DEVON ENERGY CORP /OK/

FORM 8-K
(Current report filing)

Filed 01/14/97 for the Period Ending 12/31/96

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

DEVON ENERGY CORP /OK/

FORM 8-K
(Unscheduled Material Events)

Filed 1/14/1997 For Period Ending 12/31/1996

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

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): DECEMBER 31, 1996

DEVON ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

OKLAHOMA	1-10067	73-1474008
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

20 NORTH BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102
(Address of Principal Executive Offices) (Zip Code)

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

(Exhibit Index is found on page 20)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

TERMS OF THE ACQUISITION

On December 31, 1996, Devon Energy Corporation ("Devon") acquired all of Kerr-McGee Corporation's ("Kerr-McGee") 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. The acquisition of the KMG-NAOS Properties had previously been approved by Devon's shareholders at a special meeting held on December 6, 1996.

The transaction (the "Transaction") was made pursuant to an October 17, 1996, Agreement and Plan of Merger among Devon , Kerr-McGee and certain of their subsidiaries (the "Merger Agreement"). According to the terms of the Merger Agreement, the acquisition of the KMG-NAOS Properties was accomplished at closing in two simultaneous transactions. First, Kerr-McGee North American Onshore Corporation, a wholly-owned Oklahoma subsidiary of Kerr-McGee ("KMG-US"), was merged with and into Devon Energy Corporation (Nevada), a wholly-owned Nevada subsidiary of Devon ("Devon Nevada"), in exchange for 7,554,880 shares of Devon's common stock. KMG-US owned all of Kerr-McGee's U.S. onshore oil and gas exploration and production business and properties. Second, Devon acquired all of the outstanding capital stock of Kerr-McGee Canada Onshore Ltd., a wholly-owned subsidiary of Kerr-McGee organized under the laws of Alberta, Canada ("KMG-CN"), in exchange for 2,399,120 shares of Devon's common stock. KMG-CN owned all of Kerr-McGee's Canadian oil and gas exploration and production business and properties. After Devon acquired the capital stock of KMG-CN, Devon consolidated KMG-CN into Devon Energy Canada Corporation ("Devon Canada"), a wholly-owned subsidiary of Devon. As a result of the Transaction, the properties and assets of KMG-US became part of the properties and assets of Devon Nevada and KMG-CN's properties and assets became part of the properties and assets of Devon Canada.

Upon closing of the Transaction, Kerr-McGee owns 9,954,000 shares of Devon's common stock, which represents 30.9695% (26.1938% on a fully-diluted basis) of the Devon common stock outstanding as of December 31, 1996. The number of shares involved in the Transaction was determined based on a number of measures, including the contribution the KMG-NAOS Properties could make to Devon's cash flow and earnings per share, reserves per share, net asset value and liquidity. Because of this relatively large ownership position, Kerr-McGee has negotiated arrangements by which Kerr-McGee can (a) exercise influence over the management and policies of Devon through representation on Devon's board of directors in proportion to its ownership of Devon's outstanding common stock and
(b) be assured of the cooperation of Devon management if Kerr-McGee wishes to sell or transfer its shares of Devon's common stock. Because these arrangements place Kerr-McGee in a position to cause or substantially influence a change in control of Devon, or a liquidation or disposition of Devon's assets, Devon has negotiated arrangements which limit Kerr-McGee's ability to (a) acquire additional shares of Devon's common stock; (b) dispose of a large portion of its Devon common stock to a third party; and (c) enter into transactions which would result in a change in control of Devon. Finally, both Devon and Kerr-McGee have negotiated arrangements so that Devon's existing anti-takeover defenses would remain in force for both third parties and for certain further transactions with Kerr-McGee.

Devon recorded a value of approximately $222 million for the KMG-NAOS Properties as of the closing date. Such value was based on the value of the shares of Devon common stock issued as determined pursuant to generally accepted accounting principles. An additional $32 million was allocated to the KMG-NAOS Properties for the deferred income tax liability created as a result of the transaction. The amount recorded for the KMG-NAOS Properties (exclusive of the deferred tax liability) includes approximately $193 million allocated to proved oil and gas reserves and $29 million allocated to undeveloped leasehold acquired. Although the $193 million initially recorded to proved properties is expected to be revised when amounts are reallocated to other assets acquired and liabilities assumed prior to Devon issuing its December 31, 1996, balance sheet, the revised amount recorded to proved reserves is not expected to be materially different from the $193 million.

PROPERTIES ACQUIRED

Devon's property base has been significantly expanded by the Transaction. Estimated proved reserves associated with the KMG-NAOS Properties as of December 31, 1995, were 43 million barrels of oil equivalent ("MMBoe") in the United States and 18 MMBoe in Canada. These reserves are approximately 44% oil and natural gas liquids and 56% natural gas. The United States assets acquired are located predominantly in the Rocky Mountain, Permian Basin and Mid-Continent areas of the country. All of these areas were already core areas of Devon's operations. The $29 million allocated to undeveloped leasehold is represented by an estimated 282,000 net undeveloped acres of leasehold and mineral interests in the United States and 88,000 net undeveloped acres in Canada.

FINANCIAL EFFECTS OF THE TRANSACTION

The Transaction is being accounted for under the purchase method of accounting for business combinations. Pursuant to this method, Devon began recording in its financial statements the revenues and expenses associated with the KMG-NAOS Properties as of the closing date of December 31, 1996. Accordingly, the KMG-NAOS Properties will have no effect on Devon's 1996 consolidated operations. The KMG-NAOS Properties are expected to materially affect Devon's revenues, net earnings and operating cash flow for the year 1997. However, the estimated impact of the KMG-NAOS Properties on 1997's results is not known as of this date.

Item 7 of this report on Form 8-K includes certain historical financial
information regarding the KMG-NAOS Properties for the three-year period ended December 31, 1995 and the first nine months of 1995 and 1996. Item 7 also includes certain pro forma financial information for Devon for the year 1995 and the first nine months of 1996. The future results of Devon and the KMG-NAOS Properties may vary significantly from that presented in the pro forma and historical financial information included in Item 7 due to normal oil and natural gas production declines, changes in prices received for oil, gas and natural gas liquids, Devon's future development of such properties, the assumptions and estimates inherent in preparing the pro forma financial information, and other factors. Therefore, the financial information presented in Item 7 of this report is not necessarily indicative of the future operations of Devon consolidated or the KMG-NAOS Properties.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements of the KMG-NAOS Properties Report of Independent Public Accountants Statements of Revenues and Direct Operating Expenses of Oil and Gas Properties Included in the Agreement and Plan of Merger Among Devon Energy Corporation, Devon Energy Corporation (Nevada), Kerr-McGee Corporation, Kerr-McGee North American Onshore Corporation, and Kerr-McGee Canada Onshore Ltd.

Notes to Statements of Revenues and Direct Operating Expenses

(b) Pro Forma Financial Information - Devon Energy Corporation Unaudited Pro Forma Balance Sheet as of September 30, 1996 Unaudited Pro Forma Statements of Operations for the Year Ended December 31, 1995 and the Nine Months Ended September 30, 1996 Notes to Unaudited Pro Forma Financial Statements

(c) Exhibits

Exhibit
Number

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 Certificate of Amendment of Certificate of Incorporation

4.1 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).

4.2 Second Amendment to Rights Agreement between Registrant and the First National Bank of Boston, dated December 31, 1996.

4.3 Stock Rights and Restrictions Agreement, dated as of December 31, 1996, between Registrant and Kerr-McGee Corporation

4.4 Registration Rights Agreement, dated December 31, 1996, by and between Registrant and Kerr-McGee Corporation

23 Consent of Arthur Andersen LLP

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DEVON ENERGY CORPORATION

Date: January 14, 1997

/s/DANNY J. HEATLY

Danny J. Heatly
Controller

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Kerr-McGee Corporation:

We have audited the accompanying statements of revenues and direct operating expenses of oil and gas properties included in the Agreement and Plan of Merger among Devon Energy Corporation, Devon Energy Corporation (Nevada), Kerr-McGee Corporation, Kerr-McGee North American Onshore Corporation, and Kerr-McGee Canada Onshore Ltd. (the "Properties") for the three years in the period ended December 31, 1995. These statements are the responsibility of Kerr-McGee Corporation's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of revenues and direct operating expenses are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of revenues and direct operating expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements of revenues and direct operating expenses were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, as described in Note 1, exclude general and administrative expenses, depreciation, depletion and amortization, interest, income tax expenses, and other items as these expenses would not be comparable to those resulting from the proposed future operations of the Properties.

In our opinion, the statements of revenues and direct operating expenses referred to above present fairly, in all material respects, the revenues and direct operating expenses of the Properties for the three years in the period ended December 31, 1995.

ARTHUR ANDERSEN LLP

Oklahoma City, Oklahoma
October 18, 1996

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES OF OIL AND GAS PROPERTIES INCLUDED IN THE AGREEMENT AND PLAN OF MERGER AMONG DEVON ENERGY CORPORATION, DEVON ENERGY CORPORATION (NEVADA), KERR-MCGEE CORPORATION, KERR-MCGEE NORTH AMERICAN ONSHORE CORPORATION, AND KERR-MCGEE CANADA ONSHORE LTD.

	FOR THE YEARS ENDED DECEMBER 31,			FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1994	1995	1995	1996
				(UNAUDITED)	
REVENUES:					
Oil sales	$ 67,852,490	$ 46,365,811	$ 56,651,121	$41,771,127	$50,318,946
Gas sales	65,721,983	65,544,740	44,221,516	32,799,703	42,664,082
Natural gas liquids sales	4,265,824	3,493,232	3,659,412	2,855,023	3,166,382
Gas Processing and other	4,275,871	3,805,029	3,746,813	3,452,659	2,225,401
Total revenues	142,116,168	119,208,812	108,278,862	80,878,512	98,374,811
DIRECT OPERATING EXPENSES:					
Production and operating expenses	37,893,561	31,733,902	32,922,740	24,554,260	25,581,750
REVENUES IN EXCESS OF DIRECT OPERATING EXPENSES	$104,222,607	$ 87,474,910	$ 75,356,122	$56,324,252	$72,793,061

The accompanying notes are an integral part of these statements.

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES OF OIL AND GAS PROPERTIES INCLUDED IN THE AGREEMENT AND PLAN OF MERGER AMONG DEVON ENERGY CORPORATION, DEVON ENERGY CORPORATION (NEVADA), KERR-MCGEE CORPORATION, KERR-MCGEE NORTH AMERICAN ONSHORE CORPORATION, AND KERR-MCGEE CANADA ONSHORE LTD.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying statements present revenues and direct operating expenses of working and royalty interests in oil, gas and natural gas liquids properties located in the United States and Canada and three gas processing plants included in the Agreement and Plan of Merger among Devon Energy Corporation ("Devon"), Devon Energy Corporation (Nevada), Kerr-McGee Corporation, Kerr-McGee North American Onshore Corporation, and Kerr-McGee Canada Onshore Ltd. (the "Properties").

The accompanying statements of revenues and direct operating expenses were prepared on the accrual basis of accounting and relate only to the Properties described above. These historical results may not be indicative of future operations. The statements do not include general and administrative expenses, interest, depreciation, depletion and amortization, Federal and state income taxes and other items because such amounts would not be indicative of those expenses which will be incurred by Devon.

The unaudited statements of revenues and direct operating expenses for the nine month periods ended September 30, 1995 and 1996, in the opinion of management, were prepared on a basis consistent with the audited statements of revenues and direct operating expenses of the Properties for the three years in the period ended December 31, 1995, and include all adjustments, consisting only of normal recurring accruals, necessary to present fairly the revenues and direct operating expenses for the indicated periods.

Gas Balancing Arrangements

Gas balancing arrangements with partners in gas wells are accounted for by the entitlements method.

Cost of Injected Gas

The cost of injected gas is deferred until sold at completion of miscible gas flood projects.

Foreign Currency

The U.S. dollar is the functional currency for the Properties located in Canada. Revenues and direct operating expenses incurred in Canadian dollars have been remeasured to U.S. dollars using monthly average exchange rates. Foreign currency transaction gains and losses have not been included in the accompanying statements because such amounts would not be indicative of those expenses which will be incurred by Devon.

Use of Estimates

The preparation of the statements of revenues and direct operating expenses in conformity with generally accepted accounting principles requires Kerr-McGee Corporation to make estimates and assumptions that affect the reported amounts of revenues and direct operating expenses during the reporting periods. Actual results could differ from those estimates as additional information becomes available.

2. RELATED PARTY TRANSACTIONS:

Gas Sales

Beginning in March 1994, Kerr-McGee Corporation sold a portion of its share of gas produced from the domestic Properties to a gas marketing affiliate. The terms agreed to by these two related entities provided for a price which was equal to that published in an independent index of monthly prices for gas

produced in specific regions. These gas sales represented 18% and 32% of total gas revenues for the years ended December 31, 1994 and 1995, respectively. Kerr-McGee Corporation believes these sales were made at prices which approximate the prices which would have been paid by an unrelated party.

Oil Sales

Kerr-McGee Corporation sold a portion of its share of oil produced from the domestic Properties to a crude oil refining affiliate until August 1995. These oil sales represented 51%, 43% and 27% of total oil revenues for the years ended December 31, 1993, 1994 and 1995, respectively. Kerr-McGee Corporation believes these sales were made at prices which approximate the prices which would have been paid by an unrelated party.

Overhead Charges

Charges from an affiliate for monthly overhead allowed under joint operating agreements for operated properties totaling $3,053,444, $3,086,334 and $3,450,114 for the years ended December 31, 1993, 1994 and 1995, respectively, are included in the accompanying statements as direct operating expenses.

