the tax benefits from its net operating loss carryforwards to be utilized between 1997 and 1999. This is well before the 2006 expiration date for the majority of such benefits.

Management's assessment of the future utilization of Devon's deferred tax assets is based upon current estimates of taxable income to be generated in 1997 and beyond. Significant changes in such estimates from variables such as future oil and gas prices or capital expenditures could alter the timing of the eventual utilization of such assets. There can be no assurance that Devon will generate any specific level of continuing taxable earnings.

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 I, Item 1 elsewhere herein.

Capital Expenditures. Cash used for capital expenditures increased 26% from \$18.5 million in the first quarter of 1996 to \$23.3 million in the first quarter of 1997. Approximately \$22.5 million was spent in 1997 on acquisition, exploration and development costs, compared to \$18.3 million spent in the 1996 quarter. The 1996 total included \$4.3 million to acquire additional interests in the Worland properties in Wyoming.

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 1997. Operating cash flow in the first quarter of 1997 was \$48.0 million, compared to \$16.3 million in the first quarter of 1996.

Because of the amount of operating cash flow generated in the first quarter of 1997, Devon's credit lines were not used as a significant source of capital. Long-term debt at the end of 1996 was \$8 million. During the first quarter of 1997, operating cash flow was utilized to eliminate this debt balance.

Devon's domestic long-term credit facilities were amended effective March 15, 1997. At Devon's request, the borrowing base of the facilities was lowered from \$260 million to \$210 million. This will lower Devon's future cost of borrowings. If future capital needs arise, Devon believes that its lenders would increase its domestic credit lines to approximately \$500 million. The amendment to the credit agreement also lowered the annual facilities fee from 0.25% of the borrowing base to 0.20%, and extended the final maturity date of loans outstanding by one year to August 31, 2003. Also, the lenders' required amount of minimum tangible net worth was reduced.

Impact of Recently Issued Accounting Standards Not Yet Adopted. In February, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share." SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, and restatement of prior-period earnings per share data is required. The new standard will not apply to Devon's financial statements until the fourth quarter of 1997. SFAS No. 128 revises the current calculation methods and presentation of primary and fully diluted earnings per share. Devon has reviewed the requirements of SFAS No. 128, and has concluded that they will not affect Devon's historical primary earnings per share data. However, SFAS No. 128 will lower Devon's historical fully diluted earnings per share amounts by \$0.01 per share in each of the following periods: the year 1994, the year 1995, the second quarter of 1996 and the third quarter of 1996.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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.

2.1 Agreement and Plan of Merger and Reorganization by and among Registrant and Devon Energy Corporation, a Delaware corporation, dated as of April 13, 1995 (incorporated by reference to Exhibit A to Registrant's definitive Proxy Statement for its 1995 Annual Meeting of Shareholders filed on April 21, 1995).

2.2 Agreement and Plan of Merger among Registrant, Devon Energy Corporation (Nevada), Kerr-McGee Corporation, Kerr-McGee North American Onshore Corporation and Kerr-McGee Canada Onshore Ltd., dated October 17, 1996 (incorporated by reference to Addendum A to Registrant's definitive proxy statement for a special meeting of shareholders, filed on November 6, 1996).

3.1 Registrant's Certificate of Incorporation, as amended (incorporated by reference to Exhibit B to Registrant's definitive Proxy Statement for its 1995 Annual Meeting of Shareholders filed on April 21, 1995).

3.2 Registrant's Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 2 to Registrant's Current Report on Form 8-K dated December 31, 1996).

3.3 Registrant's Bylaws (incorporated by reference to Exhibit 3.2 to Registrant's Registration Statement on Form 8-B filed on June 7, 1995).

4.1 Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Registrant's Registration Statement on Form 8-B filed on June 7, 1995).

4.2 Rights Agreement between Registrant and The First National Bank of Boston (incorporated by reference to Exhibit 4.2 to Registrant's Registration Statement on Form 8-B filed on June 7, 1995).

