DEVON ENERGY CORP/DE

FORM 10-Q/A
(Amended Quarterly Report)

Filed 11/12/99 for the Period Ending 09/30/99

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/A
(Amended Quarterly Report)

Filed 11/12/1999 For Period Ending 9/30/1999

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/A

(Mark One)

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

For the Quarterly Period Ended September 30, 1999

OR

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

Commission File No. 001-30176

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 N. Broadway, Suite 1500 Oklahoma City, Oklahoma	73102
(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 November 1, 1999, was 80,893,000.

1 of 226 total pages

(Exhibit Index is found at page 39)

DEVON ENERGY CORPORATION

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

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 "NGLs" means natural gas liquids

DEVON ENERGY CORPORATION

Part I. Financial Information

Item 1. Consolidated Financial Statements September 30, 1999 and 1998

(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)

	September 30, 1999 (Unaudited)	December 31, 1998
Assets		
Current assets:		
Cash and cash equivalents	$ 380,258	19,154
Accounts receivable	187,726	83,858
Inventories	16,849	2,750
Prepaid expenses	11,377	2,351
Deferred income taxes	-	605
Investments and other assets	383	1,930
Total current assets	596,593	110,648
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties	5,561,881	2,610,511
Less accumulated depreciation, depletion and amortization	1,702,266	1,509,583
	3,859,615	1,100,928
Investment in Chevron Corporation common stock, at market value	629,453	-
Other assets	89,609	14,780
Total assets	$5,175,270	1,226,356
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of long-term debt	200,000	-
Accounts payable:		
Trade	117,387	40,177
Revenues and royalties due to others	38,974	12,508
Accrued liabilities	181,171	27,971
Deferred income taxes	3,823	-
Total current liabilities	541,355	80,656
Other liabilities	191,044	34,747
Debentures exchangeable into shares of Chevron Corporation common stock	760,313	-
Other long-term debt	1,022,727	405,271
Deferred income taxes	691,743	33,219
Company-obligated mandatorily redeemable convertible preferred securities of subsidiary trust holding solely 6.5% convertible junior subordinated debentures of Devon Energy Corporation	149,500	149,500
Stockholders' equity:		
Preferred stock of $1.00 par value. Authorized 4,500,000 shares; issued 1,500,000 in 1999 and none in 1998	1,500	-
Common stock of $.10 par value. Authorized 400,000,000 shares; issued 80,394,000 in 1999 and 48,425,000 in 1998	8,039	4,842
Additional paid-in capital	2,074,731	796,992
Accumulated deficit	(205,873)	(242,909)
Accumulated other comprehensive loss	(59,809)	(35,962)
Total stockholders' equity	1,818,588	522,963
Total liabilities and stockholders' equity	$5,175,270	1,226,356

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 September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(Unaudited)			
Revenues				
Oil sales	$ 81,778	35,828	146,562	111,401
Gas sales	116,619	50,739	229,557	157,294
Natural gas liquids sales	15,844	3,902	25,608	13,589
Other	5,610	2,401	9,702	15,798
Total revenues	219,851	92,870	411,429	298,082
Costs and expenses				
Lease operating expenses	45,846	28,119	100,366	85,798
Production taxes	7,051	3,550	13,466	10,816
Depreciation, depletion and amortization	85,477	31,755	154,798	92,913
General and administrative expenses	19,338	5,896	32,513	17,680
Interest expense	21,459	5,507	35,238	16,344
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	(330)	8,512	(9,076)	15,433
Distributions on preferred securities of subsidiary trust	2,429	2,429	7,288	7,288
Reduction of carrying value of oil and gas properties	-	126,900	-	126,900
Total costs and expenses	181,270	212,668	334,593	373,172
Earnings (loss) before income tax expense (benefit)	38,581	(119,798)	76,836	(75,090)
Income tax expense (benefit)				
Current	4,573	1,183	8,875	6,514
Deferred	9,556	(37,786)	21,320	(24,807)
Total income tax expense (benefit)	14,129	(36,603)	30,195	(18,293)
Net earnings (loss)	$ 24,452	(83,195)	46,641	(56,797)
Net earnings (loss) applicable to common stockholders	$ 23,235	(83,195)	45,424	(56,797)
Net earnings (loss) per average common share outstanding (Note 5):				
Basic	$0.39	(1.72)	0.87	(1.18)
Diluted	$0.38	(1.72)	0.86	(1.18)
Weighted average common shares outstanding - basic (Note 5)	59,842	48,406	52,372	48,361

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Operations
(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(Unaudited)			
Net earnings (loss)	$ 24,452	(83,195)	46,641	(56,797)
Other comprehensive earnings (loss):				
Foreign currency translation adjustments	183	(4,805)	4,815	(7,909)
Unrealized losses on marketable securities, net of tax benefit	(28,662)	-	(28,662)	-
Comprehensive earnings (loss)	$ (4,027)	(88,000)	22,794	(64,706)

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In Thousands)

	Nine Months Ended September 30, 1999	1998
	(Unaudited)	
Cash flows from operating activities		
Net earnings (loss)	$ 46,641	(56,797)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	154,798	92,913
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	(9,076)	15,433
(Gain) loss on sale of assets	(87)	(127)
Deferred income taxes (benefit)	21,320	(24,807)
Reduction of carrying value of oil and gas properties	-	126,900
Other	(332)	901
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(30,099)	16,456
Inventories	(1,022)	1,412
Prepaid expenses	(1,105)	503
Other assets	(1,306)	516
Increase (decrease) in:		
Accounts payable	(13,798)	(5,306)
Accrued liabilities	28,526	(14,445)
Long-term other liabilities	(1,869)	(1,158)
Net cash provided by operating activities	192,591	152,394
Cash flows from investing activities		
Proceeds from sale of property and equipment	57,524	63,200
Payments made for acquisition of businesses, net of cash acquired	(16,588)	-
Proceeds from sale of investments	-	43,641
Capital expenditures	(230,531)	(248,377)
Decrease (increase) in other assets	637	(3,065)
Net cash used in investing activities	(188,958)	(144,601)
Cash flows from financing activities		
Proceeds from borrowings on revolving lines of credit	1,031,291	985,241
Principal payments on revolving lines of credit	(1,058,096)	(1,030,987)
Issuance of common stock, net of issuance costs	391,647	2,440
Dividends paid on common stock	(8,388)	(4,848)
Dividends paid on preferred stock	(1,217)	-
Increase in long-term other liabilities	2,072	5,977
Net cash provided (used) by financing activities	357,309	(42,177)
Effect of exchange rate changes on cash	162	(531)
Net increase (decrease) in cash and cash equivalents	361,104	(34,915)
Cash and cash equivalents at beginning of period	19,154	42,065
Cash and cash equivalents at end of period	$ 380,258	7,150

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation

On December 10, 1998, Devon Energy Corporation ("Devon") and Northstar Energy Corporation ("Northstar") closed a merger of the two companies (the "Northstar Combination"). At that date, Northstar became a wholly-owned subsidiary of Devon. Pursuant to the Northstar Combination, Northstar's common shareholders received approximately 16.1 million exchangeable shares (the "Exchangeable Shares") based on an exchange ratio of 0.235 Exchangeable Shares for each Northstar common share outstanding. The Exchangeable Shares were issued by Northstar, but are exchangeable at any time into Devon's common shares on a one-for- one basis. Prior to such exchange, the Exchangeable Shares have rights identical to those of Devon's common shares, including dividend, voting and liquidation rights. Between December 10, 1998 and September 30, 1999, approximately 11.3 million of the originally issued 16.1 million Exchangeable Shares had been exchanged for shares of Devon common stock.

The Northstar Combination 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 Northstar for all periods presented. The separate results of operations of Devon and Northstar for the three month and nine month periods ended September 30, 1998 are as follows:

	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1998
	(In Thousands)	
Revenues:		
Devon	$ 57,072	184,506
Northstar	35,798	113,576
Combined	$ 92,870	298,082
Net earnings (loss):		
Devon	(83,086)	(65,329)
Northstar	(109)	8,532
Combined	$ (83,195)	(56,797)

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. 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 1998 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 September 30, 1999, and the results of their operations and their cash flows for the three month and nine month periods ended September 30, 1999 and 1998.

2. PennzEnergy Merger

Devon closed its merger with PennzEnergy Company ("PennzEnergy") on August 17, 1999. The merger was accounted for using the purchase method of accounting for business combinations. Accordingly, the accompanying statements of operations for the third quarter and first nine months of 1999 include the effects of PennzEnergy operations for the last half of August and the entire month of September.

Devon issued approximately 21.5 million shares of its common stock to the former stockholders of PennzEnergy. In addition, Devon assumed long-term debt and other obligations totaling approximately $2.2 billion on August 17, 1999. The calculation of the total purchase price and the preliminary allocation to assets and liabilities as of August 17, 1999, are shown below. Devon intends to sell in the near future certain of the assets acquired. Generally, the proceeds from such sales will reduce the gross purchase price allocated to oil and gas properties. The following is preliminary and is subject to change as various assumptions are finalized as information is evaluated or determined.