3. RESULTS OF OPERATIONS FROM CRUDE OIL AND NATURAL GAS ACTIVITIES:

The results of operations from crude oil and natural gas activities of the Properties for the three years ended December 31, 1995, consisted of the following:

	REVENUES				
	SALES TO UNAFFILIATED ENTITIES	SALES TO AFFILIATED ENTITIES	TOTAL	DIRECT OPERATING EXPENSES	REVENUES IN EXCESS OF DIRECT OPERATING EXPENSES
	(IN THOUSANDS OF DOLLARS)				
1993 --					
Domestic	$ 62,976	$ 34,581	$ 97,557	$28,724	$ 68,833
Canada	40,283	--	40,283	8,154	32,129
Total crude oil and natural gas activities	103,259	34,581	137,840	36,878	100,962
Other(1)	4,276	--	4,276	1,015	3,261
Total	$107,535	$ 34,581	$142,116	$37,893	$104,223
1994 --					
Domestic	$ 41,069	$ 32,144	$ 73,213	$24,280	$ 48,933
Canada	42,191	--	42,191	6,093	36,098
Total crude oil and natural gas activities	83,260	32,144	115,404	30,373	85,031
Other(1)	3,805	--	3,805	1,361	2,444
Total	$ 87,065	$ 32,144	$119,209	$31,734	$ 87,475
1995 --					
Domestic	$ 40,282	$ 29,420	$ 69,702	$24,543	$ 45,159
Canada	34,830	--	34,830	7,208	27,622
Total crude oil and natural gas activities	75,112	29,420	104,532	31,751	72,781
Other(1)	3,747	--	3,747	1,172	2,575
Total	$ 78,859	$ 29,420	$108,279	$32,923	$ 75,356

(1) Includes gas processing plant revenues, Canadian tax credits, and other items that do not fit the definition of crude oil and natural gas activities but have been included above to reconcile to the Statements of Revenues and Direct Operating Expenses.

4. SUPPLEMENTAL INFORMATION ON OIL AND GAS RESERVES (UNAUDITED):

Crude Oil, Condensate and Natural Gas Net Reserves

The estimates of proved reserves have been prepared by Kerr-McGee Corporation's geologists and engineers. Such estimates include reserves on certain properties that are partially undeveloped and reserves that may be obtained in the future by secondary recovery operations now in operation or for which successful testing has been demonstrated. The following table summarizes the changes in the estimated quantities of the Properties' crude oil, natural gas liquids and natural gas reserves for the three years ended December 31, 1995:

	CRUDE OIL (IN THOUSANDS OF BARRELS)			NATURAL GAS LIQUIDS (IN THOUSANDS OF BARRELS)			NATURAL GAS (IN MILLIONS OF CUBIC FEET)		
	DOMESTIC	CANADA	TOTAL	DOMESTIC	CANADA	TOTAL	DOMESTIC	CANADA	TOTAL
Proved developed and undeveloped reserves --									
Balance December 31, 1992.....	19,008	9,210	28,218	1,087	852	1,939	183,300	81,300	264,600
Revisions of previous estimates, extensions, discoveries and other additions.....	1,164	1,119	2,283	(118)	241	123	(3,800)	10,135	6,335
Production.....	(2,886)	(1,227)	(4,113)	(166)	(215)	(381)	(25,500)	(13,600)	(39,100)
Balance December 31, 1993.....	17,286	9,102	26,388	803	878	1,681	154,000	77,835	231,835
Revisions of previous estimates, extensions, discoveries and other additions.....	772	1,060	1,832	(25)	50	25	19,400	(918)	18,482
Production.....	(2,120)	(1,146)	(3,266)	(138)	(192)	(330)	(24,300)	(13,700)	(38,000)
Balance December 31, 1994.....	15,938	9,016	24,954	640	736	1,376	149,100	63,217	212,317
Revisions of previous estimates, extensions, discoveries and other additions.....	3,618	1,268	4,886	(19)	--	(19)	14,723	(930)	13,793
Production.....	(2,189)	(1,250)	(3,439)	(134)	(175)	(309)	(24,800)	(12,600)	(37,400)
Balance December 31, 1995.....	17,367	9,034	26,401	487	561	1,048	139,023	49,687	188,710
Proved developed reserves --									
December 31, 1992.....	10,987	9,207	20,194	977	852	1,829	155,200	80,600	235,800
December 31, 1993.....	14,123	9,099	23,222	798	878	1,676	152,200	77,135	229,335
December 31, 1994.....	13,500	9,013	22,513	635	736	1,371	147,600	62,517	210,117
December 31, 1995.....	14,286	9,031	23,317	486	561	1,047	138,100	48,987	187,087

Standardized Measure of and Reconciliation of Changes in Discounted Future Net Cash Flows (Unaudited)

The standardized measure of future net cash flows presented in the following table was computed using the year-end prices and costs and a 10% discount factor. No future income tax expense was computed as taxable income arising from the operations of the Properties accrues to the owner. Kerr-McGee Corporation cautions that actual future net cash flows may vary considerably from these estimates. Although the estimates of total reserves, development costs, and production rates for the Properties were based upon the best information available, the development and production of the oil and gas reserves may not occur in the periods assumed. Actual prices realized and costs incurred may vary significantly from those used. Therefore, such estimated future net cash flow computations should not be considered to represent Kerr-McGee Corporation's estimate of the expected revenues or the current value of existing proved reserves of the Properties.

	FUTURE CASH INFLOWS	FUTURE DEVELOPMENT AND PRODUCTION COSTS	FUTURE NET CASH FLOWS	10% ANNUAL DISCOUNT	STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS
	(IN THOUSANDS OF DOLLARS)				
1993 --					
Domestic	$535,324	$312,250	$223,074	$ 82,474	$ 140,600
Canada	246,370	56,666	189,704	69,904	119,800
Total	$781,694	$368,916	$412,778	$152,378	$ 260,400
1994 --					
Domestic	$490,704	$256,839	$233,865	$ 90,765	$ 143,100
Canada	218,045	47,514	170,531	69,031	101,500
Total	$708,749	$304,353	$404,396	$159,796	$ 244,600
1995 --					
Domestic	$535,547	$200,509	$335,038	$149,834	$ 185,204
Canada	230,454	69,787	160,667	58,367	102,300
Total	$766,001	$270,296	$495,705	$208,201	$ 287,504

The changes in the standardized measure of future net cash flows are presented below for each of the three years in the period ended December 31, 1995:

	1993	1994	1995
	(IN THOUSANDS OF DOLLARS)		
Net change in sales, transfer prices, and production costs	$ (55,091)	$ 970	$ 28,524
Changes in estimated future development costs	(290)	(7,435)	(17,761)
Sales and transfers less production costs	(102,499)	(86,650)	(73,860)
Changes due to extensions, discoveries, revisions of quantity estimates, etc.	28,289	36,182	67,772
Current period development costs	22,870	20,648	23,546
Accretion of discount	33,900	26,040	24,470
Timing and other	(5,779)	(5,555)	(9,787)
Net change	(78,600)	(15,800)	42,904
Total at beginning of year	339,000	260,400	244,600
Total at end of year	$ 260,400	$244,600	$287,504

PRO FORMA FINANCIAL INFORMATION

Set forth below is certain unaudited pro forma financial information with respect to the KMG-NAOS Properties including an unaudited pro forma balance sheet as of September 30, 1996, and unaudited pro forma statements of operations for the year ended December 31, 1995, and the nine months ended September 30, 1996. The balance sheet has been prepared on the basis that the Transaction occurred on September 30, 1996. The statements of operations have been prepared on the basis that the Transaction occurred on January 1, 1995. The Transaction is being accounted for under the purchase method of accounting. The unaudited pro forma financial statements should be read in conjunction with the notes thereto immediately following such pro forma financial statements, and the statements of revenues and direct operating expenses of the KMG-NAOS Properties and related notes, which are included elsewhere herein. The pro forma results of operations are not necessarily indicative of the future operations of Devon.

UNAUDITED PRO FORMA BALANCE SHEET
SEPTEMBER 30, 1996
(IN THOUSANDS)

	DEVON HISTORICAL	PRO FORMA ADJUSTMENTS RELATED TO THE KMG-NAOS PROPERTIES (NOTE 4)	DEVON PRO FORMA
Assets:			
Current assets	$ 28,347	--	$ 28,347
Property and equipment, net	424,612	$221,576(a) 32,209(c)	678,397
Other assets, net	8,398	--	8,398
Total assets	$ 461,357	$253,785	$ 715,142
Liabilities:			
Current liabilities	13,304	800(b)	14,104
Revenues and royalties payable	1,051	--	1,051
Other liabilities	10,258	--	10,258
Long-term debt	5,000	--	5,000
Deferred income taxes	44,998	32,209(c)	77,207
Company-obligated mandatorily redeemable convertible preferred securities of susidiary trust holding solely 6.5% convertible junior subordinated debentures of Devon Energy Corporation	149,500	--	149,500
Stockholders' equity:			
Preferred stock	--	--	--
Common stock	2,213	995(b)	3,208
Additional paid-in capital	167,588	219,781(b)	387,369
Retained earnings	67,445	--	67,445
Total stockholders' equity	237,246	220,776	458,022
Total liabilities and stockholders' equity	$ 461,357	$253,785	$ 715,142

See accompanying notes to pro forma financial statements.

PRO FORMA STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1995
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	DEVON HISTORICAL	PRO FORMA EFFECTS OF: WORLAND PROPERTIES (NOTE 2)	PRO FORMA EFFECTS OF: TCP SECURITIES OFFERING (NOTE 2)	KMG-NAOS PROPERTIES HISTORICAL	PRO FORMA ADJUSTMENTS RELATED TO THE KMG-NAOS PROPERTIES (NOTE 4)	DEVON PRO FORMA
Revenues:						
Oil sales	$ 55,290	$ 931	$ --	$ 56,651	--	$112,872
Gas sales	50,732	2,143	--	44,222	--	97,097
Natural gas liquids sales	6,404	2,275	--	3,659	--	12,338
Other	877	--	--	3,747	--	4,624
Total revenues	113,303	5,349	--	108,279	--	226,931
Costs and expenses:						
Lease operating expenses	27,289	1,609	--	26,265	--	55,163
Production taxes	6,832	221	--	6,658	--	13,711
Depreciation, depletion and amortization	38,090	2,284	166	--	45,182(d)	85,722
General and administrative expenses	8,419	--	--	--	5,000(e)	13,419
Interest expense	7,051	3,025	(9,501)	--	--	575
Distributions on preferred securities of subsidiary trust	--	--	9,718	--	--	9,718
Total costs and expenses	87,681	7,139	383	32,923	50,182	178,308
Earnings (loss) before income taxes	25,622	(1,790)	(383)	75,356	(50,182)	48,623
Income tax expense (benefit):						
Current	4,495	(358)	(77)	--	4,511(f)	8,571
Deferred	6,625	(27)	(69)	--	6,328(f)	12,857
Total income tax expense (benefit)	11,120	(385)	(146)	--	10,839(f)	21,428
Net earnings (loss)	$ 14,502	$(1,405)	$ (237)	$ 75,356	$(61,021)	$ 27,195
Net earnings (loss) per average common share outstanding	$ 0.66					$ 0.85
Weighted average common shares outstanding	22,074					32,028

See accompanying notes to pro forma financial statements.

PRO FORMA STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	DEVON HISTORICAL	PRO FORMA EFFECTS OF TCP SECURITIES OFFERING (NOTE 2)	KMG-NAOS PROPERTIES HISTORICAL	PRO FORMA ADJUSTMENTS RELATED TO THE KMG-NAOS PROPERTIES (NOTE 4)	DEVON PRO FORMA
Revenues:					
Oil sales	$ 55,995	$ --	$ 50,319	$ --	$106,314
Gas sales	44,124	--	42,664	--	86,788
Natural gas liquids sales	9,366	--	3,166	--	12,532
Other	1,335	--	2,226	--	3,561
Total revenues	110,820	--	98,375	--	209,195
Costs and expenses:					
Lease operating expenses	22,796	--	19,399	--	42,195
Production taxes	7,075	--	6,183	--	13,258
Depreciation, depletion and amortization	31,635	83	--	34,158(d)	65,876
General and administrative expenses	6,664	--	--	3,750(e)	10,414
Interest expense	5,173	(4,577)	--	--	596
Distributions on preferred securities of subsidiary trust	2,324	4,964	--	--	7,288
Total costs and expenses	75,667	470	25,582	37,908	139,627
Earnings (loss) before income taxes	35,153	(470)	72,793	(37,908)	69,568
Income tax expense (benefit):					
Current	4,570	(94)	--	7,036(f)	11,512
Deferred	10,546	(85)	--	6,807(f)	17,268
Total income tax expense (benefit)	15,116	(179)	--	13,843(f)	28,780
Net earnings (loss)	$ 20,037	$ (291)	$ 72,793	$(51,751)	$ 40,788
Net earnings (loss) per average common share outstanding	$ 0.91				$ 1.27
Weighted average common shares outstanding	22,122				32,076

See accompanying notes to pro forma financial statements.

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND SEPTEMBER 30, 1996

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma financial information is presented to reflect the consummation of the Transaction as described elsewhere herein. The unaudited pro forma balance sheet is presented as if the Transaction occurred on September 30, 1996. The unaudited pro forma statements of operations are presented as if the Transaction occurred on January 1, 1995.

The accompanying unaudited pro forma financial information has been prepared based on estimates and assumptions deemed by Devon to be appropriate and does not purport to be indicative of the financial position or results of operations which would actually have been attained if the Transaction had occurred as presented in such statements or which may be obtained in the future. In addition, future results may vary significantly from the results reflected in such statements due to normal oil and natural gas production declines, changes in prices received for oil, gas and NGLs, future acquisitions and other factors.

