

DEVON ENERGY CORP /OK/

FORM S-3

(Securities Registration Statement (simplified form))

Filed 07/15/99

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

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

DEVON ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

OKLAHOMA
(State or other jurisdiction of
incorporation or organization)

73-1474008
(I.R.S. Employer Identification No.)

J. LARRY NICHOLS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
DEVON ENERGY CORPORATION
20 NORTH BROADWAY, SUITE 1500
OKLAHOMA CITY, OKLAHOMA 73102-8260

(Address, including zip code, and
telephone number, including area
code,
of registrant's principal executive
offices)

(Name, address, including zip code,
and telephone number, including
area code, of agent for service)

COPIES TO:

Jerry Warren McAfee & Taft A Professional Corporation Two Leadership Square, 10th Floor 211 North Robinson Oklahoma City, Oklahoma 73102-7103	Gregory F. Pilcher Vice President and General Counsel Kerr-McGee Corporation 123 Robert S. Kerr Avenue Oklahoma City, Oklahoma 73102	David Lopez Cleary, Gottlieb, Steen & Hamilton One Liberty Plaza New York, New York 10006- 1470
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on the Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the

Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act of 1933, check the following box. []

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amounts to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Devon Common Stock(1)...	9,954,000 Shares	\$36.71875 (2)	\$365,498,438 (2)	\$101,609

(1) Includes the stock purchase rights associated with the Devon Common Stock.

(2) Estimated pursuant to Rule 457(c) solely for the purposes of computing the registration fee based upon the average of the high and low prices of the Devon Common Stock, as reported on the American Stock Exchange Composite Transactions on July 8, 1999.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

+++++

+The information in this prospectus is not complete and may be changed. Kerr- +
+McGee may not sell these securities until the registration statement filed +
+with the SEC is effective. This prospectus is not an offer to sell these +
+securities and we are not soliciting an offer to buy these securities in any +
+state where the offer or sale is not permitted. +

+++++ SUBJECT TO
COMPLETION, DATED JULY 15, 1999

PROSPECTUS

8,655,652 Shares

[Devon Energy Corporation]

Common Stock \$0.10 par value

This prospectus relates to up to 9,954,000 shares of Devon Energy Corporation common stock which may be delivered by Kerr-McGee Corporation, at its option, on , 2004 to holders of debt exchangeable for common stock, or DECS, to be issued by Kerr-McGee. This prospectus accompanies a prospectus and a prospectus supplement of Kerr-McGee relating to the sale of the Kerr-McGee DECS. We sometimes call these DECS exchangeable notes. The Kerr-McGee prospectus and prospectus supplement are not a part of this prospectus.

Devon will not receive any of the proceeds from the sale of the exchangeable notes or the delivery of common stock to which this prospectus relates and will have no obligation with respect to the exchangeable notes.

Our common stock is listed on the American Stock Exchange under the symbol "DVN." On July 14, 1999, the last reported sale price of the common stock on the American Stock Exchange was \$38.1875 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 12.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Kerr-McGee has granted to the underwriters of the exchangeable notes a 30-day option to purchase additional exchangeable notes, which may, at Kerr-McGee's option, be exchanged at their maturity for up to an additional 1,298,348 shares of Devon common stock. Kerr-McGee has granted this option solely to cover over- allotments, if any.

July , 1999

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You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information provided by this prospectus is accurate as of any date other than the date on the front of this prospectus.

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ABOUT THIS PROSPECTUS

This prospectus provides you with a general description of our common stock. You should read this prospectus together with the additional information described under the heading "Where You Can Find More Information" on page 37.

In this prospectus, the terms "Devon," "we," "us" and "our" mean Devon Energy Corporation, an Oklahoma corporation, and its consolidated subsidiaries.

Unless otherwise indicated, all dollar amounts in this prospectus are expressed in U.S. dollars.

PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus. It may not contain all of the information that is important to you. You should read the summary together with the more detailed information in the rest of this prospectus and the documents to which we have referred you. See "Where You Can Find More Information" on page 37.

Devon

We are an independent energy company engaged primarily in oil and gas exploration, development and production, and in the acquisition of producing properties. Our oil and gas properties are concentrated in six operating areas in the United States and Canada. We are one of the top 15 public independent oil and gas companies in both the United States and Canada, as measured by oil and gas reserves. Our United States operations are primarily conducted in the Permian Basin, the San Juan Basin, the Rocky Mountains and the Mid-continent. Our Canadian operations are primarily conducted in the province of Alberta. At December 31, 1998, our estimated proved reserves were 299.4 million barrels of oil equivalent, of which 67% were natural gas reserves and 33% were oil reserves.

Strategy

Our primary objectives are to build reserves, production, cash flow and earnings per share by acquiring oil and gas properties, exploring for new oil and gas reserves and seeking optimal production from existing oil and gas properties. Our management seeks to achieve these objectives by:

- .keeping debt levels reasonable,
- .concentrating our properties in core areas to achieve economies of scale,
- .acquiring and developing high profit margin properties,
- .continually disposing of marginal and non-strategic properties, and
- .balancing reserves and production between oil and gas.

Through our predecessors, we began operations in 1971 as a privately held company. During 1988, we expanded our capital base by issuing common stock to the public for the first time. This transaction began a substantial expansion program that has continued through the years. We have used a two-pronged strategy of acquiring producing properties and engaging in drilling activities to achieve this expansion. Approximately two-thirds of our total capital spent during this period was for property acquisitions and one-third was for drilling. Total proved reserves increased from 8.1 million barrels of oil equivalent at the end of 1987 to 299.4 million barrels of oil equivalent at the end of 1998.

Our objective is to increase value per share, in addition to increasing total assets. Reserves have grown from 1.31 barrels of oil equivalent per diluted share at the end of 1987 to 5.61 barrels of oil equivalent per diluted share at the end of 1998. At the same time, our net debt, or long-term debt less working capital, has remained relatively low. At the end of 1998, our net debt was \$1.25 per barrel of oil equivalent.

Our completed merger with Northstar

On December 10, 1998, we completed a merger with Canadian-based Northstar Energy Corporation. The merger was accounted for under the "pooling of interests" method of accounting and Northstar became our wholly-owned subsidiary. Northstar's properties are located primarily in the Western Canada Sedimentary Basin in Alberta. Through the merger, we expanded our reserves by approximately 115 million barrels of oil equivalent, or 62%, and nearly tripled our undeveloped leasehold inventory. In addition, we retained the experienced Northstar management team to continue to direct our Canadian operations.

Our merger with Northstar has placed us in a unique position to take advantage of growth opportunities both in the United States and in Canada. Our properties are relatively balanced, with 52% of our proved reserves in the United States and 48% in Canada. This balance gives us considerable exposure to growing North American natural gas markets, while allowing us to retain substantial oil reserves, particularly in the Permian Basin of the United States. In addition, we own a large inventory of acreage and have the financial flexibility to pursue the opportunities for drilling on this acreage.

As part of the merger consideration, we issued, through Northstar, 16.1 million exchangeable shares. The exchangeable shares are exchangeable at any time, on a one-for-one basis, for shares of our common stock. Although the exchangeable shares are essentially equivalent to our common stock, because they were issued by Northstar, they qualify as a domestic Canadian investment for Canadian institutional stockholders. The exchangeable shares trade on The Toronto Stock Exchange under the symbol "NSX." Our common stock trades on the American Stock Exchange under the symbol "DVN."

Our proposed merger with PennzEnergy

On May 19, 1999, we entered into an agreement to merge with PennzEnergy Company. PennzEnergy is an independent oil and gas company engaged in the acquisition, exploration, exploitation and development of prospective and proved oil and gas properties and the production and sale of crude oil, condensate, natural gas and natural gas liquids. We believe that the merged company, which we refer to in this prospectus as New Devon, will rank solidly in the top ten of all U.S.-based independent oil and gas producers in terms of market capitalization, total proved reserves and annual production. We believe that New Devon will create substantially more stockholder value than could be achieved by either Devon or PennzEnergy individually.

The PennzEnergy merger is subject to customary conditions contained in the merger agreement, many of which are not within our control. Closing conditions include (a) obtaining the approval of stockholders of both Devon and PennzEnergy, (b) the absence of any law or court order prohibiting the merger, (c) the expiration of applicable regulatory waiting periods, (d) the approval for listing of the New Devon shares on either the New York Stock Exchange or the American Stock Exchange, (e) the continued accuracy of each company's representations and warranties, and (f) the receipt of legal opinions as to the tax-free qualification of the merger. In addition, either Devon or PennzEnergy may terminate the merger if it does not close prior to December 31, 1999, and under other circumstances. Although we believe that the conditions to closing will be satisfied on or before the scheduled closing date of August 18, 1999, we cannot assure you that the merger will be completed. If the merger is completed, Devon stockholders will receive one share of New Devon common stock for each share of Devon common stock that they own. PennzEnergy stockholders will receive 0.4475 shares of New Devon common stock for each share of PennzEnergy common stock that they own. Holders of the Kerr-McGee exchangeable notes that are exchanged for common stock after the merger will receive shares of New Devon common stock rather than shares of Devon common stock that they would have received prior to the merger.

Devon has filed a proxy statement with the SEC that describes the merger and risks related to it. The "Risk Factors" section of this prospectus, beginning on page 12, discusses potential risks associated with the proposed merger. You should consider these potential risks before you decide to invest in the common stock offered by this prospectus. The prospectus incorporates by reference the information contained in the merger proxy statement. To request a copy of the merger proxy statement, see "Where You Can Find More Information" on page 37 of this prospectus. This document does not constitute a solicitation of proxies for Devon's stockholder meeting relating to the merger. We are soliciting proxies for the meeting only through the merger proxy statement.

If the closing of the PennzEnergy merger does not occur, the financial condition and business of Devon will be different than if the merger is completed. This prospectus contains information relating to New Devon

that assumes that merger will be completed. If the merger is not completed, the receipt of shares of common stock of Devon upon exchange of the exchangeable notes will be an investment solely in Devon, without regard to PennzEnergy, and, therefore, you should review carefully the information relating to Devon as a stand-alone company that is contained in the documents we incorporate by reference under the caption "Where You Can Find More Information" on page 37 of this prospectus.

Our proposed public offering of common stock

New Devon plans to raise between \$300 and \$500 million through a public offering of newly issued shares of New Devon common stock shortly after the merger with PennzEnergy is completed. However, depending upon market conditions and other factors, Devon may make the offering prior to the merger. If the offering is made prior to the merger, Devon plans to raise between \$300 and \$350 million. It is also possible that Devon or New Devon may offer equity securities other than common stock. Neither Devon nor New Devon can provide assurances that they will successfully complete a public offering. The public offering is not a condition to the merger. If Devon completes the public offering before the merger, then each newly issued Devon share would be converted into one share of New Devon in the merger. All further references in this document to this proposed offering of securities will be made assuming it will occur after the merger is completed.

This document does not constitute an offer to sell or a solicitation of an offer to buy these newly issued shares. The new shares will be offered only through a separate prospectus.

Our principal executive offices are located at 20 North Broadway, Suite 1500, Oklahoma City, Oklahoma 73102-8260. Our telephone number at that location is (405) 235-3611.

The Kerr-McGee Exchangeable Notes Offering

The Kerr-McGee exchangeable notes are being offered by Kerr-McGee through its exchangeable notes prospectus and prospectus supplement. The exchangeable notes are mandatorily exchangeable for Devon common stock or, at Kerr-McGee's option, the cash equivalent, at maturity on , 2004. Assuming Kerr-McGee does not exercise its option to redeem any portion of the exchangeable notes with cash, and assuming the underwriters exercise their option to purchase 1,298,348 exchangeable notes to cover over-allotments, up to 9,954,000 shares of Devon common stock will be delivered pursuant to the terms of the exchangeable notes. Kerr-McGee will not have the option to exchange the exchangeable notes for Devon common stock prior to maturity. This prospectus relates to shares of Devon common stock that Kerr-McGee may deliver under the exchangeable notes. The Kerr-McGee prospectus and prospectus supplement relating to the exchangeable notes are not a part of this prospectus and we take no responsibility for any information included in or omitted from those documents.

Summary Unaudited Pro Forma Financial and Other Information

The following unaudited pro forma financial information has been prepared to assist in your analysis of the financial effects of the PennzEnergy merger. This pro forma information is based on the historical financial statements of Devon and PennzEnergy.

The information was prepared based on the following:

- . New Devon will utilize the full cost method of accounting for its oil and gas activities.
- . The merger will be accounted for as a purchase of PennzEnergy by New Devon.
- . New Devon plans to raise between \$300 and \$500 million in a public offering of additional shares of New Devon common stock. The proceeds from the planned offering would be used to fund capital expenditures and repay long-term debt. The pro forma financial statements do not reflect any effects of the planned offering.
- . Expected annual cost savings of \$50 to \$60 million have not been reflected as an adjustment to the historical data. These cost savings are expected to result from the consolidation of the corporate headquarters of Devon and PennzEnergy and the elimination of duplicate staff and expenses.
- . The unaudited pro forma statements of operations do not include the effects of a reduction of the carrying value of oil and gas properties because the reduction is directly related to the merger. As of March 31, 1999, the pro forma reduction would have been \$657.0 million (\$407.4 million after tax). The unaudited pro forma balance sheet does include the effect of this reduction.