	(In Thousands, Except Share Price)
Calculation and preliminary allocation of purchase price:	
Shares of Devon common stock issued to PennzEnergy Stockholders	21,501
Average Devon stock price	$33.40
Fair value of common stock issued	$ 718,177

Plus preferred stock assumed by Devon	150,000
Plus estimated merger costs to be incurred	71,545
Plus fair value of PennzEnergy employees tock options assumed by Devon	18,295
Less stock registration and issuance costs incurred	(4,985)
Total purchase price	953,032
Plus fair value of liabilities assumed by Devon:	
Current liabilities	213,619
Debentures exchangeable into Chevron Corporation common stock	760,313
Other long-term debt	838,792
Other long-term liabilities	155,916
	2,921,672
Less fair value of non oil and gas assets acquired by Devon:	
Current assets	108,164
Non oil and gas properties	17,370
Investment in common stock of Chevron Corporation	676,441
Other assets	73,983
Fair value allocated to oil and gas properties, including $111 million of undeveloped leasehold	$2,045,714

In addition to the $2 billion allocated to oil and gas properties as shown in the previous table, $660.7 million was also added to oil and gas properties for deferred taxes created as a result of the merger. Due to the tax-free nature of the merger, Devon's tax basis in the assets acquired and liabilities assumed are the same as PennzEnergy's tax basis. The $660.7 million of deferred taxes recorded represent the deferred tax effect of the difference between the fair values assigned by Devon for financial reporting purposes to the former PennzEnergy assets and liabilities and their bases for income tax purposes.

Pro Forma Information

Set forth below is certain unaudited pro forma financial information for the nine months ended September 30, 1999 and 1998. This information has been prepared assuming the merger was consummated on January 1, 1998, and is based on estimates and assumptions deemed appropriate by Devon. The pro forma information is presented for illustrative purposes only. If the merger had occurred in the past, Devon's operating results might have been different from those presented in the following table. The pro forma information should not be relied upon as an indication of the operating results that Devon would have achieved if the merger had occurred on January 1, 1998. The pro forma information also should not be used as an indication of the future results that Devon will achieve after the merger.

The pro forma information includes the effect of Devon's recent issuance of 10,332,100 shares of common stock as if such shares had been issued on January 1, 1998. (See Note 3 for additional information on this recent issuance of shares of common stock.) The pro forma information assumes that the approximate $402 million of net proceeds from the issuance of common stock was used to retire long-term debt and therefore reduce interest expense.

The following should be considered in connection with the pro forma financial information presented:

Expected annual cost savings of $50 to $60 million have not been reflected as an adjustment to the historical data in preparing the following pro forma information. These cost savings are expected to result from the consolidation of the corporate headquarters of Devon and PennzEnergy and the elimination of duplicate staff and expenses.

The first nine months of 1999's pro forma results include a gain of $46.7 million ($29.8 million after- tax) from PennzEnergy's second quarter sale of land, timber and mineral rights in Pennsylvania and New York.

In the 1998 third quarter, PennzEnergy realized pretax gains on the sale and exchange of Chevron Corporation common stock of $203.1 million. This gain is included in the 1998 pro forma financial information below. The pro forma financial information does not include the related $207.0 million after-tax extraordinary loss resulting from the early extinguishment of debt.

The 1998 third quarter and year-to-date pro forma results include $20.9 million and $22.9 million, respectively, of nonrecurring general and administrative expenses in connection with the spin-off of Pennzoil-Quaker State Company on December 30, 1998.

The 1998 third quarter and year-to-date pro forma results include a reduction of the carrying value of oil and gas properties incurred by Devon. This reduction, which was due to the full cost ceiling limitation, was $126.9 million ($88.0 million after- tax).

	Pro Forma Information			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(Dollars In Thousands, Except Per Share Amounts)			
Revenues				
Oil sales	$ 113,407	75,031	263,305	238,080
Gas sales	161,747	127,046	425,569	421,095
Natural gas liquids sales	22,997	13,058	51,493	50,725
Other	10,205	244,431	75,859	289,251
Total revenues	308,356	459,566	816,226	999,151
Costs and expenses				
Lease operating expenses	65,477	75,969	196,473	223,794
Production taxes	9,238	7,046	22,417	21,753
Depreciation, depletion and amortization	136,664	136,403	405,569	432,063
General and administrative expenses	30,101	56,624	87,996	111,160
Interest expense	26,021	35,496	81,164	105,551
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	(330)	8,512	(9,076)	15,433
Distributions on preferred securities of subsidiary trust	2,429	2,429	7,288	7,288
Reduction of carrying value of oil and gas properties	-	126,900	-	126,900
Total costs and expenses	269,600	449,379	791,831	1,043,942
Earnings (loss) before income tax expense (benefit)	38,756	10,187	24,395	(44,791)
Income tax expense (benefit)				
Current	4,870	118,421	9,138	118,701
Deferred	9,212	(107,372)	224	(132,618)
Total income tax expense (benefit)	14,082	11,049	9,362	(13,917)
Net earnings (loss)	$ 24,674	(862)	15,033	(30,874)
Net earnings (loss) applicable to common stockholders	$ 22,240	(3,296)	7,731	(34,065)
Net earnings (loss) per average common share outstanding - basic and diluted	$0.28	(0.04)	0.10	(0.43)
Weighted average common shares outstanding - basic	80,728	80,112	80,696	80,031
Production data				
Oil (MBbls)	6,109	6,648	18,071	19,878
Gas (MMcf)	76,282	73,796	229,734	229,258
NGLs (MBbls)	1,748	1,738	5,019	5,522
Mboe	20,571	20,685	61,379	63,610

3. Equity Offering

In late September and early October, 1999, Devon received $402.7 million from the sale of approximately 10.3 million shares of its common stock in a public offering. On September 27, 1999, Devon sold 9.9 million shares of its common stock in the initial public offering. The price to the public for these shares was $40.50 per share. Net of underwriters' discount and commissions, Devon received $38.98 per share, or $385.9 million. On October 4, 1999, the underwriters exercised their overallotment option for an additional 432,100 shares of Devon common stock. The net proceeds to Devon from this additional offering, at the net price of $38.98 per share, were approximately $16.8 million. Devon expects to pay approximately $0.8 million of expenses related to the equity offering, and these costs have been recorded as reductions of additional paid-in capital as of September 30, 1999.

The $402 million of net proceeds from the offering will primarily be used to retire $350 million of long-term debt assumed in the PennzEnergy merger. This debt consists of $200 million that bears interest at 9.625% and matures on November 15, 1999, and $150 million that bears interest at 10.625% and matures on June 1, 2001. The $200 million will be retired at its stated maturity date. Devon called the $150 million for early redemption and retired this debt on October 28, 1999. There were no premiums required for this early redemption. The additional credit available to Devon as a result of the debt reductions will be used primarily for capital expenditures and acquisitions as they occur.

The remainder of the equity offering proceeds will be used to retire debt under Devon's U.S. credit facility which totaled $30 million at

September 30, 1999. Pending the use of the proceeds to retire the various debt, the proceeds are being invested in short-term investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

4. Credit Facilities

On October 15, 1999, Devon entered into new unsecured long- term credit facilities aggregating $750 million (the "Credit Facilities"). The Credit Facilities include a U.S. facility of $475 million (the "U.S. Facility") and a Canadian facility of $275 million (the "Canadian Facility"). The Credit Facilities replaced Devon's previous facilities that totaled $400 million.

Amounts borrowed under the Credit Facilities bear interest at various fixed rate options that Devon may elect for periods up to six months. Such rates are generally less than the prime rate. Devon may also elect to borrow at the prime rate. The Credit Facilities provide for an annual facility fee of $0.9 million that is payable quarterly.

The $475 million U.S. Facility consists of a Tranche A facility of $200 million and a Tranche B facility of $275 million. The Tranche A facility matures on October 15, 2004. Devon may borrow funds under the Tranche B facility until October 13, 2000 (the "Tranche B Revolving Period"). Devon may request that the Tranche B Revolving Period be extended an additional 364 days by notifying the agent bank of such request between 30 and 60 days prior to the end of the Tranche B Revolving Period. Debt borrowed under the Tranche B facility matures two years and one day following the end of the Tranche B Revolving Period. On October 15, 1999, there were no borrowings from the $475 million U.S. Facility.

Devon may borrow funds under the $275 million Canadian Facility until October 13, 2000 (the "Canadian Facility Revolving Period"). Devon may request that the Canadian Facility Revolving Period be extended an additional 364 days by notifying the agent bank of such request between 45 and 90 days prior to the end of the Canadian Facility Revolving Period. Debt outstanding as of the end of the Canadian Facility Revolving Period is payable in semi-annual installments of 2.5% each for the following five years, with the final installment due five years and one day following the end of the Canadian Facility Revolving Period. On October 15, 1999, there was $131.3 million borrowed under the $275 million Canadian facility.

The agreements governing the Credit Facilities contain certain covenants and restrictions, including a maximum allowed debt-to-capitalization ratio as defined in the agreements.

5. 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 nine month periods ended September 30, 1999. The diluted loss per share calculations for the three and nine month periods ended September 30, 1998 produced results that were anti-dilutive. These calculations decreased the net loss by $1.5 million and $4.5 million in the three month and nine month periods ended September 30, 1998, respectively, and increased the common shares outstanding by 5.2 million shares in each of such respective periods.

Options to purchase approximately 1.5 million shares of Devon's common stock with exercise prices ranging from $40.13 per share to $92.78 per share (with a weighted average price of $62.74 per share) were outstanding at September 30, 1999, but were not included in the computation of diluted earnings per share for the third quarter of 1999 because the options' exercise price exceeded the average market price of Devon's common stock during the third quarter. Similarly, options to purchase approximately 2.7 million shares of Devon's common stock with exercise prices ranging from $35.58 per share to $92.78 per share (with a weighted average price of $51.48 per share) were excluded from the diluted earnings per share calculation for the first nine months of 1999. The excluded options for both the quarter and the nine months period expire between December 10, 1999 and September 30, 2009.