The pro forma financial information should be read in conjunction with the statements of revenues and direct operating expenses of the KMG-NAOS Properties which are included elsewhere herein.

2. ADJUSTMENTS TO DEVON'S HISTORICAL OPERATING RESULTS

The TCP Securities Offering. The historical Devon statements of operations for the year ended December 31, 1995 and the nine months ended September 30, 1996, have been adjusted for the pro forma effects of the offering on July 10, 1996, of $149.5 million of certain trust convertible preferred securities (the "TCP Securities"). The net proceeds from the TCP Securities offering of $145 million, along with $10 million of excess cash on hand, were used on July 10, 1996, to retire Devon's outstanding long-term debt.

The adjustments to the historical statements of operations for the TCP Securities offering assume that the offering was completed on January 1, 1995, and that the proceeds were used to retire long-term debt on that date. Therefore, the applicable amount of interest expense has been reduced, and replaced with the distributions required on the TCP Securities at the distribution rate of 6.5% per year. The increase to depreciation, depletion and amortization expense represents the amortization of the $5 million of offering costs.

The TCP Securities offering is not related to the Transaction. However, it is being adjusted for in the accompanying pro forma statements due to the effect which the offering has on Devon's future capital resources by increasing the unused portion of Devon's credit lines.

The Worland Properties. The historical Devon statement of operations used in preparing the pro forma statement of operations for the year ended December 31, 1995, has been adjusted for the pro forma effects of the acquisition by Devon of certain properties located in Wyoming (the "Worland Properties"). The acquisition of the Worland Properties closed on December 18, 1995. The pro forma effects of the Worland Properties presented in the 1995 pro forma statement of operations reflect the effects of the Worland Properties as if they had been acquired on January 1, 1995. The pro forma effects of the Worland Properties represent their historical operating results, adjusted for three factors. First, an additional $2.3 million of depreciation, depletion and amortization expense is included. This amount is based on the purchase price paid for the Worland Properties, and the pro forma oil and gas reserves and production amounts. Second, an

additional $3.0 million of interest expense is included. This amount is based on the amount of the purchase price financed through Devon's credit lines and Devon's 1995 average interest rates. And third, income tax expense has been reduced by $0.4 million. This amount is based on the pre-tax effects of the pro forma assumptions and their pro forma effect on Devon's tax attributes.

The pro forma 1995 effects of the Worland Properties do not include the expected impact from Devon's future drilling and development plans for such properties. Therefore, such pro forma results are not indicative of the future impact which the Worland Properties are expected to have on Devon's operations.

3. METHOD OF ACCOUNTING FOR THE TRANSACTION

The assets acquired will be accounted for at their estimated "fair values," as required by the purchase method of accounting for business combinations.

4. PRO FORMA ADJUSTMENTS RELATED TO THE KMG-NAOS PROPERTIES

The accompanying pro forma balance sheet includes the following adjustments:

(a) To record the purchase of the KMG-NAOS Properties based on the fair value of the Devon Common Stock issued as described in adjustment (b). Included in the total value recorded for the KMG-NAOS Properties is $29 million for undeveloped leasehold.

(b) To increase Devon's common stock and additional paid-in capital amounts for the issuance of 9,954,000 shares of Devon Common Stock. Current liabilities have been increased, and additional paid-in capital has been decreased, by $0.8 million of costs estimated to be incurred in connection with issuing the additional shares of Devon Common Stock to Kerr-McGee.

(c) To increase the recorded value of the oil and gas properties acquired by $32 million of deferred income taxes. This adjustment equals the deferred income tax effect of the difference between the fair value assigned to the oil and gas properties and their basis for income tax purposes. Devon's basis for income tax purposes in the acquired properties is the same as the KMG-NAOS Properties' tax basis.

The accompanying pro forma statements of operations include the following adjustments:

(d) To adjust depreciation, depletion and amortization ("DD&A") for the additional amounts associated with the oil and gas properties being acquired.

(e) To adjust Devon's general and administrative expenses by an expected annual increase of $5 million as a result of the Transaction. The additional expenses to be incurred primarily include salaries and related benefits for additional personnel, rent expense for additional office space to be leased, increased professional fees and other office costs. The pro forma adjustment is net of additional overhead reimbursements which Devon will receive from working interest owners in certain of the acquired properties for which Devon will serve as the operator.

(f) To adjust income tax expense for the effect of the preceding pro forma adjustments.

5. COMMON SHARES OUTSTANDING

Net earnings per average share outstanding have been calculated based upon the pro forma weighted average number of shares outstanding during the year ended December 31, 1995, and the nine months ended September 30, 1996, as follows:

	DECEMBER 31, 1995	SEPTEMBER 30, 1996
Actual Devon average shares outstanding	22,073,550	22,121,757
Shares issued to consummate the Transaction	9,954,000	9,954,000
Pro Forma weighted average Devon shares outstanding	32,027,550	32,075,757

Shares outstanding at September 30, 1996, assuming consummation of the Transaction, are as follows:

	SEPTEMBER 30, 1996
Actual Devon shares outstanding	22,130,896
Shares issued to consummate the Transaction	9,954,000
Pro Forma Devon shares outstanding	32,084,896

6. DD&A RATE

Devon's DD&A rates per Boe before and after consummation of the Transaction are as follows:

	YEAR ENDED DECEMBER 31, 1995	NINE MONTHS ENDED SEPTEMBER 30, 1996
Rate prior to the Transaction	$ 3.65	3.83
Pro Forma rate after the Transaction	$ 4.08	4.20

7. SUPPLEMENTAL PRO FORMA INFORMATION ON OIL AND GAS OPERATIONS

The following pro forma supplemental information regarding oil and gas activities is presented pursuant to the disclosure requirements promulgated by the Securities and Exchange Commission and Statement of Financial Accounting Standards No. 69, "Disclosures About Oil and Gas Producing Activities."

Pro Forma Capitalized Costs

The following table sets forth the aggregate amount of pro forma capitalized costs relating to oil and gas producing activities and the aggregate amount of related accumulated DD&A assuming the Transaction was consummated as of December 31, 1995:

Oil and gas properties:	
Subject to amortization	$ 828,180,000
Not subject to amortization	49,451,000
	877,631,000
Accumulated DD&A	(237,386,000)
Net capitalized costs	$ 640,245,000

Pro Forma Results of Operations for Oil and Gas Producing Activities

The following table includes pro forma revenues and expenses associated directly with oil and gas producing activities for the year ended December 31, 1995, assuming the Transaction was consummated as of January 1, 1995. It does not include any allocation of pro forma interest costs or general corporate overhead and, therefore, is not necessarily indicative of the contribution to net earnings of oil and gas operations. Income tax expense has been calculated by applying statutory income tax rates to oil and gas sales after deducting costs, including DD&A, and after giving effect to permanent differences and tax credits:

	TOTAL	DOMESTIC	CANADA
Oil, gas and NGL sales	$222,307,000	$187,477,000	$34,830,000
Production and operating expenses	68,874,000	61,666,000	7,208,000
DD&A	84,106,000	69,742,000	14,364,000
Income tax expense	28,178,000	21,829,000	6,349,000
Results of operations for oil and gas producing activities	$ 41,149,000	$ 34,240,000	$ 6,909,000

Quantities of Oil and Gas Reserves

Set forth below is a pro forma summary of the changes in the net quantities of crude oil, natural gas and NGL reserves for the year ended December 31, 1995, as estimated by independent petroleum consultants and Devon's and Kerr-McGee's in-house petroleum reservoir engineers and geologists, assuming the Transaction was consummated as of January 1, 1995:

	TOTAL		
	OIL (BBLS)	GAS (MCF)	NGL (BBLS)
Actual Devon proved reserves as of December 31, 1994	42,165,000	347,560,000	5,442,000
Purchase of reserves through the Transaction	29,088,000	238,981,000	1,391,000
Revisions of previous estimates	1,127,000	(7,431,000)	535,000
Extensions and discoveries	2,959,000	9,645,000	472,000
Purchase of reserves	1,916,000	61,695,000	3,860,000
Production	(6,742,000)	(73,897,000)	(1,138,000)
Sale of reserves	(337,000)	(8,627,000)	(45,000)
Pro forma proved reserves as of December 31, 1995	70,176,000	567,926,000	10,517,000

	DOMESTIC		
	OIL (BBLS)	GAS (MCF)	NGL (BBLS)
Actual Devon proved reserves as of December 31, 1994	42,165,000	347,560,000	5,442,000
Purchase of reserves through the Transaction	18,804,000	176,694,000	655,000
Revisions of previous estimates	1,127,000	(7,431,000)	535,000
Extensions and discoveries	2,959,000	9,645,000	472,000
Purchase of reserves	1,916,000	61,695,000	3,860,000
Production	(5,492,000)	(61,297,000)	(963,000)
Sale of reserves	(337,000)	(8,627,000)	(45,000)
Pro forma proved reserves as of December 31, 1995	61,142,000	518,239,000	9,956,000

	CANADA		
	OIL (BBLS)	GAS (MCF)	NGL (BBLS)
Actual Devon proved reserves as of December 31, 1994	--	--	--
Purchase of reserves through the Transaction	10,284,000	62,287,000	736,000
Revisions of previous estimates	--	--	--
Extensions and discoveries	--	--	--
Purchase of reserves	--	--	--
Production	(1,250,000)	(12,600,000)	(175,000)
Sale of reserves	--	--	--
Pro forma proved reserves as of December 31, 1995	9,034,000	49,687,000	561,000

Standardized Measure of Discounted Future Net Cash Flows

The accompanying table reflects the pro forma standardized measure of discounted future net cash flows relating to Devon's interests in proved oil, gas and NGL reserves as of December 31, 1995, assuming consummation of the Transaction as of December 31, 1995:

	TOTAL	DOMESTIC	CANADA
Future cash inflows	$2,254,397,000	$2,023,945,000	$230,452,000
Future costs:			
Development	(85,632,000)	(82,508,000)	(3,124,000)
Production	(729,576,000)	(662,914,000)	(66,662,000)
Future income tax expense	(294,758,000)	(240,262,000)	(54,496,000)
Future net cash flows	1,144,431,000	1,038,261,000	106,170,000
10% discount to reflect timing of cash flows	(460,242,000)	(421,832,000)	(38,410,000)
Standardized measure of discounted future net cash flows	$ 684,189,000	$ 616,429,000	$ 67,760,000
Discounted future net cash flows before income taxes	$ 863,431,000	$ 760,890,000	$102,541,000

Future cash inflows are computed by applying year-end prices (average $18.08 per barrel of oil, adjusted for transportation and other charges, $1.40 per Mcf of gas and $12.63 per barrel of NGL) to the year-end pro forma quantities of those reserves, except in those instances where fixed and determinable oil, gas and NGL price adjustments are provided by contractual arrangements in existence at year-end. In addition to the future gas revenues calculated at $1.40 per Mcf, Devon's total future gas revenues also include the future tax credit payments to be received and recorded as gas revenues pursuant to the San Juan Basin Transaction described in note 3 to Devon's consolidated financial statements for 1995. Devon's future cash inflows shown in the table above include $58.2 million related to these tax credit payments from 1996 through 2002. This amount has been calculated using the assumption that the year-end 1995 tax credit rate of $1.01 per MMBtu remains constant. Future development and production costs are computed by estimating the expenditures to be incurred in developing and producing proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions.

Future income tax expenses are computed by applying the appropriate statutory tax rates to the future pretax net cash flows relating to proved reserves, net of the tax basis of the properties involved. The future income tax expenses give effect to permanent differences and tax credits, but do not reflect the impact of future operations.

Changes Relating to the Standardized Measure of Discounted Future Net Cash Flows

Principal changes in the pro forma standardized measure of discounted future net cash flows attributable to pro forma reserves for the year ended December 31, 1995 are as follows, assuming consummation of the Transaction as of January 1, 1995:

Devon's actual beginning balance as of December 31, 1994	$ 358,206,000
Purchase of reserves through the Transaction	265,630,000
Sales of oil, gas and NGLs, net of production costs	(153,433,000)
Net changes in prices and production costs	60,498,000
Extensions, discoveries, and improved recovery, net of future development costs	22,308,000
Purchase of reserves, net of future development costs	53,519,000
Development costs incurred during the period which reduced future development costs	43,810,000
Revisions of quantity estimates	7,397,000
Sales of reserves in place	(7,933,000)
Accretion of discount	66,384,000
Net change in income taxes	(30,641,000)
Other, primarily changes in timing	(1,556,000)
Pro Forma ending balance	$ 684,189,000

EXHIBIT INDEX

Exhibit Number		Page
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	Certificate of Amendment of Certificate of Incorporation	21
4.1	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).	*
4.2	Second Amendment to Rights Agreement between Registrant and the First National Bank of Boston, dated December 31, 1996.	22
4.3	Stock Rights and Restrictions Agreement, dated as of December 31, 1996, between Registrant and Kerr-McGee Corporation.	23
4.4	Registration Rights Agreement, dated December 31, 1996, by and between Registrant and Kerr-McGee Corporation.	36
23	Consent of Arthur Andersen LLP.	46
*	Incorporated by reference.	