4.3 First Amendment to Rights Agreement between Registrant and The First National Bank of Boston dated October 16, 1996 (incorporated by reference to Exhibit H-1 to Addendum A to Registrant's definitive proxy statement for a special meeting of shareholders, filed on November 6, 1996).

4.4 Second Amendment to Rights Agreement between Registrant and the First National Bank of Boston, dated December 31, 1996 (incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K dated December 31, 1996).

4.5 Certificate of Designations of Series A Junior Participating Preferred Stock of Registrant (incorporated by reference to Exhibit 3.3 to Registrant's Registration Statement on Form 8-B filed on June 7, 1995).

4.6 Certificate of Trust of Devon Financing Trust
[incorporated by reference to Exhibit 4.5 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

4.7 Amended and Restated Declaration of Trust of Devon Financing Trust dated as of July 3, 1996, by J. Larry Nichols, H. Allen Turner, William T. Vaughn, The Bank of New York (Delaware) and The Bank of New York as Trustees and the Registrant as Sponsor [incorporated by reference to Exhibit 4.6 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

4.8 Indenture dated as of July 3, 1996, between the Registrant and The Bank of New York
[incorporated by reference to Exhibit 4.7 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

4.9 First Supplemental Indenture dated as of July 3, 1996, between the Registrant and The Bank of New York [incorporated by reference to Exhibit 4.8 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

4.10 Form of 6 1/2% Preferred Convertible Securities (included as Exhibit A-1 to Exhibit 4.5 above).

4.11 Form of 6 1/2% Convertible Junior

Subordinated Debentures (included in Exhibit 4.7 above).

4.12 Preferred Securities Guarantee Agreement dated July 3, 1996, between Registrant, as

Guarantor, and The Bank of New York, as Preferred Guarantee Trustee [incorporated by reference to Exhibit 4.11 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

4.13 Stock Rights and Restrictions Agreement dated as of December 31, 1996, between Registrant and Kerr-McGee Corporation (incorporated by reference to Exhibit 4.3 to Registrant's Current Report on Form 8-K dated December 31, 1996).

4.14 Registration Rights Agreement, dated December 31, 1996, by and between Registrant and Kerr-McGee Corporation (incorporated by reference to Exhibit 4.4 to Registrant's Current Report on Form 8-K dated December 31, 1996).

10.1 Credit Agreement dated August 30, 1996, among Devon Energy Corporation (Nevada), as Borrower, the Registrant and Devon Energy Operating Corporation, as Guarantors, NationsBank of Texas, N.A., as Agent, and NationsBank of Texas, N.A., Bank One, Texas, N.A., Bank of Montreal, and First Union National Bank of North Carolina, as Lenders (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).

10.2 First Amendment, dated March 15, 1997, to Credit Agreement among Devon Energy Corporation (Nevada), as Borrower, the Registrant, as Guarantor, NationsBank of Texas, N.A., as Agent, and NationsBank of Texas, N.A., Bank One, Texas, N.A., Bank of Montreal and First Union National Bank of North Carolina, as Lenders.

10.3 Devon Energy Corporation 1988 Stock Option Plan [incorporated by reference to Exhibit 10.4 to Registrant's Registration Statement on Form S-4 (No. 33-23564)].*

10.4 Devon Energy Corporation 1993 Stock Option Plan (incorporated by reference to Exhibit A to Registrant's Proxy Statement for the 1993 Annual Meeting of Shareholders filed on May 6, 1993).*

10.5 Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. J. Larry Nichols, dated December 3, 1992 (incorporated by reference to Exhibit 10.10 to Registrant's Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 1992).*

10.6 Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. H. R. Sanders, Jr., dated December 3, 1992 (incorporated by reference to Exhibit 10.11 to Registrant's Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 1992).*

10.7 Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. J. Michael Lacey, dated December 3, 1992 (incorporated by reference to Exhibit 10.12 to Registrant's Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 1992).*

10.8 Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. H. Allen Turner, dated December 3, 1992 (incorporated by reference to Exhibit 10.13 to Registrant's Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 1992).*

10.9 Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. Darryl G. Smette, dated December 3, 1992 (incorporated by reference to Exhibit 10.14 to Registrant's Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 1992).*

10.10 Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. William T. Vaughn, dated December 3, 1992 (incorporated by reference to Exhibit 10.15 to Registrant's Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 1992).*

10.11 Sale and Purchase Agreement relating to Registrant's San Juan Basin gas properties (incorporated by reference to Exhibit 10.15 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).