The March 31, 1999, pro forma reduction was based on a posted West Texas Intermediate oil price of \$15.25 per barrel and a Texas Gulf Coast index gas price of \$1.80 per Mcf. As of June 30, 1999, both West Texas Intermediate oil and Texas Gulf Coast index gas prices had increased to \$16.50 per barrel and \$2.14 per Mcf, respectively. Using these prices, the pro forma reduction of the carrying value of oil and gas properties would be reduced to less than \$200 million (less than \$150 million after tax). The actual reduction, if any, that will be recorded by New Devon will depend on the oil and gas prices in effect at the end of the quarter in which the merger is actually closed.

No pro forma adjustments have been made with respect to the following unusual items. These items are reflected in the historical results of Devon or PennzEnergy, as applicable, and should be considered when making period-to- period comparisons:

- . In 1998, PennzEnergy realized pretax gains on the sale and exchange of Chevron Corporation common stock of \$230.1 million. The summary unaudited pro forma operations data does not include the related \$207.0 million after-tax extraordinary loss resulting from the early extinguishment of debt.
- . In 1998, PennzEnergy incurred \$24.3 million of nonrecurring general and administrative expenses in connection with the spin-off of Pennzoil- Quaker State Company on December 30, 1998.
- . In 1998, Devon incurred \$13.1 million of nonrecurring expenses related to the merger with Northstar.
- . In 1998, Devon reduced the carrying value of its oil and gas properties by \$126.9 million (\$88.0 million after-tax) due to the full cost ceiling limitation.

The unaudited pro forma information is presented for illustrative purposes only. If the merger had occurred in the past, New Devon's financial position or operating results might have been different from those presented in the unaudited pro forma information. You should not rely on the unaudited pro forma information as an indication of the financial position or operating results that New Devon would have achieved if the merger had occurred on March 31, 1999 or January 1, 1998. You also should not rely on the unaudited pro forma information as an indication of the future results that New Devon will achieve after the merger.

New Devon Pro
Forma as of
March 31, 1999

(In Thousands,
Except Per
Share Data)

Balance Sheet Data:

Investment in common stock of Chevron Corporation (see note 3 on page 26).....	\$ 629,453
Total assets.....	4,092,118
Debentures exchangeable into shares of Chevron Corporation common stock (see note 3 on page 26).....	757,721
Other long-term debt.....	1,422,793
Convertible preferred securities of subsidiary trust.....	149,500
Stockholders' equity.....	997,750
Book value per share.....	14.27

New Devon Pro Forma

Three Months
Year Ended
December 31, March 31,
1998 1999

(In Thousands,
Except Per Share Data)

Operations Data:

Operating Results

Oil sales.....	\$ 302,918	\$ 64,914
Gas sales.....	553,938	122,979
NGL sales.....	63,703	12,813
Other revenue.....	295,803	9,390
Total revenue.....	1,216,362	210,096
Lease operating expenses.....	294,739	66,336
Production taxes.....	28,148	5,937
Depreciation, depletion and amortization.....	444,650	97,752
General and administrative expenses.....	139,378	28,291
Northstar combination expenses.....	13,149	--
Interest expense.....	176,659	36,545
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt.....	16,104	(3,161)
Distributions on preferred securities of subsidiary trust.....	9,717	2,429
Reduction of carrying value of oil and gas properties.....	126,900	--
Total costs and expenses.....	1,249,444	234,129
Loss before income taxes.....	(33,082)	(24,033)
Income tax expense (benefit):		
Current.....	10,324	1,914
Deferred.....	(3,340)	(11,032)
Total income tax expense.....	6,984	(9,118)
Net loss.....	(40,066)	(14,915)
Preferred stock dividends.....	5,625	2,434
Net loss applicable to common shareholders.....	\$ (45,691)	\$ (17,349)
Net loss per share--basic and diluted.....	(0.66)	(0.25)
Cash dividends per share.....	0.17	0.05
Weighted average common shares outstanding.....	69,729	69,900
Cash Flow Data		
Net cash provided by operating activities.....	\$ 388,992	67,088
Net cash used in investing activities.....	(222,959)	(136,895)
Net cash provided (used) by financing activities..	(143,300)	60,472
Modified EBITDA.....	740,948	109,532
Cash margin.....	544,248	68,644

New Devon Pro Forma

Year Ended Three Months
December 31, 1998 March 31, 1999

Production, Price and Other Data

Production:		
Oil (MBbls).....	26,128	6,168
Gas (MMcf).....	303,693	76,502
NGL (MBbls).....	7,128	1,690
MBoe	83,872	20,609
Average prices:		
Oil (per Bbl).....	\$ 11.59	\$ 10.52
Gas (per Mcf).....	1.82	1.61
NGL (per Bbl).....	8.94	7.58
Per Boe.....	10.98	9.74
Costs per Boe:		
Operating costs.....	3.85	3.51
Depreciation, depletion and amortization of oil and gas properties.....	5.24	4.68
General and administrative expenses.....	1.66	1.37

New Devon
Pro Forma
as of
December 31, 1998

Property Data

Proved reserves:		
Oil (MBbls).....		272,688
Gas (MMcf).....		2,050,528
NGL (MBbls).....		45,654
Total (MBoe).....		660,096
SEC 10% present value (thousands).....		\$2,087,666
Standardized measure of discounted future net cash flows (thousands).....		1,816,542

SUMMARY HISTORICAL SELECTED FINANCIAL AND PRODUCTION DATA

The following selected financial information (not covered by the independent auditors' reports) for the fiscal years has been derived from Devon's audited consolidated financial statements. The following information of the interim periods has been derived from Devon's unaudited financial statements.

	As of December 31,			As of March 31,	
	1996	1997	1998	1998	1999
(In Thousands)					
Balance Sheet Data:					
Total assets.....	\$1,183,290	\$1,248,986	\$1,226,356	\$1,329,626	\$1,267,505
Long-term debt.....	83,000	305,337	405,271	312,420	422,293
Convertible preferred securities of subsidiary trust.....	149,500	149,500	149,500	149,500	149,500
Stockholders' equity..	678,772	596,546	522,963	610,423	529,798
(In Thousands, Except Per Share Data)					
Operations Data:					
Operating Results					
Oil sales.....	136,023	207,725	143,624	41,589	27,913
Gas sales.....	101,443	219,459	209,344	51,905	53,551
NGL sales.....	19,299	24,920	16,692	4,814	3,929
Other revenue.....	34,570	47,555	17,848	2,129	1,873
Total revenues....	291,335	499,659	387,508	100,437	87,266
Lease operating expenses.....	58,734	100,897	113,484	29,376	27,420
Production taxes....	10,880	19,227	13,916	3,415	2,969
Depreciation, depletion and amortization.....	70,307	169,108	123,844	29,993	33,558
General and administrative expenses.....	15,111	24,381	23,554	5,643	6,223
Northstar Combination expenses.....	--	--	13,149	--	--
Interest expense....	12,662	18,788	22,632	5,410	6,664
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt.....	199	5,860	16,104	--	(3,161)
Distributions on preferred securities of subsidiary trust...	4,753	9,717	9,717	2,429	2,429
Reduction of carrying value of oil and gas properties.....	--	625,514	126,900	--	--
Total costs and expenses.....	172,646	973,492	463,300	76,266	76,102
Earnings (loss) before income taxes.....	118,689	(473,833)	(75,792)	24,171	11,164
Income tax expense (benefit):					
Current.....	7,834	26,857	7,687	3,160	1,903
Deferred.....	43,252	(200,699)	(23,194)	6,786	3,281
Total.....	51,086	(173,842)	(15,507)	9,946	5,184
Net earnings (loss).....	\$ 67,603	\$ (299,991)	\$ (60,285)	\$ 14,225	\$ 5,980
Net earnings (loss) per share:					

Basic.....	\$	2.06	\$	(6.38)	\$	(1.25)	\$	0.29	\$	0.12
Diluted.....		1.99		(6.38)		(1.25)		0.29		0.12
Cash dividends per common share.....		0.15		0.14		0.15		0.03		0.05
Weighted average common shares outstanding-- basic.....		32,812		47,040		48,376		48,310		48,470

	Year Ended December 31,			Three Months Ended March 31,	
	1996	1997	1998	1998	1999
(In Thousands, Except Per Share and Per Unit Data)					
Cash Flow Data					
Net cash provided by operating activities.....	\$ 144,248	\$ 253,056	\$ 191,571	\$ 71,788	\$ 57,067
Net cash used by investing activities.....	(243,451)	(147,583)	(271,960)	(29,605)	(77,648)
Net cash provided (used) by financing activities.....	96,420	(77,141)	57,618	(38,832)	14,884
Modified EBITDA.....	206,610	355,154	223,405	62,003	50,954
Cash margin.....	181,361	299,792	183,369	51,004	39,658
Production, Price and Other Data					
Production:					
Oil (MBbls).....	6,780	11,783	11,903	3,197	2,565
Gas (MMcf).....	62,186	121,810	133,065	32,523	35,122
NGL (MBbls).....	1,255	1,891	1,939	509	476
MBoe.....	18,399	33,976	36,020	9,127	8,895
Average prices:					
Oil (Per Bbl).....	\$ 20.06	\$ 17.63	\$ 12.07	\$ 13.01	\$ 10.88
Gas (Per Mcf).....	1.63	1.80	1.57	1.60	1.52
NGL (Per Bbl).....	15.38	13.18	8.61	9.46	8.25
Per Boe.....	13.96	13.31	10.26	10.77	9.60
Costs per Boe:					
Operating costs.....	3.78	3.54	3.54	3.59	3.42
Depreciation, depletion and amortization of oil and gas properties.....	3.69	4.86	3.32	3.17	3.66
General and administrative expenses.....	0.82	0.72	0.65	0.62	0.70
As of December 31,					
	1996	1997	1998		
Property Data					
Proved reserves:					
Oil (MBbls).....	80,155	97,041	83,457		
Gas (MMcf).....	898,319	1,150,604	1,198,894		
NGL (MBbls).....	14,190	17,178	16,079		
Total (MBoe).....	244,065	305,986	299,351		
SEC 10% present value (thousands)..	\$1,999,748	\$1,340,644	\$1,009,039		
Standardized measure of discounted future net cash flows (thousands)..	1,454,974	1,100,676	931,588		

RISK FACTORS

You should carefully consider the following risk factors, and all of the other information contained in this document and the documents to which we have referred you, before deciding to invest in our common stock.

Risks Relating to the Oil and Gas Industry

Our results are highly dependent on oil and gas prices, which are volatile and beyond our control

Our revenues, results of operations and financial condition depend largely on the prices we receive for our oil and gas production. Extended periods of low prices could adversely affect the ultimate return on past investments and our ability or willingness to continue or complete our current and planned drilling programs and acquisitions.

Our calculations of proved reserves are only estimates

There are many uncertainties in estimating quantities of oil and gas reserves. In addition, the estimates of future net cash flows from our proved reserves and their present value are based upon assumptions about future production levels, prices and costs that may prove to be inaccurate. Our estimated reserves may be subject to upward or downward revision based upon our production, results of future exploration and development, prevailing oil and gas prices, operating and development costs and other factors.

Our exploration, development and acquisition activities might not result in significant additional reserves

The rate of production from oil and gas properties generally declines as reserves are depleted. Our proved reserves will decline materially as oil and gas are produced unless we acquire additional properties with proved reserves, conduct successful exploration and development activities or our reserve estimates increase. Our future oil and gas production is consequently dependent upon our success in acquiring or finding additional reserves.

Potential hazards could damage or destroy our oil and gas wells, production facilities or damage or injure property, persons and the environment

The exploration for and production of oil and gas can be hazardous, involving natural disasters, blowouts, cratering, fires and losses of well control. These hazards can damage or destroy oil and gas wells and production facilities, injure or kill people and cause damage to property and the environment. We maintain insurance against many potential losses and liabilities in accordance with customary industry practices, however our insurance does not protect us against all operational risks.

Government regulations, including environmental regulations, may adversely affect our results

Our exploration and production operations are regulated at the federal, state and local levels in the United States as well as by governments in other countries. We make large expenditures to comply with the requirements of these regulations. Future changes in the regulation of the oil and gas industry could significantly increase these costs.

We are subject to various federal, state, local and foreign regulations relating to the protection of the environment. We may be liable for the cost to clean-up pollution resulting from our operations and for the cost of pollution damages. We also may be required to suspend or cease operations in affected areas. Additional future regulations for the protection of the environment could adversely affect our operations and results.

Risks Relating to an Investment in Devon

Our stock price might decline if we do not complete the PennzEnergy merger

Our current stock price could reflect value that investors anticipate will result from the PennzEnergy merger. If so, our failure to complete the PennzEnergy merger could cause our stock price to decline. The merger is subject to conditions, including stockholder approval. We cannot assure you that those conditions will be satisfied or that the merger will be completed.

