DEVON ENERGY CORP/DE

FORM 10-Q
(Quarterly Report)

Filed 08/14/01 for the Period Ending 06/30/01

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

DEVON ENERGY CORP/DE

FORM 10-Q
(Quarterly Report)

Filed 8/14/2001 For Period Ending 6/30/2001

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2001

OR

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

Commission File No. 000-30176

DEVON ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

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

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

Not applicable

(Former name, former address and former fiscal year, if changed from last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

The number of shares outstanding of Registrant's common stock, par value $.10, as of July 31, 2001, was 125,984,000.

1 of 67 total pages

(Exhibit Index is found at page 35)

DEVON ENERGY CORPORATION

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

DEFINITIONS

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

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

DEVON ENERGY CORPORATION

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001 AND 2000

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

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

	JUNE 30, 2001	DECEMBER 31, 2000
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 477,822	228,050
Accounts receivable	550,661	615,463
Inventories	40,193	47,272
Deferred income taxes	8,979	8,979
Investments and other current assets	33,858	34,373
Total current assets	1,111,513	934,137
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties	10,865,921	9,709,352
Less accumulated depreciation, depletion and amortization	5,225,784	4,799,816
	5,640,137	4,909,536
Investment in Chevron Corporation common stock, at fair value	641,865	598,867
Goodwill, net of amortization	277,767	289,489
Other assets	132,756	128,449
Total assets	$ 7,804,038	6,860,478
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable:		
Trade	296,516	305,210
Revenues and royalties due to others	125,012	151,951
Income taxes payable	48,649	65,674
Accrued interest payable	23,488	23,191
Merger related expenses payable	19,013	36,981
Accrued expenses and other current liabilities	75,159	45,980
Total current liabilities	587,837	628,987
Other liabilities	167,977	164,469
Debentures exchangeable into shares of Chevron Corporation common stock	642,329	760,313
Other long-term debt	1,438,819	1,288,523
Deferred revenue	81,472	113,756
Fair value of derivative instruments	17,979	--
Deferred income taxes	1,010,384	626,826
Stockholders' equity:		
Preferred stock of $1.00 par value ($100 liquidation value) Authorized 4,500,000 shares; issued 1,500,000 in 2001 and 2000	1,500	1,500
Common stock of $.10 par value Authorized 400,000,000 shares; issued 129,628,000 in 2001 and 128,638,000 in 2000	12,963	12,864
Additional paid-in capital	3,590,233	3,563,994
Retained earnings (accumulated deficit)	304,130	(214,708)
Accumulated other comprehensive loss	(43,313)	(85,397)
Unamortized restricted stock awards	(487)	(649)
Treasury stock, at cost; 153,000 shares in 2001	(7,785)	--
Total stockholders' equity	3,857,241	3,277,604
Total liabilities and stockholders' equity	$ 7,804,038	6,860,478

See accompanying notes to consolidated financial statements.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(UNAUDITED)			
REVENUES				
Oil sales	$ 234,574	274,778	488,556	544,935
Gas sales	443,014	327,460	1,168,178	568,277
Natural gas liquids sales	31,964	33,539	64,301	70,916
Other	15,610	12,707	27,714	24,772
Total revenues	725,162	648,484	1,748,749	1,208,900
COSTS AND EXPENSES				
Lease operating expenses	115,455	111,100	238,103	217,807
Transportation costs	18,419	12,932	35,823	24,745
Production taxes	29,549	22,473	74,058	41,871
Depreciation, depletion and amortization of property and equipment	184,702	172,251	367,594	337,503
Amortization of goodwill	8,461	10,361	16,923	20,693
General and administrative expenses	24,628	24,023	46,890	48,873
Interest expense	34,402	40,875	68,940	80,951
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	--	--	2,408
Reduction of carrying value of oil and gas properties	76,942	--	76,942	--
Total costs and expenses	492,558	394,015	925,273	774,851
Earnings before change in fair value of derivative instruments, income tax expense, and cumulative effect of change in accounting principle	232,604	254,469	823,476	434,049
Change in fair value of derivative instruments	7,460	--	(6,582)	--
Earnings before income tax expense and cumulative effect of change in accounting principle	240,064	254,469	816,894	434,049
INCOME TAX EXPENSE (BENEFIT)				
Current	(1,204)	36,358	142,892	72,505
Deferred	104,878	64,777	186,797	
				103,023
Total income tax expense	103,674	101,135	329,689	175,528
Earnings before cumulative effect of change in accounting principle	136,390	153,334	487,205	258,521
Cumulative effect of change in accounting principle, net of income tax expense of $31,617	--	--	49,452	--
Net earnings	136,390	153,334	536,657	258,521
Preferred stock dividends	2,434	2,434	4,868	4,868
Net earnings applicable to common shareholders	$ 133,956	150,900	531,789	253,653
Net earnings before cumulative effect of change in accounting principle per average common share outstanding:				
Basic	$ 1.03	1.19	3.73	2.00
Diluted	$ 1.01	1.17	3.59	1.97
Net earnings per average common share outstanding:				
Basic	$ 1.03	1.19	4.11	2.00
Diluted	$ 1.01	1.17	3.96	1.97
Weighted average common shares outstanding-basic	129,488	126,994	129,260	126,675
Weighted average common shares outstanding-diluted	135,403	129,455	135,402	128,681

See accompanying notes to consolidated financial statements.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(UNAUDITED)			
Net earnings	$136,360	153,334	536,657	258,521
Other comprehensive earnings (loss), net of tax:				
Foreign currency translation adjustments	15,882	(5,420)	(3,752)	(5,775)
Cumulative effect of change in accounting principle	--	--	(36,579)	--
Reclassification adjustment for derivative losses reclassified into oil and gas sales	10,320	--	14,963	--
Change in fair value of outstanding hedging positions	27,766	--	41,225	--
Unrealized gains (losses) on marketable securities	11,682	(31,489)	26,229	(6,042)
Comprehensive earnings	$202,010	116,425	578,743	246,704

See accompanying notes to consolidated financial statements.

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

	SIX MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2000
	(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 536,657	258,521
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization of property and equipment	367,594	337,503
Amortization of goodwill	16,923	20,693
Reduction of carrying value of oil and gas properties	76,942	--
Accretion of interest on zero coupon convertible senior debentures	7,007	114
Amortization of discounts (premiums) on other long-term debt	4,027	(1,946)
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	2,408
Gain on sale of assets	327	44
Change in fair value of derivative instruments	6,582	--
Cumulative effect of change in accounting principle	(49,452)	--
Deferred income taxes	186,797	103,023
Other	1,042	2,174
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	54,393	(130,584)
Inventories	8,088	(4,808)
Prepaid expenses	17,755	(14,164)
Other assets	(15,806)	(9,027)
(Decrease) increase in:		
Accounts payable	(12,423)	46,484
Income taxes payable	(17,007)	47,270
Accrued expenses and other current liabilities	(10,779)	(15,813)
Deferred revenue	(32,269)	45,500
Long-term other liabilities	(19,680)	(21,176)
Net cash provided by operating activities	1,126,718	666,442
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	25,940	43,064
Capital expenditures	(1,018,759)	(719,027)
Decrease in other assets	--	186
Net cash used in investing activities	(992,819)	(675,777)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings of long-term debt, net of issuance costs	365,668	1,126,321
Principal payments on long-term debt	(257,667)	(984,412)
Issuance of common stock, net of issuance costs	39,674	27,426
Repurchase of common stock	(13,337)	(10,600)
Issuance of treasury stock	--	11,600
Dividends paid on common stock	(12,951)	(8,663)
Dividends paid on preferred stock	(4,868)	(4,868)
Decrease in long-term other liabilities	(60)	(6,601)
Net cash provided by financing activities	116,459	150,203
Effect of exchange rate changes on cash	(587)	(764)
Net increase in cash and cash equivalents	249,771	140,104
Cash and cash equivalents at beginning of period	228,050	173,167
Cash and cash equivalents at end of period	$ 477,822	313,271

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In the opinion of Devon's management, all adjustments (all of which are normal and recurring) have been made which are necessary to fairly state the consolidated financial position of Devon and its subsidiaries as of June 30, 2001, and the results of their operations and their cash flows for the three-month and six-month periods ended June 30, 2001 and 2000. Certain of the 2000 amounts in the accompanying consolidated financial statements have been reclassified to conform to the 2001 presentation.

2. PENDING ACQUISITION

On August 14, 2001, Devon and Mitchell Energy & Development Corporation ("Mitchell Energy") announced that Devon will acquire Mitchell Energy for cash and stock. In the transaction, Mitchell Energy stockholders would receive, for each Mitchell common share, $31 cash and 0.585 of a share of Devon common stock. The transaction is subject to approval by the stockholders of both companies, as well as certain regulatory approvals. If approved, the transaction is expected to be consummated shortly after the stockholder meetings.

Mitchell Energy's estimated June 30, 2001 proved oil and gas reserves totaled 2.5 trillion cubic feet of gas equivalent located in the United States. In the transaction, Devon would also acquire Mitchell Energy's natural gas processing plants, pipelines and other midstream assets valued between $800 million and $1 billion.

3. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

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

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

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

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

Devon does not hold or issue derivative instruments for trading purposes. All of Devon's commodity price swaps and costless price collars and foreign exchange rate swaps in place at January 1, 2001 and June 30, 2001 have been designated as cash flow hedges. Changes in the fair value of these derivatives are reported on the balance sheet in "Accumulated other comprehensive loss" ("AOCL"). These amounts are reclassified to oil and gas sales when the forecasted transaction takes place.