10.12 Second Restatement of and Amendment to Sale and Purchase Agreement relating to Registrant's San Juan Basin gas properties (incorporated by reference to Exhibit 10.16 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995).

10.13 Purchase and Sale Agreement between Union Oil Company of California and Devon Energy Corporation (Nevada) (incorporated by reference to Exhibit 2 to Registrant's Current Report on Form 8-K dated December 18, 1995).

10.14 Registration Rights Agreement dated July 3, 1996, by and among the Registrant, Devon Financing Trust and Morgan Stanley & Co. Incorporated [incorporated by reference to Exhibit 10.1 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

11 Computation of earnings per share

* Compensatory plans or arrangements.

(b) Reports on Form 8-K - A Current Report on Form 8-K dated January 14, 1997, was filed by the Registrant regarding the December 31, 1996, acquisition of the KMG-NAOS Properties.

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: April 21, 1997

*/s/William T. Vaughn
William T. Vaughn
Vice President - Finance*

INDEX TO EXHIBITS

Page

2.1 Agreement and Plan of Merger and Reorganization # by and among Registrant and Devon Energy Corporation, a Delaware corporation, dated as of April 13, 1995

2.2 Agreement and Plan of Merger among Registrant, # Devon Energy Corporation (Nevada), Kerr-McGee Corporation, Kerr-McGee North American Onshore Corporation and Kerr-McGee Canada Onshore Ltd., dated October 17, 1996

3.1 Registrant's Certificate of Incorporation, as # amended

3.2 Registrant's Certificate of Amendment of #

	Certificate of Incorporation	
3.3	Registrant's Bylaws	#
4.1	Form of Common Stock Certificate	#
4.2	Rights Agreement between Registrant and The First National Bank of Boston	#
4.3	First Amendment to Rights Agreement between Registrant and The First National Bank of Boston dated October 16, 1996	#
4.4	Second Amendment to Rights Agreement between Registrant and the First National Bank of Boston, dated December 31, 1996	#
4.5	Certificate of Designations of Series A Junior Participating Preferred Stock of Registrant	#
4.6	Certificate of Trust of Devon Financing Trust	#
4.7	Amended and Restated Declaration of Trust of Devon Financing Trust dated as of July 3, 1996, by J. Larry Nichols, H. Allen Turner, William T. Vaughn, The Bank of New York (Delaware) and The Bank of New York as Trustees and the Registrant as Sponsor	#
4.8	Indenture dated as of July 3, 1996, between the Registrant and The Bank of New York	#
4.9	First Supplemental Indenture dated as of July 3, 1996, between the Registrant and The Bank of New York	#
4.10	Form of 6 1/2% Preferred Convertible Securities (included as Exhibit A-1 to Exhibit 4.5 above)	#
4.11	Form of 6 1/2% Convertible Junior Subordinated Debentures (included in Exhibit 4.7 above)	#
4.12	Preferred Securities Guarantee Agreement dated July 3, 1996, between Registrant, as Guarantor, and The Bank of New York, as Preferred Guarantee Trustee	#
4.13	Stock Rights and Restrictions Agreement dated as of December 31, 1996, between Registrant and Kerr-McGee Corporation	#
4.14	Registration Rights Agreement, dated December 31, 1996, by and between Registrant and Kerr-McGee Corporation	#
10.1	Credit Agreement dated August 30, 1996, among Devon Energy Corporation (Nevada), as Borrower, the Registrant and Devon Energy Operating Corporation, as Guarantors, NationsBank of Texas, N.A., as Agent, and NationsBank of Texas, N.A., Bank One, Texas, N.A., Bank of Montreal, and First Union National Bank of North Carolina, as Lenders	#