The interest of Devon's largest stockholder may conflict with the interests of Devon's or New Devon's other stockholders

Kerr-McGee Corporation currently owns 9,954,000 shares, or 20.4%, of the outstanding Devon common stock. After completion of the merger, Kerr-McGee would own up to 14.2% of the outstanding shares of New Devon's common stock. This percentage will be reduced further if New Devon completes a planned public offering of new shares of common stock. Sales by Kerr-McGee of substantial amounts of Devon or New Devon common stock in the public or private market, or the perception that such sales may occur, could cause the prices of those shares to decline. Kerr-McGee has requested that Devon register with the SEC with this document the Devon common stock held by Kerr-McGee in connection with the offering of Kerr-McGee DECS as described on page 6. These DECS would be mandatorily exchangeable for Devon common stock or, at Kerr-McGee's option, the cash equivalent.

As a substantial stockholder, Kerr-McGee may have the power to influence the outcome of matters submitted to a vote of the Devon or New Devon stockholders, and Kerr-McGee's interests may not reflect the interests of other stockholders. Devon and Kerr-McGee have not implemented any specific procedures to deal with conflicts that may arise in the future between Kerr-McGee's interests and those of other Devon or New Devon stockholders. In the event a conflict arises, we will implement procedures we deem appropriate to deal with the specific situation.

Under an agreement between Devon and Kerr-McGee dated December 31, 1996, Devon is obligated to nominate a specified number of persons designated by Kerr-McGee for election to Devon's board. The exact number would generally be set so that Kerr-McGee's representation on the Devon board approximates the percentage of Devon's common stock that Kerr-McGee owns. The December 31, 1996, agreement also restricts Kerr-McGee's ability to acquire or dispose of Devon common stock and grants Kerr-McGee preemptive rights in connection with offerings of Devon convertible securities.

The Kerr-McGee designees to Devon's board resigned their positions on May 19, 1999, and Devon and Kerr-McGee have agreed that the December 31, 1996, agreement will terminate when the merger occurs.

Devon has charter and other provisions that may make it difficult to cause a change of control

Some provisions of Devon's certificate of incorporation and by-laws and of the Oklahoma General Corporation Act, as well as Devon's stockholder rights plan, may make it difficult for stockholders to cause a change in control of Devon and replace incumbent management. These provisions include:

- . a classified board, the members of which serve staggered three-year terms and may be removed by stockholders only for cause;
- . a prohibition on stockholders calling special meetings and acting by written consent; and
- . rights issued under its rights plan, which would "flip in" if a hostile bidder acquired 15% of Devon's common stock.

New Devon's certificate of incorporation and bylaws, the Delaware General Corporation Law and New Devon's stockholder rights plan will also have similar provisions.

Risks Relating to the Proposed Merger of Devon and PennzEnergy

We may not successfully integrate the operations of Devon and PennzEnergy or achieve the benefits we are seeking

The success of the merger will partially depend upon the integration of the current management and operations of Devon and PennzEnergy. The management team of New Devon will not have experience with the combined businesses of Devon and PennzEnergy. New Devon may not be able to integrate the operations of Devon and PennzEnergy without the loss of key employees, customers or suppliers; loss of revenues; increases in operating or other costs; or other difficulties. In addition, New Devon may not be able to realize the operating efficiencies and other benefits sought from the merger.

Significant charges and expenses will be incurred as a result of the merger

Devon and PennzEnergy expect to incur approximately \$71.5 million of costs related to the merger. These expenses will include investment banking expenses, severance, legal and accounting fees, financial printing expenses and other related charges. In addition, New Devon expects to incur an estimated \$20 to \$30 million in costs to combine the two companies. New Devon may incur additional unanticipated expenses in connection with the merger.

New Devon also may incur a noncash after-tax charge to earnings related to a full cost ceiling limitation. Under the full cost method of accounting followed by Devon and to be followed by New Devon, the net book value of oil and gas properties, less related deferred income taxes, may not exceed a calculated "ceiling." The ceiling is the estimated after-tax future net revenues from proved oil and gas properties, discounted at 10% per year. The ceiling limitation is applied separately by country. In calculating future net revenues, prices and costs in effect at the time of the calculation are held constant indefinitely, except for changes that are fixed and determinable by existing contracts. The net book value, less deferred tax liabilities, is compared to the ceiling on a quarterly basis. Any excess of the net book value, less deferred taxes, is written off as an expense. An expense recorded in one period may not be reversed in a subsequent period even though higher oil and gas prices may have increased the ceiling applicable to the subsequent period.

As of March 31, 1999, New Devon's pro forma after-tax charge would have been \$407.4 million. This pro forma amount was based on a posted West Texas Intermediate oil price of \$15.25 per barrel and a Texas Gulf Coast index gas price of \$1.80 per Mcf. As of June 30, 1999, both West Texas Intermediate oil and Texas Gulf Coast index gas prices had increased to \$16.50 per barrel and \$2.14 per Mcf, respectively. Using these prices, the pro forma after-tax charge to earnings would be reduced to less than \$150 million. The actual charge, if any, that will be recorded by New Devon will depend on the oil and gas prices in effect at the end of the quarter in which the merger is actually closed.

New Devon may incur a tax liability for a prior PennzEnergy transaction as a result of the merger

If PennzEnergy's distribution to its stockholders of the stock of Pennzoil- Quaker State Company in December 1998 were to be considered part of a plan or series of related transactions that includes the merger, New Devon would recognize gain under Section 355(e) of the Internal Revenue Code. PennzEnergy and Devon believe the distribution and the merger should not be considered part of such a plan or series of related transactions because, among other things, neither party contemplated a business combination with the other and until April 1999 the parties had no discussions regarding a business combination. However, any transaction within a four-year period beginning two years before the distribution is presumed to be part of such a plan. We cannot assure you that PennzEnergy will be able to overcome this presumption. PennzEnergy currently estimates New Devon's potential tax liability upon such a transaction at \$16 million in additional tax for 1998 and the elimination of approximately \$183 million in net operating loss carryovers through 1998.

New Devon's business will expose Devon stockholders to different risks

Some of PennzEnergy's assets are outside of North America and a significant portion of its production and reserves are located offshore in the Gulf of Mexico. Additionally its reserves and production are more weighted towards oil than Devon's. Therefore, the assets of New Devon will expose the former Devon stockholders to more risks associated with oil prices and offshore Gulf of Mexico and international operations than they were exposed to prior to the merger. Production in the Gulf of Mexico generally declines at faster rates than onshore production in North America.

In addition, offshore operations in this area are subject to tropical weather disturbances. Some of these disturbances can be severe enough to cause substantial damage to facilities and possibly interrupt production. In accordance with customary industry practices, New Devon will maintain insurance against some, but not all, of these risks. Losses could occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. We cannot assure you that New Devon will be able to maintain adequate insurance in the future at rates it considers reasonable or that any particular types of coverage will be available. An event that is not fully covered by insurance could have a material adverse effect on New Devon's financial position and results of operations.

New Devon will be subject to other uncertainties of foreign operations

New Devon will have international operations in Australia, Azerbaijan, Brazil, Canada, Egypt, Qatar and Venezuela. Local political, economic and other uncertainties may adversely affect these operations. These uncertainties include:

- . the risk of war, general strikes, civil unrest, expropriation, forced renegotiation or modification of existing contracts, and import, export and transportation regulations and tariffs;
- . taxation policies, including royalty and tax increases and retroactive tax claims;
- . exchange controls, currency fluctuations, devaluation or other activities that limit or disrupt markets and restrict payments or the movement of funds, and other uncertainties arising out of foreign government sovereignty over international operations;
- . laws and policies of the United States affecting foreign trade, taxation and investment;
- . the possibility of being subject to the exclusive jurisdiction of foreign courts in connection with legal disputes and the possible inability to subject foreign persons to the jurisdiction of courts in the United States; and
- . difficulties in enforcing New Devon's rights against a governmental agency because of the doctrine of sovereign immunity.

New Devon will have a higher debt level than Devon, which may result in a lower debt rating and require a substantial portion of operating cash flow to pay interest and principal

New Devon will have higher levels of debt and interest expense than Devon on a stand-alone basis. The increase in total indebtedness and leverage of New Devon after the merger may have a negative impact on New Devon's ability to realize the expected benefits of the merger, including a possible downgrade in the credit rating of New Devon from that currently maintained by Devon. Standard & Poor's has announced that, because of the higher leverage of New Devon, it may assign a debt rating to New Devon that is lower than Devon's current senior debt rating of "BBB+". The increased debt level will also require New Devon to use a substantial portion of its operating cash flow to pay interest and principal on its debt instead of for other corporate purposes.

New Devon plans to raise between \$300 and \$500 million in a public offering of additional shares of New Devon common stock and intends to use the net proceeds from the offering to fund capital expenditures and repay indebtedness. There can be no assurances that the proposed public offering will be completed and, consequently, there can be no assurance that the total indebtedness of New Devon will be reduced from the proceeds of an offering.

USE OF PROCEEDS

Devon will not receive any of the proceeds from the sale of Kerr-McGee's exchangeable notes or from delivery of the Devon common stock by Kerr-McGee under the exchangeable notes.

NEW DEVON AFTER THE MERGER OF DEVON AND PENNZENERGY

If Devon's merger with PennzEnergy is completed, we believe that New Devon will rank solidly in the top ten of all United States-based independent oil and gas producers in terms of market capitalization, total proved reserves and annual production. We expect the merger to provide New Devon with the following advantages:

Larger and More Diversified Asset Base. At the end of 1998, Devon and PennzEnergy combined had aggregate proved reserves of approximately 660 million barrels of oil equivalent. On an energy equivalent basis, about 52% of these reserves were natural gas and 48% were oil and natural gas liquids. Approximately 64% of the proved reserves, or 423 million equivalent barrels, were located in the United States. These reserves were concentrated in four primary operating areas: the Permian Basin, the Rocky Mountain Region, the Gulf Coast/East Texas Region and the Offshore Gulf of Mexico. Approximately 22% of the combined reserves, or 144 million equivalent barrels, were located in the Western Canadian Sedimentary Basin. The balance of proved reserves, approximately 94 million equivalent barrels, was located outside North America, primarily in Azerbaijan. In addition to the proved oil and gas properties, the combined companies had a substantial inventory of exploration acreage totaling approximately 15 million net acres.

New Devon should also realize substantial oil and gas production. Assuming the merger was effective as of January 1, 1999, New Devon's estimated 1999 production would be between 28 and 31 million barrels of oil and natural gas liquids and between 275 and 300 billion cubic feet of natural gas.

Increased Financial Strength and Flexibility. New Devon's equity market capitalization is expected to be approximately \$2.9 billion as a result of the merger (not including New Devon's planned common stock offering). As a result of this size and market capitalization, New Devon should have greater access to capital than either Devon or PennzEnergy currently has alone. In addition, we believe that New Devon should have an enhanced ability to pursue acquisitions and to participate in further consolidation among independent exploration and production companies.

Cost Savings. New Devon is expecting \$50 to \$60 million in annual cost savings from reduced operating and general and administrative expenses. New Devon plans to consolidate the corporate headquarters and selected field offices of Devon and PennzEnergy, eliminate duplicative staff and expenses, achieve purchasing synergies and implement other cost saving measures.

Improved Capital Efficiencies. New Devon plans to pursue the best exploration opportunities available to the combined company and to focus on exploitation projects with the highest rates of return. In addition, due to its greater financial strength, New Devon will be better able to pursue and accelerate the development, exploitation and exploration of PennzEnergy's oil and gas assets. As a result, New Devon believes it has the potential for greater returns on capital than Devon or PennzEnergy could achieve alone.

Greater Human and Technological Resources. New Devon will have significant expertise with regard to various oilfield technologies, including coal bed methane, enhanced oil recovery, deep onshore natural gas drilling, shallow and deep water offshore drilling and other exploration, production and processing technologies. New Devon will also have significant international operations and experience in Canada and outside North America. As a result, New Devon will have an enhanced ability to acquire, explore for, develop and exploit oil and natural gas reserves domestically both onshore and offshore, as well as internationally.

CAPITALIZATION

The following table compares our actual capitalization as of March 31, 1999, to our pro forma capitalization including the PennzEnergy merger. In preparing the pro forma information, we have assumed that the merger closed on March 31, 1999. New Devon plans to raise between \$300 and \$500 million in a public offering of additional shares of New Devon common stock proposed to be made soon after completion of the merger. The proceeds from the planned offering would be used to fund capital expenditures and repay long-term debt. The following table does not reflect any effects of the planned offering.

You should read the following table in conjunction with the historical consolidated financial statements of Devon which are filed with the SEC and incorporated by reference in this document and the unaudited pro forma financial information included in this document.