Devon assesses the effectiveness of its hedges based on changes in the derivative's intrinsic value. The change in the time value of the derivative is excluded from the assessment of hedge effectiveness and, along with any ineffectiveness, is recorded on the statement of operations in "Change in fair value of derivative instruments." For the three- and six-month periods ended June 30, 2001, Devon recorded a net charge of less than $0.1 million which represented the ineffectiveness of the various cash flow hedges.

As of June 30, 2001, $14.2 million of net deferred gains on derivative instruments accumulated in AOCL are expected to be reclassified to earnings during the next 12 months. Transactions and events expected to occur over the next 12 months that will necessitate reclassifying these derivatives' losses to earnings are the production and sale of oil and gas which includes the production hedged under the various derivative instruments. The maximum term over which Devon is hedging exposures to the variability of cash flows for commodity price risk is 18 months.

Devon recorded a gain of $7.5 million and an expense of $6.6 million in the three-month and six-month periods ended June 30, 2001, respectively, for the change in fair value of derivative instruments. Substantially all of this expense related to the fair value change in the option that is embedded in Devon's debentures which are exchangeable into shares of Chevron Corporation common stock.

4. EARNINGS PER SHARE

The following tables reconcile the net earnings and common shares outstanding used in the calculations of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2001 and 2000.

	NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	COMMON SHARES OUTSTANDING	NET EARNINGS PER SHARE
	(IN THOUSANDS)		
THREE MONTHS ENDED JUNE 30, 2001:			
Basic earnings per share	$133,956	129,488	$ 1.03
Dilutive effect of:			
Potential common shares issuable upon conversion of senior convertible debentures (the increase in net earnings is net of income tax expense of $1,382)	2,161	4,377	
Potential common shares issuable upon the exercise of outstanding stock options	--	1,538	
Diluted earnings per share	$136,117	135,403	$ 1.01

4. EARNINGS PER SHARE (CONTINUED)

THREE MONTHS ENDED JUNE 30, 2000:			
Basic earnings per share	$150,900	126,994	$ 1.19
Dilutive effect of:			
Potential common shares issuable upon conversion of senior convertible debentures (the increase in net earnings is net of income tax expense of $46)	71	192	
Potential common shares issuable upon the exercise of outstanding stock options	--	2,269	
Diluted earnings per share	$150,971	129,455	$ 1.17
SIX MONTHS ENDED JUNE 30, 2001:			
Basic earnings per share	$531,789	129,260	$ 4.11
Dilutive effect of:			
Potential common shares issuable upon conversion of senior convertible debentures (the increase in net earnings is net of income tax expense of $2,762)	4,321	4,377	
Potential common shares issuable upon the exercise of outstanding stock options	--	1,765	
Diluted earnings per share	$536,110	135,402	$ 3.96
SIX MONTHS ENDED JUNE 30, 2000:			
Basic earnings per share	$253,653	126,675	$ 2.00
Dilutive effect of:			
Potential common shares issuable upon conversion of senior convertible debentures (the increase in net earnings is net of income tax expense of $46)	71	96	
Potential common shares issuable upon the exercise of outstanding stock options	--	1,910	
Diluted earnings per share	$253,724	128,681	$ 1.97

4. EARNINGS PER SHARE (CONTINUED)

Options to purchase approximately 1.0 million shares of Devon's common stock with exercise prices ranging from $56.76 per share to $89.66 per share (with a weighted average price of $65.31 per share) were outstanding at June 30, 2001, but were not included in the computation of diluted earnings per share for the second quarter of 2001 because the options' exercise price exceeded the average market price of Devon's common stock during the second quarter. Similarly, options to purchase approximately 1.4 million shares of Devon's common stock with exercise prices ranging from $55.53 per share to $92.78 per share (with a weighted average price of $65.97 per share) were excluded from the diluted earnings per share calculation for the second quarter of 2000.

Options to purchase approximately 1.0 million shares of Devon's common stock, with exercise prices from $57.72 to $89.66 per share (with a weighted average price of $65.34 per share), were excluded from the diluted earnings per share calculation for first six months of 2001. Similarly, options to purchase approximately 1.8 million shares of Devon's common stock with exercise prices ranging from $49.94 per share to $92.78 per share (with a weighted average price of $62.08 per share) were excluded from the diluted earnings per share calculation for the first six months of 2000. The excluded options for each of the 2001 periods expire between September 13, 2001 and May 17, 2011.

5. STOCK BUYBACK

Effective June 27, 2001, the board of directors authorized the repurchase of up to $1 billion of Devon's common stock. The repurchase program also applies to securities that are convertible into, or otherwise equity-linked to, Devon's common stock. Under the repurchase program, share purchases may be made from time to time depending upon market conditions and may be made in the open market and in privately negotiated transactions. The repurchase program may be discontinued at any time. During the second quarter of 2001, Devon repurchased 153,000 shares of common stock at an aggregate cost of $7.8 million or $51.05 per share. As of July 31, 2001, Devon had repurchased 3,754,000 shares of common stock at an aggregate cost of $190.4 million or $50.71 per share.

In addition to the aforementioned share repurchase program begun in the second quarter of 2001, Devon also repurchased shares of its common stock in the first quarter of 2001 under an odd-lot repurchase program. Pursuant to this program, Devon purchased and retired 232,000 shares of its common stock for a total cost of $13.3 million, or $57.40 per share.

6. LONG-TERM DEBT

As of June 30, 2001, Devon had borrowings outstanding under its unsecured long-term credit facilities (the "Credit Facilities") of $92.2 million at an average rate of 4.8%. Also, as of June 30, 2001, Devon had $199.8 million of borrowings under its commercial paper program at an average rate of 4.2%. Because Devon had the intent and ability to refinance the balance due with borrowings under its Credit Facilities, the $199.8 million outstanding under the commercial paper program was classified as long-term debt on the June 30, 2001 consolidated balance sheet.

7. REDUCTION OF CARRYING VALUE OF OIL AND GAS PROPERTIES

During the second quarter of 2001, Devon elected to discontinue operations in Malaysia, Qatar and on certain properties in Brazil. Accordingly, during the second quarter of 2001, Devon recorded a $76.9 million charge associated with the impairment of these properties. The after-tax effect of this reduction was $62.1 million.

8. SEGMENT INFORMATION

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

	U.S.	CANADA	INTER-NATIONAL	TOTAL
	(IN THOUSANDS)			
AS OF JUNE 30, 2001:				
Current assets	$ 755,110	68,761	287,642	1,111,513
Property and equipment, net of accumulated depreciation, depletion and amortization	4,280,010	650,731	709,396	5,640,137
Investment in Chevron Corporation common stock	641,865	--	--	641,865
Goodwill, net of amortization	230,431	--	47,336	277,767
Other assets	119,123	82	13,551	132,756
Total assets	$6,026,539	719,574	1,057,925	7,804,038
Current liabilities	366,257	73,644	147,936	587,837
Other liabilities	132,246	888	34,843	167,977
Debentures exchangeable into shares of Chevron Corporation common stock 642,329	--	--	642,329	
Other long-term debt	1,346,573	92,246	--	1,438,819
Deferred revenue	80,444	537	491	81,472
Fair value of derivative instruments	12,110	5,869	--	17,979
Deferred income taxes	874,839	113,475	22,070	1,010,384
Stockholders' equity	2,571,741	432,915	852,585	3,857,241
Total liabilities and stockholders' equity	$6,026,539	719,574	1,057,925	7,804,038

8. SEGMENT INFORMATION (CONTINUED)

	U.S.	CANADA	INTER-NATIONAL	TOTAL
	(IN THOUSANDS)			
THREE MONTHS ENDED JUNE 30, 2001:				
REVENUES				
Oil sales	$ 144,352	28,977	61,245	234,574
Gas sales	387,627	52,104	3,283	443,014
Natural gas liquids sales	27,472	4,197	295	31,964
Other	10,362	637	4,611	15,610
Total revenues	569,813	85,915	69,434	725,162
COSTS AND EXPENSES				
Lease operating expenses	79,343	16,782	19,330	115,455
Transportation costs	15,414	3,005	--	18,419
Production taxes	28,910	475	164	29,549
Depreciation, depletion and amortization of property and equipment	147,444	20,000	17,258	184,702
Amortization of goodwill	8,450	--	11	8,461
General and administrative expenses	25,266	1,914	(2,552)	24,628
Interest expense	32,750	1,397	255	34,402
Reduction of carrying value of oil and gas properties	--	--	76,942	76,942
Total costs and expenses	337,577	43,573	111,408	492,558
Earnings (loss) before change in fair value of derivative instruments and income tax expense	232,236	42,342	(41,974)	232,604
Change in fair value of derivative instruments	7,460	--	--	7,460
Earnings (loss) before income tax expense	239,696	42,342	(41,974)	240,064
INCOME TAX EXPENSE (BENEFIT)				
Current	(8,790)	974	6,612	(1,204)
Deferred	97,114	14,892	(7,128)	104,878
Total income tax expense (benefit)	88,324	15,866	(516)	103,674
Net earnings (loss)	151,372	26,476	(41,458)	136,390
Preferred stock dividends	2,434	--	--	2,434
Net earnings (loss) applicable to common shareholders	$ 148,938	26,476	(41,458)	133,956
Capital expenditures	$ 565,937	48,477	58,419	672,833