	Net Earnings Applicable To Common Stockholders	Common Shares Outstanding	Net Earnings Per Share
	(In Thousands)		
Three Months Ended September 30, 1999:			
Basic earnings per share	$23,235	59,842	$0.39
Dilutive effect of: Potential common shares issuable upon the conversion of Trust Convertible Preferred Securities (the increase in net earnings is net of income tax expense of $963,000)	1,506	4,902	
Potential common shares issuable upon the exercise of outstanding stock options	-	790	

Diluted earnings per share	$24,741	65,534	$0.38
Nine Months Ended September 30, 1999:			
Basic earnings per share	$45,424	52,372	$0.87
Dilutive effect of: Potential common shares issuable upon the conversion of Trust Convertible Preferred securities (the increase in net earnings is net of income tax expense of $2,889,000)	4,519	4,902	
Potential common shares issuable upon the exercise of outstanding stock options	-	553	
Diluted earnings per share	$49,943	57,827	$0.86

To arrive at net earnings applicable to common stockholders as shown in the previous tables, net earnings are reduced by the amount of dividends on the 6.49% cumulative preferred stock outstanding. Such dividends equal approximately $2.4 million per quarter. This preferred stock was assumed by Devon in the PennzEnergy merger. Therefore, the net earnings for the third quarter and first nine months of 1999 have been reduced by $1.2 million for half of the third quarter's preferred dividend because the merger was closed on August 17, 1999.

6. Segment Information

Devon manages its business by country. As such, Devon identifies its segments based on geographic areas. Devon has two reportable segments: its operations in the U.S. and its operations in Canada. Substantially all of both 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	Other	Total
		(In Thousands)		
As of September 30, 1999:				
Current assets	$ 515,919	60,094	20,580	596,593
Property and equipment, net of accumulated depreciation, depletion and amortization	3,076,670	476,100	306,845	3,859,615
Investment in Chevron Corporation common stock	629,453	-	-	629,453
Other assets	77,778	899	10,932	89,609
Total assets	$4,299,820	537,093	338,357	5,175,270
Current liabilities	473,315	51,926	16,114	541,355
Debentures exchangeable into shares of Chevron Corporation common stock	760,313	-	-	760,313
Other long-term debt	668,463	354,264	-	1,022,727
Deferred tax liabilities (assets)	670,403	(8,668)	30,008	691,743
Other liabilities	183,687	3,603	3,754	191,044
TCP Securities	149,500	-	-	149,500
Stockholders' equity	1,394,139	135,968	288,481	1,818,588
Total liabilities and stockholders' equity	$4,299,820	537,093	338,357	5,175,270
Three Months ended September 30, 1999:				
Revenues				
Oil sales	$ 57,490	23,276	1,012	81,778
Gas sales	89,406	27,213	-	116,619
Natural gas liquids sales	12,972	2,872	-	15,844
Other	4,383	1,017	210	5,610
Total revenues	164,251	54,378	1,222	219,851
Costs and expenses				
Lease operating expenses	33,332	12,214	300	45,846
Production taxes	6,684	367	-	7,051
Depreciation, depletion and amortization	68,441	16,982	54	85,477
General and administrative expenses	15,251	2,777	1,310	19,338
Interest expense	15,384	6,091	(16)	21,459
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	-	(330)	-	(330)
Distributions on preferred securities of				

subsidiary trust		2,429	-	-	2,429
Total costs and expenses		141,521	38,101	1,648	181,270
Earnings (loss) before income tax expense (benefit)		22,730	16,277	(426)	38,581
Income tax expense (benefit)					
Current		4,080	493	-	4,573
Deferred		2,853	6,864	(161)	9,556
Total income tax expense (benefit)		6,933	7,357	(161)	14,129
Net earnings (loss)	$	15,797	8,920	(265)	24,452
Capital expenditures	$	56,640	33,996	-	90,636

6. Segment Information (Continued)

	U.S.	Canada	Other	Total
		(In Thousands)		
Three months ended September 30, 1998:				
Revenues				
Oil sales	$ 16,652	19,176	-	35,828
Gas sales	30,351	20,388	-	50,739
Natural gas liquids sales	2,808	1,094	-	3,902
Other	883	1,518	-	2,401
Total revenues	50,694	42,176	-	92,870
Costs and expenses				
Lease operating expenses	16,360	11,759	-	28,119
Production taxes	3,184	366	-	3,550
Depreciation, depletion and amortization	20,739	11,016	-	31,755
General and administrative expenses	2,758	3,138	-	5,896
Interest expense	133	5,374	-	5,507
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	-	8,512	-	8,512
Distributions on preferred securities of subsidiary trust	2,429	-	-	2,429
Reduction of carrying value of oil and gas properties	126,900	-	-	126,900
Total costs and expenses	172,503	40,165	-	212,668
Earnings (loss) before income tax expense (benefit)	(121,809)	2,011	-	(119,798)
Income tax expense (benefit)				
Current	412	771	-	1,183
Deferred	(38,177)	391	-	(37,786)
Total income tax expense (benefit)	(37,765)	1,162	-	(36,603)
Net earnings (loss)	$ (84,044)	849	-	(83,195)
Capital expenditures	$ 47,143	29,736	-	76,879
Nine months ended September 30, 1999:				
Revenues				
Oil sales	$ 91,887	53,663	1,012	146,562
Gas sales	150,015	79,542	-	229,557
Natural gas liquids sales	19,175	6,433	-	25,608
Other	5,761	3,731	210	9,702
Total revenues	266,838	143,369	1,222	411,429
Costs and expenses				
Lease operating expenses	62,598	37,468	300	100,366
Production taxes	12,441	1,025	-	13,466
Depreciation, depletion and amortization	105,212	49,532	54	154,798
General and administrative expenses	22,209	8,994	1,310	32,513
Interest expense	16,872	18,382	(16)	35,238
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	-	(9,076)	-	(9,076)
Distributions on preferred securities of subsidiary trust	7,288	-	-	7,288
Total costs and expenses	226,620	106,325	1,648	334,593
Earnings (loss) before income tax expense (benefit)	40,218	37,044	(426)	76,836
Income tax expense (benefit)				
Current	6,790	2,085	-	8,875
Deferred	5,179	16,302	(161)	21,320
Total income tax expense (benefit)	11,969	18,387	(161)	30,195
Net earnings (loss)	$ 28,249	18,657	(265)	46,641
Capital expenditures	$ 138,244	92,287	-	230,531

6. Segment Information (Continued)

	U.S.	Canada	Other	Total
		(In Thousands)		
Nine months ended September 30, 1998:				
Revenues				
Oil sales	$ 55,719	55,682	-	111,401
Gas sales	95,429	61,865	-	157,294
Natural gas liquids sales	9,808	3,781	-	13,589
Other	3,185	12,613	-	15,798
Total revenues	164,141	133,941	-	298,082
Costs and expenses				
Lease operating expenses	49,724	36,074	-	85,798
Production taxes	9,590	1,226	-	10,816
Depreciation, depletion and amortization	61,195	31,718	-	92,913
General and administrative expenses	8,491	9,189	-	17,680
Interest expense	183	16,161	-	16,344
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	-	15,433	-	15,433
Distributions on preferred securities of subsidiary trust	7,288	-	-	7,288
Reduction of carrying value of oil and gas properties	126,900	-	-	126,900
Total costs and expenses	263,371	109,801	-	373,172
Earnings (loss) before income tax expense (benefit)	(99,230)	24,140	-	(75,090)
Income tax expense (benefit)				
Current	3,817	2,697	-	6,514
Deferred	(34,156)	9,349	-	(24,807)
Total income tax expense (benefit)	(30,339)	12,046	-	(18,293)
Net earnings (loss)	$ (68,891)	12,094	-	(56,797)
Capital expenditures	$ 130,737	117,640	-	248,377

7. Early Redemption of Trust Convertible Preferred Securities

Devon has outstanding $149.5 million of 6.5% Trust Convertible Preferred Securities (the "TCP Securities"). The TCP Securities are convertible into approximately 4.9 million shares of Devon's common stock, which equates to a conversion price of $30.50 per share of Devon common stock. The TCP Securities have a maturity date of June 15, 2026. However, on October 27, 1999, Devon issued notice to the holders of the TCP Securities that it was exercising its right to redeem such securities on November 30, 1999. The redemption price, including a required 4.55% premium, would total $156.3 million if all TCP Securities holders elected to receive the cash redemption price. However, based upon Devon's common stock price of $38.1875 per share as of November 5, 1999, the TCP Securities holders have an economic incentive to elect to convert their securities into shares of Devon common stock instead of receiving the cash redemption price.

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 nine month periods ended September 30, 1999, compared to the three month and nine month periods ended September 30, 1998, and in financial condition since December 31, 1998. It is presumed that readers have read or have access to Devon's 1998 annual report on Form 10-K.

Overview

On December 10, 1998, Devon merged with Canadian-based Northstar. As a result of accounting for this combination as a "pooling-of-interests," the financial data for all periods presented herein represent the combined results of the two companies. The pooling-of-interests method of accounting requires historical information to be restated as if the combining companies had always been merged. The restated data varies significantly from the historical data Devon previously presented on a stand-alone basis.