EXHIBIT 3

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

DEVON ENERGY CORPORATION, an Oklahoma corporation (the "Corporation"), hereby certifies:

FIRST. The Corporation's board of directors, by unanimous written consent, filed with the minutes of the board, duly adopted resolutions setting forth a proposed amendment of the Certificate of Incorporation declaring the amendment advisable and called a meeting of the shareholders to consider such amendment. The first paragraph of Article Fourth of the Corporation's Certificate of Incorporation is proposed to be amended to read in its entirety as follows:

The total number of shares of capital stock which the corporation shall have authority to issue is 403,000,000 shares, consisting of 3,000,000 shares of Preferred Stock, par value $1.00 per share; 400,000,000 shares of Common Stock, par value $.10 per share. The preferences, qualifications, limitations, restrictions and the special or relative rights in respect of the shares of each class are as follows:

SECOND. A majority of the Corporation's shareholders entitled to vote thereon voted in favor of the proposed amendments at a special meeting called and held upon notice in accordance with the provisions of Section 1067 of the Oklahoma General Corporation Act.

THIRD. The amendment duly adopted in accordance with the provisions of
Section 1077 of the Oklahoma General Corporation Act.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by its President and its Secretary this 31st day of December, 1996.

/s/ J. LARRY NICHOLS
J. Larry Nichols, President

ATTEST:

/s/ MARIAN J. MOON
Marian J. Moon, Secretary

EXHIBIT 4.2

SECOND AMENDMENT TO RIGHTS AGREEMENT

The Rights Agreement dated April 17, 1995 between Devon Energy Corporation and The First National Bank of Boston (Massachusetts), as amended on October 16, 1996, is hereby amended this 31st day of December, 1996 by the amendment of Section 1(a) as follows:

"Acquiring Person" shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall hereafter become the Beneficial Owner of 15% or more of the Voting Shares of the Company then outstanding, but shall not include the Company, any Subsidiary of the Company or any employee benefit plan of the Company or any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company or a Subsidiary of the Company for or pursuant to the terms of any employee benefit plan; provided, a Person who or which does no more than (i) become an Affiliate or Associate of a Person who or which (together with all Affiliates or Associates) is now a Beneficial Owner of 15% or more of the Voting Shares now outstanding, and/or (ii) become, by operation of clause (ii) or clause (iii) of Section 1(c), the Beneficial Owner of shares beneficially owned by a Person who or which (together with all Affiliates or Associates) is now a Beneficial Owner of 15% or more of the Voting Shares now outstanding, is not an Acquiring Person. Further, no Person shall become an Acquiring Person solely as the result of a reduction in the number of Voting Shares outstanding due to an acquisition of Voting Shares by the Company which increases the proportionate number of such Voting Shares Beneficially Owned by such Person to 15% or more unless and until that Person shall purchase or otherwise become (as a result of actions by such Person or its Affiliates or Associates) the Beneficial Owner of any additional Voting Shares of the Company; provided, further, that Kerr-McGee Corporation and its affiliates shall not be deemed an Acquiring Person pursuant to this Section solely as a result of the acquisition of Common Stock of the Company (i) upon consummation of the transactions pursuant to the Agreement and Plan of Merger among Devon Energy Corporation, Devon Energy Corporation (Nevada), Kerr-McGee Corporation, Kerr-McGee North American Onshore Corporation, and Kerr-McGee Canada Onshore Ltd. of even date herewith (the "Merger Agreement"); (ii) pursuant to transactions permitted by a Stock Rights and Restrictions Agreement substantially in the form of Exhibit F to the Merger Agreement, as such agreement may be amended from time to time (the "Stock Agreement"); and (iii) subsequent to termination of the Stock Agreement pursuant to Subsections 4.8(iii) (unless the Stock Agreement is reinstated pursuant to that Subsection), 4.8(iv), 4.8(v) or 4.8(vi).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the day and year first above written.

DEVON OKLAHOMA CORPORATION

By /s/ J. LARRY NICHOLS
J. Larry Nichols, President and Chief Executive Officer

ATTEST:
/s/ MARIAN J. MOON
Marian J. Moon, Secretary

THE FIRST NATIONAL BANK OF BOSTON (MASSACHUSETTS)

By /s/ COLLEEN SHEA KEATING
Administration Manager

ATTEST:

Secretary

EXHIBIT 4.3

STOCK RIGHTS AND RESTRICTIONS AGREEMENT

STOCK RIGHTS AND RESTRICTIONS AGREEMENT, dated as of December 31, 1996, between DEVON ENERGY CORPORATION, an Oklahoma corporation ("Devon"), and KERR-McGEE CORPORATION, a Delaware corporation ("Kerr-McGee").

RECITALS:

A. As of the Effective Date (as defined below) and after giving effect to the Closing (as defined below), Kerr-McGee will be the record and Beneficial Owner (as defined below) of 9,954,000 Voting Shares (as defined below) (together with any additional Voting Shares which Kerr-McGee may from time to time own of record or Beneficially Own, the "Shares"), consisting of common stock, par value $.10 per share, of Devon (the "Common Stock"), representing 30.9695% of the outstanding Voting Shares and 26.1938% of the Fully Diluted Shares (as defined below) as of the Effective Date and after giving effect to the Closing.

B. As of the Effective Date and after giving effect to the Closing, the number of directors constituting the whole Board of Directors of Devon is nine
(9) and the following persons are the Kerr-McGee Designees (as defined below):
Luke R. Corbett, Tom J. McDaniel and Lawrence H. Towell.

C. The Boards of Directors of Devon and Kerr-McGee deem it advisable to establish certain rights and restrictions with respect to the Shares.

ACCORDINGLY, premises considered, the parties have entered into this Agreement.

1. DEFINITIONS. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall have the meaning assigned to such term in the Rights Plan, as in effect on the date hereof.

(b) "Affiliate" shall have the meaning assigned to such term in Rule 12b-2 under the Exchange Act, as in effect on the date hereof; provided that, for purposes of this Agreement, neither Kerr-McGee nor any Affiliate of Kerr-McGee shall be deemed to be an Affiliate of Devon.

(c) "Applicable Percentage" shall mean, for the period from the date hereof until the second anniversary of the date hereof, 26.1938% and, thereafter, 31.1938%, subject, in each case, to adjustment in accordance with Section 2.4(d)(i)(A).

(d) "Beneficially Own" shall have the meaning assigned to such term in Rule 13d-3 under the Exchange Act, as in effect on the date hereof. "Beneficial Owner" and "Beneficial Ownership" shall have correlative meanings.

(e) "Business Combination Transaction" shall mean a merger, consolidation, Share Acquisition (as defined below), recapitalization or other transaction in which Devon is a constituent corporation or to which Devon is a party, and pursuant to which the Voting Shares are exchanged for cash, securities or other property, or a sale of all or substantially all of the assets of Devon and its Subsidiaries taken as a whole; provided that none of the following shall be deemed a Business Combination Transaction for purposes of this Agreement: (i) a merger, consolidation, Share Acquisition, recapitalization or other transaction in which the Beneficial Ownership of the capital stock of Devon or the surviving corporation

of the transaction (or of the ultimate parent of Devon or of such surviving corporation) immediately after the consummation of such transaction is substantially the same as the Beneficial Ownership of the capital stock of Devon immediately prior to the consummation of the transaction or (ii) a merger (A) in which Devon is the surviving corporation, (B) in which all Voting Shares immediately prior to the consummation of such merger remain outstanding immediately after the consummation thereof, (C) as a result of the consummation of which no Person will Beneficially Own a majority of the Fully Diluted Shares and (D) following the consummation of which the Continuing Directors will represent a majority of the Board of Directors of Devon.

(f) "Closing" shall have the meaning assigned to such term in the Merger Agreement.

(g) "Common Stock" shall have the meaning set forth in paragraph A of this Agreement.

(h) "Continuing Director" shall mean (i) any member of the Board of Directors of Devon, while such person is a member of such Board of Directors, (A) who is not an Acquiring Person, or an Affiliate or Associate (each as defined in the Rights Plan as in effect on the date hereof) of an Acquiring Person or a representative or nominee of an Acquiring Person or of any such Affiliate or Associate, and (B) who (1) was a member of the Board of Directors of Devon prior to the Effective Time or (2) is recommended or elected to the Board of Directors by a majority of the Continuing Directors to fill a vacancy arising as a result of an increase in the number of directors of Devon occurring after the date hereof, and
(ii) any successor of a Continuing Director, while such successor is a member of the Board of Directors of Devon, who is not an Acquiring Person, or an Affiliate or Associate of an Acquiring Person or a representative or nominee of an Acquiring Person or of any such Affiliate or Associate and is recommended or elected to succeed the Continuing Director by a majority of the Continuing Directors. Notwithstanding anything to the contrary in this definition, for purposes of this Agreement, the Kerr-McGee Designees shall not be considered Continuing Directors.

(i) "Current Market Price" shall mean, as of any date of determination, with respect to Voting Shares or any other security to be valued hereunder (the Voting Shares and/or such other security, the "Valuation Securities"):

(i) if the Valuation Securities are listed or admitted to trading on a national securities exchange, the closing price on such exchange's consolidated or composite tape reporting transactions thereon (or any successor composite tape reporting transactions on national securities exchanges) or, if such a composite tape shall not be in use or shall not report transactions in the Valuation Securities, the last reported sales price regular way on the principal national securities exchange on which the Valuation Securities are listed or admitted to trading (which shall be the national securities exchange on which the greatest number of Valuation Securities has been traded during the 20 consecutive trading days preceding the date of determination), or, if there is no transaction on any such day in any such situation, the mean of the bid and asked prices on such day; or

(ii) if the Valuation Securities are not listed or admitted to trading on any such exchange, the closing price, if reported, or, if the closing price is not reported, the average of the closing bid and asked prices, as reported by the automated quotation system of the National Association of Securities Dealers, Inc. or a similar source selected from time to time by Devon for this purpose; or

(iii) if all of the prices referred to in clauses (i) and (ii) are unavailable, including because the Valuation Securities are not traded on a national securities exchange, an automated quotation system of the National Association of Securities Dealers, Inc. or a similar source, the Current Market Price shall be deemed to be the value of the Valuation Securities as determined by agreement between Devon and Kerr-McGee or, if Devon and Kerr-McGee are unable to agree, by an investment banking firm of national reputation selected by Kerr-McGee with the consent of a majority of the Continuing Directors, which consent shall not be unreasonably withheld. Any determination of the value of the Valuation Securities shall be made within three business days of the date of selection of the investment banking firm. The costs and expenses of any such investment banking firm shall be borne by Devon.

(j) "Devon" shall have the meaning set forth in the first paragraph of this Agreement.

(k) "Distribution Date" shall have the meaning assigned to such term in the Rights Plan, as in effect on the date hereof.

(l) "Effective Date" shall have the meaning assigned to such term in the Merger Agreement.

(m) "Equity Market Capitalization" shall mean, with respect to any Person in connection with the commencement of an exchange offer, the amount determined by multiplying (i) the number of outstanding "equity securities" (as defined in Section 3 of the Exchange Act) of such Person required to be registered pursuant to Section 12 of the Exchange Act at the time of the determination by (ii) the Current Market Price of such equity securities at such time of determination.

(n) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any successor federal statute, as in effect from time to time.

(o) "Exchangeable Security" shall mean a security of any type, including but not limited to debt, equity, warrants or other rights, issued by Kerr-McGee at any time after the second anniversary of this Agreement and which includes or represents the right to acquire Voting Shares from Kerr-McGee upon exchange, conversion or exercise thereof.

(p) "Fully Diluted Shares" shall mean, at any time, the sum of (i) the Voting Shares then outstanding plus (ii) the number of Voting Shares reserved for issuance or issuable in connection with the exercise, exchange or conversion of employee stock options or securities of Devon then outstanding which are exercisable or exchangeable for Voting Shares or are convertible into Voting Shares.

(q) "Merger Agreement" shall mean the Agreement and Plan of Merger dated October , 1996 among Devon, Devon Energy Corporation (Nevada), Kerr-McGee, Kerr-McGee Oklahoma Corporation and Kerr-McGee Sub, Inc.

(r) "Person" shall mean any individual, firm, partnership, association, group (as such term is defined in Section 13(d)(3) of the Exchange Act, as in effect on the date hereof), corporation, trust, business trust or other entity and includes any successor (by merger or otherwise) of any such entity.

(s) "Public Offering" shall mean a firm commitment underwritten public offering pursuant to a registration statement which has been declared effective by the SEC under the Securities Act.

(t) "Qualified Tender Offer" shall mean a tender or exchange offer for Voting Shares (i) that is for more than 50% of the then outstanding Voting Shares, (ii) that is for a price per Voting Share at least 10% greater than the average of the Current Market Prices of the Voting Shares determined for each of the 10 consecutive trading days ending on the last full trading day prior to the date of the public announcement of such tender or exchange offer, (iii) the Tender Offer Statement on Schedule 14D-1 filed by the Person making such tender or exchange offer for which discloses that such Person has available to it, or will have available to it upon consummation of such tender or exchange offer, the consideration to be paid or exchanged in such tender or exchange offer for the Voting Shares tendered therein, and (iv) in the case of an exchange offer, (A) in which the Person making such exchange offer has, as of the date of commencement of such exchange offer, an Equity Market Capitalization equal to or greater than the Equity Market Capitalization of Devon, or (B) if the Equity Market Capitalization of such Person is less than the Equity Market Capitalization of Devon, which otherwise is a credible exchange offer.

(u) "Rights" shall mean, at any time, the rights to purchase capital stock of Devon issued under the Rights Plan.

(v) "Rights Plan" shall mean the Rights Agreement dated as of April 17, 1995 between Devon and The First National Bank of Boston, as rights agent, as amended, supplemented or otherwise modified from time to time, and any successor agreement or plan to which Devon shall be a party.

(w) "Rule 144" shall mean Rule 144 adopted by the SEC under the Securities Act, or any successor rule.

(x) "SEC" shall mean the Securities and Exchange Commission.

(y) "Securities Act" shall mean the Securities Act of 1933, as amended, or any successor federal statute, as in effect from time to time.