8. SEGMENT INFORMATION (CONTINUED)

	U.S.	CANADA	INTER-NATIONAL	TOTAL
	(IN THOUSANDS)			
THREE MONTHS ENDED JUNE 30, 2000:				
REVENUES				
Oil sales	$187,842	27,695	59,241	274,778
Gas sales	287,964	36,496	3,000	327,460
Natural gas liquids sales	29,270	4,169	100	33,539
Other	10,466	1,231	1,010	12,707
Total revenues	515,542	69,591	63,351	648,484
COSTS AND EXPENSES				
Lease operating expenses	79,802	12,921	18,377	111,100
Transportation costs	9,992	2,940	--	12,932
Production taxes	22,076	297	100	22,473
Depreciation, depletion and amortization of property and equipment	144,836	16,359	11,056	172,251
Amortization of goodwill	10,355	--	6	10,361
General and administrative expenses	20,725	2,541	757	24,023
Interest expense	38,007	2,568	300	40,875
Total costs and expenses	325,793	37,626	30,596	394,015
Earnings before income tax expense	189,749	31,965	32,755	254,469
INCOME TAX EXPENSE				
Current	32,379	279	3,700	36,358
Deferred	39,751	14,353	10,673	64,777
Total income tax expense	72,130	14,632	14,373	101,135
Net earnings	117,619	17,333	18,382	153,334
Preferred stock dividends	2,434	--	--	2,434
Net earnings applicable to common shareholders	$115,185	17,333	18,382	150,900
Capital expenditures	$206,744	42,131	34,097	282,972

8. SEGMENT INFORMATION (CONTINUED)

	U.S.	CANADA	INTER-NATIONAL	TOTAL
	(IN THOUSANDS)			
SIX MONTHS ENDED JUNE 30, 2001:				
REVENUES				
Oil sales	$ 310,900	56,764	120,892	488,556
Gas sales	1,030,808	131,569	5,801	1,168,178
Natural gas liquids sales	54,635	9,321	345	64,301
Other	23,943	1,690	2,081	27,714
Total revenues	1,420,286	199,344	129,119	1,748,749
COSTS AND EXPENSES				
Lease operating expenses	167,806	32,119	38,178	238,103
Transportation costs	30,050	5,773	--	35,823
Production taxes	72,826	893	339	74,058
Depreciation, depletion and amortization of property and equipment	296,578	39,285	31,731	367,594
Amortization of goodwill	16,901	--	22	16,923
General and administrative expenses	45,709	3,824	(2,643)	46,890
Interest expense	64,918	3,512	510	68,940
Reduction of carrying value of oil and gas properties	--	--	76,942	76,942
Total costs and expenses	694,788	85,406	145,079	925,273
Earnings (loss) before change in fair value of derivative instruments, income tax expense and cumulative effect of change in accounting principle	725,498	113,938	(15,960)	823,476
Change in fair value of derivative instruments	(6,582)	--	--	(6,582)
Earnings (loss) before income tax expense and cumulative effect of change in accounting principle	718,916	113,938	(15,960)	816,894
INCOME TAX EXPENSE				
Current	131,087	1,910	9,895	142,892
Deferred	140,748	45,604	445	186,797
Total income tax expense	271,835	47,514	10,340	329,689
Earnings (loss) before cumulative effect of change in accounting principle	447,081	66,424	(26,300)	487,205
Cumulative effect of change in accounting principle	49,452	--	--	49,452
Net earnings (loss)	496,533	66,424	(26,300)	536,657
Preferred stock dividends	4,868	--	--	4,868
Net earnings (loss) applicable to common shareholders	$ 491,665	66,424	(26,300)	531,789
Capital expenditures	$ 796,691	109,841	112,227	1,018,759

8. SEGMENT INFORMATION (CONTINUED)

	U.S.	CANADA	INTER-NATIONAL	TOTAL
		(IN THOUSANDS)		
SIX MONTHS ENDED JUNE 30, 2000:				
REVENUES				
Oil sales	$ 377,676	57,168	110,091	544,935
Gas sales	494,833	67,844	5,600	568,277
Natural gas liquids sales	62,271	8,545	100	70,916
Other	21,916	2,322	534	24,772
Total revenues	956,696	135,879	116,325	1,208,900
COSTS AND EXPENSES				
Lease operating expenses	157,220	25,225	35,362	217,807
Transportation costs	19,017	5,728	--	24,745
Production taxes	41,147	524	200	41,871
Depreciation, depletion and amortization of property and equipment	284,812	32,353	20,338	337,503
Amortization of goodwill	20,681	--	12	20,693
General and administrative expenses	42,752	4,795	1,326	48,873
Interest expense	75,355	4,996	600	80,951
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	2,408	--	2,408
Total costs and expenses	640,984	76,029	57,838	774,851
Earnings before income tax expense	315,712	59,850	58,487	434,049
INCOME TAX EXPENSE				
Current	64,326	979	7,200	72,505
Deferred	56,247	27,263	19,513	103,023
Total income tax expense	120,573	28,242	26,713	175,528
Net earnings	195,139	31,608	31,774	258,521
Preferred stock dividends	4,868	--	--	4,868
Net earnings applicable to common shareholders	$ 190,271	31,608	31,774	253,653
Capital expenditures	$ 546,471	78,157	94,399	719,027

9. COMMITMENTS AND CONTINGENCIES

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

Environmental Matters

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

Certain of Devon's subsidiaries acquired in the PennzEnergy merger are involved in matters in which it has been alleged that such subsidiaries are potentially responsible parties ("PRPs") under CERCLA or similar state legislation with respect to various waste disposal areas owned or operated by third parties. As of June 30, 2001, Devon's consolidated balance sheet included $7.7 million of accrued liabilities, reflected in "Other liabilities," for environmental remediation. Devon does not currently believe there is a reasonable possibility of incurring additional material costs in excess of the current accruals recognized for such environmental remediation activities. With respect to the sites in which Devon subsidiaries are PRPs, Devon's conclusion is based in large part on (i) the availability of defenses to liability, including the availability of the "petroleum exclusion" under CERCLA and similar state laws, and/or (ii) Devon's current belief that its share of wastes at a particular site is or will be viewed by the Environmental Protection Agency or other PRPs as being de minimis. As a result, Devon's monetary exposure is not expected to be material.

Royalty Matters

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

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

Maersk Rig Contract

In December 1997, the working interest owner partner of Pennzoil Venezuela Corporation, S.A. ("PVC"), a subsidiary of Devon as a result of the PennzEnergy merger, entered into a contract with Maersk Jupiter Drilling, S.A. ("Maersk") for the provision of a rig for drilling services relative to the anticipated drilling program associated with Devon's Block 70/80 in Lake Maracaibo, Venezuela. The rig was assembled and delivered by Maersk to Lake Maracaibo where it performed an abbreviated drilling program for both Blocks 68/79 and 70/80. It is currently stacked in Lake Maracaibo. The contract, which expires October 1, 2001, provides for early termination, with a charge for such termination which is currently estimated at $42,000 per day with certain escalation factors for the balance of the term. As of June 30, 2001, Devon's consolidated balance sheet included accrued liabilities, reflected in "Other liabilities," for the expected cost to terminate/settle the contract. Devon does not currently believe there is a reasonable possibility of incurring additional material costs in excess of the liability recognized for such termination/settlement of the contract.

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

The following discussion addresses material changes in results of operations for the three- month and six-month periods ended June 30, 2001, compared to the three-month and six-month periods ended June 30, 2000, and in financial condition since December 31, 2000. The discussion should be read in conjunction with Devon's 2000 annual report on Form 10-K.

OVERVIEW

Net earnings for the second quarter of 2001 were $136.4 million, or $1.03 per share. This compares to net earnings of $153.3 million, or $1.19 per share for the second quarter of 2000. Net earnings for the first half of 2001 were $536.7 million, or $4.11 per share. These compare to net earnings for the first half of 2000 of $258.5 million, or $2.00 per share. The decrease in second quarter earnings was due to the reduction of carrying value of oil and gas prices related to certain international properties, partially offset by higher average gas prices and gas production. The increase in first half earnings was due to higher natural gas prices and production.

RESULTS OF OPERATIONS

Total revenues increased $76.7 million, or 12%, in the second quarter of 2001, and $539.8 million, or 45%, in the first half of 2001. This was the result of increases in the average prices of gas and NGL partially offset by lower production on a combined Boe basis. Oil, gas and NGL revenues were up $73.8 million, or 12%, for the second quarter of 2001 compared to the second quarter of 2000, and $536.9 million, or 45% for the first half of 2001 compared to the first half of 2000. The three-month and six-month periods comparison of production and price changes are shown in the following tables. (Note: Unless otherwise stated, all dollar amounts are expressed in U.S. dollars.)

	TOTAL					
	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	2001	2000	CHANGE	2001	2000	CHANGE
PRODUCTION						
Oil (MBbls)	9,995	11,179	-11%	20,434	22,094	-8%
Gas (MMcf)	108,514	106,201	+2%	220,283	209,970	+5%
NGL (MBbls)	1,630	1,762	-7%	2,947	3,696	-20%
Oil, Gas and NGL (MBoe)1	29,711	30,641	-3%	60,095	60,785	-1%
AVERAGE PRICES						
Oil (Per Bbl)	$23.47	24.58	-5%	23.91	24.66	-3%
Gas (Per Mcf)	4.08	3.08	+32%	5.30	2.71	+96%
NGL (Per Bbl)	19.61	19.03	+3%	21.82	19.19	+14%
Oil, Gas and NGL (Per Boe)1	23.88	20.75	+15%	28.64	19.48	+47%
	($'S IN THOUSANDS)					
REVENUES						
Oil	$234,574	274,778	-15%	488,556	544,935	-10%
Gas	443,014	327,460	+35%	1,168,178	568,277	+106%
NGL	31,964	33,539	-5%	64,301	70,916	-9%
Combined	$709,552	635,777	+12%	1,721,035	1,184,128	+45%

