DEVON ENERGY CORP /OK/

FORM 10-Q
(Quarterly Report)

Filed 05/07/96 for the Period Ending 03/31/96

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

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FORM 10-Q
(Quarterly Report)

Filed 5/7/1996 For Period Ending 3/31/1996

Address	20 N BROADWAY STE 1500
	OKLAHOMA CITY, Oklahoma 73102-8260
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CIK	0000837330
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 March 31, 1996

OR

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

Commission File No. 1-10067

DEVON ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	73-1333969 (I.R.S. Employer Identification Number)
20 N. Broadway, Suite 1500 Oklahoma City, Oklahoma (Address of Principal Executive Offices)	73102 (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 May 3, 1996, was 22,113,896.

1 of 32 total pages

(Exhibit Index is found at page 23)

DEVON ENERGY CORPORATION

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to the Securities and Exchange Commission

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DEVON ENERGY CORPORATION

Part I. Financial Information

Item 1. Consolidated Financial Statements March 31, 1996 and 1995

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

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

	March 31, 1996 (Unaudited)	December 31, 1995
Assets		
Current assets:		
Cash and cash equivalents	$ 18,378,505	8,897,891
Accounts receivable	14,591,150	14,400,295
Inventories	566,850	605,263
Prepaid expenses	725,152	222,135
Deferred income taxes	749,000	749,000
Total current assets	35,010,657	24,874,584
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties	649,989,546	631,437,904
Less: Accumulated depreciation, depletion and amortization	249,497,053	239,619,167
	400,492,493	391,818,737
Other assets	4,408,597	4,870,796
Total assets	$439,911,747	421,564,117
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable:		
Trade	3,512,983	3,868,458
Revenues and royalties due to others	6,291,447	7,322,418
Income taxes payable	1,664,368	1,364,070
Accrued expenses	2,049,546	3,003,943
Total current liabilities	13,518,344	15,558,889
Revenues and royalties due to others	1,038,672	816,412
Other liabilities	8,975,090	8,623,057
Long-term debt	155,000,000	143,000,000
Deferred revenue	56,383	72,761
Deferred income taxes	37,375,000	34,452,000
Stockholders' equity:		
Preferred stock of $1.00 par value. Authorized 3,000,000 shares; none issued	-	-
Common stock of $.10 par value. Authorized 120,000,000 shares; issued 22,113,896 in 1996 and 22,111,896 in 1995	2,211,390	2,211,190
Additional paid-in capital	167,446,897	167,430,347
Retained earnings	54,289,971	49,399,461
Total stockholders' equity	223,948,258	219,040,998
Total liabilities and stockholders' equity	$439,911,747	421,564,117

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

	Three Months Ended March 31, 1996	1995
	(Unaudited)	
Revenues		
Oil sales	$16,144,794	11,989,301
Gas sales	14,621,634	9,900,005
Natural gas liquids sales	2,967,801	1,630,262
Other	313,831	242,759
Total revenues	34,048,060	23,762,327
Costs and expenses		
Lease operating expenses	7,418,179	6,765,321
Production taxes	2,141,917	1,676,456
Depreciation, depletion and amortization	10,126,984	9,459,252
General and administrative expenses	2,135,898	2,336,770
Interest expense	2,481,156	1,783,726
Total costs and expenses	24,304,134	22,021,525
Earnings before income taxes	9,743,926	1,740,802
Income tax expense		
Current	1,267,000	-
Deferred	2,923,000	714,000
Total income tax expense	4,190,000	714,000
Net earnings	$ 5,553,926	1,026,802
Net earnings per average common share outstanding	$0.25	0.05
Weighted average common shares outstanding	22,112,489	22,050,996

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Three Months Ended March 31, 1996	1995
	(Unaudited)	
Cash flows from operating activities		
Net earnings	$5,553,926	1,026,802
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	10,126,984	9,459,252
(Gain) loss on sale of assets	(34,897)	(8,907)
Deferred income taxes	2,923,000	714,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(190,855)	2,982,357
Inventories	164,706	(371)
Prepaid expenses	(503,017)	(527,882)
Other assets	208,323	628,860
Increase (decrease) in:		
Accounts payable	(1,571,415)	970,381
Income taxes payable	300,298	-
Accrued expenses	(954,397)	(859,067)
Revenues and royalties due to others	222,260	-
Long-term other liabilities	85,648	-
Deferred revenue	(16,378)	3,199,431
Net cash provided by operating activities	16,314,186	17,584,856
Cash flows from investing activities		
Proceeds from sale of property and equipment	84,283	1,167,037
Increase in deposits	-	11,175,936
Capital expenditures	(18,537,574)	(15,585,565)
Payments made for acquisitions of business	-	(2,391,484)
Net cash used in investing activities	(18,453,291)	(5,634,076)
Cash flows from financing activities		
Proceeds from borrowings on revolving lines of credit	12,000,000	2,000,000
Principal payments on revolving line of credit	-	(6,000,000)
Issuance of common stock	16,750	-
Dividends paid on common stock	(663,416)	(661,530)
Increase in long-term other liabilities	266,385	-
Net cash provided (used) by financing activities	11,619,719	(4,661,530)
Net increase in cash and cash equivalents	9,480,614	7,289,250
Cash and cash equivalents at beginning of period	8,897,891	8,336,371
Cash and cash equivalents at end of period	$ 18,378,505	15,625,621

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements and notes thereto have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes included in Devon's 1995 annual report on Form 10-K.