(z) "Share Acquisition" shall mean a share acquisition under Section 1090.1 of the Oklahoma General Corporation Act (or any successor provision of the Oklahoma General Corporation Act).

(aa) "Subsidiary" shall mean, with respect to any Person, any other Person of which at least a majority of the voting power of the voting equity securities or voting equity interest is owned, directly or indirectly, by such Person.

(ab) "Kerr-McGee" shall have the meaning set forth in the first paragraph hereof; provided, however, that the term "Kerr-McGee" shall include Kerr-McGee and its Affiliates unless the context otherwise requires.

(ac) "Kerr-McGee Designees" shall have the meaning set forth in Section 2.3(b) hereof.

(ad) "Transfer" shall have the respective meanings set forth in Section 2.5 hereof.

(ae) "Voting Shares" shall mean the Common Stock and any other securities of Devon having voting power under ordinary circumstances with respect to the election of directors of Devon.

2. SHARE RIGHTS AND RESTRICTIONS.

2.1 Limitation on Certain Business Combination Transactions. (a) Except as otherwise permitted by this Agreement, Kerr-McGee agrees that Kerr-McGee shall not, during the period from the date of this Agreement until its termination, engage in any Business Combination Transaction with Devon, unless such Business Combination Transaction shall have been approved by a majority of the Continuing Directors.

(b) Except as otherwise permitted by this Agreement, Kerr-McGee agrees that Kerr-McGee shall not, during the period from the date of this Agreement until its termination, (i) request or solicit any Person (A) to make a tender or exchange offer for Voting Shares or (B) to make a proposal for a Business Combination Transaction, or (ii) make any proposal, written or oral, to Devon, the Board of Directors of Devon or the shareholders of Devon with respect to a Business Combination Transaction, a tender offer or exchange offer for Voting Shares, or a liquidation of Devon, which proposal would be required by applicable law to be publicly disclosed, unless, in either case referred to in clause (i) or (ii) above, a majority of the Continuing Directors shall have requested Kerr-McGee to take such action.

(c) In the event that Kerr-McGee shall receive any proposal from any Person with respect to any matter referred to in Section 2.1(b), either with respect to a proposal to be made by Kerr-McGee or such other Person, Kerr-McGee shall immediately notify Devon thereof.

(d) In the event that Kerr-McGee shall receive any proposal from any Person to acquire Voting Shares from Kerr-McGee which would exceed 5% of the outstanding Voting Shares, Kerr-McGee shall immediately notify Devon; provided that Kerr-McGee shall not be required to provide such notice if the proposal is in connection with a Transfer permitted under Section 2.5 hereof.

2.2 [Intentionally omitted.]

2.3 Devon Board of Directors. (a) From and after the date hereof until the termination of this Agreement, the number of directors constituting the Board of Directors of Devon shall not be decreased to a number less than six (6), without the prior written consent of Kerr-McGee.

(b) From and after the date hereof until the termination of this Agreement, in connection with each election of directors of Devon, whether at an annual or special meeting, Devon will nominate in accordance with its procedures for the nomination of directors as provided in its by-laws and applicable law, a number of persons designated by Kerr-McGee (all such persons who, at any time, are or were designated by Kerr-

McGee for purposes of this Agreement are referred to herein as the "Kerr-McGee Designees") such that, after giving effect to the election of such persons to the Board of Directors of Devon, the number of Kerr-McGee Designees then serving on the Board of Directors of Devon shall equal the product (rounded to the nearest whole number, but, in any event, not less than one) of (i) the total number of directors constituting the entire Board of Directors multiplied by
(ii) the lesser of (A) 36% and (B) the percentage that the aggregate number of Voting Shares owned by Kerr-McGee (determined without regard to Shares acquired as permitted by Section 2.4(d)(i)(B) hereof) bears to the total number of Voting Shares then outstanding (such lesser percentage, the "Director Percentage").

(c) If at any time the Director Percentage shall decrease so that Kerr-McGee would be entitled to designate fewer directors than are currently serving as Kerr-McGee Designees, Kerr-McGee shall cause one or more of the Kerr-McGee Designees serving as Devon directors to resign so that the percentage of the board of directors consisting of Kerr-McGee Designees does not exceed the Director Percentage. Further, upon termination of this Agreement in accordance with its terms, Kerr-McGee shall cause all Kerr-McGee Designees then serving as directors of Devon to resign immediately.

(d) (i) In the event that any Kerr-McGee Designee shall cease to serve as a director for any reason (other than as set forth in Section 2.3(c)), the vacancy resulting thereby shall be filled by the remaining directors of the Company in accordance with its Certificate of Incorporation, by-laws and applicable law by a new Kerr-McGee Designee and such new Kerr-McGee Designee shall thereafter serve until the expiration of the term of the Kerr-McGee Designee replaced by such new Kerr-McGee Designee.

(ii) If there shall exist at any time any vacancy or vacancies on the Board of Directors of Devon as a result of any increase in the number of directors that constitutes the entire Board of Directors of Devon, which the directors of Devon then in office intend to fill in accordance with Devon's Certificate of Incorporation, by-laws and applicable law, Kerr-McGee shall be entitled to designate one or more persons as Kerr-McGee Designees to fill such vacancy or vacancies if and to the extent necessary so that, after giving effect to the filling of such vacancy or vacancies, the number of Kerr-McGee Designees then serving on the Board of Directors of Devon shall equal the Director Percentage. Devon agrees to take all actions appropriate or necessary to ensure that any Kerr-McGee Designees designated pursuant to the preceding sentence are appointed to the Board of Directors to fill any such vacancy or vacancies filled by the Board of Directors of Devon as provided in the preceding sentence.

(e) Notwithstanding anything to the contrary contained herein, no Kerr-McGee Designee may be a person who previously has been a director of Devon and was properly removed for cause from the Board of Directors of Devon or a person who has been convicted of a felony or a crime involving moral turpitude.

(f) The Kerr-McGee Designees will be furnished with all information that is provided to all other directors of Devon (in their capacities as such) at the same time as such information is furnished to such other directors (in their capacities as such).

(g) Kerr-McGee shall cause all Kerr-McGee Designees serving as directors of Devon to comply with the retirement policies of Devon as in effect on the date hereof or as hereafter amended or modified from time to time by the Board of Directors of Devon or its shareholders; provided that no such amendment or modification shall be binding upon Kerr-McGee or the Kerr-McGee Designees unless at least one Kerr-McGee Designee shall have voted in favor of such amendment or modification at the meeting, or in the action in lieu of a meeting, of the Board of Directors of Devon at or in which it is considered.

2.4 Limitation on Acquisition of Additional Shares by Kerr-McGee. (a) Except as permitted by any of Section 2.4(b), (c) or (d), from and after the date hereof until the termination of this Agreement, Kerr-McGee shall not acquire Beneficial Ownership of any Voting Shares, other than the Voting Shares Beneficially Owned by Kerr-McGee as of the Effective Time and after giving effect to the Closing, without the prior written consent of a majority of the Continuing Directors.

(b) Kerr-McGee may purchase Voting Shares, or securities exercisable or exchangeable for Voting Shares or convertible into Voting Shares, in market, private or other transactions (including without limitation brokerage transactions involving the solicitation of seller's orders and block trades off the American Stock

Exchange or any other national securities exchange on which the Voting Shares are then listed) or in public offerings of Voting Shares (including Public Offerings of Voting Shares); provided that, after giving effect to any such purchase, Kerr-McGee shall not Beneficially Own more than the Applicable Percentage of the Fully Diluted Shares; provided, further, that in no event shall Kerr-McGee acquire Beneficial Ownership of additional Voting Shares which would, based on the then most recent information contained in documents filed by Devon or Kerr-McGee pursuant to Section 13(a), 13(c), 13(e), 14 or 15(d) of the Exchange Act, reduce the number of shares of Common Stock held by Persons other than Kerr-McGee, Devon or any Affiliate of either Kerr-McGee or Devon to less than 15,000,000, unless such acquisition of Beneficial Ownership by Kerr-McGee is necessary in order that, after giving effect thereto, Kerr-McGee shall Beneficially Own 20% of the Fully Diluted Shares.

(c) Kerr-McGee may acquire Beneficial Ownership of Voting Shares without regard to the Applicable Percentage of the Fully Diluted Shares if any Person (other than Kerr-McGee, Devon or any Affiliate of Kerr-McGee or Devon) shall have commenced a tender or exchange offer for Voting Shares (i) that is recommended or approved by a majority of the Continuing Directors, (ii) with respect to which a majority of the Continuing Directors has taken a position contemplated by Rule 14e-2(a)(2) under the Exchange Act, (iii) with respect to which a majority of the Continuing Directors has resolved to redeem the Rights or has amended the Rights Plan so that the Person making such tender or exchange offer will not become an Acquiring Person or trigger a Distribution Date, or
(iv) that is a Qualified Tender Offer and in connection with which (A) a final and non-appealable court order has declared the Rights Plan invalid or inapplicable, or required that the Rights issued under the Rights Plan be redeemed, and (B) the Person making such Qualified Tender Offer will be permitted under applicable law to accept for payment or exchange the Voting Shares tendered in such Qualified Tender Offer.

(d) (i) Notwithstanding anything to the contrary in this Agreement, Kerr-McGee shall not be deemed to be in violation of this Section 2.4 if its Beneficial Ownership of Voting Shares exceeds the Applicable Percentage of the Fully Diluted Shares as a result of (A) an acquisition by Devon or any of its Affiliates of Voting Shares then outstanding, or securities then outstanding exercisable or exchangeable for Voting Shares or convertible into Voting Shares, or a recapitalization by Devon, or any other transaction or action by Devon, or any expiration or termination of the right to exercise, exchange or convert securities exercisable or exchangeable for Voting Shares or convertible into Voting Shares, which, in any such case, by reducing the number of Fully Diluted Shares, increases Kerr-McGee's Beneficial Ownership of the Fully Diluted Shares to more than the Applicable Percentage, and, in the event of any such reduction in the number of Fully Diluted Shares as provided in this Section 2.4(d)(i)(A), the Applicable Percentage shall thereafter be deemed to have been increased to the percentage of the Fully Diluted Shares Beneficially Owned by Kerr-McGee after giving effect to such reduction, provided that, in the case of any such increase in Kerr-McGee's Beneficial Ownership of the Fully Diluted Shares due to an expiration or termination of the right to exercise, exchange or convert securities exercisable or exchangeable for Voting Shares or convertible into Voting Shares pursuant to this clause (A), Kerr-McGee shall, to the extent permitted by Rule 144, Transfer a number of Shares (or securities of Devon exercisable or exchangeable for or convertible into a number of Voting Shares) as promptly as is commercially reasonable so that, following such Transfer, Kerr-McGee shall Beneficially Own a number of Voting Shares not in excess of the Applicable Percentage immediately prior to such reduction in the number of Fully Diluted Shares and, following each such Transfer, the Applicable Percentage shall be reduced to the percentage of the Fully Diluted Shares then Beneficially Owned by Kerr-McGee, and, provided, further, that Kerr-McGee shall not be required to Transfer Shares (or such securities) pursuant to the immediately preceding proviso at any time when it would be required to pay any profit realized upon such Transfer to Devon pursuant to Section 16(b) under the Exchange Act, or (B) a transaction whereby, directly or indirectly, control of (by merger, tender offer or otherwise), or all or substantially all of the assets of, any Person is transferred to Kerr-McGee or any of its Subsidiaries (an "Acquisition Transaction"), provided that, in the case of clause (B) above, Kerr-McGee shall comply with the provisions of Section 2.4(d)(ii), except that Kerr-McGee shall not be obligated to comply with Section 2.4(d)(ii), and any Voting Shares the Beneficial Ownership of which is acquired by Kerr-McGee in an Acquisition Transaction shall not be deemed to violate this Agreement, solely to the extent that such Voting Shares were held by the other Person that is a party to such Acquisition Transaction as part of the assets of a pension plan maintained by such other Person

for the benefit of its employees and retirees, and, provided, further, that, in the case of clause (B) above, the ownership of Voting Shares by the Person in the Acquisition Transaction is incidental to the conduct of an active trade or business other than investing in securities and in no event shall such Person own more than 1,000,000 Voting Shares. For purposes hereof, "control" means the possession, directly or indirectly or as trustee or executor, of the power to direct or cause the direction of the management policies of a Person, including the power to direct or cause the direction of the disposition of the assets of such Person.

(ii) (A) No later than five business days following the consummation of an Acquisition Transaction which results in Kerr-McGee Beneficially Owning more than the Applicable Percentage of the Fully Diluted Shares, Kerr-McGee shall provide written notice (the "Offer Notice") to Devon offering Devon the right (the "Purchase Right"), exercisable in whole or in part, to purchase a number of Shares (such Shares, the "Purchase Right Shares") equal to the difference between (1) the number of Shares minus (2) the product, rounded to the nearest whole Voting Share, of the Applicable Percentage multiplied by the Fully Diluted Shares, at a price per Purchase Right Share equal to the average of the Current Market Prices of the Voting Shares determined for each of the 10 consecutive trading days ending on the last full trading day prior to the date of the Offer Notice (the "Purchase Price"). Devon shall have five business days from the date of its receipt of the Offer Notice to provide written notice to Kerr-McGee of its exercise of the Purchase Right (the "Exercise Notice"). The Exercise Notice shall indicate the number of Purchase Right Shares with respect to which Devon exercises the Purchase Right (such number of Purchase Right Shares, the "Sale Shares"). If the Exercise Notice shall not have been delivered to Kerr-McGee within five business days from the date of Devon's receipt of the Offer Notice or if Devon shall have delivered to Kerr-McGee written notice that it is not exercising the Purchase Right, then Devon will be deemed not to have exercised the Purchase Right. If Devon exercises the Purchase Right by delivery to Kerr-McGee of an Exercise Notice as provided above, then, on the fifth business day after the receipt by Kerr-McGee of such Exercise Notice, Devon shall purchase from Kerr-McGee, and Kerr-McGee shall sell to Devon, the Sale Shares. At the closing of any such purchase and sale, Kerr-McGee shall deliver to Devon a certificate or certificates representing the Sale Shares, duly endorsed for transfer or accompanied by a stock power or powers duly executed in blank, against delivery by Devon to Kerr-McGee of the aggregate Purchase Price for the Sale Shares, by wire transfer in immediately available funds. Any exercise of the Purchase Right as provided in this Section 2.4(d)(ii)(A) shall be irrevocable and shall constitute a commitment by Devon to purchase from Kerr-McGee, and by Kerr-McGee to sell to Devon, the Sale Shares at the Purchase Price per Sale Share. Notwithstanding anything to the contrary contained in this
Section 2.4(d)(ii)(A), if the Current Market Price is required to be determined pursuant to clause (iii) of the definition thereof and, on or prior to the fifth business day after Devon's receipt of the Offer Notice, the Current Market Price shall not have been so determined, then the time period for the delivery of the Exercise Notice shall be extended until such time as the Current Market Price shall have been so determined.