	DOMESTIC					
	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	2001	2000	CHANGE	2001	2000	CHANGE
PRODUCTION						
Oil (MBbls)	6,271	7,609	-18%	12,973	15,173	-14%
Gas (MMcf)	90,737	87,621	+4%	185,391	172,827	+7%
NGL (MBbls)	1,459	1,590	-8%	2,600	3,350	-22%
Oil, Gas and NGL (MBoe)1	22,853	23,803	-4%	46,472	47,328	-2%
AVERAGE PRICES						
Oil (Per Bbl)	$23.02	24.69	-7%	23.97	24.89	-4%
Gas (Per Mcf)	4.27	3.29	+30%	5.56	2.86	+94%
NGL (Per Bbl)	18.83	18.41	+2%	21.01	18.59	+13%
Oil, Gas and NGL (Per Boe)1	24.48	21.22	+15%	30.05	19.75	+52%
	($'S IN THOUSANDS)					
REVENUES						
Oil	$144,352	187,842	-23%	310,900	377,676	-18%
Gas	387,627	287,964	+35%	1,030,808	494,833	+108%
NGL	27,472	29,270	-6%	54,635	62,271	-12%
Combined	$559,451	505,076	+11%	1,396,343	934,780	+49%

	CANADA					
	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	2001	2000	CHANGE	2001	2000	CHANGE
PRODUCTION						
Oil (MBbls)	1,334	1,162	+15%	2,620	2,364	+11%
Gas (MMcf)	15,513	16,408	-5%	30,705	32,786	-6%
NGL (MBbls)	154	168	-8%	328	342	-4%
Oil, Gas and NGL (MBoe)1	4,074	4,065	+0%	8,066	8,170	-1%
AVERAGE PRICES						
Oil (Per Bbl)	$21.72	23.83	-9%	21.67	24.18	-10%
Gas (Per Mcf)	3.36	2.22	+51%	4.28	2.07	+107%
NGL (Per Bbl)	27.25	24.82	+10%	28.42	24.99	+14%
Oil, Gas and NGL (Per Boe)1	20.93	16.82	+24%	24.50	16.35	+50%
	($'S IN THOUSANDS)					
REVENUES						
Oil	$28,977	27,695	+5%	56,764	57,168	-1%
Gas	52,104	36,496	+43%	131,569	67,844	+94%
NGL	4,197	4,169	+1%	9,321	8,545	+9%
Combined	$85,278	68,360	+25%	197,654	133,557	+48%

	INTERNATIONAL					
	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	2001	2000	CHANGE	2001	2000	CHANGE
PRODUCTION						
Oil (MBbls)	2,390	2,408	-1%	4,841	4,557	+6%
Gas (MMcf)	2,264	2,172	+4%	4,187	4,357	-4%
NGL (MBbls)	17	4	+325%	19	4	+375%
Oil, Gas and NGL (MBoe)(1)	2,784	2,774	+0%	5,558	5,287	+5%
AVERAGE PRICES						
Oil (Per Bbl)	$25.63	24.60	+4%	24.97	24.16	+3%
Gas (Per Mcf)	1.45	1.38	+5%	1.39	1.29	+8%
NGL (Per Bbl)	17.35	19.00	-9%	18.16	19.00	-4%
Oil, Gas and NGL (Per Boe)(1)	23.28	22.47	+4%	22.86	21.90	+4%
			($'S IN THOUSANDS)			
REVENUES						
Oil	$61,245	59,241	+3%	120,892	110,091	+10%
Gas	3,283	3,000	+9%	5,801	5,600	+4%
NGL	295	100	+195%	345	100	+245%
Combined	$64,823	62,341	+4%	127,038	115,791	+10%

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

OIL REVENUES. Oil revenues decreased $40.2 million, or 15%, in the second quarter of 2001. Oil revenues decreased $11.1 million due to a $1.11 per barrel decrease in the average price of oil in 2001. A decrease in 2001's production of 1.2 million barrels caused oil revenues to decrease by $29.1 million. This reduction was primarily the result of certain domestic and international properties which were sold prior to the 2001 quarter but whose production was included in the 2000 quarter.

Oil revenues decreased $56.4 million, or 10%, in the first half of 2001. Oil revenues decreased $15.4 million due to a $0.75 per barrel decrease in the average price of oil in 2001. A decrease in production of 1.7 million barrels, or 8%, caused oil revenues to decrease by $41.0 million. This reduction was primarily the result of certain domestic and international properties which were sold prior to the 2001 quarter but whose production was included in the 2000 quarter.

GAS REVENUES. Gas revenues increased $115.6 million, or 35%, in the second quarter of 2001. Production rose 2.3 Bcf in the 2001 period, which added $7.2 million of gas revenues. A $1.00 per Mcf increase in the average gas price in the second quarter of 2001 contributed $108.4 million of the increase in gas revenues.

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

These domestic increases were partially offset by a decline in Canadian gas production of 0.9 Bcf, or 5% in the 2001 quarter. Natural declines and increased royalty rates, partially offset by new drilling, development and acquisitions, were the primary reasons for the production decline. The increase in gas prices from the 2000 quarter to the 2001 quarter resulted in an increase in the Canadian government's royalty percentage from 23.3% in the 2000 quarter to 26.9% in the 2001 quarter. Gross Canadian gas production, before royalties, was 21.2 Bcf in the 2001 quarter compared to 21.4 Bcf in the 2000 quarter.

Gas revenues increased $599.9 million, or 106%, in the first half of 2001. Production rose 10.3 Bcf in the 2001 period, which added $27.9 million of gas revenues. A $2.59 per Mcf increase in the average gas price in the first half of 2001 contributed $572.0 million of the increase in gas revenues.

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

These domestic increases were partially offset by a decline in Canadian gas production of 2.1 Bcf, or 6% in the first half of 2001. Natural declines and increased royalty rates, partially offset by new drilling, development and acquisitions, were the primary reasons for the production decline. The increase in gas prices from the 2000 period to the 2001 period resulted in an increase in the Canadian government's royalty percentage from 22.2% in the 2000 period to 28.0% in the 2001 period. Gross Canadian gas production, before royalties, was 42.5 Bcf in the 2001 period compared to 42.2 Bcf in the 2000 period.

NGL REVENUES. NGL revenues decreased $1.6 million, or 5%, in the second quarter of 2001. An increase in the average price of $0.58 per barrel, or 3%, caused NGL revenues to increase $0.9 million in the 2001 quarter. A production decrease of 0.1 million barrels caused revenues to decrease $2.5 million. This reduction was primarily the result of certain domestic properties which were sold prior to the 2001 quarter but whose production was included in the 2000 quarter.

NGL revenues decreased $6.6 million, or 9%, in the first half of 2001. An increase in the average price of $2.63 per barrel, or 14%, caused NGL revenues to increase $7.8 million in the first half of 2001. A production decrease of 0.7 million barrels caused revenues to decrease $14.4 million. The production drop was primarily the result of a temporary shutdown of a gas processing plant in the Gulf of Mexico during the first quarter of 2001, and certain domestic properties which were sold prior to the 2001 quarter but whose production was included in the 2000 quarter.

PRODUCTION AND OPERATING EXPENSES. The components of production and operating expenses are set forth in the following tables.

	TOTAL					
	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	2001	2000	CHANGE	2001	2000	CHANGE
	($'S IN THOUSANDS)					
ABSOLUTE						
Recurring operations and maintenance expenses	$113,520	108,281	+5%	229,712	211,836	+8%
Well workover expenses	1,935	2,819	-31%	8,391	5,971	+41%
Transportation costs	18,419	12,932	+42%	35,823	24,745	+45%
Production taxes	29,549	22,473	+31%	74,058	41,871	+77%
Total production and operating expenses	$163,423	146,505	+12%	347,984	284,423	+22%
PER BOE						
Recurring operations and maintenance expenses	3.82	3.54	+8%	3.82	3.48	+10%
Well workover expenses	0.07	0.09	-31%	0.14	0.10	+42%
Transportation costs	0.62	0.42	+47%	0.60	0.41	+46%
Production taxes	0.99	0.73	+36%	1.23	0.69	+79%
Total production and operating expenses	$5.50	4.78	+15%	5.79	4.68	+24%

Recurring operations and maintenance expenses increased $5.2 million, or 5%, in the second quarter of 2001. Recurring operations and maintenance expenses increased $17.9 million, or 8%, in the first half of 2001. These increases were primarily the result of increases in fuel and electricity costs as well as increases in many third-party field service costs.

Transportation costs increased $5.5 million, or 42%, in the second quarter of 2001. Transportation costs increased $11.1 million, or 45%, in the first half of 2001. These increases were primarily due to an increase in coalbed methane gas production and increases in transportation rates.

Production taxes increased $7.1 million, or 31%, in the 2001 quarter. Also, production taxes increased $32.2 million, or 77%, in the first half of 2001. The majority of Devon's production taxes are assessed on its onshore domestic properties. In the U.S., most of the production taxes are based on a fixed percentage of revenues. Therefore, the 11% and 49% increase in domestic oil, gas and NGL revenues in the second quarter and first half of 2001, respectively, was a primary cause of the production tax increase. Production taxes did not increase proportionately to the increase in revenues. This was primarily due to the fact that most of the increase in domestic revenues occurred in the Rocky Mountain division which has higher production tax rates than the other domestic divisions.

DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES ("DD&A"). Oil and gas property related DD&A increased $9.2 million, or 6%, from $164.5 million in the second quarter of 2000 to $173.7 million in the second quarter of 2001. Oil and gas property related DD&A expense decreased $5.0 million due to the 3% decrease in combined oil, gas and NGL production in 2001. An increase in the combined U.S., Canadian and international DD&A rate from $5.37 per Boe in the 2000 quarter to $5.85 per Boe in the 2001 quarter caused oil and gas property related DD&A to increase $14.2 million. The $0.48 increase in the 2001 rate over the 2000 rate is primarily the result of an increase in future development costs and the disposition of certain properties during 2000, partially offset by an increase in total reserves.

