

DEVON ENERGY CORP/DE

FORM 8-K (Current report filing)

Filed 04/06/06 for the Period Ending 04/06/06

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

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event report): April 6, 2006

DEVON ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

001-32318

(Commission File Number)

73-1567067

(IRS Employer
Identification Number)

20 NORTH BROADWAY, OKLAHOMA CITY, OK

(Address of Principal Executive Offices)

73102

(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 8.01 Other Events

On April 6, 2006, Devon Energy Corporation updated its guidance for the first quarter and full year 2006 for certain operating items and announced that it expects to record a non-cash charge in the first quarter of 2006.

Devon Energy Corporation hereby furnishes the information set forth in its Press Release, dated April 6, 2006, a copy of which is attached as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Devon Energy Corporation Press Release dated April 6, 2006.

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 hereto duly authorized.

DEVON ENERGY CORPORATION

By: /s/ Danny J. Heatly
Danny J. Heatly
Vice President — Accounting

Date: April 6, 2006



20 North Broadway
Oklahoma City, Oklahoma 73102-8260

Telephone: (405) 235-3611
Fax: (405) 552-4667

NEWS RELEASE

Investor contact: Zack Hager
(405) 552-4526

Media contact: Brian Engel
(405) 228-7750

DEVON ENERGY UPDATES GUIDANCE; ANTICIPATES NON-CASH CHARGE

OKLAHOMA CITY — April 6, 2006 — Devon Energy Corporation (NYSE:DVN) today updated its guidance for the first quarter and full year 2006 for certain operating items. The company also reported today that it expects to record a non-cash charge in the first quarter of 2006. Devon plans to issue a comprehensive update of its full year estimates in a Form 8-K to be filed with the Securities and Exchange Commission during the first week of May 2006.

Revised Oil and Gas Production Estimates

Devon estimates that first quarter 2006 companywide oil and gas production will be approximately 50 million equivalent barrels of oil (Boe). The previous estimate was 52 million Boe. Devon also revised its full year oil and gas production estimate to 215 million Boe to adjust for reduced volumes in the first quarter. Devon had previously forecast that it would produce 217 million Boe in 2006. The company reaffirmed its 2007 production forecast of 232 million to 236 million Boe.

The reduction in first quarter production is primarily attributable to lingering delays in restoring production suspended because of the 2005 Gulf of Mexico hurricanes. In total, Devon had approximately 23,000 Boe per day, or 2.1 million Boe in aggregate, suspended throughout the first quarter. Devon had expected a significant portion of this production to be restored during the first quarter. Most significantly, approximately 13,000 Boe per day of production from its Red Hawk and West Cameron 291/165 properties was expected to resume in February 2006. However, resumption of this production was dependent upon repairs to a downstream third party pipeline system. The expected completion of the pipeline repairs has been delayed until the second quarter of 2006. In addition to the 13,000 Boe per day expected to be restored in the second quarter, Devon expects to restore the remaining 10,000 Boe per day of suspended Gulf of Mexico volumes over the next 12 months.

Also contributing to the reduced production estimate were delays encountered in the Barnett Shale field in north Texas. Delays in pipeline construction into Johnson and Parker counties were caused by welding bans and other fire control measures initiated in response to a regional drought. Following recent rains, the welding bans have been lifted. The company had 24 wells awaiting pipeline completion at March 31, 2006. These factors reduced first quarter 2006 Barnett Shale production by an estimated 500,000 Boe.

Price Realizations

Devon also provided additional guidance concerning first quarter 2006 natural gas price realizations in the United States and oil price realizations in Canada. Following the 2005 hurricanes, first quarter benchmark NYMEX natural gas prices were high by historical standards. However, because of regional transportation limitations, much of the country's gas production did not benefit from the increase in NYMEX prices brought about by the hurricanes. These discounts, or differentials, were especially wide in January but began to approach more normal levels in February and March as the NYMEX price declined.

In Canada, the differentials for both heavy sour and light sweet crude oils were wider than expected in the first quarter. This was attributable to several factors including reduced refining capacity due to operational interruptions and scheduled maintenance of refineries.

As a result of the wider price differentials, Devon expects its first quarter 2006 price realizations for U.S. natural gas and for Canadian oil to be at or near the low ends of its full year estimated ranges. The low ends of the estimated ranges are 74 percent of NYMEX for U.S. onshore gas, 92 percent of NYMEX for U.S. offshore gas and 65 percent of NYMEX for Canadian oil. The company is not revising its full year estimated ranges for natural gas and oil price realizations as a percent of NYMEX. Devon believes that area price differentials will narrow over the remainder of 2006.

Non-Cash Charge

Devon expects to record a non-cash impairment charge in the first quarter of 2006 related to certain of its international exploration assets. Confidentiality agreements preclude the company from identifying the affected assets until the required approvals are obtained. The amount of the first quarter non-cash impairment is expected to be \$80 million to \$90 million, both before and after income taxes.

Devon Energy Corporation is an Oklahoma City-based independent energy company engaged in oil and gas exploration, production and property acquisitions. Devon is the largest U.S.-based independent oil and gas producer and is included in the S&P 500 Index. For additional information, visit www.devonenergy.com.

This press release includes "forward-looking statements" as defined by the Securities and Exchange Commission. Such statements are those concerning strategic plans, expectations and objectives for future operations. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the company expects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the company. Statements regarding future production are subject to all of the risks and uncertainties normally incident to the exploration for and development and production of oil and gas. These risks include, but are not limited to, inflation or lack of availability of goods and services, environmental risks, drilling risks and regulatory changes. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

###