Devon's net earnings for 1999's third quarter were $24.5 million, compared to a net loss in 1998's third quarter of $83.2 million. The 1999 quarter's net earnings per share were $0.39 per share ($0.38 per share diluted), compared to 1998's quarterly net loss of $1.72 per share. Net earnings for the first nine months of 1999 were $46.6 million, compared to a net loss of $56.8 million for the same period of 1998. The 1999 year-to-date net earnings per share were $0.87 per share ($0.86 per share diluted), compared to a net loss of $1.18 per share for the first nine months of 1998.

On August 17, 1999, Devon closed its merger with PennzEnergy Company. Devon issued 21.5 million shares to the former PennzEnergy stockholders and assumed debt and other obligations that brought the total amount of assets acquired to approximately $2.9 billion. The PennzEnergy merger was accounted for using the purchase method of accounting for business combinations. Accordingly, Devon began recognizing additional revenues and expenses from the PennzEnergy operations on August 17, 1999. Even though the PennzEnergy operations affected Devon's third quarter results for only 1 1/2 months, the additional revenues and expenses from such operations were significant in relation to Devon's historical amounts. The effects of the PennzEnergy merger, higher 1999 oil, gas and natural gas liquids ("NGLs") prices and a $126.9 million ($88 million after-tax) full cost writedown in 1998's third quarter were the primary factors behind the third quarter and year-to-date variances between 1999's results and those of the 1998 periods.

On September 27 and October 4, 1999, Devon issued an aggregate 10.3 million shares of additional common stock in a public offering. The net proceeds from this issuance were approximately $402 million. These proceeds will be used primarily to retire $350 million of 10% interest bearing long- term debt assumed in the PennzEnergy merger.

On October 15, 1999, Devon entered into $750 million of new unsecured long-term credit facilities which replaced its previous $400 million of facilities. As of October 15, 1999, Devon had approximately $619 million of unused borrowing capacity under the new facilities.

Results of Operations

Total revenues increased $127.0 million, or 137%, in the third quarter of 1999, and $113.3 million, or 38%, in the first nine months of 1999. Oil, gas and NGLs revenues increased $123.8 million, or 137%, for the third quarter of 1999, and $119.4 million, or 42%, for the first nine months of the year. The quarterly and year-to-date comparisons of production and price changes are shown in the following tables. (Note: Unless otherwise stated, all references in this report to dollar amounts regarding Devon's foreign operations are expressed in U.S. dollars.)

	Total					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	1999	1998	Change	1999	1998	Change
Production						
Oil (MBbls)	4,324	2,945	+47%	9,395	9,050	+4%
Gas (MMcf)	56,010	33,850	+65%	127,412	100,512	+27%
NGL (MBbls)	1,142	504	+127%	2,133	1,547	+38%
Oil, Gas and NGLs (MBoe)	114,801	9,091	+63%	32,763	27,349	+20%
Average Prices						
Oil (Per Bbl)	$18.91	12.17	+55%	15.60	12.31	+27%
Gas (Per Mcf)	2.08	1.50	+39%	1.80	1.56	+15%
NGL (Per Bbl)	13.87	7.74	+79%	12.01	8.78	+37%
Oil, Gas and NGLs (Per Boe)1	14.47	9.95	+45%	12.26	10.32	+19%
	(In Thousands)					
Revenues						
Oil	$ 81,778	35,828	+128%	146,562	111,401	+32%
Gas	116,619	50,739	+130%	229,557	157,294	+46%
NGLs	15,844	3,902	+306%	25,608	13,589	+88%
Combined	$214,241	90,469	+137%	401,727	282,284	+42%

	Domestic					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	1999	1998	Change	1999	1998	Change
Production						
Oil (MBbls)	2,812	1,387	+103%	5,342	4,293	+24%
Gas (MMcf)	37,233	16,752	+122%	70,527	49,353	+43%
NGL (MBbls)	965	342	+182%	1,630	1,074	+52%
Oil, Gas and NGLs (MBoe)	19,982	4,522	+121%	18,726	13,593	+38%
Average Prices						
Oil (Per Bbl)	$20.44	12.00	+70%	17.20	12.98	+33%
Gas (Per Mcf)	2.40	1.81	+33%	2.13	1.93	+10%
NGL (Per Bbl)	13.44	8.21	+64%	11.76	9.13	+29%
Oil, Gas and NGLs (Per Boe)1	16.02	11.02	+45%	13.94	11.84	+18%
	(In Thousands)					
Revenues						
Oil	$57,490	16,652	+245%	91,887	55,719	+65%
Gas	89,406	30,351	+195%	150,015	95,429	+57%
NGLs	12,972	2,808	+362%	19,175	9,808	+96%
Combined	$159,868	49,811	+221%	261,077	160,956	+62%

	Canada

	Three Months Ended September 30,			Nine Months Ended September 30,		
	1999	1998	Change	1999	1998	Change
Production						
Oil (MBbls)	1,360	1,558	-13%	3,901	4,757	-18%
Gas (MMcf)	18,777	17,098	+10%	56,885	51,159	+11%
NGL (MBbls)	177	162	+9%	503	473	+6%
Oil, Gas and NGLs (MBoe)	14,667	4,569	+2%	13,885	13,756	+1%
Average Prices						
Oil (Per Bbl)	$17.11	12.31	+39%	13.76	11.71	+18%
Gas (Per Mcf)	1.45	1.19	+22%	1.40	1.21	+16%
NGL (Per Bbl)	16.23	6.75	+140%	12.79	7.99	+60%
Oil, Gas and NGLs (Per Boe)1	11.43	8.90	+28%	10.06	8.82	+14%
			(In Thousands)			
Revenues						
Oil	$23,276	19,176	+21%	53,663	55,682	-4%
Gas	27,213	20,388	+33%	79,542	61,865	+29%
NGLs	2,872	1,094	+163%	6,433	3,781	+70%
Combined	$53,361	40,658	+31%	139,638	121,328	+15%

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 NGLs are affected by market and other factors in addition to relative energy content.

In addition to the volumes included in the prior tables for domestic and Canadian production, Devon also produced 152,000 barrels of oil in the third quarter and first nine months of 1999 in Venezuela. The oil revenues generated by this production were $1.0 million. This production was for the 1 1/2 months following the mid-August PennzEnergy merger closing.

Oil Revenues. Oil revenues increased $46.0 million, or 128%, in the third quarter of 1999. An increase in the average price of $6.74 per barrel, or 55%, increased oil revenues by $29.2 million. An increase in production of 1.4 million barrels, or 47%, caused oil revenues to increase by $16.8 million in the 1999 quarter. Approximately 1.8 million barrels of 1999's third quarter oil production were added by the PennzEnergy properties' production for the last 1 1/2 months of the quarter following the closing of the PennzEnergy merger. This additional production was partially offset by a 0.4 million barrel decline from Devon's other properties. Natural decline and the deferral of many oil- related projects earlier in 1999 due to low prices were the primary causes for the decline in these properties' 1999 quarterly production.

Oil revenues increased $35.2 million, or 32%, in the first nine months of 1999. Oil revenues increased $30.9 million due to an increase in the average price of $3.29 per barrel, or 27%. An increase in production of 0.4 million barrels, or 4%, caused oil revenues to increase by $4.3 million The 1.8 million barrels of production added by the PennzEnergy merger were partially offset by a 1.4 million barrel decline in production from Devon's other properties. The disposition of certain Canadian producing properties in 1998, the deferral of projects originally scheduled earlier in the year, natural decline, and the effect of some properties that were shut-in earlier in the year due to low prices were the primary reasons for this decline in production.

Gas Revenues. Gas revenues increased $65.9 million, or 130%, in the third quarter of 1999. Production rose 22.2 Bcf, or 65%, in the 1999 period. This increase in production added $33.2 million to gas revenues in 1999's third quarter. The remaining $32.7 million of increased gas revenues was caused by an increase in the average gas price of $0.58 per Mcf, or 39%.

Devon's San Juan Basin coal seam gas properties produced 6.1 Bcf in 1999's third quarter compared to 4.9 Bcf in the 1998 third quarter. Devon's other domestic properties produced 31.1 Bcf in the 1999 quarter compared to 11.9 Bcf in the 1998 quarter. Production for 1 1/2 months from the PennzEnergy properties accounted for 19.6 Bcf of the 1999 quarter's production increase.

Canadian gas production increased 1.7 Bcf, or 10%, in 1999's third quarter. Production added from an acquisition in December 1998 was the primary cause of the increased production in 1999's third quarter.

Devon's San Juan Basin coal seam gas properties averaged $1.82 per Mcf in the third quarter of 1999 compared to $1.64 per Mcf in the same quarter of 1998. Other domestic properties averaged $2.52 per Mcf in the 1999 quarter compared to $1.88 per Mcf in the 1998 quarter.

Gas revenues increased $72.3 million, or 46%, in the first nine months of 1999. Production rose 26.9 Bcf, or 27%, in the 1999 period. This increase in production added $42.1 million to gas revenues in the 1999 period. Gas revenues were also increased $30.2 million by an increased in the average gas price of $0.24 per Mcf, or 15%, in the first nine months of 1999.

Devon's San Juan Basin coal seam gas properties produced
17.4 Bcf in the first nine months of 1999 compared to 15.0 Bcf in the same period of 1998. Devon's other domestic properties produced 53.1

Bcf in the first nine months of 1999 compared to
34.4 Bcf in the first nine months of 1998. Production for 1 1/2 months from the PennzEnergy properties accounted for 19.6 Bcf of the 1999 year-to-date production increase.