Oil and gas property related DD&A increased $24.4 million, or 8%, from $323.5 million in the first half of 2000 to $347.9 million in the first half of 2001. Oil and gas property related DD&A expense decreased $3.7 million due to the 1% decrease in combined oil, gas and NGL production in 2001. Additionally, an increase in the combined U.S., Canadian and international DD&A rate from $5.32 per Boe in the first half of 2000 to $5.79 per Boe in the first half of 2001 caused oil and gas property related DD&A to increase $28.1 million. The $0.47 increase in the 2001 rate over the 2000 rate is primarily the result of an increase in future development costs and the disposition of certain properties during 2000, partially offset by an increase in total reserves.

Non-oil and gas property DD&A expense increased $3.3 million to $11.0 million in the second quarter of 2001 compared to $7.7 million the second quarter of 2000. Non-oil and gas property DD&A expense increased $5.6 million to $19.7 million in the first half of 2001 compared to $14.1 million in the first half of 2000. Depreciation of new non-oil and gas property and the gas pipeline and gathering system in Wyoming accounted for the increase.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
Gross G&A	$60,708	52,465	112,107	105,166
Capitalized G&A	(22,897)	(14,216)	(38,790)	(28,502)
Reimbursed G&A	(13,183)	(14,226)	(26,427)	(27,791)
Net G&A	$24,628	24,023	46,890	48,873

Net G&A increased $0.6 million, or 3%, and decreased $2.0 million, or 4%, in the second quarter and first half of 2001 compared to the same periods of 2000, respectively. Gross G&A increased $8.2 million and $6.9 million, or 16% and 7%, in the second quarter and first half of 2001 compared to the same periods of 2000, respectively. The increases in gross expenses in the second quarter and first half of 2001 were primarily related to additional personnel related costs.

Net G&A was reduced $8.7 million and $10.3 million in the second quarter and first half of 2001, respectively, due to an increase in the amount capitalized as part of oil and gas properties. The increase in capitalized G&A was primarily related to additional personnel related costs and increased drilling activities. Net G&A, however, rose $1.1 million and $1.4 million in the second quarter and first half of 2001, respectively, due to a decrease in the amount of reimbursements on operated properties. The decrease in reimbursed G&A was primarily related to the disposition of certain domestic properties which were owned in the 2000 periods but which were sold prior to the 2001 periods.

INTEREST EXPENSE. Interest expense decreased $6.5 million and $12.0 million, or 16% and 15%, in the second quarter and first half of 2001, respectively, due to a decrease in the average debt balance outstanding. The decrease in the average debt balance in both the second quarter and first half of 2001 was primarily attributable to the repayment of long-term debt from excess cash flow.

The annualized interest rates for the 2001 periods were increased as a result of the adoption of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133 ("SFAS No. 133") effective January 1, 2001. Pursuant to SFAS No. 133, the debentures that are exchangeable into shares of Chevron Corporation common stock were revalued as of August 17, 1999. This is the date the debentures were assumed as part of the PennzEnergy merger. Under SFAS No. 133, the total fair value of the debentures was allocated between the interest-bearing debt and the option that is embedded in the debentures. Accordingly, the debt portion of the debentures was reduced by $139.6 million as of August 17, 1999. This discount is being accreted in interest expense, which has raised the effective interest rate on the debentures to 7.76% in the second quarter and first six months of 2001 compared to 4.92% recorded prior to 2001. The accretion in the second quarter and first six months of 2001 was $3.1 million and $6.1 million, respectively.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
Interest based on debt outstanding	$32,007	41,346	64,408	82,044
Amortization of discounts (premiums)	2,042	(1,023)	4,027	(1,946)
Facility and agency fees	267	1,132	544	1,822
Amortization of capitalized loan costs	301	447	601	894
Capitalized interest	(620)	(846)	(1,314)	(1,542)
Other	405	(181)	674	(321)
Total interest expense	$34,402	40,875	68,940	80,951

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

REDUCTION OF CARRYING VALUE OF OIL AND GAS PROPERTIES. During the second quarter of 2001, Devon elected to discontinue operations in Malaysia, Qatar and on certain properties in Brazil. Accordingly, during the second quarter of 2001, Devon recorded a $76.9 million charge associated with the impairment of these properties. The after-tax effect of this reduction was $62.1 million.

CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS. As a result of the adoption of SFAS No. 133 effective January 1, 2001, all derivatives are included on the balance sheet at their fair value. The $7.5 million gain and $6.6 million loss included in the second quarter and first six months of 2001, respectively, principally represent the change in the fair value of derivatives that do not qualify as hedges. The change is primarily the result of changes in the fair value of the option embedded in the debentures exchangeable into shares of Chevron Corporation common stock.

INCOME TAXES. During interim periods, income tax expense is based on the estimated effective income tax rate that is expected for the entire fiscal year. The estimated effective tax rate in the second quarter of 2001 was 43% compared to 40% in the second quarter of 2000. The higher effective tax rate in the second quarter of 2001 was primarily related to the reduction of carrying value of oil and gas properties. The estimated effective tax rate was 40% in both the first half of 2001 and the first half of 2000.

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

Included as deferred tax assets at June 30, 2001, were approximately $208 million of net operating loss carryforwards. The carryforwards include U.S. federal net operating loss carryforwards, the majority of which do not begin to expire until 2008, U.S. state net operating loss carryforwards which expire primarily between 2002 and 2014, Canadian carryforwards which expire primarily between 2001 and 2007 and minimum tax credits which have no expiration. Devon expects the tax benefits from the net operating loss carryforwards to be utilized between 2001 and 2006. Such expectation is based upon current estimates of taxable income during this period, considering limitations on the annual utilization of these benefits as set forth by federal tax regulations. Significant changes in such estimates caused by variables such as future oil and gas prices or capital expenditures could alter the timing of the eventual utilization of such carryforwards. There can be no assurance that Devon will generate any specific level of continuing taxable earnings. However, Devon's management believes that future taxable income will more likely than not be sufficient to utilize substantially all its tax carryforwards prior to their expirations.

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

CAPITAL EXPENDITURES, CAPITAL RESOURCES AND LIQUIDITY

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

CAPITAL EXPENDITURES. Approximately $1.0 billion was spent in the first six months of 2001 for capital expenditures. This total includes $0.5 billion for the acquisition of oil and gas properties and $0.5 billion for the drilling or development of oil and gas properties. Approximately $0.7 billion was spent for capital expenditures in the first half of 2000. This total includes $0.2 billion for the acquisition of oil and gas properties and $0.5 billion for the drilling or development of oil and gas properties.

CAPITAL RESOURCES AND LIQUIDITY. Net cash provided by operating activities ("operating cash flow") continued to be the primary source of capital and liquidity in the first half of 2001. Operating cash flow in the first half of 2001 was $1.1 billion, compared to $0.7 billion in the first half of 2000. The increase in operating cash flow in the first half of 2001 was primarily caused by the rise in revenues, partially offset by increased expenses, as discussed earlier in this section.

Devon used its operating cash flow and additional borrowings, net of repayments, of to fund its capital expenditures and increase cash and cash equivalents by almost $250 million during the first half of 2001. As of July 31, 2001, Devon had approximately $785 million available under its $1 billion credit facilities.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET ADOPTED. In July 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. Statement 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.

Devon is required to adopt the provisions of Statement 141 immediately, and the provisions of Statement 142 effective January 1, 2002. Furthermore, any goodwill and any intangible asset determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-Statement 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of Statement 142.

Statement 141 will require upon adoption of Statement 142, that Devon evaluate its existing goodwill that was acquired in a prior purchase business combination. In connection with the transitional goodwill impairment evaluation, Statement 142 will require Devon to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this Devon must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill, to those reporting units as of the date of adoption. Devon will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and Devon must perform the second step of the transitional impairment test. In the second step, Devon must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of it assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with Statement 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in Devon's statement of operations.

As of the date of adoption, Devon expects to have unamortized goodwill in the amount of $261 million which will be subject to the transition provisions of Statements 141 and 142. Amortization expense related to goodwill was $41.3 million and $16.9 million for the year ended December 31, 2000 and the six months ended June 30, 2001, respectively. Devon has not assessed the impact of adopting these Statements on Devon's financial statements at the date of this report, including whether any transitional impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

Also in July 2001, the FASB issued Statement No. 143, Accounting for Asset Retirement Obligations. Statement No. 143 requires liability recognition for retirement obligations associated with tangible long-lived assets, such as producing well sites, offshore production platforms, and natural gas processing plants. The obligations included within the scope of Statement 143 are those for which a company faces a legal obligation for settlement. The initial measurement of the asset retirement obligation is to be fair value, defined as "the price that an entity would have to pay a willing third party of comparable credit standing to assume the liability in a current transaction other than in a forced or liquidation sale." It is expected that many companies will use a valuation technique such as expected present value to estimate fair value.

The asset retirement cost equal to the fair value of the retirement obligation is to be capitalized as part of the cost of the related long-lived asset and allocated to expense using a systematic and rational method.

Devon will be required to adopt Statement 143 effective January 1, 2003 using a cumulative effect approach to recognize transition amounts for asset retirement obligations, asset retirement costs and accumulated depreciation.

Devon currently records estimated costs of dismantlement, removal, site reclamation, and other similar activities as part of depreciation, depletion, and amortization and does not record a separate liability for such amounts. Devon has not completed the assessment of the impact that adoption of Statement No. 143 will have on its consolidated financial statements. However, Devon expects the amounts for capitalized oil and gas property costs and asset retirement obligations will increase.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information included in "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Devon's 2000 Annual Report on Form 10-K is incorporated herein by reference. Such information includes a description of Devon's potential exposure to market risks, including commodity price risk, interest rate risk and foreign currency risk. As of June 30, 2001, there have been no material changes in Devon's market risk exposure from that disclosed in the 2000 Form 10-K.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

(a) Devon's annual meeting of shareholders was held in Oklahoma City, Oklahoma at 10:00 a.m. local time, on Thursday May 17, 2001.