In the opinion of Devon's management, all adjustments (all of which are normal and recurring) have been made which are necessary to fairly state the consolidated financial position of Devon and its subsidiaries as of March 31, 1996, and the results of their operations and their cash flows for the three month periods ended March 31, 1996 and 1995.

2. San Juan Basin Transaction

Effective January 1, 1995, Devon and an unrelated company entered into a transaction covering substantially all of Devon's San Juan Basin coal seam gas properties (the "San Juan Basin Transaction"). This transaction is more fully described in Devon's 1995 annual report on Form 10-K.

The San Juan Basin Transaction was initially subject to a material contingency, and thus the transaction's impact on Devon's operating statement was deferred pending the contingency's resolution. In October 1995, the contingency was favorably resolved, and therefore the transaction's cumulative effect for the first nine months of 1995 was recorded in the third quarter of 1995. Had the contingency not been in effect, and had the results of the transaction not been deferred, the following results would have been reported for the quarter ended March 31, 1995.

	First Quarter 1995
Revenues:	
Oil sales	$11,989,301
Gas sales	12,859,207
Natural gas liquids sales	1,630,262
Other	317,809
Total revenues	26,796,579
Costs and expenses:	
Production and operating equipment	8,408,386
Depreciation, depletion and amortization	9,242,570
General and administrative expenses	2,336,770
Interest expense	1,783,726
Total costs and expenses	21,771,452
Earnings before income taxes	5,025,127
Income tax expense:	
Current	1,055,000
Deferred	1,106,000
Total income tax expense	2,161,000
Net earnings	$ 2,864,127
Net earning per average common share outstanding	$.13

3. Interest Rate Swap Agreement

Devon entered into an interest rate swap agreement in June, 1995, to hedge the impact of interest rate changes on a portion of its long-term debt. The principal amount of the swap agreement is $75 million, and the other party to the agreement is one of the lenders in Devon's credit lines (the "Lender"). The agreement terminates on June 16, 1998, unless the Lender exercises its right to extend the termination date to June 16, 2000. The terms of the agreement provide for quarterly payments either to or from Devon, determined by whether the three month London Interbank Offered Rate ("LIBOR") in effect at the beginning of each quarterly calculation period is greater or less than 5.6%. The calculation periods begin on the sixteenth day of each March, June, September and December during the term of the agreement. If, on the date of the beginning of the quarterly calculation period, the three month LIBOR exceeds 5.6%, the Lender will owe Devon the quarterly amount of the excess rate applied to the $75 million principal. Alternately, if the three month LIBOR on the applicable quarterly date is less than 5.6%, Devon will owe the Lender.

The swap agreement is accounted for as a hedge, with the amount which is either due to or from Devon recorded as a reduction or increase in interest expense. The three month LIBOR exceeded 5.6% at the beginning of the calculation period for the first quarter of 1996. Therefore, Devon has recognized

$35,000 as a reduction to interest expense in such quarter. The three month LIBOR was less than 5.6% at the beginning of the calculation period for the quarter ending June 30, 1996. Accordingly, Devon will recognize $31,000 of additional interest expense for the swap agreement in the second quarter of 1996. The fair value of the interest rate swap as of March 31, 1996, was a liability of $25,500.

The swap agreement does not alter or affect any terms or condition of Devon's lines of credit.

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

The following discussion addresses material changes in results of operations for the three months ended March 31, 1996, compared to the three months ended March 31, 1995, and in financial condition since December 31, 1995. It is presumed that readers have read or have access to Devon's 1995 annual report on Form 10-K.

Overview

Record quarterly production and higher prices combined to produce the highest quarterly revenues in Devon's history in the first three months of 1996. Total revenues in the first quarter of 1996 reached $34.0 million, a 43% increase over the first quarter of 1995's revenues of $23.8 million.

Oil, gas and NGL production in the first quarter of 1996 was 2.6 million barrels of oil equivalent ("Boe"), a 3% increase over the first quarter of 1995. Devon acquired certain Wyoming properties (the "Worland Properties") in December 1995 for approximately $50 million. Additional interests in the Worland Properties were acquired in the first quarter of 1996 for $4.3 million. These acquisitions added approximately 160,000 Boe of production to the first quarter of 1996's totals. Additionally, the continued development of the Grayburg-Jackson Field in the Permian Basin resulted in an increase of 139,000 barrels of oil during the first quarter of 1996.