(B) If Devon shall not have exercised the Purchase Right in accordance with
Section 2.4(d)(ii)(A) or shall have exercised the Purchase Right in part, then, to the extent permitted by Rule 144, Kerr-McGee shall Transfer the Purchase Right Shares then held by it as promptly as is commercially reasonable; provided that Kerr-McGee shall not be required to Transfer Purchase Right Shares under this Section 2.4(d)(ii)(B) at any time when it would be required to pay any profit realized upon such Transfer to Devon pursuant to Section 16(b) under the Exchange Act.

2.5 Restrictions on Transfer. From and after the date hereof until the termination of this Agreement, Kerr-McGee shall not sell, transfer or otherwise convey (when used as a verb, "Transfer" and, any sale, transfer or other conveyance, a "Transfer") Beneficial Ownership of any Shares (including Shares subject to Exchangeable Securities), without the prior written consent of a majority of the Continuing Directors, which consent shall not be unreasonably withheld, except that, in any event, any of the following shall be permitted:

(a) a Transfer in accordance with Rule 144;

(b) a Transfer in a Public Offering or in a public offering (other than a Public Offering) made pursuant to a registration statement which has been declared effective by the SEC under the Securities Act (any such Public Offering or public offering, a "Registered Transaction"); provided, however, that, in

connection with any such Registered Transaction, Kerr-McGee shall obtain from the managing underwriter of such Public Offering or from each broker through which such public offering is made, as the case may be, a commitment to use its reasonable best efforts to make a broad public distribution of the Shares (including an indirect distribution of Shares as a result of a distribution of Exchangeable Securities) to be Transferred in such Registered Transaction. The managing underwriter or broker, as the case may be, will be advised that, for purposes of this Agreement, a "broad public distribution" means a distribution such that no Person is allocated for purchase in such Registered Transaction:

(i) a number of Shares in excess of (A) 14.9% of the Voting Shares (after giving effect to the offering of the Shares and any other securities being offered by Devon concurrently therewith in such Registered Offering) or (B) in the case of a Public Offering, in excess of 20% of the number of Shares being offered in such Public Offering, provided that, in the case of this clause (B), Shares allocated for purchase by a mutual fund, a pension fund or an investment advisers (which investment adviser shall be registered under the Investment Advisers Act of 1940, as amended) for any mutual fund or pension fund shall be disregarded;

(ii) a number or amount of Exchangeable Securities which would represent the right to acquire in excess of 14.9% of the Voting Shares; or

(iii) any combination of (i) and (ii) above;

(c) a Transfer to a direct or indirect Subsidiary of Kerr-McGee;

(d) a Transfer to Devon or a to a direct or indirect Subsidiary of Devon (pursuant to a tender offer or otherwise);

(e) a Transfer pursuant to a merger, consolidation or Share Acquisition, in which Devon is a constituent corporation;

(f) a Transfer made as a pro rata dividend or distribution to the holders of the common stock of Kerr-McGee; or

(g) a Transfer to any Person (other than Kerr-McGee, Devon or any Affiliate of Kerr-McGee or Devon) who shall have commenced a tender or exchange offer for Voting Shares (i) that is recommended or approved by a majority of the Continuing Directors, (ii) with respect to which a majority of the Continuing Directors has taken a position contemplated by Rule 14e-2(a)(2) under the Exchange Act, (iii) with respect to which a majority of the Continuing Directors has resolved to redeem the Rights or has amended the Rights Plan so that the Person making such tender or exchange offer will not become an Acquiring Person or trigger a Distribution Date, or (iv) that is a Qualified Tender Offer and in connection with which (A) a final and non-appealable court order has declared the Rights Plan invalid or inapplicable, or required that the Rights issued under the Rights Plan be redeemed, and (B) the Person making such Qualified Tender Offer will be permitted under applicable law to accept for payment or exchange the Voting Shares tendered in such Qualified Tender Offer.

2.6 Voting for Directors. Kerr-McGee agrees to vote all of the Shares in favor of the Devon Board of Director's nominees for election to the Board of Directors; provided that, in connection with any such vote, the provisions of
Section 2.3(b) shall have been complied with.

2.7 Right to Participate in Certain Issuances by Devon. (a) Devon shall not issue any security exercisable or exchangeable for or convertible into Voting Shares, other than employee stock options ("Devon Convertible Securities"), whether in a public or private offering for cash, unless Devon shall have first complied with, in the case of an issuance other than pursuant to Public Offering, the provisions of Section 2.7(b) or, in the case of a Public Offering, the provisions of Section 2.7(c).

(b) If Devon determines to issue any Devon Convertible Security in a public offering or otherwise, other than in a Public Offering, then Devon shall provide written notice of such determination to Kerr-McGee, which notice shall include all the terms of such issuance and shall offer to Kerr-McGee the right to purchase, at the same price and on the same terms as Devon proposes to issue such Devon Convertible Security to others

(or, if Devon proposes to issue such Devon Convertible Security other than for cash, at a cash price equal to the value of the consideration for which Devon proposes to issue such Devon Convertible Security, such value to be determined by agreement between Devon or Kerr-McGee, or if the parties are unable to agree, by an investment banking firm or other asset valuation firm of national reputation selected by Kerr-McGee with the consent of a majority of the Continuing Directors, which consent shall not be unreasonably withheld, the cost of which shall be borne by Devon) a number or amount of the Devon Convertible Securities proposed to be issued that represents the right to acquire upon exercise, exchange or conversion of such Devon Convertible Securities a number of Voting Shares equal to the Applicable Percentage (the "Offer Notice"). If Kerr-McGee determines to accept the offer contained in the Offer Notice, Kerr-McGee shall deliver a written notice to Devon indicating its acceptance within 10 days after its receipt of the Offer Notice, which notice shall indicate whether Kerr-McGee has accepted such offer in whole or in part, and, if accepted in part, the number or amount of Devon Convertible Securities as to which such offer has been accepted (an "Acceptance Notice"). Any acceptance of the offer contained in an Offer Notice by delivery of an Acceptance Notice shall be irrevocable and shall constitute a commitment by Kerr-McGee to purchase from Devon, and by Devon to sell to Kerr-McGee, the number or amount of Devon Convertible Securities covered by such Acceptance Notice upon the terms contained in the Offer Notice.

(c) If Devon determines to issue any Devon Convertible Security in a Public Offering, then Devon shall provide written notice of such determination to Kerr-McGee no later than the time that Devon commences the process to make such Public Offering, which notice shall include the proposed size and other terms of such issuance, to the extent then known, the name or names of the managing underwriter for such Public Offering, if then known and the date when it is proposed that such Public Offering will be made, and shall cause the underwriters of such Public Offering to offer to Kerr-McGee the right to purchase from the underwriters of such Public Offering, at the public offering price set forth on the cover page of the prospectus or prospectus supplement for such Public Offering, a number or amount of the Devon Convertible Securities proposed to be issued that represents the right to acquire upon exercise, exchange or conversion of such Devon Convertible Securities a number of Voting Shares equal to the Applicable Percentage.

3. STOCK CERTIFICATES AND OTHER RESTRICTIONS.

3.1 Endorsement of Certificates. (a) All certificates representing Shares shall, subject to Section 3.1(c), bear the following legend:

"THIS CERTIFICATE IS SUBJECT TO THE PROVISIONS OF A STOCK RIGHTS AND RESTRICTIONS AGREEMENT BETWEEN DEVON ENERGY CORPORATION AND KERR-McGEE CORPORATION DATED AS OF DECEMBER 31, 1996. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL BUSINESS OFFICE OF DEVON ENERGY CORPORATION."

(b) All certificates representing Shares shall, subject to Section 3.1(c), bear the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE CONVEYED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR PURSUANT TO RULE 144 UNDER THE ACT, UNLESS THE COMPANY SHALL HAVE BEEN FURNISHED WITH AN OPINION OF COUNSEL, WHICH OPINION SHALL BE REASONABLY SATISFACTORY TO COUNSEL FOR DEVON ENERGY CORPORATION, THAT REGISTRATION UNDER THE ACT IS NOT REQUIRED."

(c) After such time as either of the legends set forth in Sections 3.1(a) and (b) is no longer required hereunder (including without limitation as a result of the termination of this Agreement in accordance with its terms) or if the securities represented by a certificate have been registered under the Securities Act pursuant to an effective registration statement or are to be sold pursuant to Rule 144, or if the Company shall have been furnished with an opinion of counsel, which opinion shall be reasonably satisfactory to counsel for Devon, that registration under the Securities Act is not required, as the case may be, then, in any such event, upon the

request of Kerr-McGee, Devon shall cause such certificate or certificates to be exchanged for a certificate or certificates that do not bear any legend.

3.2 Improper Transfer. Any attempt by Kerr-McGee or its Affiliates to Transfer any Shares other than in accordance with this Agreement shall be null and void and neither Devon nor any transfer agent for such securities shall be required to give any effect to such attempted Transfer in its stock records.

4. GENERAL PROVISIONS.

4.1 Representations and Warranties. (a) Devon represents and warrants to Kerr-McGee that (i) Devon is a corporation duly organized, validly existing and in good standing under the laws of the State of Oklahoma and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (ii) the execution and delivery of this Agreement by Devon and the consummation by Devon of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Devon and no other corporate proceedings on the part of Devon are necessary to authorize this Agreement or any of the transactions contemplated hereby, and (iii) this Agreement has been duly executed and delivered by Devon and constitutes a valid and binding obligation of Devon, and, assuming this Agreement constitutes a valid and binding obligation of Kerr-McGee, is enforceable against Devon in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

(b) Kerr-McGee represents and warrants to Devon that (i) Kerr-McGee is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (ii) the execution and delivery of this Agreement by Kerr-McGee and the consummation by Kerr-McGee of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Kerr-McGee and no other corporate proceedings on the part of Kerr-McGee are necessary to authorize this Agreement or any of the transactions contemplated hereby, and (iii) this Agreement has been duly executed and delivered by Kerr-McGee and constitutes a valid and binding obligation of Kerr-McGee, and, assuming this Agreement constitutes a valid and binding obligation of Devon, is enforceable against Kerr-McGee in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

4.2 Amendment and Modification; Waiver of Compliance. This Agreement may be amended or waived only by written instrument duly executed by the parties. In the event of the amendment or modification of this Agreement in accordance with its terms, the Board of Directors of Devon shall adopt any amendment to the by-laws of Devon that may be required as a result of such amendment or modification to this Agreement, and, if required, shall propose any amendment to the Certificate of Incorporation that may be required as a result of such amendment or modification to this Agreement to the Devon shareholders entitled to vote thereon at a meeting duly called and held for such purpose, and shall recommend that the Devon shareholders vote in favor of such amendment to the Certificate of Incorporation.

4.3 Injunctive Relief. Each of the parties hereto hereby acknowledges that in the event of a breach by any of them of any material provision of this Agreement, the aggrieved party may be without an adequate remedy of law. Each of the parties therefore agrees that in the event of a breach of any material provision of this Agreement the aggrieved party may elect to institute and prosecute proceedings in any court of competent jurisdiction to enforce specific performance or to enjoin the continuing breach of such provision, as well as to obtain damages for breach of this Agreement. By seeking or obtaining any such relief, the aggrieved party will not be precluded from seeking or obtaining any other relief to which it may be entitled in equity or at law.

4.4 Bylaws. At all times while this Agreement shall be in effect, Devon shall cause its Bylaws to conform to the provisions of this Agreement, including by causing its Bylaws to be amended.

4.5 No Amendment of Rights Plan. Devon's Board of Directors shall not adopt any Rights Plan or amend the Rights Plan as in effect on the date hereof without the approval of a majority of the Kerr-McGee

Designees then on the Board of Directors of Devon, unless such Rights Plan or amendment would not adversely affect the rights or interests of Kerr-McGee or its Affiliates.

4.6 Limitation on Reductions of Public Float by Devon. Devon shall not take any action, including without limitation an acquisition by Devon or any of its Affiliates of Voting Shares then outstanding, or a recapitalization by Devon, which would reduce the number of shares of Common Stock held by Persons other than Kerr-McGee, Devon or any Affiliate of either Kerr-McGee or Devon to less than 15,000,000, without the prior written consent of Kerr-McGee.

4.7 Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of Oklahoma, without regard to the principles of conflicts of law thereof.