	As of March 31, 1999	
	Actual	New Devon Pro Forma
	(In Thousands)	
Long-term debt:		
Borrowings under credit facilities with banks.....	\$ 197,293	\$ 323,148
Notes:		
6.76% due July 19, 2005.....	75,000	75,000
6.79% due March 2, 2009.....	150,000	150,000
Debentures:		
9.625% due November 15, 1999, principal amount of \$200 million.....	--	200,000
10.625% due June 1, 2001, principal amount of \$150 million.....	--	150,000
10.25% due November 1, 2005, principal amount of \$250 million.....	--	287,725
10.125% due November 15, 2009, principal amount of \$200 million.....	--	236,920
Debentures exchangeable into shares of Chevron Corporation common stock (see note 3 on page 25)		
4.90% due August 15, 2008, principal amount of \$443.8 million.....	--	441,721
4.95% due August 15, 2008, principal amount of \$316.5 million.....	--	316,000
	-----	-----
Total long-term debt.....	422,293	2,180,514
	-----	-----
Devon-obligated mandatorily redeemable trust convertible preferred securities.....	149,500	149,500
Stockholders' equity:		
Preferred stock, \$1.00 par value.....	--	1,500
Common stock, \$0.10 par value.....	4,849	6,994
Additional paid-in capital.....	798,640	1,670,306
Accumulated deficit.....	(239,353)	(646,712)
Accumulated other comprehensive loss.....	(34,338)	(34,338)
	-----	-----
Total stockholders' equity.....	529,798	997,750
	-----	-----
Total capitalization.....	\$1,101,591	\$3,327,764
	=====	=====
Shares authorized:		
Preferred stock.....	3,000	4,500
Common stock.....	400,000	400,000
Shares outstanding:		
Preferred stock.....	--	1,500
Common stock.....	48,492	69,938
Common shares reserved for issuance of options under Devon's stock option plans.....	1,826	4,826
Employee stock options outstanding.....	3,430	5,511

The above New Devon pro forma capitalization includes six separate debentures issued by PennzEnergy. The aggregate pro forma amount of the debentures is \$72.1 million higher than the aggregate principal amount. The excess amount is the amount by which the debentures' estimated fair value at March 31, 1999 exceeded the principal amounts. Because the PennzEnergy merger will be accounted for using the purchase method of accounting for business combinations, New Devon will record these debentures at their fair values at the date the merger is closed. The difference will be amortized over the debentures' lives as adjustments to interest expense.

The pro forma increase in the number of common shares reserved for issuance of stock options assumes the related proposal is approved by Devon's stockholders at the special meeting to be held on August 17, 1999.

MARKET PRICE DATA

Devon common stock is listed on the AMEX under the symbol "DVN." We commenced the payment of regular quarterly cash dividends on our common stock on June 30, 1993, in the amount of \$0.03 per share. Effective December 31, 1996, we increased our quarterly dividend payment to \$0.05 per share. We anticipate that we will continue to pay regular quarterly dividends in the foreseeable future. Dividends are also paid on the exchangeable shares at the same rate and on the same dates as dividends paid on the common stock.

The following table sets forth the quarterly high and low sales prices for the Devon common stock as reported by the AMEX for the fiscal periods indicated.

	High	Low	Volume
	----	----	-----
			(In Thousands)
1996:			
Quarter Ended March 31, 1996.....	\$25 3/4	\$19 7/8	2,825
Quarter Ended June 30, 1996.....	\$26 1/8	\$ 22	2,474
Quarter Ended September 30, 1996....	\$27 1/2	\$22 3/4	4,715
Quarter Ended December 31, 1996.....	\$35 1/2	\$25 1/4	6,011
1997:			
Quarter Ended March 31, 1997.....	\$38 7/8	\$29 1/2	4,458
Quarter Ended June 30, 1997.....	\$38 1/2	\$27 3/8	5,619
Quarter Ended September 30, 1997....	\$45 1/4	\$36 1/8	3,851
Quarter Ended December 31, 1997.....	\$49 1/8	\$35	4,460
1998:			
Quarter Ended March 31, 1998.....	\$41 1/8	\$32 7/8	5,542
Quarter Ended June 30, 1998.....	\$40 1/2	\$32 5/8	6,144
Quarter Ended September 30, 1998....	\$36 5/8	\$26 1/8	10,170
Quarter Ended December 31, 1998.....	\$ 36	\$27 3/4	9,017
1999:			
Quarter Ended March 31, 1999.....	\$31 3/4	\$20 1/8	14,271
Quarter Ended June 30, 1999.....	\$37 7/16	\$25 15/16	14,221
Quarter Ended September 30, 1999 (through July 14, 1999).....	\$38 1/2	\$36	1,511

On July 14, 1999, the last full trading day prior to the date of this prospectus, the last reported sales price on the American Stock Exchange of shares of Devon common stock was \$38 3/16.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information has been prepared to assist in the analysis of the financial effects of the proposed merger. This pro forma information is based on the historical financial statements of Devon and PennzEnergy.

The information was prepared based on the following:

- . New Devon will utilize the full cost method of accounting for its oil and gas activities.
- . The merger will be accounted for as a purchase of PennzEnergy by New Devon.
- . New Devon plans to raise between \$300 and \$500 million in a public offering of additional shares of New Devon common stock. The proceeds from the planned offering would be used to fund capital expenditures and repay long-term debt. The pro forma financial statements do not reflect any effects of the planned offering.
- . The unaudited pro forma balance sheet has been prepared as if the merger occurred on March 31, 1999. The unaudited pro forma statements of operations have been prepared as if the merger occurred on January 1, 1998.
- . Expected annual cost savings of \$50 to \$60 million have not been reflected as an adjustment to the historical data. These cost savings are expected to result from the consolidation of the corporate headquarters of Devon and PennzEnergy and the elimination of duplicate staff and expenses.
- . The unaudited pro forma statements of operations do not include the effects of a reduction of the carrying value of oil and gas properties because the reduction is directly related to the merger. As of March 31, 1999, the pro forma reduction would have been \$657.0 million (\$407.4 million after tax). The unaudited pro forma balance sheet does include the effect of this reduction.

The March 31, 1999, pro forma reduction was based on a posted West Texas Intermediate oil price of \$15.25 per barrel and a Texas Gulf Coast index gas price of \$1.80 per Mcf. As of June 30, 1999, both West Texas Intermediate oil and Texas Gulf Coast index gas prices had increased to \$16.50 per barrel and \$2.14 per Mcf, respectively. Using these prices, the pro forma reduction of the carrying value of oil and gas properties would be reduced to less than \$200 million (less than \$150 million after tax). The actual reduction, if any, that will be recorded by New Devon will depend on the oil and gas prices in effect at the end of the quarter in which the merger is actually closed.

No pro forma adjustments have been made with respect to the following unusual items. These items are reflected in the historical results of Devon or PennzEnergy, as applicable, and should be considered when making period-to- period comparisons:

- . In 1998, PennzEnergy realized pretax gains on the sale and exchange of Chevron Corporation common stock of \$230.1 million. The unaudited pro forma statement of operations does not include the related \$207.0 million after-tax extraordinary loss resulting from the early extinguishment of debt.
- . In 1998, PennzEnergy incurred \$24.3 million of nonrecurring general and administrative expenses in connection with the spin-off of Pennzoil- Quaker State Company on December 30, 1998.
- . In 1998, Devon incurred \$13.1 million of nonrecurring expenses related to the merger with Northstar.
- . In 1998, Devon reduced the carrying value of its oil and gas properties by \$126.9 million (\$88.0 million after-tax) due to the full cost ceiling limitation.

The unaudited pro forma financial statements and related notes are presented for illustrative purposes only. If the proposed merger had occurred in the past, New Devon's financial position or operating results might have been different from those presented in the unaudited pro forma information. The unaudited pro forma information should not be relied upon as an indication of the financial position or operating results that New Devon would have achieved if the merger had occurred as of March 31, 1999 or January 1, 1998. You also should not rely on the unaudited pro forma information as an indication of the future results that New Devon will achieve after the merger.

Unaudited Pro Forma Balance Sheet

March 31, 1999
(In Thousands)

	Devon	PennzEnergy Historical Reclassified (Note 5)	Pro Forma Adjustments (Note 2)	New Devon Pro Forma
	-----	-----	-----	-----
Assets:				
Current assets.....	\$ 101,067	\$ 124,264	\$ (10,300) (a) 10,300 (c)	\$ 225,331
Oil and gas properties, net.....	1,128,388	1,640,894	413,455 (a) 552,884 (c) (657,030) (d)	3,078,591
Other properties, net....	23,674	--	5,000 (a)	28,674
Investment in common stock of Chevron Corporation (Note 3)....	--	629,453	--	629,453
Other assets.....	14,376	36,537	79,156 (a)	130,069
	-----	-----	-----	-----
Total assets.....	\$1,267,505	\$2,431,148	\$ 393,465	\$4,092,118
	=====	=====	=====	=====
Liabilities:				
Current liabilities.....	\$ 95,152	\$ 161,564	\$ (5,374) (a)	\$ 251,342
Debentures exchangeable into shares of Chevron Corporation common stock (Note 3).....	--	739,810	17,911 (a)	757,721
Other long-term debt....	422,293	852,353	76,602 (a) 71,545 (a)	1,422,793
Other long-term liabilities.....	34,590	131,327	(2,590) (a)	163,327
Deferred income taxes....	36,172	161,282	(161,282) (a) 563,184 (c) (249,671) (d)	349,685
Company-obligated mandatorily redeemable convertible preferred securities of subsidiary trust holding solely 6.5% convertible junior subordinated debentures of Devon Energy Corporation.....	149,500	--		149,500
Stockholders' equity:				
Preferred stock.....	--	1,500		1,500
Common stock.....	4,849	43,507	2,145 (a) (43,507) (b)	6,994
Additional paid-in capital.....	798,640	356,351	709,166 (a) 14,000 (a) 148,500 (a) (356,351) (b)	1,670,306
Accumulated deficit.....	(239,353)	(34,172)	34,172 (b) (407,359) (d)	(646,712)
Accumulated other comprehensive earnings (loss).....	(34,338)	247,223	(247,223) (b)	(34,338)
Treasury stock.....	--	(229,597)	229,597 (b)	--
	-----	-----	-----	-----
Total stockholders' equity.....	529,798	384,812	83,140	997,750
	-----	-----	-----	-----
Total liabilities and stockholders' equity..	\$1,267,505	\$2,431,148	\$ 393,465	\$4,092,118
	=====	=====	=====	=====

Unaudited Pro Forma Statement of Operations

Year Ended December 31, 1998

(In Thousands, Except Per Share Data)

	Devon	PennzEnergy Historical Reclassified (Note 5)	Pro Forma Adjustments (Note 2)	New Devon Pro Forma
	-----	-----	-----	-----
Revenues:				
Oil sales.....	\$143,624	\$159,294		\$ 302,918
Gas sales.....	209,344	344,594		553,938
NGL sales.....	16,692	47,011		63,703
Other.....	17,848	286,468	(8,513) (h)	295,803
	-----	-----	-----	-----
Total revenues.....	387,508	837,367	(8,513)	1,216,362
	-----	-----	-----	-----
Costs and expenses:				
Lease operating expenses...	113,484	181,255		294,739
Production taxes.....	13,916	14,232		28,148
Depreciation, depletion and amortization.....	123,844	208,009	112,797 (e)	444,650
General and administrative expenses.....	23,554	126,124	(10,300) (h)	139,378
Northstar combination expenses.....	13,149	--		13,149
Interest expense.....	22,632	156,272	4,114 (f) (6,359) (g)	176,659
Exploration expenses.....	--	139,970	(139,970) (h)	--
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt.....	16,104	--		16,104
Distributions on preferred securities of subsidiary trust.....	9,717	--		9,717
Reduction of carrying value of oil and gas properties.....	126,900	74,739	(74,739) (h)	126,900
	-----	-----	-----	-----
Total costs and expenses.....	463,300	900,601	(114,457)	1,249,444
	-----	-----	-----	-----
Earnings (loss) before income tax expense (benefit).....	(75,792)	(63,234)	105,944	(33,082)
Income tax expense (benefit):				
Current.....	7,687	2,637	--	10,324
Deferred.....	(23,194)	(20,405)	40,259 (i)	(3,340)
	-----	-----	-----	-----
Total income tax expense (benefit).....	(15,507)	(17,768)	40,259	6,984
	-----	-----	-----	-----
Net earnings (loss).....	(60,285)	(45,466)	65,685	(40,066)
Preferred stock dividends....	--	5,625	--	5,625
	-----	-----	-----	-----
Net earnings (loss) applicable to common shareholders.....	\$(60,285)	\$(51,091)	\$ 65,685	\$ (45,691)
	=====	=====	=====	=====
Net loss per average common share outstanding--basic and diluted.....	\$ (1.25)	\$ (1.07)		\$ (0.66)
	=====	=====		=====
Weighted average common shares outstanding--basic (Note 4).....	48,376	47,716		69,729
	=====	=====		=====

Unaudited Pro Forma Statement of Operations

Three Months Ended March 31, 1999

(In Thousands, Except Per Share Data)

	Devon	PennzEnergy Historical Reclassified (Note 5)	Pro Forma Adjustments (Note 2)	New Devon Pro Forma
Revenues:				
Oil sales.....	\$27,913	\$ 37,001		\$ 64,914
Gas sales.....	53,551	69,428		122,979
NGL sales.....	3,929	8,884		12,813
Other.....	1,873	11,163	(3,646) (h)	9,390
Total revenues.....	87,266	126,476	(3,646)	210,096
Costs and expenses:				
Lease operating expenses.....	27,420	38,916		66,336
Production taxes.....	2,969	2,968		5,937
Depreciation, depletion and amortization.....	33,558	68,141	(3,947) (e)	97,752
General and administrative expenses.....	6,223	24,643	(2,575) (h)	28,291
Interest expense.....	6,664	30,560	1,028 (f) (1,707) (g)	36,545
Exploration expenses.....	--	9,107	(9,107) (h)	--
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt.....	(3,161)	--		(3,161)
Distributions on preferred securities of subsidiary trust.....	2,429	--		2,429
Total costs and expenses.....	76,102	174,335	(16,308)	234,129
Earnings (loss) before income tax expense (benefit).....	11,164	(47,859)	12,662	(24,033)
Income tax expense (benefit):				
Current.....	1,903	11	--	1,914
Deferred.....	3,281	(19,125)	4,812 (i)	(11,032)
Total income tax expense (benefit).....	5,184	(19,114)	4,812	(9,118)
Net earnings (loss).....	5,980	(28,745)	7,850	(14,915)
Preferred stock dividends.....	--	2,434	--	2,434
Net earnings (loss) applicable to common shareholders.....	\$ 5,980	\$(31,179)	\$ 7,850	\$(17,349)
Net earnings (loss) per average common share outstanding--basic and diluted.....	\$ 0.12	\$ (0.65)		\$ (0.25)
Weighted average common shares outstanding--basic (Note 4).....	48,470	47,888		69,900

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

December 31, 1998 and March 31, 1999

1. Method of Accounting for the Merger

New Devon will account for the merger using the purchase method of accounting for business combinations. Accordingly, PennzEnergy's assets acquired and liabilities assumed by New Devon will be revalued and recorded at their estimated "fair values." In the merger, New Devon will issue 0.4475 shares of New Devon common stock for each outstanding share of PennzEnergy common stock. This will result in New Devon issuing approximately 21.4 million shares of its common stock to PennzEnergy stockholders.