Oil, gas and NGL prices were all up in the first quarter of 1996 compared to the first quarter of 1995. Gas price comparisons for the quarter were aided in 1996 by the effect of the San Juan Basin Transaction. This transaction added $0.61 per Mcf to Devon's coal seam gas price, or $0.32 per Mcf for Devon's total gas production. Although this transaction was effective January 1, 1995, a contingency which was not resolved until the third quarter of 1995 delayed the recognization of the transaction's benefits. Therefore, no benefit from the transaction was recognized until the third quarter of 1995.

Devon's cash expenses (i.e., all expenses other than the non-cash expenses of depreciation, depletion and amortization and deferred income tax expense) also rose in the first quarter of 1996, but at a much smaller rate than revenues. Cash expenses increased by 23% in the 1996 period, compared to a <F1> 43% jump in revenues. This resulted in a cash margin1 of $18.6

<F1>
1 "Cash margin" equals Devon's total revenues less cash expenses as defined above. Cash margin is an indicator which is commonly used by the investment community in the oil and gas industry. This margin measures the net cash which is generated by a company's operations during a given period, without regard to the period such cash is actually physically received or spent by the company. This margin ignores the non-operational effects on a company's "net cash provided by operating activities", as measured by generally accepted accounting principles, from a company's activities as an operator of oil and gas wells. Such activities produce net increases or decreases in temporary cash funds held by the operator which have no effect on net earnings of the company. Cash margin should be used as a supplement to, and not as a substitute for, net earnings and net cash provided by operating acitivities (as disclosed in the consolidated financial statements) in analyzing Devon's results of operations and liquidity.

million in the first quarter of 1996, which was up by 66% compared to the cash margin of $11.2 million in the first quarter of 1995. Had the effects of the San Juan Basin Transaction been recognized in the first quarter of 1995, that quarter's cash margin would have been $13.2 million.

Devon's non-cash expenses increased by $2.9 million, or 28%, in 1996's first quarter. This increase was almost entirely due to a $2.2 million increase in deferred income taxes caused by an $8.0 million increase in earnings before income taxes.

The increase in cash margin, slightly offset by the increase in non-cash expenses, resulted in a substantial increase in net earnings and net earnings per share for the first quarter of 1996. The quarter's net earnings totaled $5.6 million, or $0.25 per share. These results are considerably higher than the $1.0 million of net earnings and $0.05 earnings per share recognized in the first quarter of 1995. Had the effects of the San Juan Basin Transaction been recognized in the first quarter of 1995, that quarter's results would have totaled $2.9 million of net earnings, or $0.13 per share.

Results of Operations

Oil, gas and NGL revenues were up 43% for the quarter ended March 31, 1996. Had the first quarter of 1995 included the effect of the San Juan Basin Transaction (see note 2 to the consolidated financial statements included elsewhere in this report), then oil, gas and NGL revenues would have been up 27% for the quarter ended March 31, 1996. The relative contributions of production and price changes to the quarterly comparisons, both with and without the effect of the San Juan Basin Transaction on 1995's first quarter, are shown in the tables below.

<F1>
<F2>

	Actual Reported Results (1) Three Months Ended March 31,			Adjusted Results (2) Three Months Ended March 31,		
	1996	1995	Change	1996	1995	Change
Production						
Oil (Bbls)	874,515	718,244	+22%	874,515	718,244	+22%
Gas (Mcf)	8,983,622	9,981,301	-10%	8,983,622	9,657,511	-7%
NGL (Bbls)	227,593	138,689	+64%	227,593	138,689	+64%
Oil, Gas and NGL <F3> (Boe) 3	2,599,378	2,520,483	+3%	2,599,378	2,466,518	+5%
Revenues						
Oil	$16,144,794	11,989,301	+35%	16,144,794	11,989,301	+35%
Gas	14,621,634	9,900,005	+48%	14,621,634	12,859,207	+14%
NGL	2,967,801	1,630,262	+82%	2,967,801	1,630,262	+82%
Combined	$33,734,229	23,519,568	+43%	33,734,229	26,478,770	+27%
Average Prices						
Oil (Per Bbl)	$18.46	16.69	+11%	18.46	16.69	+11%
Gas (Per Mcf)	$1.63	0.99	+65%	1.63	1.33	+23%
NGL (Per Bbl)	$13.04	11.75	+11%	13.04	11.75	+11%
Oil, Gas and NGL <F3> (Per Boe)3	$12.98	9.33	+39%	12.98	10.74	+21%

<F1>
1 The 1995 column in this table reflects the results actually reported in the first quarter of 1995. These figures do not include the first quarter's effect of the San Juan Basin Transaction. This transaction was effective January 1, 1995, but the financial effects of the transaction on Devon's operations were deferred recognition until the third quarter of 1995 when a significant contingency was favorably resolved. The cumulative nine-month effect of the San Juan Basin Transaction was recorded entirely in the third quarter of 1995.

<F2>
2 The 1995 column in this table presents the results of the first quarter of 1995 which would have been reported if there had been no contingency at the time the San Juan Basin Transaction was executed.