Canadian gas production increased 5.7 Bcf, or 11%, in the first nine months of 1999. Production from two 1998 acquisitions was the primary cause of the increase in 1999 production.

Devon's San Juan Basin coal seam gas properties averaged $1.75 per Mcf in the first nine months of 1999 compared to $1.74 per Mcf in the same period of 1998. Other domestic properties averaged $2.25 per Mcf in the first nine months of 1999 compared to $2.02 per Mcf in the first nine months of 1998.

NGLs Revenues. NGLs revenues increased $11.9 million, or 306%, in the third quarter of 1999. An increase in the average price of $6.13 per barrel, or 79%, caused NGLs revenues to increase $7.0 million in the 1999 quarter. An increase in production of 638,000 barrels, or 127%, caused NGLs revenues to increase by $4.9 million in the 1999 quarter. Production for 1 1/2 months from the PennzEnergy properties contributed 577,000 barrels of the 1999 quarterly production.

NGLs revenues increased $12.0 million, or 88%, in the first nine months of 1999. An increase in the average price of $3.23 per barrel, or 37%, caused NGLs revenues to increase $6.9 million in the first nine months of 1999. An increase in production of 586,000 barrels, or 38%, caused NGLs revenues to increase by $5.1 million in the year-to-date period.

Other Revenues. Other revenues increased $3.2 million, or 134%, in the third quarter of 1999 compared to the same period in 1998. Dividend income of $2.1 million from the investment in Chevron Corporation common stock accounted for most of the increase. This amount represents approximately half of the actual $4.3 million dividend received which was attributable to the period following the August 17, 1999, closing of the PennzEnergy merger. An increase in third party gas processing income of $0.6 million in the 1999 quarter was also a primary contributor to the quarterly increase in other revenues.

Other revenues decreased $6.1 million, or 39% in the first nine months of 1999 compared to the first nine months of 1998. The reduction was primarily due to two nonrecurring revenue items recognized in 1998's second quarter. In the second quarter of 1998, Northstar received a one-time payment of $5.0 million from a gas purchaser related to the termination of a gas contract. Also, Northstar received $2.8 million in 1998's second quarter in return for the termination of a management arrangement with a third party.

Production and Operating Expenses. The components of production and operating expenses are set forth in the following tables.

	Total					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	1999	1998	Change	1999	1998	Change
Absolute (Thousands)						
Recurring operations and maintenance expenses	$44,665	27,048	+65%	96,473	81,787	+18%
Well workover expenses	1,181	1,071	+10%	3,893	4,011	-3%
Production taxes	7,051	3,550	+99%	13,466	10,816	+25%
Total production and operating expenses	$52,897	31,669	+67%	113,832	96,614	+18%
Per Boe						
Recurring operations and maintenance expenses	3.02	2.97	+2%	2.94	2.99	-2%
Well workover expenses	0.08	0.12	-33%	0.12	0.15	-20%
Production taxes	0.47	0.39	+21%	0.41	0.39	+5%
Total production and operating expenses	$3.57	3.48	+3%	3.47	3.53	-2%

	Domestic					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	1999	1998	Change	1999	1998	Change
Absolute (Thousands)						
Recurring operations and maintenance expenses	$32,317	15,345	+111%	59,615	46,224	+29%
Well workover expenses	1,015	1,015	-%	2,983	3,500	-15%
Production taxes	6,684	3,184	+110%	12,441	9,590	+30%
Total production and operating expenses	$40,016	19,544	+105%	75,039	59,314	+27%
Per Boe						
Recurring operations and maintenance expenses	3.24	3.39	-4%	3.18	3.40	-6%
Well workover expenses	0.10	0.23	-57%	0.16	0.26	-38%
Production taxes	0.67	0.70	-4%	0.67	0.70	-4%
Total production and operating expenses	$4.01	4.32	-7%	4.01	4.36	-8%

Canada

	Three Months Ended September 30,			Nine Months Ended September 30,		
	1999	1998	Change	1999	1998	Change
Absolute (Thousands)						
Recurring operations and maintenance expenses	$12,048	11,703	+3%	36,558	35,563	+3%
Well workover expenses	166	56	+196%	910	511	+78%
Production taxes	367	366	-%	1,025	1,226	-16%
Total production and operating expenses	$12,581	12,125	+4%	38,493	37,300	+3%
Per Boe						
Recurring operations and maintenance expenses	2.58	2.56	+1%	2.63	2.58	+2%
Well workover expenses	0.04	0.01	+300%	0.07	0.04	+75%
Production taxes	0.08	0.08	-%	0.07	0.09	-22%
Total production and operating expenses	$2.70	2.65	+2%	2.77	2.71	+2%

Recurring operations and maintenance expenses increased $17.6 million, or 65%, in the third quarter of 1999. Domestic expenses increased $17.0 million in the 1999 quarter due to $19.1 million of expenses for 1 1/2 months of the 1999 quarter from the PennzEnergy properties. Other than the added costs from the PennzEnergy properties, Devon's domestic properties' recurring costs declined $2.1 million in the third quarter of 1999. Various efficiencies achieved in certain of Devon's oil producing properties contributed to this cost reduction.

Recurring operations and maintenance expenses increased $14.7 million, or 18%, in the first nine months of 1999. Domestic expenses increased $13.4 million in the 1999 period due to $19.1 million of expenses for 1 1/2 months of operations from the PennzEnergy properties. Excluding the costs added by the PennzEnergy properties, Devon's domestic properties' recurring costs declined $5.7 million in the 1999 year-to-date period. The efficiencies referred to in the prior paragraph were the primary contributors to these reductions.

Production taxes increased $3.5 million in the third quarter of 1999 and $2.6 million in the first nine months of 1999. The increases in oil, gas and NGLs revenues in these periods were the primary reason for the increased production taxes.

In addition to the amounts shown in the prior tables for domestic and Canadian expenses, Devon incurred $0.3 million of recurring operations and maintenance expenses in Venezuela for the third quarter and first nine months of 1999. These expenses, which were at a rate of $1.97 per barrel, were for the 1 1/2 months following the mid-August PennzEnergy merger closing.

Depreciation, Depletion and Amortization Expenses ("DD&A"). Oil and gas property related DD&A increased $52.4 million, or 171%, from $30.7 million in the third quarter of 1998 to $83.1 million in the third quarter of 1999. An increase in the combined DD&A rate from $3.38 per Boe in the 1998 quarter to $5.62 per Boe in the 1999 quarter caused oil and gas property related DD&A to increase $33.1 million. The 1999 quarterly DD&A rate of $5.62 per Boe was a blended rate for half of the quarter before the PennzEnergy merger and half of the quarter after the merger. The DD&A rate for the last half of the quarter after the PennzEnergy merger was $6.50 per Boe. DD&A increased $19.3 million in the 1999 quarter due to the 63% increase in combined oil, gas and NGLs production in the 1999 quarter.

Oil and gas property related DD&A increased $60.7 million, or 68%, from $89.8 million in the first nine months of 1998 to $150.5 million in the first nine months of 1999. An increase in the combined DD&A rate from $3.28 per Boe in the year-to-date 1998 period to $4.59 per Boe in the year-to-date 1999 period caused oil and gas property related DD&A to increase $42.9 million. DD&A increased $17.8 million in the year-to-date 1999 period due to the 20% increase in combined oil, gas and NGLs production in the first nine months of 1999.

General and Administrative Expenses ("G&A"). Devon's 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 of G&A. 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 G&A in the consolidated statements of operations.

G&A increased $13.4 million, or 228%, in the third quarter of 1999 compared to the same quarter of 1998. Approximately $13.7 million of the 1999 quarter's G&A was related to 1 1/2 months of G&A related to the PennzEnergy operations. Included in this amount was $4.4 million of nonrecurring retention bonuses paid to certain PennzEnergy employees as an inducement for them to remain with Devon for two months following the merger closing.

Gross G&A increased $18.7 million, or 151%, in the 1999 quarter. The PennzEnergy operations added $17.9 million to the quarter's gross G&A. G&A was reduced $1.8 million in the third quarter of 1999 due to an increase in the amount of reimbursements on operated properties. G&A was also reduced $3.5 million in the third quarter of 1999 due to an increase in the amount capitalized as part of oil and gas properties. The amount capitalized increased from $2.4 million in the third quarter of 1998 to $5.9 million in the third quarter of 1999.

G&A increased $14.8 million, or 84%, in the first nine months of 1999. Included in this increase was the $13.7 million of expenses related to the PennzEnergy operations referred to above. Gross G&A increased $19.6 million, or 51%, in the 1999 period. G&A was reduced due to a $0.5 million increase in the amount of reimbursements on operated properties. G&A was also lowered $4.3 million in the first nine months of 1999 due to an increase in the amount capitalized as part of oil and gas properties. The amount capitalized increased from $7.2 million in the

first nine months of 1998 to $11.5 million in the first nine months of 1999.

Interest Expense. Interest expense increased $16.0 million, or 290%, in 1999's third quarter. An increase in the average debt balance outstanding from $311.4 million in the third quarter of 1998 to $1.2 billion in the third quarter of 1999 caused interest expense to increase by $15.9 million. The average annualized interest rate on outstanding debt was 6.8% in the third quarters of both years. The remaining $0.1 million increase in interest expense was caused by an increase in other components of interest expense such as facility and agency fees and the amortization of capitalized loan costs.