10.2	First Amendment, dated March 15, 1997, to Credit Agreement among Devon Energy Corporation (Nevada), as Borrower, the Registrant, as Guarantor, NationsBank of Texas, N.A., as Agent, and NationsBank of Texas, N.A., Bank One, Texas, N.A., Bank of Montreal, and First Union National Bank of North Carolina, as Lenders	27
10.3	Devon Energy Corporation 1988 Stock Option Plan	#
10.4	Devon Energy Corporation 1993 Stock Option Plan	#
10.5	Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. J. Larry Nichols, dated December 3, 1992	#
10.6	Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. H. R. Sanders, Jr., dated December 3, 1992	#
10.7	Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. J. Michael Lacey, dated December 3, 1992	#
10.8	Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. H. Allen Turner, dated December 3, 1992	#
10.9	Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. Darryl G. Smette, dated December 3, 1992	#

10.10 Severance Agreement between Devon Energy # Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. William T. Vaughn, dated December 3, 1992

10.11 Sale and Purchase Agreement relating to # Registrant's San Juan Basin gas properties

10.12 Second Restatement of and Amendment to Sale # and Purchase Agreement relating to

Registrant's San Juan Basin gas properties

10.13	Purchase and Sale Agreement between Union Oil Company of California and Devon Energy Corporation (Nevada)	#
10.14	Registration Rights Agreement dated July 3, 1996, by and among the Registrant, Devon Financing Trust and Morgan Stanley & Co. Incorporated	#
11	Computation of earnings per share	38

Incorporated by reference.

DEVON ENERGY CORPORATION
 Computation of Earnings Per Share

Exhibit 11

	Three Months Ended March 31,	
	1997	1996
PRIMARY EARNINGS PER SHARE		
Computation for Statement of Operations		
Net earnings per statement of operations	\$25,225,546	5,553,926
Weighted average common shares outstanding	32,141,295	22,112,489
Primary earnings per share	\$0.78	0.25
Additional Primary Computation (A)		
Net earnings per statement of operations	\$25,225,546	5,553,926
Adjustment to weighted average common shares outstanding:		
Weighted average as shown above in primary computation	32,141,295	22,112,489
Add dilutive effect of outstanding stock options (as determined using the treasury stock method)	358,398	135,253
Weighted average common shares outstanding, as adjusted	32,499,693	22,247,742
Net earnings per common share, as adjusted	\$0.78	0.25
FULLY DILUTED EARNINGS PER SHARE (A)		
Net earnings per statement of operations	\$25,225,546	5,553,926
Increase in net earnings from assumed conversion of Trust Convertible Preferred Securities (net of tax effect)	1,506,488	-
Net earnings, as adjusted	\$26,732,034	5,553,926
Weighted average common shares outstanding as shown in primary computation above	32,141,295	22,112,489
Add fully dilutive effect of outstanding stock options (as determined using the treasury stock method)	358,398	147,146
Add weighted average of additional shares issued from assumed conversion of Trust Convertible Preferred Securities	4,901,507	-
Weighted average common shares outstanding, as adjusted	37,401,200	22,259,635
Fully diluted earnings per common share	\$0.71	0.25

(A) The additional primary computations for both periods, and the fully diluted computations for the 1996 period, are submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because they result in dilution of less than 3%.

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD END	MAR 31 1997
CASH	24863144
SECURITIES	0
RECEIVABLES	42743228
ALLOWANCES	0
INVENTORY	2005919
CURRENT ASSETS	73375376
PP&E	996358220
DEPRECIATION	301173988
TOTAL ASSETS	778906729
CURRENT LIABILITIES	29221766
BONDS	0
PREFERRED MANDATORY	3214130
PREFERRED	0
COMMON	0
OTHER SE	492205607
TOTAL LIABILITY AND EQUITY	778906729
SALES	86572042
TOTAL REVENUES	87899646
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	21122481
LOSS PROVISION	0
INTEREST EXPENSE	130807
INCOME PRETAX	42042546
INCOME TAX	16817000
INCOME CONTINUING	25225546
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	25225546
EPS PRIMARY	0.78
EPS DILUTED	0.71