<F3>
3 Gas is converted to barrels of oil equivalent ("Boe") at the rate of six Mcf of gas per barrel of oil, based upon the approximate relative energy content of natural gas and oil, which rate is not necessarily indicative of the relationship of oil, gas and NGL prices. The respective prices of these products are affected by market and other factors in addition to relative energy content.

Oil Revenues. Oil revenues increased by $4.2 million, or 35%, in the first quarter of 1996. Production gains of 156,000 barrels, or 22%, added $2.6 million of oil revenues in the 1996 period. An increase of $1.77 per barrel, or 11%, in the average oil price added the remaining $1.6 million of increased oil revenues.

Approximately 89% of the production gains were from the Grayburg-Jackson Field acquired in May 1994. As Devon's development of this field has progressed, more wells have come on line and the initial stage of a waterflood has begun since the first quarter of 1995. The Grayburg-Jackson Field produced approximately 268,000 barrels in the first quarter of 1996. This is an increase of 139,000 barrels, or 107%, compared to the 129,000 barrels produced in the first quarter of 1995.

Gas Revenues. Gas revenues increased by $4.7 million, or 48%, in the first quarter of 1996. An increase in the average gas price of $0.64 per Mcf, or 65%, added $5.7 million to gas sales in the first quarter of 1996. This was partially offset by a $1.0 million reduction from a drop in gas production of 1.0 Bcf, or 10%. The San Juan Basin Transaction added $2.9 million to 1996's first quarter gas sales, which resulted in an increase of $0.32 per Mcf in Devon's total gas price. As discussed previously, the effects of this transaction on 1995's results were not recorded until the third quarter of that year. Therefore, 1995's first quarter results as reported in the consolidated financial statements do not include any effect of the San Juan Basin Transaction. As shown in the above tables, if this transaction had been recorded in the first quarter of 1995, such quarter's gas sales would have increased by $1.8 million.

Coal seam gas averaged $1.40 per Mcf in the first quarter of 1996 compared to $0.75 per Mcf in 1995's first quarter. The San Juan Basin Transaction added $0.61 per Mcf to the 1996 average price. The average price for conventional gas production in the first quarter of 1996 was $1.88 per Mcf. This compares to 1995's first quarter average for conventional gas production of $1.33 per Mcf.

Coal seam gas production in the 1996 quarter was
4.7 Bcf, which was down by 1.2 Bcf from the 5.9 Bcf produced in the first quarter of 1995. Approximately 0.3 Bcf of such decrease was due to the fact that a small portion of Devon's coal seam gas interest was sold as part of the San Juan Basin Transaction. The effect of this sold interest is reflected in 1996's production quantities, but the effect on the first quarter of 1995 was not recorded until the third quarter as previously discussed.

Conventional gas production increased by 0.2 Bcf from 4.1 Bcf in 1995's first quarter to 4.3 Bcf in the first quarter of 1996. The additional interests in the Worland Properties which were acquired in December 1995 and the first quarter of 1996 added 0.5 Bcf to 1996's conventional production.

NGL Revenues. NGL revenues increased by $1.3 million, or 82%, in the first quarter of 1996. An increase in production of 89,000 barrels, or 64%, added $1.0 million to 1996 revenues. The additional interests in the Worland Properties accounted for 64,000 barrels of the increased production. The remaining $0.3 million increase in NGL revenues was caused by a price increase of $1.29 per barrel, or 11%.

Production and Operating Expenses. Production and operating expenses in the first quarter of 1996 varied compared to the first quarter of 1995 as shown in the tables below.

<F1>
<F2>

	Actual Reported Results (1) Three Months Ended March 31,			Adjusted Results (2) Three Months Ended March 31,		
	1996	1995	Change	1996	1995	Change
Absolute						
Recurring operations and maintenance expenses	$6,546,242	5,589,991	+17%	6,546,242	5,576,049	+17%
Well workover expenses	871,937	1,175,330	-26%	871,937	1,175,330	-26%
Production taxes	2,141,917	1,676,456	+28%	2,141,917	1,657,007	+29%
Total production and operating expenses	$9,560,096	8,441,777	+13%	9,560,096	8,408,386	+14%
Per Boe						
Recurring operations and maintenance expenses	$2.52	2.22	+14%	2.52	2.26	+12%
Well workover expenses	0.34	0.47	-28%	0.34	0.48	-29%
Production taxes	0.82	0.66	+24%	0.82	0.67	+22%
Total production and operating expenses	$3.68	3.35	+10%	3.68	3.41	+8%

<F1>
1 The 1995 column in this table reflects the results actually reported in the first quarter of 1995. These figures do not include the first quarter's effect of the San Juan Basin Transaction. This transaction was effective January 1, 1995, but the financial effects of the transaction on Devon's operations were deferred recognition until the third quarter of 1995 when a significant contingency was favorably resolved. The cumulative nine-month effect of the San Juan Basin Transaction was recorded entirely in the third quarter of 1995.