Interest expense increased $18.9 million, or 116%, in the first nine months of 1999. An increase in the average debt balance outstanding from $332.1 million in the first nine months of 1998 to $703.9 million in the first nine months of 1999 caused interest expense to increase by $18.3 million. The average annualized interest rate on outstanding debt was 6.5% in the first nine months of both years. The remaining $0.6 million increase in interest expense was caused by an increase in other components of interest expense such as facility and agency fees and the amortization of capitalized loan costs.

The increase in average debt outstanding and average interest expense in the third quarter and first nine months of 1999 was attributable to the long-term debt assumed in the PennzEnergy merger on August 17, 1999. At that date, Devon assumed $1.6 billion of long-term debt with a weighted average interest rate of 7.2%. On September 27 and October 4, 1999, Devon received approximately $402 million of net proceeds from the issuance of approximately 10.3 million shares of its common stock. These proceeds will primarily be used to retire $350 million of the assumed PennzEnergy debt that bears interest at approximately 10% per year. This debt consists of $200 million that bears interest at 9.625% and matures on November 15, 1999, and $150 million that bears interest at 10.625% and matures on June 1, 2001. The $200 million will be retired at its stated maturity date. Devon called the $150 million for early redemption and retired this debt on October 28, 1999. There were no premiums required for this early redemption. The additional credit available to Devon as a result of the debt reductions will be used primarily for capital expenditures and acquisitions as they occur.

The following schedule includes the components of interest expense for the third quarter and first nine months of 1999 and 1998.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(In Thousands)			
Interest based on debt outstanding	$21,186	5,277	34,370	16,075
Facility and agency fees	292	201	591	460
Amortization of capitalized loan costs	81	24	246	69
Hedging gains	-	-	-	(188)
Other	(100)	5	31	(72)
Total interest expense	$21,459	5,507	35,238	16,344

Deferred Effect of Changes in Foreign Currency Exchange Rate on Subsidiary's Long-term Debt. Devon's Canadian subsidiary Northstar has certain fixed rate senior notes which are denominated in U.S. dollars. The outstanding principal amount of these notes is $225 million. Changes in the exchange rate between the U.S. dollar and the Canadian dollar from the dates the notes were issued to the dates of repayment will increase or decrease the expected amount of Canadian dollars eventually required to repay the notes. Such changes in the Canadian dollar equivalent balance of the debt are required to be included in determining net earnings for the period in which the exchange rate changes.

The rate of converting Canadian dollars to U.S. dollars increased from $0.6793 at June 30, 1999, to $0.6803 at September 30, 1999, and from $0.6535 at the end of 1998 to $0.6803 at September 30, 1999. These increases in the exchange rate reduced the Canadian dollar equivalent of debt recorded by Northstar. Therefore, $0.3 million and $9.1 million of reduced expenses were recognized in 1999's third quarter and first nine months, respectively.

The rate of converting Canadian dollars to U.S. dollars decreased from $0.6813 at June 30, 1998, to $0.6554 at September 30, 1998, and from $0.6997 at the end of 1997 to $0.6554 at September 30, 1998. These decreases in the exchange rate increased the Canadian dollar equivalent of debt recorded by Northstar during the respective periods. Therefore, $8.5 million and $15.4 million of increased expenses were recognized in 1998's third quarter and first nine months, respectively.

Distributions on Preferred Securities of Subsidiary Trust. Devon has $149.5 million of 6.5% Trust Convertible Preferred Securities outstanding. Distributions on these securities accrue and are paid at the rate of 1.625% per quarter.

The TCP Securities are convertible into approximately 4.9 million shares of Devon's common stock, which equates to a conversion price of $30.50 per share of Devon common stock. The TCP Securities have a maturity date of June 15, 2026. However, on October 27, 1999, Devon issued notice to the holders of the TCP Securities that it was exercising its right to redeem such securities on November 30, 1999. The redemption price, including a required 4.55% premium, would total $156.3 million if all TCP Securities holders elected to receive the cash redemption price. However, based upon Devon's common stock price of $38.1875 per share as of November 5, 1999, the TCP Securities holders have an economic incentive to elect to convert their securities into shares of Devon common stock instead of receiving the cash redemption price.

Reduction of Carrying Value of Oil and Gas Properties. Under the full cost method of accounting, the net book value of oil and gas properties, less related deferred income taxes, may not exceed a calculated "ceiling." The ceiling limitation is the discounted estimated after-tax future revenues from proved oil and gas properties. The ceiling is imposed separately by country. In calculating future net revenues, current prices and costs are generally held constant indefinitely. The net book value, less deferred tax liabilities, is compared to the ceiling on a quarterly and annual basis. Any excess of the net book value, less deferred taxes, above the ceiling is written off as an expense.

Due to a reduction in oil and gas prices from the beginning of 1998 to September 30, 1998, Devon's net book value, less deferred taxes, of its domestic oil and gas properties exceeded the September 30, 1998, ceiling by approximately $88 million. Accordingly, the carrying value of Devon's domestic oil and gas properties was reduced by $126.9 million in the third quarter of 1998. This reduction was partially offset by a deferred income tax benefit of $38.9 million, resulting in a net effect of $88 million.

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 effective tax rates estimated for the third quarter and first nine months of 1999 were 37% and 39%, respectively. The benefit rates for the losses incurred in the third quarter and first nine months of 1998 were 31% and 24%, respectively. The benefit rates in 1998 were significantly below the federal statutory rate of 35% due to $27.2 million of financial expenses incurred which were not deductible for income tax purposes. The $27.2 million of financial deductions were part of the $126.9 million reduction of carrying value of oil and gas properties recorded in 1998's third quarter.

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 as of September 30, 1999, were approximately $145 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 2018, U.S. state net operating loss carryforwards which expire primarily between 2000 and 2012, and Canadian carryforwards which expire primarily between 2000 and 2005. Devon expects the tax benefits from the net operating loss carryforwards to be utilized between 1999 and 2007. 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.

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 included elsewhere herein.

Capital Expenditures. Approximately $230.5 million was spent in the first nine months of 1999 for capital expenditures. This total included $170.2 million for the acquisition, drilling and development of oil and gas properties, $58.7 million related to the construction of an extensive gas gathering system, related CO2 removal facilities and gas processing project all located in the Powder River Basin of Wyoming, and $1.6 million for other fixed assets.

Approximately $248.4 million was spent for capital expenditures in the first nine months of 1998. This total included $246.3 million for the acquisition, drilling and development of oil and gas properties and $2.1 million for other fixed assets.

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 nine months of 1999. Operating cash flow in the first nine months was $192.6 million, compared to $152.4 million in the first nine months of 1998.

For the first nine months of 1999, Devon reduced its borrowings under its credit facilities by approximately $21 million. As of September 30, 1999, Devon had $159.3 million borrowed under its credit facilities.

On October 15, 1999, Devon entered into new unsecured long- term credit facilities aggregating $750 million (the "Credit Facilities"). The Credit Facilities include a U.S. facility of $475 million (the "U.S. Facility") and a Canadian facility of $275 million (the "Canadian Facility"). The Credit Facilities replaced Devon's previous facilities that totaled $400 million.

Amounts borrowed under the Credit Facilities bear interest at various fixed rate options that Devon may elect for periods up to six months. Such rates are generally less than the prime rate. Devon may also elect to borrow at the prime rate. The Credit Facilities provide for an annual facility fee of $0.9 million that is payable quarterly.

The $475 million U.S. Facility consists of a Tranche A facility of $200 million and a Tranche B facility of $275 million. The Tranche A facility matures on October 15, 2004. Devon may borrow funds under the Tranche B facility until October 13, 2000 (the "Tranche B Revolving Period"). Devon may request that the Tranche B Revolving Period be extended an additional 364 days by notifying the agent bank of such

request between 30 and 60 days prior to the end of the Tranche B Revolving Period. Debt borrowed under the Tranche B facility matures two years following the end of the Tranche B Revolving Period. On October 15, 1999, there were no borrowings from the $475 million U.S. Facility.

Devon may borrow funds under the $275 million Canadian Facility until October 13, 2000 (the "Canadian Facility Revolving Period"). Devon may request that the Canadian Facility Revolving Period be extended an additional 364 days by notifying the agent bank of such request between 45 and 90 days prior to the end of the Canadian Facility Revolving Period. Debt outstanding as of the end of the Canadian Facility Revolving Period is payable in semi-annual installments of 2.5% each for the following five years, with the final installment due five years and one day following the end of the Canadian Facility Revolving Period. On October 15, 1999, there was $131.3 million borrowed under the $275 million Canadian Facility.

The agreements governing the Credit Facilities contain certain covenants and restrictions, including a maximum allowed debt-to-capitalization ratio as defined in the agreements.

Year 2000 Status. Devon's company-wide Year 2000 Project ("the Project") is proceeding on schedule. The Project is addressing the Year 2000 issue caused by computer programs being written utilizing two digits rather than four to define an applicable year. As a result, Devon's computer equipment, software (all of which is externally developed), and devices with embedded technology that are time sensitive may misinterpret the actual date beginning on January 1, 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, but not limited to, a temporary inability to process transactions.

Devon has undertaken various initiatives intended to ensure that its computer equipment and software will function properly with respect to dates in the Year 2000 and thereafter. In planning and developing the Project, Devon has considered both its information technology ("IT") and its non-IT systems. The term "computer equipment and software" includes systems that are commonly thought of as IT systems, including accounting, data processing, telephone systems, scanning equipment, and other miscellaneous systems. Those items not to be considered as IT technology include alarm systems, fax machines, monitors for field operations, or other miscellaneous systems. Both IT and non-IT systems may contain embedded technology, which complicates Devon's Year 2000 identification, assessment, remediation, and testing efforts. Based upon its identification and assessment efforts to date, Devon is in the process of replacing the computer equipment and software it currently uses to become Year 2000 compliant. In addition, in the ordinary course of replacing computer equipment and software, Devon plans to obtain replacements that are in compliance with year 2000.