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made as of the 15th day of March, 1997, by and among DEVON ENERGY CORPORATION (NEVADA), as Borrower ("Borrower"), DEVON ENERGY CORPORATION ("Parent"), as guarantor, NATIONSBANK OF TEXAS, N.A., as Agent ("Agent"), and NATIONSBANK OF TEXAS, N.A., BANK ONE, TEXAS, N.A., BANK OF MONTREAL and FIRST UNION NATIONAL BANK OF NORTH CAROLINA, as Lenders ("Lenders").

WHEREAS, Borrower, Parent, Devon Energy Operating Corporation ("DEOC"), Agent and Lenders have entered into that certain Credit Agreement dated as of August 30, 1996 (the "Original Agreement"); and

WHEREAS, DEOC and Avon Energy Corporation have been liquidated; and

WHEREAS, Parent has guaranteed to Agent and Lenders the payment of the Notes and of all other sums payable under the Credit Agreement and the other Loan Documents pursuant to its Guaranty; and

WHEREAS, Borrower, Parent, Agent and Lenders desire to amend the Original Agreement as herein provided;

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 Lenders to 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

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.

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 1.2.

"Amendment" means this First Amendment to Credit Agreement.

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

ARTICLE II -- Amendments

2.1. Defined Terms. (a) Section 1.1 of the Original Agreement is hereby amended by adding the definitions of "Canadian Facility", "DBC" and "Devon Canada" to read as follows:

"Canadian Facility" means an unsecured revolving credit facility, between Devon Canada and Bank of Montreal, in an aggregate amount not to exceed U.S. \$50,000,000, and any unsecured guaranty by Parent, Borrower and/or other Guarantors, guaranteeing such facility.

"DBC" means DBC, Inc., an Oklahoma corporation.

"Devon Canada" means Devon Energy Canada Corporation, a Canadian corporation organized under the laws of Alberta.

(b) Section 1.1 of the Original Agreement is hereby amended by amending the definitions of "Commitment Period", "Guarantor" and Maximum Loan Amount to read as follows:

"Commitment Period" means the period from and including the date on which the Notes are delivered and accepted as contemplated in Section 2.4 until and including August 31, 2003 (or any date on which the Notes otherwise become due and payable in full as provided in the Loan Documents).

"Guarantor" means any Person who has guaranteed some or all of the Obligations and who has been recognized in writing by Agent as a Guarantor. Parent and DBC are each hereby recognized as a Guarantor.

"Maximum Loan Amount" means, with respect to each Lender, the amount set forth opposite its name on the signature pages hereto, and "Maximum Loan Amounts" means the sum of all such amounts; provided,

(a) on August 31, 2000, the Maximum Loan Amounts shall be automatically ratably reduced to the Available Borrowing Base which is in effect on such date; and

(b) on the last day of each November, February, May and August, commencing November 30, 2000, the Maximum Loan Amounts shall be further automatically ratably reduced by the Quarterly Reduction Amount; and

(c) on August 31, 2003, the Maximum Loan Amounts shall be automatically reduced to zero.

As used herein, "Quarterly Reduction Amount" shall mean an amount equal to eight and one-third percent (8.33%) of the Available Borrowing Base as of August 31, 2000.

(c) Section 1.1 of the Original Agreement is hereby amended by deleting the definitions of "Avon" and "DEOC".

2.2. Facility Fees. The reference to "one quarter percent (0.25%)" set forth in Section 2.8(a) of the Original Agreement is hereby amended to refer instead to "one-fifth percent (0.2%)".