<F2>
2 The 1995 column in this table presents the results of the first quarter of 1995 which would have been reported if there had been no contingency at the time the San Juan Basin Transaction was executed.

Recurring operations and maintenance expenses increased by $1.0 million, or 17%, in the first quarter of 1996. The additional interests in the Worland Properties which were acquired in the fourth quarter of 1995 and the first quarter of 1996 accounted for approximately $0.6 million of the increase. Also, as Devon has continued development of the properties acquired in the May 1994 merger, most notably in the Grayburg-Jackson Field, more wells have come on line during the twelve months ended March 31, 1996. Therefore, the recurring expenses incurred on these properties increased by $0.2 million in the first quarter of 1996 compared to the same quarter in 1995.

Well workover expenses decreased by $0.3 million, or 26%, in the first quarter of 1996. However, this reduction is related only to the timing of these workover expenses. For the full year 1996, Devon expects to exceed the $3.4 million of workover costs incurred in the year 1995.

Production taxes increased by $0.5 million, or 28%, in the 1996 quarter. This increase was due to the increase in combined oil, gas and NGL revenues. Excluding the revenues generated by the San Juan Basin Transaction which are not subject to production taxes, revenues in the first quarter of 1996 were up by 31% compared to the first quarter of 1995.

On a per unit of production basis, the recurring expenses per Boe were up by $0.30 per Boe, or 14%, in the first quarter of 1996. This is primarily due to the increase in Devon's mix of oil/gas production toward more oil production. Of Devon's total Boe production in the first quarter of 1996, 34% was oil production compared to 28% in the first quarter of 1995. Oil wells are generally more expensive to operate on a per unit of production basis. However, oil wells also produce more revenues per unit of production than gas wells.

Production taxes per unit of production increased by $0.16 per Boe, or 24%, in the first quarter of 1996. This is consistent with the increase in the average price per Boe received in the 1996 quarter. Excluding the effect on the 1996 average price from the San Juan Basin Transaction, Devon's total revenues per Boe increased by 27% in the first quarter of 1996.

Depreciation, Depletion and Amortization Expenses ("DD&A"). Oil and gas property related DD&A increased $0.6 million, or 6%, from $9.1 million in the first quarter of 1995 to $9.7 million in the first quarter of 1996. The increase in total oil, gas and NGL production of 0.1 Boe, or 3%, accounted for $0.3 million of the increased DD&A. The remaining $0.3 million of increase was caused by a 3% increase in the DD&A rate from $3.63 per Boe in 1995 to $3.73 per Boe in 1996.

General and Administrative Expenses ("G&A"). G&A decreased $0.2 million, or 9%, in the first quarter of 1996. Approximately half of the decrease was due to increased overhead reimbursements which Devon receives on the wells it operates. The remaining $0.1 million of decrease was due to the combined effect of several G&A items whose individual decreases were immaterial.

Interest Expense. Interest expense increased $0.7 million, or 39%,in the first quarter of 1996. The average debt balance outstanding rose from $94.8 million in the first quarter of 1995 to $149.9 million in the first quarter of 1996. This increase in average debt outstanding, which was primarily due to the funds borrowed to acquire the Worland Properties, caused interest expense in 1996 to increase by $1.0 million. This increase was partially offset by a $0.3 million decrease due to lower interest rates in 1996. The annualized interest rate on the debt outstanding in 1996 was 6.3%, compared to 6.7% in the first quarter of 1995. The overall average interest rate (including the effect of various fees paid to the banks and the amortization of certain loan costs) during 1996's first quarter was 6.6%, compared to an overall rate in the first quarter of 1995 of 7.5%.

Devon entered into an interest rate swap agreement in the second quarter of 1995. This agreement is more fully described in note 3 to the consolidated financial statements included elsewhere in this report. This agreement had the effect of reducing Devon's interest expense in the first quarter of 1996 by $35,000.

Income Taxes. During interim periods, income tax expense is based on the estimated effective tax rate which is expected for the entire fiscal year. The estimated effective tax rate in the first quarter of 1996 was 43%, compared to 41% in the first quarter of 1995. The increase in the 1996 rate was due to the San Juan Basin Transaction. The 41% rate estimated in 1995 was without the effect of such transaction, which was not recorded until the third quarter of 1995. After this transaction was recorded, the 1995 effective financial income tax rate was 43%, the same as the rate currently estimated for 1996.

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

Included as deferred tax assets at March 31, 1996, were approximately $14 million of various tax carryforwards. Of this amount, $6 million are for net operating loss carryforwards which expire between 1996 and 2008. The remaining $8 million of carryforward benefits relate to depletion and minimum tax credit carryforwards which do not have expiration dates.