4.8 Termination. (a) This Agreement may be terminated:

(i) by the mutual written consent of the parties hereto;

(ii) by Kerr-McGee or Devon if Kerr-McGee shall have become the Beneficial Owner of less than 5% of the Voting Shares;

(iii) by Kerr-McGee if any Person (other than Kerr-McGee or any Affiliate) shall have proposed to Devon a Business Combination Transaction and a majority of the Continuing Directors shall have approved such proposal or shall have retained (or authorized Devon to retain) the services of an investment banking firm and shall have instructed such investment banking firm to solicit indications of interest with respect to a Business Combination Transaction; provided that, if a proposal with respect to a Business Combination Transaction referred to in this clause (iii) shall have been terminated or withdrawn by the Person who made such proposal and Kerr-McGee shall have withdrawn, terminated or permitted to expire any tender or exchange offer or proposal with respect to a Business Combination Transaction made by Kerr-McGee, then the provisions of this Agreement shall thereafter be reinstated (without liability to any party for any failure to have complied with the terms and provisions of this Agreement during the period when it shall have been terminated in accordance with this Section 4.8(a)(iii)) and this Agreement shall thereafter continue in full force and effect in accordance with its terms.

(iv) by Kerr-McGee if (A) any Person other than Kerr-McGee or its Affiliates shall have acquired Beneficial Ownership of 15% or more of the Voting Shares at a time when the Rights Plan is in effect and a majority of the Continuing Directors shall have approved such acquisition or otherwise taken action so that such acquisition would not result in such Person becoming an Acquiring Person, or triggering a Distribution Date, under the Rights Plan or (B) any Person other than Kerr-McGee or its Affiliates shall have acquired Beneficial Ownership of 20% or more of the Voting Shares at a time when the Rights Plan is not in effect, and, in any event referred to in clause (A) or (B) above, such Person shall not have entered into an agreement with Devon containing restrictions and other provisions at least as favorable to Devon as those contained in this Agreement;

(v) by Kerr-McGee if the Continuing Directors shall not constitute a majority of the Board of Directors of Devon; or

(vi) by Kerr-McGee if Devon shall have materially breached any provision of this Agreement and Kerr-McGee shall have delivered a written notice of such breach to Devon; provided that, if such material breach is reasonably susceptible of cure and Devon shall proceed diligently to cure such material breach, then this Agreement shall not be terminated unless such material breach shall not have been cured on or prior to the fifth day after the delivery of written notice by Kerr-McGee to Devon that Devon has materially breached this Agreement.

(b) Unless this Agreement shall have been earlier terminated as provided in
Section 4.8(a), this Agreement shall terminate twenty-one years from and after the death of the last survivor of J. Larry Nichols and Luke R. Corbett.

4.9 Notices. All notices, requests, demands or other communications required or permitted by this Agreement shall be in writing and effective when received, and delivery shall be made personally or by registered or certified mail, return receipt requested, postage prepaid, or overnight courier or confirmed facsimile transmission, addressed as follows:

(a) If to Devon:

Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260 Attention: J. Larry Nichols, President and Chief Executive Officer Facsimile No.: (405) 236-4258

with a copy to:

McAfee & Taft
A Professional Corporation
10th Floor, Two Leadership Square Oklahoma City, Oklahoma 73102
Attention: Jerry A. Warren, Esq. Facsimile No.: (405) 235-0439

(b) If to Kerr-McGee:

Kerr-McGee Corporation
Kerr-McGee Center
P.O. Box 25861
Oklahoma City, Oklahoma 73125
Attention: Russel G. Horner, Jr.

Vice President and General Counsel

Facsimile No.: (405) 270-4211

with a copy to:

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017
Attention: David B. Chapnick, Esq. Facsimile No.: (212) 455-2502

4.10 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

4.11 Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof. This Agreement shall not be assigned by operation of law or otherwise.

4.12 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

4.13 Headings. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

4.14 Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

DEVON ENERGY CORPORATION

By: /s/ J. LARRY NICHOLS

Name: J. Larry Nichols
Title: President and Chief Executive Officer

KERR-McGEE CORPORATION

By: /s/ LUKE R. CORBETT

Name: Luke R. Corbett
Title: President and Chief Operating Officer

EXHIBIT 4.4

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT, dated December 31, 1996 by and between Devon Energy Corporation, an Oklahoma corporation (the "Company"), and Kerr-McGee Corporation, a Delaware corporation ("Security Holder").

W I T N E S S E T H:

WHEREAS, the Company and Security Holder have entered into an Agreement and Plan of Merger dated as of October 17, 1996 (the "Merger Agreement") which provides, among other things, for the execution of this Agreement;

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein and in the Merger Agreement the parties hereto agree as follows:

Section 1. Definitions. The terms defined in this Section, whenever used in this Agreement, shall, unless the context otherwise requires, have the respective meanings hereinafter specified. Terms not defined in this Agreement, and defined in the Merger Agreement have the meanings assigned them in the Merger Agreement.

"Agreement" shall mean this Registration Rights Agreement.

"Commission" shall mean the United States Securities and Exchange Commission.

"Common Stock" shall mean the Company's authorized Common Stock, par value $.10 per share.

"Company" shall mean Devon Energy Corporation, an Oklahoma corporation, and any successor corporation by merger, consolidation or otherwise and any parent corporation resulting from the merger or consolidation of the Company with or into a subsidiary of another corporation.

"Evergreen Registration Statement" shall mean a Registration Statement filed pursuant to Rule 415, or any successor rule under the Securities Act, relating to an offering on a continuous or delayed basis and which may, in lieu of filing a post-effective amendment that (x) includes any prospectus required by Section 10(a)(3) of the Securities Act or (y) reflects facts or events representing a material or fundamental change in the information set forth in the Registration Statement, be amended by the incorporation by reference of information required to be included in (x) or (y) above contained in periodic reports filed pursuant to Section 13 or 15 (d) of the Exchange Act in the Registration Statement.

"Exchange Act" shall mean the Securities Exchange Act of 1934, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Exchangeable Security" shall mean a security of any type, including but not limited to debt, equity, warrants or other rights, issued by Security Holder at any time after the second anniversary of this Agreement and which includes or represents the right to acquire Registrable Securities from Security Holder upon exchange, conversion or exercise thereof; provided that such security shall confer on Security Holder the right to suspend the right of the holder of such security to exchange, convert or exercise such security to the extent necessary for Security Holder to comply with the terms of Section 2.D. of this Agreement; and provided further that the right to exchange or convert into, or exercise for, Registrable Securities shall be limited to a period of seven years commencing upon issuance of the Exchangeable Security.

"Person" shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

"Public Offering" shall mean a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act.

"Registrable Securities" shall have the meaning subscribed thereto in Section 2.A.

"Registration" shall mean the registration under the Securities Act of Registrable Securities pursuant to either Section 2.A hereof or 2.B hereof.

"Registration Statement" shall mean a registration statement filed under the Securities Act or a similar document filed pursuant to any other statute then in effect corresponding to the Securities Act.

"Securities Act" shall mean the Securities Act of 1933, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Security Holder" shall mean Kerr-McGee Corporation, a Delaware corporation, its permitted assigns, or any affiliate thereof holding Common Stock or any successor corporation to any of the foregoing by merger or consolidation or otherwise.

Section 2. Registration Rights.

A. Required Registration. If the Company shall receive a written request from Security Holder requesting that the Company file a Registration Statement relating to a Public Offering of shares of Common Stock owned by Security Holder ("Registrable Securities"), the Company will as promptly as practicable prepare and file a Registration Statement and use its best efforts to cause the Registration Statement to become effective; subject, however, to the following provisions:

(1) the Company shall be required to file no more than three (3) Registration Statements on behalf of Security Holder pursuant to this Section 2.A;

(2) the Company shall not be obligated to file a requested Registration:

(i) in the event that the aggregate number of Registrable Securities to be included in such requested Registration is less than five percent (5%) of the issued and outstanding Common Stock;

(ii) from the time it gives notice to Security Holder, provided such notice is given prior to time of receipt by Devon of Security Holder's request to file a Registration Statement, that it is preparing to file a Registration Statement other than for the account of Security Holder until 60 days after the Registration Statement has been declared effective by the SEC; provided, the Company shall use its best efforts to cause such Registration Statement to be declared effective as promptly as practicable; and, provided further, the obligation to file a Registration Statement on behalf of Security Holder shall be reinstated if the Company does not file a Registration Statement within 30 days after giving the notice referred to above; or

(iii) for a period from the time the Company gives Security Holder notice, provided such notice is given prior to time of receipt by Devon of Security Holder's request to file a Registration Statement, that the Company is conducting negotiations for a material business combination or that there is a material development or event pending which has not yet been publicly disclosed and as to which the Company believes disclosure will be prejudicial to the Company until the earlier of (a) 120 days after the notice with respect to a material business combination or 90 days after the notice with respect to a material development or event; (b) the public announcement of the combination, development or event referred to above; or (c) the time the Company gives Security Holder notice that suspension of its obligation is no longer required.

(3) a Registration Statement filed pursuant to a request of Security Holder shall first include all Registrable Securities requested to be included by Security Holder and, only after such inclusion, may, include securities of the Company being sold for the account of the Company or other security holders; provided, however, that securities to be offered on behalf of the Company or such other security holders will be included in such Registration Statement only to the extent that, in the reasonable opinion of the managing underwriter for the Public Offering of Registrable Securities on behalf of Security Holder, such inclusion will not materially adversely affect the distribution of Registrable Securities on behalf of Security Holder;

(4) the selection of an underwriter for a Public Offering of Registrable Securities by Security Holder shall be subject to the approval of the Company, which shall not be unreasonably withheld; and

(5) for purposes of paragraph (1) of this Subsection A, if a requested Registration Statement is filed and the Company otherwise complies with its obligations hereunder, but the Registration Statement is withdrawn by Security Holder due to a delay in the offering requested by the Company, then no requested Registration Statement shall be deemed to have been filed.

B. Incidental/"Piggy-back" Registration. If the Company at any time proposes to file a Registration Statement (other than a Registration Statement filed pursuant to Subsection A of this Section) under the Securities Act relating to a Public Offering of Common Stock to be sold for cash that would permit the registration of Registrable Securities, it will give Security Holder as much advance notice, in writing, as is reasonably practicable under the circumstances, but in any event not less than 5 days, before the filing with the Commission of such Registration Statement, which notice shall set forth the intended method of disposition of the securities proposed to be registered. The notice shall offer to include in such filing such amount of Registrable Securities as Security Holder may request. If Security Holder wishes to have Registrable Securities registered pursuant to this Subsection B, it shall advise the Company in writing within 20 days after the date of receipt of such offer from the Company (or such shorter period, but in any event not less than 5 days, as the Company shall specify in its notice to Security Holder), setting forth the amount of Registrable Securities for which Registration is requested. If the managing underwriter of the proposed Public Offering of Common Stock by the Company shall advise the Company in writing that, in the reasonable opinion of the managing underwriter, the distribution of the Registrable Securities requested by Security Holder to be included in the Registration Statement concurrently with securities being registered for sale by the Company would materially adversely affect the distribution of such securities by the Company, then the Company shall so advise the Security Holder and the number of securities that are entitled to be included in the registration and underwriting shall be allocated first to the Company and then pro rata among the shareholders (including Security Holder) whose shares are to be included in such Registration Statement. If any Person does not agree to the terms of any such underwriting, such Person shall be excluded therefrom by written notice from the Company or the underwriter.

Any Registrable Securities excluded or withdrawn from such underwriting shall nevertheless be included in any Registration Statement (but not the underwriting) filed pursuant to this Subsection B during the first two years after the date of this Agreement in an amount not to exceed 5% of the issued and outstanding Common Stock; provided, the Registrable Securities so included may be offered and sold only during a 90 day period commencing on the last day of any period during which "Affiliates" (as that term is defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended) of the Company have agreed not to dispose of Common Stock in accordance with the underwriting agreement.

Any obligation of the Company to effect a Registration pursuant to this Subsection B shall be conditioned upon Security Holder entering into an underwriting agreement with the Company and the managing underwriters of the registered offering of the type described in paragraph (10) of Subsection C.

C. Registration Procedures. If the Company is required by the provisions of Subsections A or B of this Section 2 to effect the Registration of any of the Registrable Securities under the Securities Act, the Company will, as expeditiously as possible:

(1) Prepare and file with the Commission a Registration Statement with respect to such securities and use its best efforts to cause such Registration Statement to become and, subject to paragraph (2) of this Subsection C, remain effective.

(2) Keep such Registration effective, and the prospectus used in connection therewith, current for a period of ninety (90) days or until the Security Holder has completed the distribution described in the Registration Statement relating thereto, whichever first occurs (the "Selling Period"); provided, however, that (a) the Selling Period shall be extended for a period of time equal to any period that Security Holder refrains from selling any securities included in such registration (i) pursuant to an agreement between Security Holder and an underwriter of Common Stock at the request of the Company in order to facilitate the Company's offering thereunder or (ii) pursuant to paragraph 8 of this Subsection C and in the case of a registration which includes Registrable Securities in accordance with

the penultimate paragraph in Subsection B of this Section 2, the Selling Period shall be extended for the period contemplated thereby; provided that Rule 415, or any successor rule under the Securities Act, permits an offering on a continuous or delayed basis; and provided further that applicable rules under the Securities Act governing the obligation to file a post-effective amendment permit, in lieu of filing a post-effective amendment that (i) includes any prospectus required by Section 10(a)(3) of the Securities Act or (ii) reflects facts or events representing a material or fundamental change in the information set forth in the Registration Statement, the incorporation by reference of information required to be included in (i) and (ii) above to be contained in periodic reports filed pursuant to Section 13 or 15(d) of the Exchange Act in the Registration Statement.