2.3. Restricted Debt - Operating Leases. Clause (ii) of Section 5.2(a) of the Original Agreement is hereby amended in its entirety to read as follows:

(ii) operating lease or capital lease obligations (excluding oil, gas or mineral leases) entered into in the ordinary course of the Restricted Persons' businesses in arm's length transactions at competitive market rates under competitive terms and conditions in all respects;

2.4. Restricted Debt - Canadian Facility and Miscellaneous. Section 5.2(a) of the Original Agreement is hereby amended as follows: clause (xi) is renumbered clause

(xii), a new clause (xi) is added, and renumbered clause (xii) is amended in its entirety, all to read as follows:

(xi) the Canadian Facility; and

(xii) miscellaneous items of Restricted Debt not described in subsections (i) through (xi) of this subsection

(a) which do not in the aggregate (taking into account all such Restricted Debt of all Restricted Persons) exceed \$10,000,000 at any one time outstanding; provided, that after giving effect to such Restricted Debt outstanding from time to time, Borrower is not in violation of Sections 5.2(j) and (k).

2.5. Limitation on Intercompany Transfers. The parenthetical in the first clause of clause (ii) of Section 5.2(c) of the Original Agreement is hereby amended in its entirety to read as follows:

(other than Borrower, Guarantors, Devon Trust and Devon Canada)

2.6. Limitation on Intercompany Transfers. Clauses (iii) through (v) of Section 5.2(c) of the Original Agreement are hereby renumbered (iv) through (vi), and a new clause (iii) is hereby added to read as follows:

(iii) Parent may make loans or capital contributions to, purchase shares of common stock from, or otherwise provide funds to Devon Canada, provided that (A) the aggregate amount of all such loans, capital contributions, purchases of shares, and other provisions of funds to Devon Canada shall not exceed \$25,000,000, and (B) no Default exists immediately before or immediately after such transaction;

2.7. Tangible Net Worth. Section 5.2(k)(i), (ii) and

(iii) of the Original Agreement is hereby amended in its entirety to read as follows:

(k) Tangible Net Worth. Parent's Consolidated Tangible Net Worth will never be less than:

(i) \$551,000,000, plus

(ii) one hundred percent (100%) of the proceeds (net only of costs of sale) from any issuance after January 1, 1997 of any shares of Parent's common or preferred stock or any other securities, other than the

Subordinated Parent Debentures (including any options, warrants or other rights to acquire such stock) which Parent issues after such date, provided that Parent shall comply with the provisions of Section 5.2(e) hereof in connection with any such issuance.

2.8. Subsidiary Guaranties. The parenthetical contained in the first sentence of Section 6.2 of the Original Agreement is hereby amended in its entirety to read as follows:

(other than Borrower, Parent, the other Guarantors, Devon Trust or Devon Canada)

2.9. Designation of Borrowing Base. Pursuant to Section 2.13 of the Credit Agreement, Agent, with the concurrence of Evaluating Lenders, hereby designates the new Borrowing Base as \$200,000,000, effective for the period beginning on the date hereof, a Determination Date, and continuing until but not including the next date as of which the Borrowing Base is redetermined.

2.10. Exhibits. Exhibit A to the Original Agreement is hereby amended in its entirety to read as set forth in Exhibit A attached hereto.

2.11. DEOC and Avon. Agent and Lenders hereby acknowledge that DEOC and Avon have been liquidated. All references to DEOC or Avon in any Loan Document are hereby deleted.

ARTICLE III. -- Conditions of Effectiveness

3.1. Effective Date. This Amendment shall become effective as of the date first above written when, and only when, (i) Agent shall have received, at Agent's office, a counterpart of this Amendment executed and delivered by Borrower and each Lender, (ii) Borrower shall have issued and delivered to Agent, for subsequent delivery to each Lender, a Note with appropriate insertions in the form attached hereto as Exhibit A payable to the order of such Lender on or before August 31, 2003, duly executed on behalf of Borrower, dated the date hereof, and in a principal amount equal to the stated principal amount of the Note heretofore delivered to such Lender under the Original Agreement, and (iii) Agent shall have additionally received all of the following documents, each document (unless otherwise indicated) being dated the date of receipt thereof by Agent, duly authorized, executed and delivered, and in form and substance satisfactory to Agent:

(a) Opinion of Counsel for Borrower. Agent shall have received the written opinion of McAfee & Taft, P.C., dated as of the date of this Amendment, addressed to Agent, in the form of Exhibit B attached hereto.