Devon has also mailed letters to its significant vendors and service providers and has verbally communicated with many strategic customers to determine the extent to which interfaces with such entities are vulnerable to Year 2000 issues and whether the products and services purchased from or by such entities are year 2000 compliant. Devon has received an overall favorable response from such third parties and it is anticipated that their significant Year 2000 issues will be addressed on a timely basis.

With regard to IT and non-IT systems and communications with third parties, the Project was substantially completed as of September 30, 1999.

As noted above, Devon is in the process of replacing certain computer equipment and software because of the Year 2000 issue. Devon estimates that the total cost of such replacements will approximate $1.0 million. Substantially all of the personnel being used on the Project are existing Devon employees. Devon does not separately track the time that its own employees spend on the Project. Therefore, the internal costs incurred on the Project are not known. Such costs would consist almost entirely of the payroll costs associated with the time spent on the Project. Third party consulting costs of Devon's Year 2000 identification, assessment, remediation and testing efforts, as well as currently anticipated costs to be incurred with respect to Year 2000 issues of third parties, are expected to be approximately $0.3 million.

Devon has performed a comprehensive analysis of the operational problems and costs that would be reasonably likely to result from the failure by Devon and significant third parties to complete efforts necessary to achieve Year 2000 compliance on a timely basis. Various contingency plans have been developed for dealing with the most reasonably likely worst case scenario. Devon plans to review such analysis and contingency planning, and make any necessary revisions, during November, 1999.

Devon presently does not expect to incur significant operational problems due to the Year 2000 issue. However, if all Year 2000 issues are not properly and timely identified, assessed, remediated and tested, there can be no assurances that the Year 2000 issue will not materially impact Devon's results of operations or adversely affect its relationships with customers, vendors, or others. Additionally, there can be no assurance that the Year 2000 issues of other entities will not have a material impact on Devon's systems or results of operations.

Impact of Recently Issued Accounting Standards Not Yet Adopted. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain recognition of all derivatives as either assets or liabilities in the balance sheet and measurement of those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and whether it qualifies as a hedge. A subsequent pronouncement, SFAS 137, was issued in July 1999 that delayed the effective date of SFAS 133 until the fiscal year beginning after June 15, 2000. Devon plans to adopt the provisions of SFAS 133 in the first quarter of the year ending December 31, 2001, and is currently evaluating the effects of this pronouncement.

Revisions to 1999 Estimates

On October 1, 1999, Devon filed a Form 8-K that contained forward-looking estimates for the year 1999 including the effect of the August 17, 1999, PennzEnergy merger. Subsequently, revisions were made in the allocation of the PennzEnergy purchase price and various assumptions regarding the deferred tax effect of the merger. As a result of these revisions in assumptions, the forward-looking information contained in the October 1, 1999, Form 8-K with regard to 1999 depreciation, depletion and amortization expense is no longer applicable and is replaced by the following revised information.

The following revised forward-looking statement regarding depreciation, depletion and amortization expense is based on the December 31, 1998 reserve reports of independent petroleum engineers, other data in Devon's possession or available from third parties and actual results for the first nine months of 1999. Devon cautions that its estimated 1999 depreciation, depletion and amortization expense and rates per unit of production are subject to certain risks and uncertainties normally incident to the exploration for and development and production and sale of oil and gas. These risks include, but are not limited to, the uncertainty inherent in estimating future oil and gas production and reserves.

Depreciation, Depletion and Amortization ("DD&A") The 1999 oil and gas property DD&A rate will depend on various factors. Most notable among such factors are the amount of proved reserves that could be added from drilling or acquisition efforts in 1999 compared to the costs incurred for such efforts, and the revisions to Devon's 1998 year-end reserve estimates that will be made during 1999.

The proved reserves added in the PennzEnergy merger will have a significant effect on Devon's DD&A rate for the last 4 1/2 months of 1999. Devon's consolidated DD&A rate for the first 7 1/2 months of 1999 was $3.78 per Boe. After the PennzEnergy merger, it is estimated that Devon's DD&A rate during the last 4 1/2 months of the year will be between $6.50 and $6.80 per Boe on a consolidated basis. On average for the total year, Devon expects its consolidated DD&A rate will be between $5.20 and $5.50 per Boe. This range of full-year DD&A rates should result in oil and gas property related DD&A expense for 1999 of between $275 million and $295 million.

The domestic DD&A rate for the year is expected to be between $6.25 and $6.55 per Boe. Domestic DD&A expense for oil and gas properties for 1999 is expected to be between $210 million and $230 million. The Canadian DD&A rate for the year is expected to be between $3.50 and $3.75 per Boe. Canadian DD&A expense for oil and gas properties for 1999 is expected to be between $64 million and $66 million.

Additionally, Devon expects its 1999 non-oil and gas property related DD&A expense to total between $7.5 million and $8.7 million in the U.S. and between $0.6 million and $0.7 million in Canada.

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 1998 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 September 30, 1999, there have been no material changes in Devon's market risk exposure from that disclosed in the 1998 Form 10-K except for the acquisition of 7.1 million shares of Chevron Corporation common stock as a result of the PennzEnergy merger. These shares are held for other than trading purposes and are included in Devon's consolidated balance sheet as noncurrent assets at their aggregate market value as of the balance sheet date. As of the August 17, 1999, PennzEnergy merger closing date, the Chevron Corporation common stock acquired by Devon had a market value of approximately $676.4 million. As of September 30, 1999, the fair value of such investment was $629.5 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

(a) Devon held a Special Meeting of Stockholders in Oklahoma City, Oklahoma at 10:00 a.m. local time, on August 17, 1999.

(b) Proxies for the meeting were solicited pursuant to Regulation 14 under the Securities and Exchange Act of 1934, as amended. There was no solicitation in opposition to the proposals as listed in the proxy statement and both propo- sals were approved.

(c) Out of a total of 48,830,782 shares outstanding and entitled to vote 40,848,189 shares were present at the meeting in person or by proxy, representing approximately 84 percent of the total outstanding.

(d) The vote tabulation with respect to the proposal to approve the amended and restated merger agreement dated as of May 19, 1999, between Devon and PennzEnergy Company, and the transactions contemplated by it was 40,802,995 shares for, 19,848 shares against, with 25,346 shares abstaining.

(e) The vote tabulation with respect to the proposal to approve a stock option plan amendment which was to increase the number of shares available for grant under the plan from 3,000,000 to 6,000,000 was 37,474,258 shares for, 3,087,685 shares against, with 286,410 shares abstaining.

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.
2.2 Amended and Restated Agreement and Plan of Merger among Registrant, Devon Energy Corporation (Oklahoma) (formerly Devon Energy Corporation, an Oklahoma corporation), Devon Oklahoma Corporation and PennzEnergy Company dated as of May 19, 1999 (incorporated by reference to Exhibit 2 to Registrant's Form S-4, File No. 33-82903 and by reference to Exhibit 2.1 to Registrant's Form 8-K filed on August 31, 1999).

3.1 Registrant's Restated Certificate of Incorporation (incorporated by reference to Exhibit 3 to Registrant's Form 8-K filed on August 18, 1999).

3.2 Registrant's Bylaw (incorporated by reference to Exhibit 3.3 to Registrant's Registration Statement on Form S-4, No. 333-82903 as filed on July 15, 1999).

4.1 Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Registrant's Form 8-K filed on August 18, 1999).

4.2 Rights Agreement dated as of August 17, 1999 between Registrant and BankBoston, N.A. (incorporated by reference to Exhibit 4.2 to Registrant's Form 8-K filed on august 18, 1999).

4.3 Certificate of Designations of Series A Junior Participating Preferred Stock of Registrant (incorporated by reference to Exhibit 4.3 to Registrant's Form 8-K filed on August 18, 1999).

4.4 Certificate of Designations of the 6.49% Cumulative Preferred Stock, Series A of Registrant (incorporated by reference to Exhibit 4.4 to Registrant's Form 8-K filed on August 18, 1999).

4.5 Description of Capital Stock (incorporated by reference to Exhibit 4.9 to Registrant's Form 8-K filed on August 18, 1999).

4.6 Second Supplemental Indenture dated as of August 17, 1999 between Registrant, Devon Energy Corporation (Oklahoma) and The Bank of New York (incorporated by reference to Exhibit 4.6 to Registrant's Form 8-K filed on August 18, 1999).

4.7 Fifth Supplemental Indenture dated as of August 17, 1999 to Indenture dated as of December 15, 1992 among Registrant (as successor by Merger to PennzEnergy) and Chase Bank of Texas, National Association (incorporated by reference to Exhibit 4.6 to Registrant's Form 8-K filed on August 18, 1999).

4.8 First Supplemental Indenture dated as of August 17, 1999 to Indenture dated as of February 15, 1986 between Registrant (as successor by Merger to PennzEnergy) and Chase Bank of Texas, National Association (incorporated by reference to Exhibit 4.8 to Registrant's Form 8-K filed on August 18, 1999).