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

Based upon current estimates of future production and average prices, management believes that taxable income during the carryforward periods will be sufficient to utilize substantially all of the carryforwards currently available. Devon expects the tax benefits from its net operating loss carryforwards to be utilized between 1996 and 2002. This is well before the 2006 expiration date for the majority of such benefits. However, based upon limitations imposed on the utilization of certain of the depletion carryforwards acquired in a 1994 merger, a $100,000 valuation allowance has been provided since such merger.

Management's assessment of the future utilization of Devon's deferred tax assets is based upon current estimates of taxable income to be generated in 1996 and beyond. Significant changes in such estimates from variables such as future oil and gas prices or capital expenditures could alter the timing of the eventual utilization of such assets. There can be no assurance that Devon will generate any specific level of continuing taxable earnings.

Capital Expenditures, Capital Resources and Liquidity

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

Capital Expenditures. Cash used for capital expenditures increased 19% from $15.6 million in the first quarter of 1995 to $18.5 million in the first quarter of 1996. Approximately $18.3 million was spent in 1996 on acquisition, exploration and development costs, compared to $14.4 million spent in the 1995 quarter. Exploration and development costs on the Grayburg-Jackson Field totaled $6.0 million in the first quarter of 1996 compared to $6.7 million in the first quarter of 1995. The 1996 capital expenditures also included $4.3 million to acquire additional interests in the Worland Properties.

Capital Resources and Liquidity. Net cash provided by operating activities continued to be a primary source of capital and liquidity in the first quarter of 1996. Net cash provided by operating activities was $16.3 million in the 1996 quarter, compared to $17.6 million in the first quarter of 1995. Differences in the timing of collections of receivables and the payment of liabilities were the reasons for the decrease. These timing differences caused net cash provided by operating activities to decrease by $6.4 million in the first quarter of 1996 compared to the same quarter of 1995.

Devon's credit lines were also a source of capital and liquidity in the first quarter of 1996. The total debt outstanding at the end of the first quarter was $155 million, up from $143 million at the end of 1995. On April 4, 1996, Devon reduced its debt balance to $151 million. During the first quarter, the lending banks increased Devon's credit lines by $55 million to a total of $260 million.

Part II. Other Information

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit
No.

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

2.2 Agreement and Plan of Merger by and among Devon Energy Corporation, Devon Acquisition Corp. and Alta Energy Corporation dated February 18, 1994
[incorporated by reference to Exhibit 2.1 to Registrant's Registration Statement on Form S-4 (No. 33-76524)].

2.3 Amendment to Agreement and Plan of Merger by and among Devon Energy Corporation, Devon Acquisition Corp.

and Alta Energy Corporation dated April 13, 1994 [incorporated by reference to Exhibit 2.2 to Amendment No. One to Registrant's Registration Statement on Form S-4 (No. 33-76524)].

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

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

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

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

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

10.1 Credit Agreement dated October 7,

1994, among Devon Energy Corporation (Nevada), as Borrower, the Registrant and Devon Energy Operating Corporation, as Guarantors, NationsBank of Texas, N.A., as Agent, and NationsBank of Texas, N.A., Bank One, Texas, N.A., Bank of Montreal, and First Union National Bank of North Carolina, as Lenders (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994).

10.2 First Amendment, dated January 27, 1995, to Credit Agreement among Devon Energy Corporation (Nevada), as Borrower, the Registrant and Devon Energy Operating Corporation, as Guarantors, NationsBank of Texas, N.A., as Agent, and NationsBank of Texas, N.A., Bank One, Texas, N.A., Bank of Montreal and First Union National Bank of North Carolina, as Lenders (incorporated by reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).

10.3 Second Amendment, dated March 4, 1996, to Credit Agreement among Devon Energy Corporation (Nevada), as Borrower, the Registrant and Devon Energy Operating Corporation, as Guarantors, NationsBank of Texas, N.A., as Agent, and NationsBank of Texas, N.A., Bank One, Texas, N.A., Bank of Montreal and First Union National Bank of North Caroliana, as Lenders.

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

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

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

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

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

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

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

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

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

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

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

11 Computation of earnings per share

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the three months ended March 31, 1996.

* Compensatory plans or arrangements.

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: May 3, 1996	*/s/William T. Vaughn* *William T. Vaughn* *Vice President - Finance*

EXHIBIT INDEX

		Page
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3.2	Registrant's Bylaws.	*
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10.5	Devon Energy Corporation 1993 Stock Option Plan.	*
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10.14	Purchase and Sale Agreement between Union Oil Company of California and Devon Energy Corporation (Nevada).	*

11 Computation of earnings per share XX

* Incorporated by reference.