(3) Prepare and file with the Commission such amendments and supplements to such Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and such prospectus current in compliance with Section 10 of the Securities Act, and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Common Stock covered by such Registration Statement whenever Security Holder shall desire to sell or otherwise dispose of the same, and provide Security Holder with copies of any correspondence with the Commission, or copies of memoranda relating to oral communications with the Commission, with respect to any request by the Commission for any amendment of or supplement to the Registration Statement or the prospectus included therein or for additional information; provided, however, that the Company shall have no obligation under this paragraph (3) after the period required by paragraph (2) of this Subsection C has lapsed.

(4) Furnish to Security Holder such number of copies of such Registration Statement and of each amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus included in such Registration Statement (including each preliminary prospectus, summary prospectus and prospectus supplement), in conformity with the requirements of the Securities Act, and such other documents, as Security Holder may reasonably require in order to facilitate the public offering, sale or other disposition of the Registrable Securities owned by Security Holder.

(5) Use its best efforts to register or qualify the Common Stock covered by such Registration Statement under such other securities or blue sky laws of such jurisdictions as Security Holder shall reasonably request (excluding however any jurisdiction in which the filing would subject the Company to additional tax liability, and any jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such Registration or qualification which consent would not be required but for this paragraph (5)), and do such other acts and things as may be required to enable Security Holder to consummate the public sale or other disposition in such jurisdictions of the Registrable Securities owned by Security Holder.

(6) Otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least 12 months, but not more than 18 months, beginning with the first month after the effective date of the Registration Statement, which earnings statement shall ratify the provisions of Section 11(a) of the Securities Act.

(7) Immediately notify Security Holder at any time when a prospectus is required to be delivered under the Securities Act within the Selling Period referred to in paragraph (2) of this Subsection C, of the Company becoming aware that the prospectus included in the Registration Statement, or as such prospectus may be amended or supplemented, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading in light of the circumstances then existing, and at the request of Security Holder to promptly prepare and furnish to Security Holder a number of copies of an amended or supplemental prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading in the light of the circumstances then existing. In the event the Company shall give any such

notice, Security Holder shall immediately suspend use of the prospectus and the Selling Period shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date when Security Holder shall have received the copies of such supplemented or amended prospectus.

(8) In the event that, in the judgment of the Company, it is advisable to suspend use by Security Holder of a prospectus relating to an offering of Registrable Securities, other than a Public Offering, because the Company is conducting negotiations for a material business combination or due to pending material developments or events that have not yet been publicly disclosed and as to which the Company believes public disclosure will be prejudicial to the Company, the Company shall deliver notice in writing to the effect of the foregoing and, upon receipt of such notice, the Security Holder shall not use the prospectus, and the Selling Period shall cease to run or will not commence, until such Security Holder has received copies of the supplemented or amended prospectus provided for in paragraph 3 of this Section C, or until it is advised in writing by the Company that the prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such prospectus; provided that the duration of such suspension shall not exceed 30 days. The Company will use its best efforts to ensure that the use of the prospectus may be resumed, and the Selling Period will commence, as promptly as is practicable and, in any event, promptly after the earlier of (x) public disclosure of such material business combination or pending material development or event sufficient to permit an affiliate of the Company to sell Common Stock or (y) in the judgment of the Company, public disclosure of such material business combination or material development or event would not be prejudicial to the Company.

(9) Use its best efforts to list such Registrable Securities on the primary securities exchange or other trading market on which the Common Stock is then listed, if such Registrable Securities are not already so listed and if such listing is then permitted under the rules of such exchange or other trading market, and to provide a transfer agent and registrar for such Registrable Securities covered by such Registration Statement not later than the effective date of such Registration Statement.

(10) Enter into such agreements (including an underwriting agreement in customary form and containing customary provisions relating to legal opinions and accountants' letters and customary representations and warranties and customary provisions for mutual indemnification and contribution between the Company and the underwriters for Security Holder) and take such other actions as Security Holder may reasonably request in order to expedite or facilitate the disposition of such Registrable Securities.

(11) Make available for inspection by Security Holder, by any underwriter participating in any disposition to be effected pursuant to such Registration Statement and by any attorney, accountant or other agent retained by Security Holder or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees to supply all information requested by Security Holder, such underwriter, attorney, accountant or agent, as is reasonably needed in connection with such Registration Statement.

D. Exchangeable Securities. In lieu of one of the Registration Statements to which Security Holder is entitled pursuant to Section 2.A. hereof, after written request from Security Holder the Company shall file one Evergreen Registration Statement for registration of Registrable Securities deliverable by Security Holder pursuant to the terms of an offering of Exchangeable Securities (including the sale of the Registrable Securities by Security Holder on the redemption or maturity of the Exchangeable Securities), and use its best efforts to cause the Registration Statement to become effective.

The terms of the Exchangeable Securities will provide that the conversion, exercise or exchange right may only be utilized (x) during the calendar month of April in any year that the Exchangeable Securities are outstanding and (y) during the 30 days ending on the maturity or redemption of the Exchangeable Securities; provided, there shall be only one conversion, exercise or exchange period in any calendar year.

E. Expenses; Limitations on Registration. All Commission and blue sky filing fees and underwriting discounts and commissions attributable to securities offered on behalf of Security Holder, and the fees and expenses of separate counsel for Security Holder, incurred in connection with effecting a Registration pursuant to this Section 2 shall be borne by Security Holder. Printing expenses of a prospectus which includes Registrable Securities shall be borne by the Company and each shareholder (including Security Holder) whose shares are included in the Registration Statement in proportion to the number of shares being offered by each. All other expenses incurred in connection with the Registration Statement shall be borne by the Company.

It shall be a condition precedent to the obligation of the Company to take any action pursuant to this Section 2 in respect of the Registrable Securities which are to be registered at the request of Security Holder that Security Holder shall furnish to the Company such information regarding the securities held by it and the intended method of disposition thereof as the Company shall reasonably request and as shall be required in connection with the action taken by the Company.

F. Indemnification. (1) In the event of any Registration of any Registrable Securities under the Securities Act pursuant to this Section 2, the Company agrees to indemnify and hold harmless Security Holder, its directors, officers and employees, and each other Person, if any, who controls Security Holder within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which Security Holder or any such director, officer, employee or controlling Person may become subject under the Securities Act or any other statute or at common law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any alleged untrue statement of any material fact contained, on the effective date thereof, in any Registration Statement under which such securities were registered under the Securities Act, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or (ii) any alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse Security Holder or such director, officer, employee or controlling Person for legal or any other expenses reasonably incurred by Security Holder or such director, officer, employee or controlling Person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any alleged untrue statement or alleged omission made in such Registration Statement, preliminary prospectus, prospectus, or amendment or supplement in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by Security Holder stating that it is specifically for use therein; and provided, further, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission in the prospectus if such untrue statement or alleged untrue statement or omission or alleged omission has been the subject of a notice given to Security Holder pursuant to paragraph (7) of Subsection (C) if Security Holder after receipt of such notice and prior to the receipt of a corrected prospectus sold a Registrable Security to the Person asserting such loss, claim, damage, liability or expense who purchased such Registrable Security which is the subject thereof form Security Holder. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of Security Holder or such director, officer, employee or participating Person or controlling Person, and shall survive the transfer of such securities by Security Holder.

(2) Security Holder agrees to indemnify and hold harmless the Company, its directors, officers and employees and each other Person, if any, who controls the Company against any losses, claims, damages or liabilities joint or several, to which the Company or any such director, officer, or employee or any such Person may become subject under the Securities Act or any other statute or at common law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any alleged untrue statement of any material fact contained, on the effective date thereof, in any Registration Statement under which Registrable Securities were registered under the Securities Act at the request of Security Holder, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or (ii) any alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such alleged untrue

statement or alleged omission was made in such Registration Statement, preliminary prospectus, prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by Security Holder specifically stating it is for use therein, and shall reimburse the Company or such director, officer, employee or other Person for any legal or any other expenses reasonably incurred in connection with investigating or defending any such loss, claim, damage, liability or action.

(3) Promptly after receipt by an indemnified party hereunder of written notice of the commencement of any action or proceeding involving a claim referred to in the preceding paragraphs of this Subsection E, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; provided, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligation under this Subsection E to the extent the indemnifying party is not materially prejudiced by such failure. In case any such action is brought against an indemnified party, the indemnified party shall permit the indemnifying party to assume the defense of such action or proceeding, provided that counsel for the indemnifying party, who shall conduct the defense of such action or proceeding shall be approved by the indemnified party (whose approval shall not be unreasonably withheld) and the indemnified party may participate in such defense at such indemnified party's expense unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, in which event the indemnifying party shall pay the reasonable fees and expense of separate counsel for the indemnified party. No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation. The indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm for all indemnified parties. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent.

(4) Indemnification similar to that specified in the preceding paragraphs of this Subsection E shall be given by the Company and Security Holder (with such modifications as shall be appropriate) with respect to liability related to any required registration or other qualification of Registrable Securities under any Federal or state law or regulation of governmental authority other than the Securities Act.

(5) If the indemnification provided for in this Subsection E is unavailable or insufficient to hold harmless an indemnified party under paragraphs (1) or
(2) above, then the indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in paragraphs (1) or (2) above, in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and Security Holder on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equity considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or Security Holder and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and Security Holder agree that it would not be just and equitable if contributions pursuant to this paragraph (5) were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the first sentence of this paragraph (5). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this paragraph (5) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim (which shall be limited as provided in paragraph (3) above if the indemnifying party has assumed the defense of any such action in accordance with the provisions thereof) which is the subject of this paragraph (5). Notwithstanding the provisions of this paragraph (5), in respect of any loss, claim, damage or liability based upon any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact which relates to information other than information supplied by Security Holder, Security Holder shall not be required to contribute any amount in excess of the amount by which the total price at which the Registrable

Securities offered by it and distributed to the public were offered to the public exceeds the amount of any damages which Security Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. Promptly after receipt by an indemnified party under this paragraph (5) of notice of the commencement of any action against such party in respect of which a claim for contribution may be made against an indemnifying party under this paragraph (5), such indemnified party shall notify the indemnifying party in writing of the commencement thereof if the notice specified in paragraph (3) above has not been given with respect to such action; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party under this paragraph
(5) to the extent such omission is not prejudicial.

G. Public Availability of Information. The Company shall comply with all public information reporting requirements of the Commission, to the extent required from time to time to enable Security Holder to sell Registrable Securities without Registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Commission. Upon the request of Security Holder, the Company will deliver to Security Holder a written statement as to whether it has complied with such requirements.

H. Supplying Information. The Company shall cooperate with Security Holder in supplying such information as may be necessary for Security Holder to complete and file any information reporting forms presently or hereafter required by the Commission as a condition to the availability of an exemption from the Securities Act for the sale of any Registrable Securities.

I. Specific Performance. Each party hereto acknowledges and agrees that each other party hereto would be irreparably harmed and would have no adequate remedy of law if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, it is agreed that, in addition to any other remedies by law or in equity which may be available, the parties hereto shall be entitled to obtain temporary and permanent injunctive relief with respect to any breach or threatened breach of, or otherwise obtain specific performance of the covenants and other agreements contained in this Agreement.

Section 3. Representations and Warranties of the Company. The Company represents and warrants to Security Holder that (a) the Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Oklahoma and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or any of the transactions contemplated hereby, and (c) this Agreement has been duly executed and delivered by the Company and constitutes a valid and binding obligation of the Company, and, assuming this Agreement constitutes a valid and binding obligation of Security Holder is enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors, rights generally from time to time and to general principles of equity, and except as the enforceability thereof may be limited by considerations of public policy.

Section 4. Representations and Warranties of Security Holder. Security Holder represents and warrants to the Company that (a) it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by Security Holder and the consummation by Security Holder of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Security Holder and no other corporate proceedings on the part of Security Holder are necessary to authorize this Agreement or any of the transactions contemplated hereby, and (c) this Agreement has been duly executed and delivered by Security Holder and constitutes a valid and

binding obligation of Security Holder, and, assuming this Agreement constitutes a valid and binding obligation of the Company, is enforceable against Security Holder in accordance with its terms subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity, and except as the enforceability thereof may be limited by considerations of public policy.

Section 5. Stock Rights and Restrictions Agreement. This Agreement shall be in all respects subject to the terms and conditions of the Stock Rights and Restrictions Agreement between the parties hereto and of even date herewith.

Section 6. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or transmitted by telex, telegram or facsimile transmission or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Security Holder, to:

Kerr-McGee Corporation
P.O. Box
Oklahoma City, Oklahoma 73125

Attention: General Counsel

with a copy to:

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017-3954

Attention: David Chapnick
Facsimile No: (212) 455-2502

(b) if to the Company, to:

Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Attention: J. Larry Nichols, President Facsimile No.: (405) 552-4550

with a copy to:

McAfee & Taft A Professional Corporation 10th Floor, Two Leadership Square Oklahoma City, Oklahoma 73102-7103

Attention: Jerry A. Warren, Esq. Facsimile No.: (405) 235-0439

Section 5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Oklahoma.

Section 6. Counterparts. This Agreement may be executed in any number of counterparts, which together shall constitute a single agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their officers thereunto duly authorized.

DEVON ENERGY CORPORATION

By

/s/ J. LARRY NICHOLS
J. Larry Nichols
President and Chief Executive Officer

KERR-MCGEE CORPORATION

By /s/ LUKE R. CORBETT
Luke R. Corbett, President and Chief Operating Officer

EXHIBIT 23

Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 8-K, into Devon Energy Corporation's previously filed Registration Statements File Nos. 33-32378, 33-67924, and 333-00815.

ARTHUR ANDERSEN LLP

January 14, 1997
Oklahoma City, Oklahoma