The purchase price of PennzEnergy's net assets acquired will be based on the value of the New Devon common stock issued to the PennzEnergy stockholders. The value of the New Devon common stock issued is based on the average trading price of Devon's common stock for a period of three days before and after the public announcement of the merger. This average trading price equaled \$33.40 per share.

2. Pro Forma Adjustments Related to the Merger

The unaudited pro forma balance sheet includes the following adjustments:

(a) This entry adjusts the historical book values of PennzEnergy's assets and liabilities to their estimated fair values as of March 31, 1999. The calculation of the total purchase price and the preliminary allocation to assets and liabilities are shown below.

	(In Thousands, Except Share Price)

Calculation and preliminary allocation of purchase price:	
Shares of New Devon common stock to be issued to PennzEnergy stockholders.....	21,446
Average Devon stock price.....	\$ 33.40

Fair value of common stock to be issued.....	716,296
Plus preferred stock to be assumed by New Devon.....	150,000
Plus estimated merger costs to be incurred.....	71,545
Plus fair value of PennzEnergy employee stock options to be assumed by New Devon.....	14,000
Less estimated stock registration and issuance costs to be incurred.....	(4,985)

Total purchase price.....	946,856
Plus fair value of liabilities to be assumed by New Devon:	
Current liabilities.....	156,190
Debentures exchangeable into Chevron Corporation common stock.....	757,721
Other long-term debt.....	928,955
Other long-term liabilities.....	128,737

	2,918,459

Less fair value of non oil and gas assets to be acquired by New Devon:	
Current assets.....	113,964
Non oil and gas properties.....	5,000
Investment in common stock of Chevron Corporation.....	629,453
Other assets.....	115,693

	864,110

Fair value allocated to oil and gas properties, including \$111 million of undeveloped leasehold.....	\$2,054,349
	=====

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION--(Continued)

December 31, 1998 and March 31, 1999

The total purchase price includes the value of the New Devon common stock to be issued, net of \$5.0 million of estimated registration and issuance costs. The purchase price also includes:

. \$150 million of New Devon preferred stock to be issued in exchange for the same amount of PennzEnergy preferred stock. The unaudited pro forma balance sheet includes \$1.5 million of PennzEnergy's historical aggregate par value of the preferred stock, plus \$148.5 million of additional paid-in capital.

. \$71.5 million of estimated merger costs. These costs include advisory fees, severance and other merger-related costs. These costs are added to long-term debt in the unaudited pro forma balance sheet.

. \$14 million of New Devon employee stock options to be issued in exchange for existing vested PennzEnergy employee stock options. The value of these options is added to additional paid-in capital in the unaudited pro forma balance sheet.

(b) This adjustment includes a \$43.5 million reduction to par value, a \$356.4 million reduction of additional paid-in capital, a \$34.2 million reduction of accumulated deficit, a \$247.2 million reduction of accumulated other comprehensive earnings and a \$229.6 million reduction of treasury stock. These adjustments eliminate PennzEnergy's historical book values of those accounts.

(c) This adjustment increases the value of PennzEnergy's oil and gas properties acquired by \$552.9 million, and increases current assets by \$10.3 million, both for related deferred income taxes. This adjustment equals the deferred income tax effect of the difference between the fair values assigned to PennzEnergy's assets and liabilities and their bases for income tax purposes. Due to the tax-free nature of the merger, New Devon's tax basis in those assets and liabilities will be the same as PennzEnergy's tax basis.

(d) This adjustment reduces the value of proved oil and gas properties by \$657.0 million pursuant to the "ceiling test" required under the full cost method of accounting. As of March 31, 1999, the pro forma carrying value of New Devon's oil and gas properties, less deferred income taxes, would have exceeded the pro forma full cost ceiling by approximately \$407.4 million. Accordingly, the unaudited pro forma balance sheet reflects a reduction of \$657.0 million to oil and gas properties, partially offset by a \$249.6 million deferred income tax benefit, resulting in an after-tax charge of \$407.4 million taken against retained earnings.

This adjustment reflects the estimated full cost ceiling reduction that would have been required had the merger occurred on March 31, 1999, based on a posted West Texas Intermediate oil price of \$15.25 per barrel and a Texas Gulf Coast index gas price of \$1.80 per Mcf. As of June 30, 1999, both West Texas Intermediate oil and Texas Gulf Coast index gas prices had increased to \$16.50 per barrel and \$2.14 per Mcf, respectively. Using these prices, the pro forma reduction of the carrying value of oil and gas properties would be reduced to less than \$200 million (less than \$150 million after tax). The actual reduction, if any, that will be recorded by New Devon will depend on the oil and gas prices in effect at the end of the quarter in which the merger is actually closed.

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

(e) This adjustment reflects the pro forma depreciation, depletion and amortization expense using the full cost method of accounting based on the allocation of the purchase price. This adjustment assumes an estimated \$657.0 million (\$407.4 million after tax) reduction of the carrying value of oil and gas properties under the full cost ceiling test, as of January 1, 1998. See pro forma adjustment (d) above for further information on this estimated noncash charge. This pro forma reduction is directly related to the merger and therefore is not reflected in the accompanying unaudited pro forma statements of operations.

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION--(Continued)

December 31, 1998 and March 31, 1999

(f) This adjustment increases interest expense due to the \$71.5 million of merger costs assumed to be funded with borrowings from credit facilities.

(g) This adjustment reduces interest expense for the year 1998 and the first quarter of 1999 by \$6.4 million and \$1.7 million, respectively. These amounts represent the amortization of the pro forma premium recorded in long-term debt as of January 1, 1998, as part of pro forma adjustment (a) to record PennzEnergy's assets and liabilities at their estimated fair values.

(h) This adjustment eliminates historical amounts recorded by PennzEnergy under the successful efforts accounting method for gains on property sales, general and administrative expenses, exploration expenses and asset impairments to conform to the full cost method of accounting followed by Devon. Under the full cost method, proceeds from the sale of oil and gas properties are generally recorded as an adjustment of the carrying value of the properties, with no gain or loss recognized. Also, general and administrative expenses incurred for property acquisition, exploration and development activities are capitalized under the full cost method. In addition, exploration expenses, which include items such as dry hole costs and lease expirations or impairment expenses, are capitalized under the full cost method. The \$74.7 million reduction of oil and gas properties recorded by PennzEnergy in the year 1998 was calculated under the successful efforts method and therefore has been eliminated in the pro forma statement of operations for 1998.

(i) This adjustment records the net tax effect of all pro forma adjustments at an effective income tax rate of 38%.

3. Investment in Chevron Common Stock and Related Exchangeable Debentures

As of March 31, 1999, and December 31, 1998, PennzEnergy beneficially owned approximately 7.1 million shares of Chevron Corporation common stock. These shares have been deposited with an exchange agent for possible exchange for \$761.2 million principal amount of exchangeable debentures of PennzEnergy. Each \$1,000 principal amount of the exchangeable debentures is exchangeable into 9.3283 shares of Chevron common stock, an exchange rate equivalent to \$107 7/32 per share of Chevron common stock.

The exchangeable debentures consist of \$443.8 million of 4.90% debentures and \$317.4 million of 4.95% debentures. The exchangeable debentures were issued on August 3, 1998, and mature August 15, 2008. The exchangeable debentures are callable beginning on August 15, 2000. The exchangeable debentures are exchangeable at the option of the holders at any time prior to maturity for shares of Chevron common stock. In lieu of delivering Chevron common stock, PennzEnergy may, at its option, pay to any holder an amount in cash equal to the market value of the Chevron common stock to satisfy the exchange request.

4. Common Shares Outstanding

Net earnings (loss) per average share outstanding have been calculated based upon the pro forma weighted average number of shares outstanding as follows:

	Year Ended December 31, 1998	Three Months Ended March 31, 1999
	-----	-----
	(In Thousands)	
Devon's weighted average common shares outstanding.....	48,376	48,470
New Devon shares to be issued in exchange for all outstanding shares of PennzEnergy	21,353	21,430
	-----	-----
Pro forma weighted average New Devon shares outstanding.....	69,729	69,900
	=====	=====

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION--(Continued)

December 31, 1998 and March 31, 1999

Pro forma common shares outstanding at March 31, 1999, assuming the merger occurred on that date, are as follows:

	(In Thousands)
Devon's common shares outstanding.....	48,492
New Devon shares to be issued in exchange for all outstanding shares of PennzEnergy	21,446
Pro forma New Devon common shares outstanding.....	69,938
	=====

5. PennzEnergy Historical and Reclassified Balances

Devon and PennzEnergy record certain revenues and expenses differently in their respective consolidated financial statements. To make the unaudited pro forma financial information consistent, we have reclassified certain of PennzEnergy's balances to conform to Devon's financial presentation. The following tables present PennzEnergy's balances as presented in its historical financial statements and the reclassified balances which are included in the accompanying unaudited pro forma statements of operations.

Securities and Exchange Commission rules regarding pro forma presentation require that the pro forma statements of operations disclose income or loss from continuing operations. As shown in the tables below, PennzEnergy's historical results for the year 1998 included a loss from discontinued operations and extraordinary items that are not included in the reclassified balances presented in the accompanying unaudited pro forma statement of operations for 1998.

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION--(Continued)

December 31, 1998 and March 31, 1999

In addition to the reclassifications shown below for the unaudited pro forma statements of operations, a reclassification has been made to PennzEnergy's historical balance sheet for the accompanying unaudited pro forma balance sheet as of March 31, 1999. PennzEnergy had \$40.9 million classified as minority interest in its March 31, 1999, historical consolidated balance sheet. To conform to Devon's presentation, this amount is included as other long-term liabilities in the accompanying unaudited pro forma balance sheet.