Exhibit 11

DEVON ENERGY CORPORATION
Computation of Earnings Per Share

	Three Months Ended March 31, 1996	1995
PRIMARY EARNINGS PER SHARE		
Computation for Statement of Operations		
Net earnings per statement of operations	$ 5,553,926	1,026,802
Weighted average common shares outstanding	22,112,489	22,050,996
Primary earnings per common share	$0.25	0.05
Additional Primary Computation (A)		
Net earnings per statement of operations	$ 5,553,926	1,026,802
Adjustments to weighted average common shares outstanding:		
Weighted average as shown above	22,112,489	22,050,996
Add dilutive effect of outstanding stock options (as determined using the treasury stock method)	135,253	95,383
Weighted average common shares outstanding, as adjusted	22,247,742	22,146,379
Net earnings per common share, as adjusted	$0.25	0.05
FULLY DILUTED EARNINGS PER SHARE (A)		
Net earnings per statement of operations	$ 5,553,926	1,026,802
Weighted average common shares outstanding as shown in primary computation above	22,112,489	22,050,996
Add fully dilutive effect of outstanding stock options (as determined using the treasury stock method)	147,146	111,854
Weighted average common shares outstanding, as adjusted	22,259,635	22,162,850
Fully diluted earnings per common share	$0.25	0.05

(A) These calculations are submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because they result in dilution of less than 3%.

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD END	MAR 31 1996
CASH	18378505
SECURITIES	0
RECEIVABLES	14591150
ALLOWANCES	0
INVENTORY	566850
CURRENT ASSETS	35010657
PP&E	649989546
DEPRECIATION	249497053
TOTAL ASSETS	439911747
CURRENT LIABILITIES	13518344
BONDS	155000000
PREFERRED MANDATORY	2211390
PREFERRED	0
COMMON	0
OTHER SE	221736868
TOTAL LIABILITY AND EQUITY	439911747
SALES	33734229
TOTAL REVENUES	34048060
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	9560096
LOSS PROVISION	0
INTEREST EXPENSE	2481156
INCOME PRETAX	9743926
INCOME TAX	4190000
INCOME CONTINUING	5553926
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	5553926
EPS PRIMARY	0.25
EPS DILUTED	0.25

Exhibit 10.3

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (herein called this "Amendment") is made as of the 4th day of March, 1996, by and among DEVON ENERGY CORPORATION (NEVADA), as Borrower ("Borrower"), DEVON ENERGY CORPORATION ("Parent") and DEVON
ENERGY OPERATING CORPORATION ("DEOC"), as guarantors,
NATIONSBANK OF TEXAS, N.A., as Agent ("Agent"), and
NATIONSBANK OF TEXAS, N.A., BANK ONE, TEXAS, N.A., BANK OF MONTREAL and FIRST UNION NATIONAL BANK OF NORTH CAROLINA, as
Lenders ("Lenders").

WHEREAS, Borrower, Parent, DEOC, Agent and Lenders have entered into that certain Credit Agreement dated as of October 7, 1994, as amended by a First Amendment to Credit Agreement dated January 27, 1995 (the "Original Agreement"); and

WHEREAS, Parent and DEOC have guaranteed to Agent and Lenders the payment of the Notes and of all other sums payable under the Credit Agreement and the other Loan Documents pursuant to their respective Guaranties; and

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

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

ARTICLE I -- Definitions and References

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 Credit Agreement.

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

ARTICLE II -- Amendments

Section 2.1. Defined Terms. (a) The reference to "$5,000,000" contained in the definition of "Approved Additional Debt" set forth in Section 1.1 of the Original Agreement is hereby amended to refer instead to "$10,000,000".

(b) The reference to "March 31, 1998" contained in the definition of "Commitment Period" set forth in Section 1.1 of the Original Agreement is hereby amended to refer instead to "March 31, 1999".

(c) The reference to "$220,000,000" contained in clause
(a)(ii) of the definition of "Percentage Share" set forth in
Section 1.1 of the Original Agreement is hereby amended to refer instead to "$250,000,000".

(d) The definitions of "Base Rate Margin" and "Euro/CD Margin" set forth in Section 1.1 of the Original Agreement are hereby amended in their entirety to read as follows:

"Base Rate Margin" means:

(a) one half of one percent (0.5%) per annum whenever the Loan Balance is greater than 100% of the Borrowing Base in effect at the time in question;

(b) one-quarter of one percent (0.25%) per annum whenever the Loan Balance is greater than 75%, but less than or equal to 100%, of the Borrowing Base in effect at the time in question; or

(c) zero, whenever the Loan Balance is less than or equal to 75% of the Borrowing Base in effect at the time in question.

"Euro/CD Margin" means:

(a) one and one-quarter percent (1.25%) per annum whenever the Loan Balance is greater than 100% of the Borrowing Base in effect at the time in question;

(b) one percent (1%) per annum whenever the Loan Balance is greater than 75%, but less than or equal to 100%, of the Borrowing Base in effect at the time in question;

(c) three-quarters of one percent (0.75%) per annum whenever the Loan Balance is greater than or equal to 62.5%, but less than or equal to 75%, of the Borrowing Base in effect at the time in question; or

(d) sixty-five hundredths of one percent (0.65%) per annum whenever the Loan Balance is less than 62.5% of the Borrowing Base in effect at the time in question.

Section 2.2. Proportionate and Disproportionate Loans. The reference to "$5,000,000" contained in Section 2.3(d)(D) of the Original Agreement is hereby amended to refer instead to "$10,000,000".