(b) Proxies for the meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934, as amended. There was no solicitation in opposition to the nominees for election as directors as listed in the proxy statement and all nominees were elected.

(c) Out of a total of 129,413,681 shares of Devon's common stock outstanding and entitled to vote, 116,844,380 shares were present at the meeting in person or by proxy, representing approximately 90 percent of the total outstanding. The only matter voted upon at the meeting was the election of three directors to serve on Devon's board of directors until the 2004 annual meeting of shareholders. The vote tabulation with respect to each nominee was as follows:

NOMINEE	FOR	AUTHORITY WITHHELD
Thomas F. Ferguson	115,994,004	850,376
David M. Gavrin	116,054,793	789,587
Michael E. Gellert	113,178,278	3,666,102

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

Exhibit No.	
10.1.2	Second Amendment to U.S. Credit Agreement dated as of June 27, 2001, among Registrant, Bank of America, N.A., individually and as administrative agent, and the U.S. Lenders party to the Original Agreement.
10.2.2	Second Amendment to Canadian Credit Agreement dated as of June 27, 2001, among Northstar Energy Corporation, Bank of America Canada, individually and as administrative agent, and the Canadian Lenders party to the Original Agreement.

(b) Reports on Form 8-K.

None

SIGNATURES

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

DEVON ENERGY CORPORATION

Date: August 14, 2001	*/s/ Danny J. Heatly* --------------------------------- *Danny J. Heatly* *Vice President - Accounting*

INDEX TO EXHIBITS

EXHIBIT 10.1.2

SECOND AMENDMENT TO US CREDIT AGREEMENT

THIS SECOND AMENDMENT TO US CREDIT AGREEMENT (herein called this "Amendment") made as of June 27, 2001 by and among Devon Energy Corporation, a Delaware corporation ("US Borrower"), Bank of America, N.A., individually and as administrative agent ("US Agent"), and the US Lenders party to the Original Agreement defined below ("US Lenders").

WITNESSETH:

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

WHEREAS, US Borrower, US Agent and US Lenders desire to amend the Original Agreement as set forth herein;

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

ARTICLE I.

Definitions and References

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

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

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

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

ARTICLE II.

Amendments to Original Agreement

Section 2.1. Defined Terms. The following additional defined terms are hereby added to Annex I of the Original Agreement in appropriate alphabetical order to read as follows:

"Devon Stock Repurchases" the purchase, redemption, or other acquisition for value by US Borrower of shares of its Common Stock, par value $0.10.

"Repurchased Devon Stock" means the shares of US Borrower's Common Stock, par value $0.10, repurchased by US Borrower pursuant to Devon Stock Repurchases.

Section 2.2. Use of Proceeds. The next to last sentence of Section 1.4 of the Original Agreement is hereby deleted and the following new sentence is hereby substituted therefor:

"In no event shall the funds from any US Loan or any Letter of Credit be used directly or indirectly by any Person for personal, family, household or agricultural purposes or for the purpose, whether immediate, incidental or ultimate, of purchasing, acquiring or carrying any "margin stock" (as such term is defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System) or to extend credit to others directly or indirectly for the purpose of purchasing or carrying any such margin stock; provided that US Borrower may make Devon Stock Repurchases in compliance with such Regulation U and the other provisions of this Agreement."

Section 2.3. Limitation on Restricted Payments. Section 7.5 of the Original Agreement is hereby amended in its entirety to read as follows:

"Section 7.5. Limitation on Restricted Payments. The aggregate amount of Restricted Payments made by the Restricted Persons during any Fiscal Year shall not exceed twenty percent (20%) of the book value of the Consolidated Assets of US Borrower as of the end of the immediately preceding Fiscal Year, as adjusted to take into account any increase associated with an acquisition or merger."

Section 2.4. Disclosure Schedule. Paragraph 6 of the Disclosure Schedule to the Original Agreement is hereby deleted and replaced by the list set forth in Schedule 1 hereto, on which the following two new Subsidiaries have been added: Tall Grass Gas Services, L.L.C. and Devon Energy Charitable Foundation.

ARTICLE III.

Conditions of Effectiveness

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

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

(i) this Amendment executed by US Borrower, US Agent and US Required Lenders;

(ii) a certificate of the Senior Vice President - Finance or the Treasurer of US Borrower dated the date of this Amendment certifying: (i) that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of such date, and (ii) that no Default exists at and as of such date.

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

ARTICLE IV.

Representations and Warranties

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

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

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

(c) The execution and delivery by US Borrower of this Amendment, the performance by US Borrower of its obligations hereunder and the consummation of the transactions contemplated hereby do not and will not (i) conflict with any provision of (A) any Law, (B) the organizational documents of US Borrower, or (C) any agreement, judgment, license, order or permit applicable to or binding upon US Borrower unless such conflict would not reasonably be expected to have a Material Adverse Effect, or (ii) result in or require the creation of any Lien upon any assets or properties of US Borrower which would reasonably be expected to have a Material Adverse Effect, except as expressly contemplated or permitted in the Loan Documents. Except as expressly contemplated in the Loan Documents no consent, approval, authorization or order of, and no notice to or filing with, any Tribunal or third party is required in connection with the execution, delivery or performance by US Borrower of this Amendment or to consummate any transactions contemplated by this Amendment, unless failure to obtain such consent would not reasonably be expected to have a Material Adverse Effect.

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

(e) The audited annual Consolidated financial statements of US Borrower dated as of December 31, 2000 and the unaudited quarterly Consolidated financial statements of US Borrower dated as of March 31, 2001 fairly present the Consolidated financial position at such dates and the Consolidated statement of operations and the changes in Consolidated financial position for the periods ending on such dates for US Borrower. Copies of such financial statements have heretofore been delivered to each US Lender. Since such dates no material adverse change has occurred in the financial condition or businesses or in the Consolidated financial condition or businesses of US Borrower.

ARTICLE V.

Miscellaneous

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

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

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

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

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

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

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

DEVON ENERGY CORPORATION
US Borrower

By: /s/ William T. Vaughn

William T. Vaughn
Senior Vice President - Finance

ABN AMRO BANK, N.V.
Lender

By: /s/

Name:
Title:

By: /s/

Name:
Title:

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

By: /s/ J. Scott Fowler

Name: J. Scott Fowler
Title: Managing Director

BANK OF MONTREAL
Lender

By: /s/ James B. Whitmore

Name: James B. Whitmore
Title: Managing Director

BANK OF TOKYO - MITSUBISHI LTD.
HOUSTON AGENCY
Lender

By: /s/

Name:
Title:

BANK ONE, NA
Lender

By: /s/ Ronald L. Dierker

Name: Ronald L. Dierker
Title: Director, Capital Markets

BAYERISCHE LANDESBANK GIROZENTRALE, CAYMAN ISLANDS BRANCH
Lender

By: /s/ Hereward Drummond

Name: Hereward Drummond
Title: Senior Vice President

By: /s/ James H. Boyle

Name: James H. Boyle
Title: Vice President

CIBC, INC.
Lender

By: /s/ Nora Q. Catiis

Name: Nora Q. Catiis
Title: Authorized Signatory

CITIBANK, N.A.
Lender

By: /s/ Todd J. Mogil

Name: Todd J. Mogil
Title: Attorney-In-Fact

CREDIT LYONNAIS NEW YORK BRANCH
Lender

By: /s/ Philippe Soustra

Name: Philippe Soustra
Title: Executive Vice President

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

By: /s/ Hans C. Narberhaus
Name: Hans C. Narberhaus
Title: Vice President

By: /s/ David G. Dickinson, Jr.
Name: David G. Dickinson, Jr.
Title: Vice President

FIRST UNION NATIONAL BANK
Lender

By: /s/ Robert R. Wetteroff
Name: Robert R. Wetteroff
Title: Senior Vice President

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Lender

By: /s/ Russell A. Johnson
Name: Russell A. Johnson
Title: Vice President

ROYAL BANK OF CANADA
Lender

By: /s/ Lorne A. Gartner
Name: Lorne A. Gartner
Title: Vice President

SUNTRUST BANK, ATLANTA
Lender

By: /s/ David J. Edge
Name: David J. Edge
Title: Director

THE BANK OF NEW YORK
Lender

By: /s/ Raymond J. Palmer
Name: Raymond J. Palmer
Title: Vice President

THE CHASE MANHATTAN BANK
Lender

By: /s/ Russell A. Johnson
Name: Russell A. Johnson
Title: Vice President

THE FUJI BANK, LIMITED
Lender

By: /s/ Jacques Azagury
Name: Jacques Azagury
Title: Senior Vice President & Manager

TORONTO-DOMINION (TEXAS), INC.
Lender

By: /s/ Debbie A. Greene
Name: Debbie A. Greene
Title: Vice President

UMB BANK
Lender

By: /s/ Richard J. Lehrter
Name: Richard J. Lehrter
Title: Community Bank President

WESTDEUTSCHE LANDESBANK GIROZENTRALE
Lender

By: /s/
Name:
Title:

By: /s/
Name:
Title:

SCHEDULE 1

AMENDMENT TO DISCLOSURE SCHEDULE

6. Section 5.11 US Borrower's Subsidiaries: The following entities are, directly or indirectly, wholly owned by US Borrower (unless otherwise noted):

Devon Energy Corporation (Oklahoma), an Oklahoma corporation

Devon Energy Management Company, L.L.C.

Devon Financing Trust II

DBC, Inc., an Oklahoma corporation

Devon Holding Corporation, f/k/a/ Devon Acquisition Corporation, a Delaware corporation

Devon Production Corporation, a Nevada corporation

Catclaw Pipeline, Inc., an Oklahoma corporation

Northstar Energy Corporation (100% of common shares)

Devon Energy Canada, Ltd.