	Year Ended December 31, 1998			Three Months Ended March 31, 1999		
	PennzEnergy Historical	Reclassifications	PennzEnergy Historical Reclassified	PennzEnergy Historical	Reclassifications	PennzEnergy Historical Reclassified
	(Unaudited) (In Thousands)					
Revenues:						
Net sales.....	\$ 550,899	\$(550,899)	\$ --	\$115,313	\$(115,313)	\$ --
Oil sales.....	--	159,294	159,294	--	37,001	37,001
Gas sales.....	--	344,594	344,594	--	69,428	69,428
NGL sales.....	--	47,011	47,011	--	8,884	8,884
Investment and other income.....	286,468	--	286,468	11,163	--	11,163
Total revenues.....	837,367	--	837,367	126,476	--	126,476
Costs and expenses:						
Lease operating expenses.....	217,194	(35,939)	181,255	46,643	(7,727)	38,916
Production taxes.....	--	14,232	14,232	--	2,968	2,968
General and administrative expenses.....	52,228	73,896	126,124	8,972	15,671	24,643
Depreciation, depletion and amortization.....	208,009	--	208,009	68,141	--	68,141
Impairment of long- lived assets.....	74,739	--	74,739	--	--	--
Exploration expenses...	161,615	(21,645)	139,970	13,118	(4,011)	9,107
Taxes, other than income.....	30,544	(30,544)	--	6,901	(6,901)	--
Interest charges, net.....	156,272	--	156,272	30,560	--	30,560
Total costs and expenses.....	900,601	--	900,601	174,335	--	174,335
Loss from continuing operations before income tax.....	(63,234)	--	(63,234)	(47,859)	--	(47,859)
Income tax benefit.....	(17,768)	--	(17,768)	(19,114)	--	(19,114)
Loss from continuing operations.....	\$ (45,466)	\$ --	\$ (45,466)	\$(28,745)	\$ --	\$(28,745)
Loss from discontinued operations.....	(3,246)	--	--	--	--	--
Loss before extraordinary items....	(48,712)	--	--	(28,745)	--	--
Extraordinary items.....	(206,963)	--	--	--	--	--
Net loss.....	(255,675)	--	--	(28,745)	--	--
Preferred stock dividends.....	5,625	--	--	2,434	--	--
Net loss available to common shareholders....	\$(261,300)	--	--	\$(31,179)	--	--

PROPERTIES OF NEW DEVON AFTER THE MERGER

The following table shows the total proved reserves of New Devon on a pro forma basis as of December 31, 1998:

Primary Operating Areas	Proved Reserves as of December 31, 1998				10% Present	10%
	Devon	PennzEnergy	New Devon	MBoe%	Value	Present Value %
(In Thousands)						
North America--MBoe						
Western Canadian						
Sedimentary Basin.....	143,908	--	143,908	22%	\$ 462,921	22%
Permian Basin.....	53,375	61,351	114,726	17%	292,951	14%
Rocky Mountain						
Region.....	78,973	23,677	102,650	16%	355,902	17%
Gulf Coast/East Texas						
Region.....	1,800	86,927	88,727	13%	390,560	19%
Offshore Gulf of						
Mexico.....	--	78,674	78,674	12%	339,995	16%
Other U.S.....	21,295	16,477	37,772	6%	107,583	5%
Total--North America....	299,351	267,106	566,457	86%	1,949,912	93%
International--MBoe						
Azerbaijan.....	--	76,082	76,082	11%	135,867	7%
Other International....	--	17,557	17,557	3%	1,887	0%
Total International.....	--	93,639	93,639	14%	137,754	7%
Total North America and International.....	299,351	360,745	660,096	100%	\$2,087,666	100%
Oil--MBbls						
U.S.....	44,451	95,969	140,420	21%		
Western Canadian						
Sedimentary Basin.....	39,006	--	39,006	6%		
Azerbaijan.....	--	76,082	76,082	11%		
Other International....	--	17,180	17,180	3%		
Total.....	83,457	189,231	272,688	41%		
Gas--MMcf						
U.S.....	596,987	849,368	1,446,355	37%		
Western Canadian						
Sedimentary Basin.....	601,907	--	601,907	15%		
Other International....	--	2,266	2,266	0%		
Total.....	1,198,894	851,634	2,050,528	52%		
NGLs--MBbls						
U.S.....	11,494	29,575	41,069	6%		
Western Canadian						
Sedimentary Basin.....	4,585	--	4,585	1%		
Total.....	16,079	29,575	45,654	7%		
Total--MBoe.....	299,351	360,745	660,096	100%		

Primary Operating Areas--North America

New Devon's North American property base will be concentrated in five primary operating areas: the Western Canadian Sedimentary Basin, which encompasses portions of British Columbia, Alberta, Saskatchewan and Manitoba; the Permian Basin of southeastern New Mexico and west Texas; the Rocky Mountain Region, which spans from northeast Wyoming to northwest New Mexico; the offshore Gulf of Mexico; and the Gulf Coast/East Texas Region in portions of Texas and Louisiana.

Western Canadian Sedimentary Basin

New Devon's single largest reserve position will be in the Western Canadian Sedimentary Basin with proved reserves of 143.9 million barrels of oil equivalent, or 22% of the total company on a pro forma basis as of December 31, 1998. This basin is a large geologic feature encompassing portions of British Columbia, Alberta, Saskatchewan and Manitoba. This basin feature forms of wedge-shaped depression that tapers from a maximum thickness of 17,000 feet on the western and southern margins to a zero edge along the northeast.

New Devon's properties in this basin will range from shallow oil and natural gas production in Northern Alberta to deep, long-lived gas reservoirs in the Foothills area near the Alberta/British Columbia border. In addition, approximately 2.2 million net acres of undeveloped leasehold in the Western Canadian Sedimentary Basin should continue to provide New Devon with numerous exploration and development opportunities.

Permian Basin

This region encompasses approximately 66,000 square miles in southeastern New Mexico and West Texas and contains more than 500 major oil and gas fields. Since 1987, several significant acquisitions of properties by Devon in the Permian Basin have established prospective acreage in areas in which leasehold positions could not otherwise be obtained. The Permian Basin will represent one of New Devon's largest reserve positions with total reserves of 114.7 million barrels of oil equivalent, or 17% of the total company on a pro forma basis as of December 31, 1998. In addition, several hundred thousand acres of undeveloped leasehold should continue to provide New Devon with numerous exploration and development opportunities in the Permian Basin.

Rocky Mountain Region

The Rocky Mountain Region includes oil and gas producing basins that are grouped together because of their geographic location rather than their geological characteristics. The region generally encompasses all or portions of the states of Colorado, Montana, New Mexico, North Dakota, Utah and Wyoming. New Devon's properties will be primarily located in the San Juan Basin in northwest New Mexico, the Raton Basin in northeast New Mexico and southeast Colorado, and the Big Horn and Powder River basins in northeast Wyoming. The Rocky Mountain Region will represent one of New Devon's largest reserve areas with 102.7 million barrels of oil equivalent, or 16% of the total company on a pro forma basis as of December 31, 1998. New Devon will also have over one million acres of net undeveloped leasehold in the Rocky Mountain Region.

New Devon's single largest natural gas reserve position in the Rocky Mountain Region will relate to its interests in two federal units in the San Juan Basin. The San Juan Basin is a densely drilled area covering 3,700 square miles. It has been historically considered the second largest gas producing basin in the United States. Prior to 1990, the basin's gas production primarily came from conventional sandstone formations at a depth of about 5,500 feet. However, in the early 1980's, development of the shallower Fruitland coal formation began. Coal seam gas production has increased total production so significantly that the San Juan Basin could be considered the largest gas producing basin in the United States.

New Devon's coal seam expertise will also play an important role in both the Powder River and Raton basins. These basins, which are less developed than the San Juan Basin, have become two of the more active domestic onshore exploration areas in the United States. During the next five years, New Devon plans to drill several thousand coalbed methane wells in the Powder River and Raton Basins which could, in aggregate, add proved natural gas reserves in excess of two trillion cubic feet. Peak production for the Powder River Basin is anticipated for 2003, while peak production in the Raton Basin is estimated for 2004 to 2006. Additionally, New Devon anticipates initial operation of a 126-mile gas gathering system servicing the Powder River Basin in the fourth quarter of 1999. When it is fully developed in 2001, this system will have an estimated capacity of 450 million cubic feet of gas per day and will have access to multiple interstate pipelines.

Gulf Coast/East Texas Region

New Devon's interest in the Gulf Coast/East Texas Region consists of over 465,000 net acres in portions of the states of Texas and Louisiana and includes both oil and gas producing zones. On a pro forma basis as of December 31, 1998, New Devon's Gulf Coast/East Texas reserves were 88.7 million barrels of oil equivalent, or 13% of the total company. In south Texas, where exploration by the oil and gas industry is accelerating, 3-D seismic data covers New Devon's major acreage positions underlain by Charco Lobo, the Middle Wilcox and the Frio-Vicksburg formations.

Offshore Gulf of Mexico

New Devon will be one of the ten largest producers on the shelf in the Offshore Gulf of Mexico with operations on 75 blocks. On a pro forma basis as of December 31, 1998, proved reserves in the Gulf totaled 78.7 million barrels of oil equivalent, or 12% of the total company. New Devon will operate more than 40 fields and 80 platforms on the central and western shelf. New Devon also will hold interests in another 98 exploratory blocks, 39 of which are deepwater. Of the 39 deepwater blocks, two blocks are in production and two blocks are undergoing development. New Devon will conduct both shallow and deepwater exploration and development drilling in the Gulf of Mexico.

Primary Operating Areas--International

New Devon's property base outside North America will include approximately 94 million barrels of oil equivalent reserves or 14% of the total company on a pro forma basis as of December 31, 1998. New Devon will also have 10.5 million net undeveloped acres outside of North America. While New Devon's international operations will be focused primarily in Azerbaijan, New Devon will also have interests in Venezuela, Brazil, Egypt, Qatar and Australia.

Azerbaijan

Most of New Devon's proved reserves that lie outside North America will be in Azerbaijan. On a pro forma basis as of December 31, 1998, proved reserves in Azerbaijan totaled 76.1 million barrels of oil equivalent, or 11% of the total company. New Devon's properties in Azerbaijan will be located in the Caspian Basin, which is considered home to some of the world's last known major undeveloped hydrocarbon reserves. New Devon will hold a 4.8% carried interest in the Azeri-Chirag-Gunashli joint development area, which is estimated to contain five billion barrels of crude oil. Peak production for Azerbaijan is estimated sometime between 2005 and 2008.

Developed and Undeveloped Acreage

The following table sets forth New Devon's developed and undeveloped oil and gas lease and mineral acreage on a pro forma basis as of December 31, 1998. Gross acres are the total number of acres in which New Devon will own a working interest. Net refers to gross acres multiplied by New Devon's fractional working interests therein.

	Developed		Undeveloped	
	Gross	Net	Gross	Net
	(In Thousands of Acres)			
United States--Onshore.....	2,815	1,583	3,049	1,789
United States--Offshore.....	328	204	532	384
Canada.....	1,120	584	2,995	2,175
Australia.....	--	--	679	271
Azerbaijan.....	10	--	202	39
Egypt.....	--	--	9,111	8,842
Qatar.....	--	--	519	389
Venezuela.....	23	12	1,434	1,004
Total.....	4,296	2,383	18,521	14,893
	=====	=====	=====	=====

DIRECTORS AND EXECUTIVE OFFICERS OF NEW DEVON AFTER THE MERGER

Directors

The New Devon certificate of incorporation classifies the New Devon board into three classes having staggered terms of three years each. The number of directors will be fixed from time to time by resolution of the New Devon board. The New Devon board is currently set at four members. Upon completion of the merger, we expect the New Devon board will be set at fourteen members, initially consisting of the following:

Name	Age	Current Board Membership	Expiration of First Term
-----	---	-----	-----
Thomas F. Ferguson(1).....	63	Devon	2001
David M. Gavrin(2).....	64	Devon	2001
Michael E. Gellert(3).....	68	Devon	2002
John A. Hagg.....	51	Devon	2000
Henry R. Hamman.....	61	PennzEnergy	2000
William J. Johnson(4).....	62	--	2002
Michael M. Kanovsky.....	50	Devon	2002
Robert A. Mosbacher, Jr.....	48	PennzEnergy	2002
J. Larry Nichols.....	57	Devon	2000
James L. Pate(5).....	63	PennzEnergy	2002
H.R. Sanders, Jr.....	67	Devon	2002
Terry L. Savage.....	54	PennzEnergy	2001
Brent Scowcroft.....	74	PennzEnergy	2001
Robert B. Weaver.....	60	PennzEnergy	2000

(1) Chairman of the Audit Committee. The Audit Committee will also consist of one additional former Devon board member and one former PennzEnergy board member.

(2) Chairman of the Compensation and Stock Option Committee. The Compensation and Stock Option Committee will also consist of one additional former Devon board member and two former PennzEnergy board members.

(3) Chairman of the Nominating Committee. The Nominating Committee will also consist of one additional former Devon board member and two former PennzEnergy board members.

(4) Designated by PennzEnergy and mutually approved by PennzEnergy's chairman of the board and Devon's president. Mr. Johnson is a private consultant for the oil and gas industry and is President and a director of JonLoc Inc., an oil and gas company of which he and his family are the sole shareholders. He also serves as a director of Tesoro Petroleum and J. Ray McDermott, S.A. From 1991 to 1994, Mr. Johnson was President, Chief Operating Officer and a director of Apache Corporation.

(5) Chairman of the Board and Chairman of the Executive Committee. The Executive Committee will consist of Mr. Pate and Mr. Nichols.

The New Devon certificate provides that until New Devon's annual stockholder meeting in 2000, (1) the initial directors of New Devon designated by Devon and their designated successors will nominate successors to and fill any vacancies in that Devon group of directors and (2) the initial directors of New Devon designated by PennzEnergy and their designated successors will nominate successors to and fill any vacancies in that PennzEnergy group of directors. One member of the PennzEnergy group of directors must be a person mutually agreed to by New Devon's chairman and president. The New Devon certificate provides that at and after the annual stockholder meeting in 2000, a majority of the whole board, will nominate successors and fill vacancies.