Section 2.3. Limitation on Debt. The reference to "$1,000,000" contained in Section 5.2(a)(ii) of the Original Agreement is hereby amended to refer instead to "$2,000,000". The reference to "$5,000,000" contained in Section 5.2(a)(iii)(D) of the Original Agreement is hereby amended to refer instead to "$10,000,000".

Section 2.4. Designation of Borrowing Base. Pursuant to
Section 2.13(a) of the Credit Agreement, Agent, with the concurrence of Evaluating Lenders, hereby designates the new Borrowing Base as $250,000,000, effective for the period beginning on the date hereof, a Determination Date, and continuing until but not including the next date as of which the Borrowing Base is redetermined.

Section 2.5. Maximum Loan Amounts. Each Lender's Maximum Loan Amount set forth opposite its name on the signature pages to the Original Agreement is hereby amended in its entirety to read as follows:

	Maximum Loan Amount
NationsBank of Texas, N.A.	$100,000,000
Bank One, Texas, N.A.	$60,000,000
Bank of Montreal	$60,000,000
First Union National Bank of North Carolina	$30,000,000

Section 2.6. Exhibits. Exhibit A to the Original Agreement is hereby amended in its entirety to read as set forth on Exhibit A attached hereto.

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, (i) Agent shall have received, at Agent's office, a counterpart of this Amendment executed and delivered by Borrower and each Lender, (ii) Borrower shall have issued and delivered to Agent, for subsequent delivery to each Lender, a Note with appropriate insertions in the form attached hereto as Exhibit A payable to the order of such Lender on or before March 31, 1999, duly executed on behalf of Borrower and dated the date hereof, and (iii) Agent shall have additionally received all of the following documents, each document (unless otherwise indicated) being dated the date of receipt thereof by Agent, duly authorized, executed and delivered, and in form and substance satisfactory to Agent:

(a) Opinion of Counsel for Borrower. Agent shall have received the written opinion of McAfee & Taft, P.C., dated as of the date of this Amendment, addressed to Agent, to the effect that this Amendment and each Note have been duly authorized, executed and delivered by Borrower and that the Credit Agreement and each Note constitute the legal, valid and binding obligations of Borrower, enforceable in accordance with their terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency and similar laws and to moratorium laws and other laws affecting creditors' rights generally from time to time in effect).

(b) Officer's Certificate. Agent shall have received a certificate of a duly authorized officer of Borrower to the effect that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of the time of such effectiveness.

(c) Supporting Documents. Agent shall have received (i) a certificate of the Secretary of Borrower dated the date of this Amendment certifying that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of Borrower authorizing the execution, delivery and performance of this Amendment and each Note and certifying the names and true signatures of the officers of Borrower authorized to sign this Amendment and each Note and (ii) such supporting documents as Agent may reasonably request.

ARTICLE IV -- Miscellaneous

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

Section 4.2. Representations. Each of Borrower, Parent and DEOC represent and warrant that the representations and warranties contained in Section 4.1 and Section 9.1(b) of the Credit Agreement are true and correct at and as of the date hereof (taking into account the fact that this Amendment and the Notes issued in connection herewith are each a Loan Document as referred to in such Sections). Each of Borrower, Parent and DEOC represent and warrant that the resolutions of their respective Boards of Directors, attached as Exhibits A, B and C to that certain Omnibus Certificate dated as of October 7, 1994, given on behalf of Borrower, Parent and DEOC in connection with the Original Agreement, remain in full force and effect on the date hereof.

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

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

Section 4.5. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Texas and any applicable laws of the United States of America in all respects, including construction, validity and performance.

Section 4.6. Counterparts. This Amendment may be separately executed in counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment. This Amendment shall, when executed by each party hereto, take effect as of the date first above written.

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

THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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

DEVON ENERGY CORPORATION (NEVADA)

By:
H.R. Sanders, Jr., Executive Vice President

DEVON ENERGY CORPORATION

By:
H.R. Sanders, Jr., Executive Vice President

DEVON ENERGY OPERATING CORPORATION

By:
H.R. Sanders, Jr., Executive Vice President

NATIONSBANK OF TEXAS, N.A.

By:
Roger S. Manny, Senior Vice President

BANK ONE, TEXAS, N.A.

By:
Jill A. Hachtel, Vice President

BANK OF MONTREAL

By:
Michael P. Stuckey, Director

**FIRST UNION NATIONAL BANK
OF NORTH CAROLINA**

By:
Michael J. Kolosowsky, Vice President

CONSENT OF GUARANTOR

Avon Energy Corporation hereby consents to the foregoing Amendment and the transactions contemplated therein and hereby ratifies and confirms its obligations under its certain Guaranty dated as of October 7, 1994 in favor of Agent, as agent for the Lenders. This Consent is executed as of the date of the Amendment.

AVON ENERGY CORPORATION

By:

H.R. Sanders, Jr., Executive Vice President