Devon Energy Insurance Company Limited

Richland Development Corporation

Canoa Ranch Corporation

Richland Transition Company

Strategic Trust Company

Vermejo Park Corporation

Vermejo Minerals Corporation

Devon Financing Trust (100% of common securities)

Thunder Creek Gas Services, L.L.C. (75%)

Sage Creek Processors, L.L.C.

American Sulphur Export Corporation (50%) which owns 100% of Amsulex, Inc.

Foothills Partnership (1%)

Morrison Nuclear Inc.

Devon Energy Partners A Limited Partnership

Mountain Energy Inc.

Northstar Energy Partnership

Devon Energy Production Company, L.P.

Bonito Pipe Line Company

Cachuma Gas Processing Company

Canyon Reef Carriers, Inc.

Capitan Oil Pipeline Company

Pennzoil Energy Marketing Company

Pennzoil Gas Marketing Company

Devon Energy International Company

Pennzoil Asiatic Inc.

Devon Energy Egypt, Inc.

Pennzoil Qatar Inc.

Azerbaijan International Operating Corporation (5%)

Caspian International Petroleum Company (30%)

Devon Energy Beni Suef Inc.

Devon Energy Caspian Corporation

Pennzoil Caspian Development Corporation

Devon Energy Exploration Brazil, Inc.

Devon Energy Brasil, Ltda.

Devon Energy Qatar Production, Inc.

Devon Energy Red Sea, Inc.

Fanar Petroleum Company (50%)

Devon Energy Sinai, Inc.

Devon Energy Suez, Inc.

Pennzoil Venezuela Corporation SA

Nueces Intrastate Pipe Line Company

Devon Energy Intrastate Pipeline Company

Devon Energy Offshore Pipeline Company

Devon Energy Petroleum Pipeline Company

Pennzoil Petroleums Ltd.

Pennzoil Resources Canada Ltd.

PennzEnergy (U.K.) Company

Pepco Partners, L.P. (20%)

Sisquoc Gas Pipeline Company

Tiburon Transport Company

892306 Alberta Ltd..

Canadian Gas Gathering Systems II, Inc.

167496 Canada Ltd. (64%)

Devon-Blanco Company

Morrison Gas Gathering Inc.

Morrison Operating Company Ltd.

Morrison Petroleums, Ltd.

Northstar Energy Inc.

Richland Properties Company, L.L.C.

BN Coal, L.L.C.

BN Non-Coal, L.L.C.

B&N Co. A Limited Partnership

Blackwood & Nichols Co. A Limited Partnership

Devon SFS Operating, Inc. (formerly Devon Merger Co./Santa Fe Snyder Corporation)

Santa Fe Platform Management, Inc.

Security Purchasing, Inc.

Snyder Fluid Technology, Inc.

Snyder Gas Marketing, Inc.

SOCO Technologies, Inc.

SOCO Gas Systems, Inc.

SOCO Louisiana Leasing, Inc.

Adobe Offshore Pipeline Company

Santa Fe Pacific Fuels Company

Mexican Flats Service Company, Inc.

Wyoming Gathering and Production Company, Inc.

SOCO International, Inc.

SOCO International Holdings, Inc.

Santa Fe Energy Resources (Delaware), Ltd.

SFERI, Inc.
Santa Fe Energy Resources of Ghana, Ltd.

Santa Fe Energy Resources International, Ltd.

Santa Fe Energy Resources (New Ventures II), Ltd.

Santa Fe Energy Resources (New Ventures III), Ltd.

Santa Fe Energy Resources (New Ventures IV), Ltd.

Santa Fe Energy Resources (Cote D'Ivoire) Ltd.

Santa Fe Energy Resources Port Bouet Ltd.

Santa Fe Energy Resources (Bermuda) Limited.

Santa Fe Energy Resources Kepala Burung Limited

Santa Fe Energy Resources Bangko Ltd.

Santa Fe Energy Resources Pagatan Ltd.

Santa Fe Energy Resources of China, Ltd.

Santa Fe Energy Resources of Malaysia, Ltd.

Santa Fe Energy Resources (Thai Holding), Ltd.

Santa Fe Energy Resources (Thailand), Ltd.

Santa Fe Energy Resources Congo, Ltd.

Santa Fe Energy Resources Gabon (Agali), Ltd.

Santa Fe Energy Resources (Brazil Holdings I), Ltd.

Santa Fe Energy Resources (Brazil Holdings II), Ltd.

SFR Petroleo Do Brazil Ltda.

SFS (International), Ltd.

SFS (Holdings), Ltd.

Santa Fe Energy Resources (Jabung), Ltd.

Santa Fe Energy Resources Limited

Santa Fe Energy Resources of Gabon, Ltd.

Petrolera Santa Fe S.A.

Braemar Shipping Company Limited

Santa Fe Energy Resources South East Asia Limited

746481 Alberta Ltd.

Trend Exploration (PNG) Party Ltd.

Santa Fe Energy Resources of Gabon (Mondah Bay), Ltd.

Santa Fe Energy Resources of Canada, Inc.

Santa Fe Energy Resources of Myanmar, Ltd.

Petrolera Santa Fe (Columbia), Ltd.

Santa Fe Energy Resources of Peru, Ltd.

Santa Fe Energy Resources of Bolivia, Inc.

Santa Fe Energy Company of Argentina

Trend Argentina S.A.

Santa Fe Energy Resources of Morocco, Ltd.

Gulf Coast American Corp.

SFS Malta One, Inc.

SFS Malta Two, Inc.

SFS (France) SARL

Ceara Star (Malta) Ltd.

SFS Malta Holding Company Ltd.

SFS Malta International Trading Company Ltd.

Tall Grass Gas Services, L.L.C.

Devon Energy Charitable Foundation

EXHIBIT 10.2.2

SECOND AMENDMENT TO CANADIAN CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CANADIAN CREDIT AGREEMENT (herein called this "Amendment") made as of June 27, 2001 by and among Northstar Energy Corporation, an Alberta corporation ("Canadian Borrower"), Bank of America Canada, individually and as administrative agent ("Canadian Agent"), and the Canadian Lenders party to the Original Agreement defined below ("Canadian Lenders").

WITNESSETH:

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

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

WHEREAS, Canadian Borrower, Canadian Agent and Canadian Lenders desire to amend the Original Agreement as set forth herein;

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

ARTICLE I.

Definitions and References

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

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

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

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

ARTICLE II.

Amendments to Original Agreement

Section 2.1. Defined Terms. The following additional defined terms are hereby added to Annex I of the Original Agreement in appropriate alphabetical order to read as follows:

"Devon Stock Repurchases" the purchase, redemption, or other acquisition for value by US Borrower of shares of its Common Stock, par value $0.10.

"Repurchased Devon Stock" means the shares of US Borrower's Common Stock, par value $0.10, repurchased by US Borrower pursuant to Devon Stock Repurchases.

Section 2.2. Use of Proceeds. The next to last sentence of Section 1.4 of the Original Agreement is hereby deleted and the following new sentence is hereby substituted therefor:

"In no event shall the funds from any Canadian Loan or any Letter of Credit be used directly or indirectly by any Person for personal, family, household or agricultural purposes or for the purpose, whether immediate, incidental or ultimate, of purchasing, acquiring or carrying any "margin stock" (as such term is defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System) or to extend credit to others directly or indirectly for the purpose of purchasing or carrying any such margin stock; provided that Canadian Borrower may extend credit to US Borrower, directly or indirectly, to be used to make Devon Stock Repurchases in compliance with the US Agreement."

Section 2.3. Limitation on Restricted Payments. Section 7.5 of the Original Agreement is hereby amended in its entirety to read as follows:

"Section 7.5. Limitation on Restricted Payments. The aggregate amount of Restricted Payments made by the Restricted Persons during any Fiscal Year shall not exceed twenty percent (20%) of the book value of the Consolidated Assets of US Borrower as of the end of the immediately preceding Fiscal Year, as adjusted to take into account any increase associated with an acquisition or merger."

Section 2.4. Disclosure Schedule. Paragraph 6 of the Disclosure Schedule to the Original Agreement is hereby deleted and replaced by the list set forth in Schedule 1, on which the following two new Subsidiaries have been added: Tall Grass Gas Services, L.L.C. and Devon Energy Charitable Foundation.

ARTICLE III.

Conditions of Effectiveness

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

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

(i) this Amendment executed by Canadian Borrower, Canadian Agent and Canadian Required Lenders;

(ii) a certificate of the Chairman of the Board, President, or Vice President - Finance of Canadian Borrower dated the date of this Amendment certifying: (i) that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of such date, and (ii) that no Default exists at and as of such date.

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

ARTICLE IV.

Representations and Warranties

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

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

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

(c) The execution and delivery by Canadian Borrower of this Amendment, the performance by Canadian Borrower of its obligations hereunder and the consummation of the transactions contemplated hereby do not and will not (i) conflict with any provision of (A) any Law, (B) the organizational documents of Canadian Borrower, or (C) any agreement, judgment, license, order or permit applicable to or binding upon Canadian Borrower unless such conflict would not reasonably be expected to have a Material Adverse Effect, or (ii) result in or require the creation of any Lien upon any assets or properties of Canadian Borrower which would reasonably be expected to have a Material Adverse Effect, except as expressly contemplated or permitted in the Loan Documents. Except as expressly contemplated in the Loan Documents no consent, approval, authorization or order of, and no notice to or filing with, any Tribunal or third party is required in connection with the execution, delivery or performance by Canadian Borrower of this Amendment or to consummate any transactions contemplated by this Amendment, unless failure to obtain such consent would not reasonably be expected to have a Material Adverse Effect.