Executive Officers

The New Devon board will elect executive officers of New Devon annually to serve in their respective capacities until their successors are duly elected and qualified or until their earlier resignation or removal. The following will initially serve as executive officers of New Devon:

Name	Age	Position in New Devon	Current Company Affiliation
J. Larry Nichols...	57	President and Chief Executive Officer	Devon
J. Michael Lacey...	53	Vice President--Operations and Exploration	Devon
Duke R. Ligon.....	58	Vice President--General Counsel	Devon
Darryl G. Smette...	52	Vice President--Marketing and Administrative Planning	Devon
H. Allen Turner....	46	Vice President--Corporate Development	Devon
William T. Vaughn..	52	Vice President--Finance	Devon
Danny J. Heatly...	43	Controller	Devon
Gary L. McGee.....	50	Treasurer	Devon
Marian J. Moon.....	49	Secretary	Devon

SELLING STOCKHOLDER

This prospectus relates to 8,655,652 shares of Devon common stock plus up to an additional 1,298,348 shares solely to cover over-allotments, which may be delivered by Kerr-McGee, at its option, pursuant to the terms of the exchangeable notes that are being offered by Kerr-McGee pursuant to the Kerr- McGee prospectus and prospectus supplement. These shares of Devon common stock are owned by Kerr-McGee. Assuming Kerr-McGee does not exercise its option to redeem any portion of the exchangeable notes with cash and delivers all 9,954,000 shares of Devon common stock pursuant to the terms of the exchangeable notes, Kerr-McGee will thereafter own no shares of Devon common stock.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the underwriting agreement dated the date hereof, Kerr-McGee has agreed to sell to the underwriters for this offering, and the underwriters have severally agreed to purchase, the number of DECS set forth opposite the name of such underwriters below:

Underwriter	Number of DECS
-----	-----
Salomon Smith Barney Inc.	
Credit Suisse First Boston Corporation.....	
ABN AMRO Incorporated.....	
Lehman Brothers Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	

Total.....	=====

The underwriters, for whom Salomon Smith Barney Inc., Credit Suisse First Boston Corporation, ABN AMRO Incorporated, Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives, have advised us that they propose to offer some of the DECS directly to the public initially at the public offering price set forth on the cover page of DECS prospectus supplement and some of the DECS to certain securities dealers at a discount from the public offering price of up to \$ per DECS. Any such securities dealers may resell any DECS purchased from the underwriters to other brokers or dealers at a discount from the public offering price of up to \$ per DECS. If all of the DECS are not sold at the initial offering price, the underwriters may change the offering price and other selling terms.

We have agreed not to offer, sell, contract to sell, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by us or any of our affiliates or any person in privity with us or any of our affiliates) directly or indirectly, including the filing (or participation in the filing) of a registration statement with the Securities and Exchange Commission in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act, any shares of common stock or any securities convertible into, or exchangeable for, or warrants to acquire shares of common stock (other than the shares sold in connection with the offering of the DECS) or announce an intention to effect any such transaction, on or prior to the lockup termination date (as described below) without the prior written consent of Salomon Smith Barney Inc., which consent will not be unreasonably withheld; provided, however, that

. we may publicly announce and discuss our intention to offer up to \$500 million of shares of Devon stock or securities convertible into, or exchangeable for, or warrants to acquire shares of such stock and register and offer such securities;

. we may issue shares of Devon common stock to (1) shareholders of PennzEnergy in the merger and (2) shareholders of Devon in the proposed merger of Devon Oklahoma Corporation, an Oklahoma corporation, with Devon in connection with the merger;

. we or any of our affiliates may offer shares of capital stock, or any securities convertible into, or exchangeable for, or warrants to acquire shares of such capital stock, to any owner of any business or assets acquired or proposed to be acquired by us or any of our affiliates as consideration for any such acquisition or proposed acquisition. However, the securities issued for non-cash consideration will not exceed \$250 million and, together with any securities issued for cash, will not exceed \$500 million prior to the lockup termination date;

. we may issue shares of common stock in connection with any exchange of Northstar exchangeable shares; and

. Devon, PennzEnergy or any of their respective affiliates may issue shares of capital stock pursuant to (1) any stock option plan, equity-incentive plan, stock purchase plan or dividend reinvestment plan existing as of July 14, 1999, or as contemplated by the merger agreement with PennzEnergy, or (2) any security convertible into or exercisable or exchangeable for any such capital stock outstanding as of July 14, 1999.

The "lockup termination date" shall be the earlier of (1) the 45th day after the date of the underwriting agreement or (2) if the registration statement filed with respect to the Devon common stock offered by this prospectus is declared effective by the Securities and Exchange Commission on or prior to August 2, 1999, September 6, 1999, or (3) if, at Kerr-McGee's request, we do not (a) file such registration statement with the Securities and Exchange Commission on or prior to July 16, 1999, or (b) on or prior to July 22, 1999, request the Securities and Exchange Commission to declare effective such registration statement, on September 6, 1999.

Kerr-McGee has agreed not to offer, sell, contract to sell, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by us or our affiliates or any person in privity with us or any of our affiliates) directly or indirectly, including the filing (or participation in the filing) of a registration statement with the Securities and Exchange Commission in respect of, any debt securities issued or guaranteed by us or publicly announce an intention to effect any such transaction, for a period of 7 days after the date of the underwriting agreement without the prior written consent of Salomon Smith Barney Inc. If the underwriters give any such consent, it would not necessarily be preceded or followed by a public announcement of consent.

Kerr-McGee has granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an additional 1,298,348 DECS from Kerr-McGee, at the same price per DECS as the initial DECS purchased by the underwriters. The underwriters may exercise such option only for the purpose of covering over-allotments, if any, in connection with the DECS offering. If this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional DECS approximately proportionate to such underwriter's initial purchase commitment.

The DECS will be a new issue of securities with no established trading market. Application has been made to list the DECS on the New York Stock Exchange and the underwriters intend to make a market in the DECS, subject to applicable laws and regulations. However, the underwriters are not obligated to do so and may discontinue any market-making at any time in their sole discretion without notice. Accordingly, the underwriters cannot assure the liquidity of the market for DECS.

In connection with this offering of DECS and Devon common stock, Salomon Smith Barney Inc. on behalf of the underwriters may purchase and sell DECS and Devon common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater amount of DECS than they are required to purchase from us, and in such case the underwriters may purchase DECS in the open market following completion of the offering to cover all or a portion of their short position. The underwriters may also cover all or a portion of such short position in the DECS, up to 1,298,348 DECS, by exercising the underwriters' over-allotment option referred to above. Stabilizing transactions consist of certain bids or purchases made for the

practice of preventing or retarding a decline in the market price of the DECS or the Devon common stock while this offering is in progress. In addition, the underwriters may impose penalty bids. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the underwriters have repurchased DECS sold by or for the account of that underwriter in stabilizing or short-covering transactions. Any of the activities by the underwriters described in this paragraph may stabilize, maintain or otherwise affect the market price of the DECS or the Devon common stock. As a result, the price of the DECS or the Devon common stock may be higher than the price that otherwise might exist in the open market. The underwriters may effect these transactions on the American Stock Exchange, in the over-the-counter market or otherwise. If these activities are commenced, they may be discontinued by the underwriters at any time.

At Kerr-McGee's option, when the DECS mature, Kerr-McGee may deliver shares of Devon common stock pursuant to the terms of the DECS. For a description of the terms of such exchange, see this prospectus and prospectus supplement of Kerr-McGee to which this prospectus is attached.

The underwriting agreement provides that we and Kerr-McGee will indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or contribute to payments the underwriters may be required to make in respect of such liabilities.

In the ordinary course of their respective businesses, certain of the underwriters and their affiliates may have engaged in and may in the future engage in commercial and investment banking transactions with us, Kerr-McGee and our respective affiliates, for which the underwriters and their affiliates have received or may receive customary compensation.

LEGAL MATTERS

The validity of the common stock offered by this prospectus will be passed upon for us by McAfee & Taft A Professional Corporation. Certain legal matters will be passed upon for the underwriters by Cleary, Gottlieb, Steen & Hamilton.

EXPERTS

The consolidated financial statements of Devon as of and for each of the years ended December 31, 1998, 1997 and 1996 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent certified public accountants, and Deloitte & Touche LLP and PricewaterhouseCoopers LLP, chartered accountants, incorporated by reference in this document, and upon the authority of said firms as experts in accounting and auditing.

The consolidated financial statements of PennzEnergy and its subsidiaries incorporated by reference in this registration statement/prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and is incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report.

Certain information with respect to our oil and gas reserves derived from the reports of LaRoche Petroleum Consultants, Ltd., AMH Group Ltd., Paddock Lindstrom & Associates Ltd. and John P. Hunter & Associates, Ltd., independent consulting petroleum engineers, has been included and incorporated by reference herein upon the authority of said firms as experts with respect to matters covered by such reports and in giving such reports.

Certain information with respect to PennzEnergy's oil and gas reserves derived from the report of Ryder Scott Company, L.P., independent consulting petroleum engineers, has been included and incorporated by reference herein upon the authority of said firm as experts with respect to matters covered by such report and in giving such report.

WHERE YOU CAN FIND MORE INFORMATION

Devon files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information we file at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800- SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at "<http://www.sec.gov>".

We filed with the SEC a registration statement on Form S-3 with respect to the common stock offered by this prospectus. This prospectus is a part of that registration statement. As allowed by SEC rules, this prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement.

The SEC allows us to "incorporate by reference" information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information in, or incorporated by reference in, this prospectus. This prospectus incorporates by reference the documents set forth below that we or PennzEnergy have previously filed with the SEC. These documents contain important information about our companies and their finances.

Devon SEC Filings (File No. 001-10067)	Period
Annual Report on Form 10-K	Year ended December 31, 1998
Quarterly Report on Form 10-Q	Quarter ended March 31, 1999
Current Report on Form 8-K/A	Filed on February 2, 1999
Current Report on Form 8-K	Filed on February 8, 1999
Current Report on Form 8-K	Filed on February 22, 1999
Proxy Statement on Schedule 14A	Filed on April 9, 1999
Current Report on Form 8-K	Filed on April 28, 1999
Current Report on Form 8-K	Filed on May 21, 1999
Current Report on Form 8-K	Filed on June 1, 1999
Proxy Statement on Schedule 14A	Filed on July 16, 1999
PennzEnergy SEC Filings (File No. 001-05591)	Period
Part II, Item 8. "Financial Statements and Supplementary Data" of the Annual Report on Form 10-K	Fiscal year ended December 31, 1998
Part I, Item 1. "Financial Statements" of the Quarterly Report on Form 10-Q	Quarter ended March 31, 1999
Proxy Statement on Schedule 14A	Filed on March 25, 1999

We are also incorporating by reference additional documents that we file with the SEC between the date of this prospectus and the termination of the offering.

Documents incorporated by reference are available from us without charge, excluding all exhibits unless we have specifically incorporated by reference an exhibit in this prospectus. You may obtain documents incorporated by reference in this prospectus by requesting them in writing, by e-mail or by telephone from us at the following address:

Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260
Attention: Corporate Secretary
Tel: (405) 235-3611
moonm@dvn.com

You can also get more information by visiting Devon's web site at "<http://www.devonenergy.com>". Web site materials are not part of this prospectus.

CAUTIONARY STATEMENT CONCERNING

FORWARD-LOOKING STATEMENTS

Devon has made forward-looking statements in this document and in the documents referred to in this document which are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of our management and on the information currently available to it.

Statements and calculations concerning oil and gas reserves and their present value also may be deemed to be forward-looking statements in that they reflect the determination, based on estimates and assumptions, that oil and gas reserves may be profitably exploited in the future. When used or referred to in this document, these forward-looking statements may be preceded by, followed by, or otherwise include the words "believes," "expects," "anticipates," "intends," "plans," "estimates," "projects" or similar expressions, or statements that certain events or conditions "will" or "may" occur.

Except for our ongoing obligations to disclose material information as required by the federal securities laws, we do not have any intention or obligation to update forward-looking statements after we distribute this document.

COMMONLY USED OIL AND GAS TERMS

"Bbl" means barrel.

"Bbl/d" means Bbl per day.

"Bcf" means billion cubic feet.

"Boe" means equivalent barrels of oil, calculated by converting gas to equivalent Bbls. The U.S. convention for this conversion is six Mcf equals one Boe.

"Boe/d" means Boe per day.

"Cash margin" means total revenues less cash expenses. Cash expenses are all expenses other than the non-cash expenses of depreciation, depletion and amortization, deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt, reduction of carrying value of oil and gas properties and deferred income tax expense.

"MBbls" means thousand barrels.

"MBoe" means thousand Boe.

"Mcf" means thousand cubic feet.

"Mcfe" means thousand equivalent cubic feet of gas, calculated by converting

oil and NGLs to equivalent Mcf. The U.S. convention for this conversion is one- sixth Bbl equals one Mcfe.

"MMBbls" means million barrels.

"MMBoe" means million Boe.

"MMBtu" means million British thermal units, a measure of heating value.

"MMcf" means million cubic feet.

"MMcf/d" means MMcf per day.

"Modified EBITDA" means earnings before interest (including deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt, and distributions on preferred securities of subsidiary trust), taxes, depreciation, depletion and amortization and reduction of carrying value of oil and gas properties.

"NGL" means natural gas liquids.

"Oil" includes crude oil and condensate.

"SEC 10% present value" is the pre-tax present value of future net cash flows from proved reserves, discounted at 10% per year. Oil, gas and NGL prices used to calculate future revenues are based on year-end prices held constant, except where fixed and determinable price changes are provided by contractual arrangements. Future development and production costs are also based on year- end costs and assume the continuation of existing economic conditions.

"Standardized measure of discounted future net cash flows" is the SEC 10% present value defined above, less applicable income taxes.

"Tcf" means trillion cubic feet.

[LOGO OF DEVON ENERGY APPEARS HERE]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following is a statement of estimated expenses incurred by Devon in connection with the shares of common stock being registered hereby. Devon will pay for the fees and expenses of the offering of the shares of common stock offered hereby.