(b) Officer's Certificate. Agent shall have received a certificate of a duly authorized officer of Borrower and Parent to the effect 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.

(c) Supporting Documents. Agent shall have received

(i) a certificate of the Secretary or Assistant Secretary of Borrower and Parent dated the date of this Amendment certifying that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of Borrower and Parent authorizing the execution, delivery and performance of this Amendment and the Notes, certifying the names and true signatures of the officers of Borrower and Parent authorized to sign this Amendment and the Notes, and certifying that the charter documents and bylaws of Borrower and Parent attached to that certain Omnibus Certificate dated August 30, 1996 are true, correct and complete as of the date hereof, and (ii) such supporting documents as Agent may reasonably request.

ARTICLE IV -- Miscellaneous

4.1. Ratification of Agreements. The Original Agreement is hereby ratified and confirmed in all respects. Any reference to the Credit Agreement in any Loan Document shall be deemed to refer to the Original Agreement as amended hereby. Any reference to the Notes in any other Loan Document shall be deemed to be a reference to the Notes issued and delivered pursuant to this Amendment. Parent hereby consents to the provisions of this Amendment and the Notes and hereby ratifies and confirms its Guaranty and agrees that its obligations and covenants thereunder are unimpaired hereby and shall remain in full force and effect.

4.2. Representations. Each of Borrower and Parent represent and warrant that the representations and warranties contained in Section 4.1 and Section 9.1(b) of the Credit Agreement are true and correct at and as of the date hereof (taking into account the fact that this Amendment and the Notes issued in connection herewith are each a Loan Document as referred to in such Sections). Each of Borrower and Parent represent and warrant that the resolutions of their respective Boards of Directors, attached as Exhibits A and B to that certain Omnibus Certificate dated as of August 30, 1996, given on behalf of Borrower and Parent in connection with the Original Agreement, remain in full force and effect on the date hereof.

4.3. Survival of Agreements. All representations, warranties, covenants and agreements of Borrower or Parent herein shall survive the execution and delivery of this Amendment and the Notes issued in connection herewith and the performance hereof and shall further survive until all of the Obligations are paid in full.

4.4. Delivery of Prior Notes. Each Lender shall promptly deliver to Agent, for subsequent delivery to Borrower, the Note heretofore delivered to it under the Original Agreement.

4.5. Governing Law. This Amendment shall be governed by and construed in accordance with 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.

4.6. Counterparts. 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 shall, when executed by each party hereto, take effect as of the date first above written.

4.7. Loan Documents. This Amendment and each Note is a Loan Document, and all provisions in the Credit Agreement applying to Loan Documents (including, without limitation, Section 9.1(b) thereof) apply hereto and thereto.

THIS WRITTEN AGREEMENT AND THE OTHER 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 BETWEEN THE PARTIES.

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

DEVON ENERGY CORPORATION (NEVADA)

By:
William T. Vaughn, Vice President -
Finance

DEVON ENERGY CORPORATION

By:
William T. Vaughn, Vice President -
Finance

NATIONSBANK OF TEXAS, N.A.

By:
Dale T. Wilson, Vice President

BANK ONE, TEXAS, N.A.

By:
Christopher S. Parada, Asst. Vice
President

BANK OF MONTREAL

By:
Michael P. Stuckey, Director

**FIRST UNION NATIONAL BANK
OF NORTH CAROLINA**

By:
Michael J. Kolosowsky, Vice President

CONSENT OF GUARANTOR

DBC, Inc. hereby consents to the foregoing Amendment and the transactions contemplated therein and hereby ratifies and confirms its obligations under its certain Guaranty dated as of December 31, 1996 in favor of Agent, as agent for the Lenders. This Consent is executed as of the date of the Amendment.

DBC, INC.

By:
William T. Vaughn, Vice President -
Finance

-8-

End of Filing

Powered By **EDGAR**
Online

© 2005 | **EDGAR Online, Inc.**