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

(e) The audited annual Consolidated financial statements of US Borrower dated as of December 31, 2000 and the unaudited quarterly Consolidated financial statements of US Borrower dated as of March 31, 2001 fairly present the Consolidated financial position at such dates and the Consolidated statement of operations and the changes in Consolidated financial position for the periods ending on such dates for US Borrower. Copies of such financial statements have heretofore been delivered to each Canadian Lender. Since such dates no material adverse change has occurred in the financial condition or businesses or in the Consolidated financial condition or businesses of US Borrower.

ARTICLE V.

Miscellaneous

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

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

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

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

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

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

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

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

NORTHSTAR ENERGY CORPORATION
Canadian Borrower

By: /s/ Paul Brereton

Paul Brereton
Vice President - Finance

ABN AMRO BANK CANADA
Lender

By: /s/

Name:
Title:

By: /s/

Name:
Title:

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

By: /s/ Donald R. Chang

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

BANK OF TOKYO - MITSUBISHI (CANADA)
Lender

By: /s/

Name:
Title:

BANK ONE, NA CANADA BRANCH
Lender

By: /s/ Jeanie C. Harman

Name: Jeanie C. Harman
Title: First Vice President

BAYERISCHE LANDESBANK GIROZENTRALE,
CAYMAN ISLANDS BRANCH
Lender

By: /s/ Hereward Drummond

Name: Hereward Drummond Title:
Senior Vice President

By: /s/ James H. Boyle

Name: James H. Boyle
Title: Vice President

CANADIAN IMPERIAL BANK OF COMMERCE
Lender

By: /s/ Joelle Schellenberg

Name: Joelle Schellenberg
Title: Director

By: /s/ Chris A. Perks

Name: Chris A. Perks
Title: Executive Director

CITIBANK CANADA
Lender

By: /s/

Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH
Lender

By: /s/ Philippe Soustra

Name: Philippe Soustra
Title: Executive Vice President

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

By: /s/ Hans C. Narberhaus

Name: Hans C. Narberhaus
Title: Vice President

By: /s/ David G. Dickinson, Jr.

Name: David G. Dickinson, Jr.
Title: Vice President

FIRST UNION NATIONAL BANK
Lender

By: /s/ Robert R. Wetteroff

Name: Robert R. Wetteroff
Title: Senior Vice President

J.P. MORGAN CANADA
Lender

By:/s/ Leigh Knowles

Name: Leigh Knowles
Title: VP & Controller

ROYAL BANK OF CANADA
Lender

By: /s/ Lorne A. Gartner

Name: Lorne A. Gartner
Title: Vice President

SUNTRUST BANK, ATLANTA
Lender

By: /s/

Name:
Title:

By: /s/

Name:
Title:

THE BANK OF NEW YORK
Lender

By: /s/ Raymond J. Palmer

Name: Raymond J. Palmer
Title: Vice President

THE CHASE MANHATTAN BANK
Lender

By: /s/

Name:
Title:

THE FUJI BANK, LIMITED
Lender

By: /s/ Jacques Azagury

Name: Jacques Azagury
Title: Senior Vice President & Manager

UMB BANK
Lender

By: /s/ Richard J. Lehrter

Name: Richard J. Lehrter
Title: Community Bank President

WESTDEUTSCHE LANDESBANK GIROZENTRALE
Lender

By: /s/

Name:
Title:

By: /s/

Name:
Title:

SCHEDULE 1

AMENDMENT TO DISCLOSURE SCHEDULE

6. Section 5.11 US Borrower's Subsidiaries: The following entities are, directly or indirectly, wholly owned by US Borrower (unless otherwise noted):

Devon Energy Corporation (Oklahoma), an Oklahoma corporation

Devon Energy Management Company, L.L.C.

Devon Financing Trust II

DBC, Inc., an Oklahoma corporation

Devon Holding Corporation, f/k/a/ Devon Acquisition Corporation, a Delaware corporation

Devon Production Corporation, a Nevada corporation

Catclaw Pipeline, Inc., an Oklahoma corporation

Northstar Energy Corporation (100% of common shares)

Devon Energy Canada, Ltd.

Devon Energy Insurance Company Limited

Richland Development Corporation

Canoa Ranch Corporation

Richland Transition Company

Strategic Trust Company

Vermejo Park Corporation

Vermejo Minerals Corporation

Devon Financing Trust (100% of common securities)

Thunder Creek Gas Services, L.L.C. (75%)

Sage Creek Processors, L.L.C.

American Sulphur Export Corporation (50%) which owns 100% of Amsulex, Inc.

Foothills Partnership (1%)

Morrison Nuclear Inc.

Devon Energy Partners A Limited Partnership

Mountain Energy Inc.

Northstar Energy Partnership

Devon Energy Production Company, L.P.

Bonito Pipe Line Company

Cachuma Gas Processing Company

Canyon Reef Carriers, Inc.

Capitan Oil Pipeline Company

Pennzoil Energy Marketing Company

Pennzoil Gas Marketing Company

Devon Energy International Company

Pennzoil Asiatic Inc.

Devon Energy Egypt, Inc.

Pennzoil Qatar Inc.

Azerbaijan International Operating Corporation (5%)

Caspian International Petroleum Company (30%)

Devon Energy Beni Suef Inc.

Devon Energy Caspian Corporation

Pennzoil Caspian Development Corporation

Devon Energy Exploration Brazil, Inc.

Devon Energy Brasil, Ltda.

Devon Energy Qatar Production, Inc.

Devon Energy Red Sea, Inc.

Fanar Petroleum Company (50%)

Devon Energy Sinai, Inc.

Devon Energy Suez, Inc.

Pennzoil Venezuela Corporation SA

Nueces Intrastate Pipe Line Company

Devon Energy Intrastate Pipeline Company

Devon Energy Offshore Pipeline Company

Devon Energy Petroleum Pipeline Company

Pennzoil Petroleums Ltd.

Pennzoil Resources Canada Ltd.

PennzEnergy (U.K.) Company

Pepco Partners, L.P. (20%)

Sisquoc Gas Pipeline Company

Tiburon Transport Company

892306 Alberta Ltd..

Canadian Gas Gathering Systems II, Inc.

167496 Canada Ltd. (64%)

Devon-Blanco Company

Morrison Gas Gathering Inc.

Morrison Operating Company Ltd.

Morrison Petroleums, Ltd.

Northstar Energy Inc.

Richland Properties Company, L.L.C.

BN Coal, L.L.C.

BN Non-Coal, L.L.C.

B&N Co. A Limited Partnership

Blackwood & Nichols Co. A Limited Partnership

Devon SFS Operating, Inc. (formerly Devon Merger Co./Santa Fe Snyder Corporation)

Santa Fe Platform Management, Inc.

Security Purchasing, Inc.

Snyder Fluid Technology, Inc.

Snyder Gas Marketing, Inc.

SOCO Technologies, Inc.

SOCO Gas Systems, Inc.

SOCO Louisiana Leasing, Inc.

Adobe Offshore Pipeline Company

Santa Fe Pacific Fuels Company

Mexican Flats Service Company, Inc.

Wyoming Gathering and Production Company, Inc.

SOCO International, Inc.

SOCO International Holdings, Inc.

Santa Fe Energy Resources (Delaware), Ltd.

SFERI, Inc.

Santa Fe Energy Resources of Ghana, Ltd.

Santa Fe Energy Resources International, Ltd.

Santa Fe Energy Resources (New Ventures II), Ltd.

Santa Fe Energy Resources (New Ventures III), Ltd.

Santa Fe Energy Resources (New Ventures IV), Ltd.

Santa Fe Energy Resources (Cote D'Ivoire) Ltd.

Santa Fe Energy Resources Port Bouet Ltd.

Santa Fe Energy Resources (Bermuda) Limited.

Santa Fe Energy Resources Kepala Burung Limited

Santa Fe Energy Resources Bangko Ltd.

Santa Fe Energy Resources Pagatan Ltd.

Santa Fe Energy Resources of China, Ltd.

Santa Fe Energy Resources of Malaysia, Ltd.

Santa Fe Energy Resources (Thai Holding), Ltd.

Santa Fe Energy Resources (Thailand), Ltd.

Santa Fe Energy Resources Congo, Ltd.

Santa Fe Energy Resources Gabon (Agali), Ltd.

Santa Fe Energy Resources (Brazil Holdings I), Ltd.

Santa Fe Energy Resources (Brazil Holdings II), Ltd.

SFR Petroleo Do Brazil Ltda.

SFS (International), Ltd.

SFS (Holdings), Ltd.

Santa Fe Energy Resources (Jabung), Ltd.

Santa Fe Energy Resources Limited

Santa Fe Energy Resources of Gabon, Ltd.

Petrolera Santa Fe S.A.

Braemar Shipping Company Limited

Santa Fe Energy Resources South East Asia Limited

746481 Alberta Ltd.

Trend Exploration (PNG) Party Ltd.

Santa Fe Energy Resources of Gabon (Mondah Bay), Ltd.

Santa Fe Energy Resources of Canada, Inc.

Santa Fe Energy Resources of Myanmar, Ltd.

Petrolera Santa Fe (Columbia), Ltd.

Santa Fe Energy Resources of Peru, Ltd.

Santa Fe Energy Resources of Bolivia, Inc.

Santa Fe Energy Company of Argentina

Trend Argentina S.A.

Santa Fe Energy Resources of Morocco, Ltd.

Gulf Coast American Corp.

SFS Malta One, Inc.

SFS Malta Two, Inc.

SFS (France) SARL

Ceara Star (Malta) Ltd.

SFS Malta Holding Company Ltd.

SFS Malta International Trading Company Ltd.

Tall Grass Gas Services, L.L.C.

Devon Energy Charitable Foundation