SEC Registration Fee.....	\$101,609*
Legal Fees and Expenses.....	125,000
Printing and Engraving Expenses.....	90,000*
Accounting Fees and Expenses.....	15,000
Transfer Agent and Registrar Fees and Expenses.....	--
Blue Sky Fees and Expenses (including legal fees).....	--*
Miscellaneous.....	10,000

Total.....	\$341,609
	=====

* Under the terms of the Registration Rights Agreement between Devon and Kerr- McGee dated as of December 31, 1996, Kerr-McGee is responsible for the payment of these items.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Oklahoma General Corporation Act (the "OGCA"), under which Devon is incorporated, permits indemnification against expenses, including attorneys' fees, actually and reasonably incurred by a director, officer or agent of a corporation in connection with the defense of any action, suit or proceeding in which such a person is a party by reason of such person being or having been a director, employee or agent of the corporation, or of any corporation, partnership, joint venture, trust or other enterprise in which he served as such at the request of the corporation, provided that he acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful, and provided further (if the threatened, pending or completed action or suit is by or in the right of the corporation) that he shall not have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation (unless the court determines that indemnity would nevertheless be proper under the circumstances). Article Ninth of Registrant's Certificate of Incorporation, provides for the elimination of directors' liability for monetary damages for a breach of certain fiduciary duties and for indemnification of directors, officers, employees or agents of Devon as permitted by the OGCA. These provisions cannot be amended without the affirmative vote of the holders of at least 80% of the outstanding shares entitled to vote. Under Devon's Certificate of Incorporation, even though Devon's directors stand in a fiduciary relation to Devon, they are not liable to stockholders of Devon for damages for breach of any such fiduciary duty, except that a director will be personally liable for (i) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (ii) the payment of dividends or redemption or purchase of stock in violation of the OGCA, (iii) any breach of the duty of loyalty to Devon or its stockholders or (iv) any transaction from which the director derived an improper personal benefit. Article Thirteenth of Devon's Certificate of Incorporation, also provides for indemnification of Devon's directors and officers. Such Article also permits Devon to purchase and maintain insurance on behalf of Devon's directors and officers against any liability arising out of their status as such, whether or not Registrant would have the power to indemnify such directors and officers against such liability. These provisions may be sufficiently broad to indemnify such persons for liabilities arising under the Securities Act of 1933.

ITEM 16. EXHIBITS

Exhibit No.	Document
1.1	Form of Underwriting Agreement.*
2.1	Amended and Restated Agreement and Plan of Merger among Registrant, Devon Delaware Corporation, Devon Oklahoma Corporation and PennzEnergy Company dated as of May 19, 1999 (incorporated by reference to Exhibit 2 to Registrant's Form S-4 filed on July 15, 1999).
3.1	Registrant's Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3 to Registrant's Form 8-K dated as of December 11, 1998).
3.2	Registrant's By-laws (incorporated by reference to Exhibit 3.2 to Registrant's Registration Statement on Form 8-B filed on June 7, 1995).
5.1	Opinion of McAfee & Taft A Professional Corporation
23.1	Consent of KPMG LLP.
23.2	Consent of Deloitte & Touche LLP.
23.3	Consent of PricewaterhouseCoopers LLP.
23.4	Consent of Arthur Andersen LLP
23.5	Consent of LaRoche Petroleum Consultants, Ltd.
23.6	Consent of AMH Group Ltd.
23.7	Consent of Paddock Lindstrom & Associates Ltd.
23.8	Consent of John P. Hunter & Associates, Ltd.
23.9	Consent of Ryder Scott Company, L.P.
23.10	Consent of McAfee & Taft A Professional Corporation (contained in its opinion in Exhibit 5.1)
24.1	Power of Attorney.

* To be filed by amendment.

ITEM 17. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes

(1) That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13 (a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(2) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the undersigned registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective;

(3) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offer of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by any such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether or not such indemnification is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Oklahoma City, State of Oklahoma, on the 15th day of July, 1999.

DEVON ENERGY CORPORATION

/s/ J. Larry Nichols
By: _____
J. Larry Nichols
President and Chief Executive
Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on July 15, 1999.

Signature Title

<i>/s/ John W. Nichols</i> ----- <i>John W. Nichols</i>	<i>Chairman of the Board and Director</i>
<i>/s/ J. Larry Nichols</i> ----- <i>J. Larry Nichols</i>	<i>President, Chief Executive Officer and Director</i>
<i>/s/ William T. Vaughn</i> ----- <i>William T. Vaughn</i>	<i>Vice President Finance</i>
<i>/s/ Danny J. Heatly</i> ----- <i>Danny J. Heatly</i>	<i>Controller</i>
<i>/s/ Thomas F. Ferguson</i> ----- <i>Thomas F. Ferguson</i>	<i>Director</i>
<i>/s/ John A. Hagg</i> ----- <i>John A. Hagg</i>	<i>Director</i>
<i>/s/ David M. Gavrin</i> ----- <i>David M. Gavrin</i>	<i>Director</i>
<i>/s/ Michael M. Kanovsky</i> ----- <i>Michael M. Kanovsky</i>	<i>Director</i>
<i>/s/ Michael E. Gellert</i> ----- <i>Michael E. Gellert</i>	<i>Director</i>
<i>/s/ H.R. Sanders, Jr.</i> ----- <i>H.R. Sanders, Jr.</i>	<i>Director</i>

EXHIBIT INDEX

- 1.1 Form of Underwriting Agreement.*
- 2.1 Amended and Restated Agreement and Plan of Merger among Registrant, Devon Delaware Corporation, Devon Oklahoma Corporation and PennzEnergy Company dated as of May 19, 1999 (incorporated by reference to Exhibit 2 to Registrant's Form S-4 filed on July 15, 1999).
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- 3.2 Registrant's By-laws (incorporated by reference to Exhibit 3.2 to Registrant's Registration Statement on Form 8-B filed on June 7, 1995).
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- 23.1 Consent of KPMG LLP.
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- 23.4 Consent of Arthur Andersen LLP
- 23.5 Consent of LaRoche Petroleum Consultants, Ltd.
- 23.6 Consent of AMH Group Ltd.
- 23.7 Consent of Paddock Lindstrom & Associates Ltd.
- 23.8 Consent of John P. Hunter & Associates, Ltd.
- 23.9 Consent of Ryder Scott Company, L.P.
- 23.10 Consent of McAfee & Taft A Professional Corporation (contained in its opinion in Exhibit 5.1)
- 24.1 Power of Attorney.

* To be filed by amendment.

EXHIBIT 5.1

OPINION OF McAfee & Taft

McAfee & Taft
A Professional Corporation
Tenth Floor, Two Leadership Square
211 North Robinson
Oklahoma City, Oklahoma 73102-7103
(405) 235-9621
Fax (405) 235-0439
E-Mail: mcafee@ionet.net
<http://www.mcafee-taft.com>

July 15, 1999

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

Ladies and Gentlemen:

We have acted as counsel to Devon Energy Corporation (the "Company"), an Oklahoma corporation, in connection with the registration of shares of the Company's common stock which may be delivered by Kerr-McGee Corporation to holders of debt exchangeable for common stock to be issued by Kerr-McGee Corporation. This opinion letter is furnished to you in connection with a registration statement on Form S-3 (the "Registration Statement") filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, for the registration of up to 9,954,000 shares of common stock, \$0.10 par value per share (the "Shares"), of the Company which may be delivered by Kerr-McGee.

We have examined, and have relied as to matters of fact upon, the Registration Statement, and originals, or duplicates or certified or conformed copies, of the Company's Certificate of Incorporation and such records, agreements, instruments and other documents and such certificates of public officials and of officers and representatives of the Company, and have made such other and further investigations as we have deemed relevant and necessary in connection with the opinions expressed herein.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that the Shares have been duly authorized, validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion letter as an exhibit to the Registration Statement. We also consent to the reference to this firm appearing in the Registration Statement under the caption "Legal Matters."

We are members of the Bar of the State of Oklahoma, and we do not express any opinion herein concerning any law other than the laws of the State of Oklahoma.

Very truly yours,

McAfee & Taft A Professional
Corporation

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Devon Energy Corporation

We consent to incorporation by reference herein of our report dated January 26, 1999, relating to the consolidated balance sheets of Devon Energy Corporation and subsidiaries as of December 31, 1998, 1997 and 1996 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years then ended, which report appears in the December 31, 1998 annual report on Form 10-K of Devon Energy Corporation and to the reference to our firm under the heading "Experts" in the prospectus.

KPMG LLP

Oklahoma City, Oklahoma

July 12, 1999

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this registration statement on Form S-3 of Devon Energy Corporation of our report dated January 20, 1999 to the shareholders of Northstar Energy Corporation, relating to the consolidated balance sheets of Northstar Energy Corporation and subsidiaries as at December 31, 1998 and 1997 and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the years than ended, which report appears in the December 31, 1998 annual report on Form 10-K of Devon Energy Corporation.

We also consent to the reference to our firm under the heading "Experts" in the prospectus.

/s/ DELOITTE & TOUCHE LLP

Chartered Accountants

Calgary, Alberta
Canada

July 12, 1999

EXHIBIT 23.3

INDEPENDENT AUDITORS' CONSENT

We consent to incorporation by reference in this registration statement on Form S-3 of Devon Energy Corporation of our report dated February 5, 1997, relating to the consolidated balance sheet of Northstar Energy Corporation and subsidiaries as of December 31, 1996 and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, which report appears in the December 31, 1998 annual report on Form 10-K of Devon Energy Corporation. We also consent to the reference to our firm in this prospectus as experts in accounting and auditing.

PRICEWATERHOUSECOOPERS LLP

Calgary, Alberta, Canada

July 12, 1999

EXHIBIT 23.4

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this registration statement of our report dated March 19, 1999 included in the PennzEnergy Company Form 10-K for the year ended December 31, 1998 and to all references to our Firm included in this registration statement.

ARTHUR ANDERSEN LLP

Houston, Texas

July 12, 1999

EXHIBIT 23.5

ENGINEER'S CONSENT

We consent to the reference to our appraisal report for Devon Energy Corporation as of the years ended December 31, 1996, 1997 and 1998, incorporated herein by reference.

LAROCHE PETROLEUM CONSULTANTS, LTD.

/s/ William E. LaRoche

William E. LaRoche
Partner

July 13, 1999

EXHIBIT 23.6

ENGINEER'S CONSENT

We consent to the reference to our appraisal report for Devon Energy Corporation as of the years ended December 31, 1996, 1997 and 1998, incorporated herein by reference.

AMH GROUP LTD.

/s/ A. K. Ashton

A. K. Ashton
President

July 13, 1999

EXHIBIT 23.7

ENGINEER'S CONSENT

Paddock Lindstrom & Associates Ltd.

We consent to the reference to our appraisal report for Northstar Energy Corporation as of the years ended December 31, 1996, 1997 and 1998, incorporated herein by reference.

PADDOCK LINDSTROM & ASSOCIATES LTD.

/s/ D.L. Paddock

D.L. Paddock, P. Eng.
Vice President

July 13, 1999

EXHIBIT 23.8

ENGINEER'S CONSENT

We consent to the reference to our appraisal report for Northstar Energy Corporation as of December 31, 1997, incorporated herein by reference.

JOHN P. HUNTER & ASSOCIATES, LTD.

/s/ John P. Hunter

John P. Hunter

July 13, 1999

EXHIBIT 23.9

ENGINEER'S CONSENT

We consent to the reference to our appraisal report for PennzEnergy Company as of the years ended December 31, 1996, 1997, and 1998, incorporated herein by reference.

RYDER SCOTT COMPANY, L.P.

July 13, 1999

Exhibit 24.1

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints J. Larry Nichols, H. Allen Turner and Marian J. Moon, and each or any one of them, his true and lawful attorney-in-fact and agent, each acting alone, with full powers of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) and supplements to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, each acting alone or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature Title

<i>/s/ John W. Nichols</i> ----- <i>John W. Nichols</i>	<i>Chairman of the Board and Director</i>
<i>/s/ J. Larry Nichols</i> ----- <i>J. Larry Nichols</i>	<i>President, Chief Executive Officer and Director</i>
<i>/s/ William T. Vaughn</i> ----- <i>William T. Vaughn</i>	<i>Vice President Finance</i>
<i>/s/ Danny J. Heatly</i> ----- <i>Danny J. Heatly</i>	<i>Controller</i>
<i>/s/ Thomas F. Ferguson</i> ----- <i>Thomas F. Ferguson</i>	<i>Director</i>
<i>/s/ John A. Hagg</i> ----- <i>John A. Hagg</i>	<i>Director</i>
<i>/s/ David M. Gavrin</i> ----- <i>David M. Gavrin</i>	<i>Director</i>
<i>/s/ Michael E. Gellert</i> ----- <i>Michael E. Gellert</i>	<i>Director</i>
<i>/s/ Michael M. Kanovsky</i> ----- <i>Michael M. Kanovsky</i>	<i>Director</i>
<i>/s/ H.R. Sanders, Jr.</i> ----- <i>H.R. Sanders, Jr.</i>	<i>Director</i>

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