4.9 Amending Voting and Exchange Trust Agreement dated as of August 17, 1999 between Registrant, Devon Energy Corporation (Oklahoma) and Northstar Energy Corporation (incorporated by reference to Exhibit 9 to Registrant's Form 8-K filed on August 18, 1999).

4.10 Amending Support Agreement dated as of August 17, 1999 between Registrant, Devon Energy Corporation (Oklahoma) and Northstar Energy Corporation (incorporated by reference to Exhibit 4.5 to Registrant's Form 8-K filed on August 18, 1999).

10.1 U.S. Credit Agreement, dated October 15, 1999 among the Registrant, as U.S. Borrower, Bank of America, N.A., as Administrative Agent, Bank of America Securities, LLC, as Lead Arranger, Bank One, Texas, N.A., as Syndication Agent, The Chase Manhattan Bank, as Documentation Agent, First Union National Bank, as Co-Documentation Agent, and Certain Financial Institutions, as Lenders.

10.2 Canadian Credit Agreement dated October 15, 1999, among Northstar Energy Corporation and Devon Energy Corporation, as Canadian Borrowers, Bank of America Canada, as Administrative Agent Bank of America Securities, LLC, as Lead Arranger, BancOne Capital Markets, Inc., as Syndication Agent, The Chase Manhattan Bank, as Documentation Agent, First Union National Bank, as Co-Documentation Agent, and Certain Financial Institutions, as Lenders.

10.3 Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation, Devon Delaware Corporation and Mr. J. Larry Nichols, dated May 19, 1999 *

10.4 Form of Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation, Devon Delaware Corporation and Messrs. Darryl G. Smette, Duke R. Ligon, H. Allen Turner, William T. Vaughn and Ms. Marian J. Moon, dated May 19, 1999 *

* Compensatory plans or arrangements.

(b) Reports on Form 8-K -A Current Report on Form 8-K was filed on July 22, 1999, regarding the termination of certain agreements previously entered into with Kerr-McGee Corporation. A Current Report on Form 8-K was filed on August 13, 1999, regarding certain supplemental information to the PennzEnergy merger proxy statement. Current Reports on Form 8-K were filed on August 18, 1999, and August 31, 1999, regarding the closing of the PennzEnergy merger. On September 24, 1999, a Current Report on Form 8-K was filed regarding the underwriting agreement executed in connection with Devon's equity offering. A Current Report on Form 8-K was filed on October 1, 1999, and amended by a Current Report on Form 8-K/A filed on October 5, 1999, regarding revisions to Devon's forward- looking information for the year 1999.

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: November 10, 1999

/s/Danny J. Heatly
Danny J. Heatly
Vice President - Accounting
Chief Accounting Officer

INDEX TO EXHIBITS

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and Certain Financial Institutions, as Lenders.

10.2	Canadian Credit Agreement dated October 15, 1999, among Northstar Energy Corporation and Devon Energy Corporation, as Canadian Borrowers, Bank of America Canada, as Administrative Agent Bank of America Securities, LLC, as Lead Arranger, BancOne Capital Markets, Inc., as Syndication Agent, The Chase Manhattan Bank, as Documentation Agent, First Union National Bank, as Co-Documentation Agent, and Certain Financial Institutions, as Lenders.	116
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Incorporated by reference.

ARTICLE 5

RESTATED:

PERIOD TYPE	9 MOS	9 MOS
FISCAL YEAR END	DEC 31 1999	DEC 31 1998
PERIOD END	SEP 30 1999	SEP 30 1998
CASH	380258	7150
SECURITIES	0	0
RECEIVABLES	187726	76183
ALLOWANCES	0	0
INVENTORY	16849	2544
CURRENT ASSETS	596593	114764
PP&E	5561881	2463931
DEPRECIATION	1702266	1481672
TOTAL ASSETS	5175270	1170179
CURRENT LIABILITIES	541355	86438
BONDS	1783040	303745
PREFERRED MANDATORY	0	0
PREFERRED	1500	0
COMMON	8039	4841
OTHER SE	1809049	524536
TOTAL LIABILITY AND EQUITY	5175270	1170179
SALES	401727	282284
TOTAL REVENUES	411429	298082
CGS	0	0
TOTAL COSTS	0	0
OTHER EXPENSES	113832	96614
LOSS PROVISION	0	0
INTEREST EXPENSE	35238	16344
INCOME PRETAX	76836	(75090)
INCOME TAX	30195	(18293)
INCOME CONTINUING	46641	(56797)
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	46641	(56797)
EPS BASIC	0.87	(1.18)
EPS DILUTED	0.86	(1.18)

US CREDIT AGREEMENT

DEVON ENERGY CORPORATION

as US Borrower

BANK OF AMERICA, N.A.

as Administrative Agent

BANC OF AMERICA SECURITIES LLC

as Lead Arranger

BANC ONE CAPITAL MARKETS, INC.

as Syndication Agent

THE CHASE MANHATTAN BANK

as Documentation Agent

FIRST UNION NATIONAL BANK

as Co-Documentation Agent

and CERTAIN FINANCIAL INSTITUTIONS

as Lenders

US $475,000,000

October 15, 1999

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Schedules and Exhibits:

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is made as of October 15, 1999, by and among Devon Energy Corporation, a Delaware corporation (herein called "US Borrower"), Bank of America, N.A., individually and as administrative agent (herein called "US Agent"), and the undersigned Lenders. In consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

ARTICLE I - The US Loans

Section 1.1. Commitments to Lend; US Notes.

(a) Tranche A. Subject to the terms and conditions hereof, each Lender agrees to make loans to US Borrower (herein called such Lender's "Tranche A Loans") upon US Borrower's request from time to time during the US Facility Commitment Period, provided that (i) subject to Sections 3.3, 3.4 and 3.5, all Lenders are requested to make Tranche A Loans of the same Type in accordance with their respective Percentage Shares and as part of the same Borrowing, (ii) such Lender's Percentage Share of the US Facility Usage shall never exceed such Lender's Percentage Share of the US Maximum Credit Amount, and (iii) such Lender's Percentage Share of the Tranche A Facility Usage shall never exceed such Lender's Percentage Share of the Tranche A Maximum Credit Amount. The aggregate amount of all Tranche A Loans in any Borrowing must be an integral multiple of US $100,000 which equals or exceeds US $200,000 or must equal the unadvanced portion of the US Maximum Credit Amount. The obligation of US Borrower to repay to each Lender the aggregate amount of all Tranche A Loans made by such Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Tranche A Note") made by US Borrower payable to the order of such Lender in the form of Exhibit A-1 with appropriate insertions. The amount of principal owing on any Lender's Tranche A Note at any given time shall be the aggregate amount of all Tranche A Loans theretofore made by such Lender minus all payments of principal theretofore received by such Lender on such Tranche A Note. Interest on each Tranche A Note shall accrue and be due and payable as provided herein and therein. Each Tranche A Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Tranche A Maturity Date. Subject to the terms and conditions hereof, US Borrower may borrow, repay, and reborrow Tranche A Loans under the US Agreement during the US Facility Commitment Period. US Borrower may have no more than ten Borrowings of US Dollar Eurodollar Loans (including Tranche A Loans and Tranche B Loans) outstanding at any time.

(b) Tranche B. Subject to the terms and conditions hereof, each Lender agrees to make loans to US Borrower (herein called such Lender's "Tranche B Loans") upon US Borrower's request from time to time during the Tranche B Revolving Period, provided that (i) subject to Sections 3.3, 3.4 and 3.5, all Lenders are requested to make Tranche B Loans of the same Type in accordance with their respective Percentage Shares and as part of the same Borrowing, (ii) such Lender's Percentage Share of the US Facility Usage shall never exceed such Lender's Percentage Share of the US Maximum Credit Amount, and (iii) such Lender's Percentage Share of the Tranche B Facility Usage shall never exceed such Lender's Percentage Share of the Tranche B Maximum Credit Amount. The aggregate amount of all Tranche B Loans in any Borrowing must be an integral multiple of US $100,000 which equals or exceeds US $200,000 or must equal the unadvanced portion of the US Maximum Credit Amount. The obligation of US Borrower to repay to each Lender the aggregate amount of all Tranche B Loans made by such Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Tranche B Note") made by US Borrower payable to the order of such Lender in the form of Exhibit A-2 with appropriate insertions. The amount of principal owing on any Lender's Tranche B Note at any given time shall be the aggregate amount of all Tranche B Loans theretofore made by such Lender minus all payments of principal theretofore received by such Lender on such Tranche B Note. Interest on each Tranche B Note shall accrue and be due and payable as provided herein and therein. Each Tranche B Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Tranche B Maturity Date. Subject to the terms and conditions hereof, US Borrower may borrow, repay, and reborrow Tranche B Loans under the US Agreement during the Tranche B Revolving Period. US Borrower may have no more than ten Borrowings of US Dollar Eurodollar Loans (including Tranche A Loans and Tranche B Loans) outstanding at any time.

(c) Extension of Conversion Date.

(i) US Borrower may, at its option and from time to time during the Tranche B Revolving Period, request an offer to extend the Tranche B Revolving Period by delivering to US Agent a Request for an Offer of Extension not more than sixty days and not less than thirty days prior to the then current Tranche B Conversion Date. US Agent shall forthwith provide a copy of the Request for an Offer of Extension to each of the Lenders. Upon receipt from US Agent of an executed Request for an Offer of Extension, each Lender shall, within twenty days after the date of such Lender's receipt of such request from US Agent, either:

(1) notify US Agent of its acceptance of the Request for an Offer of Extension, and the terms and conditions, if any, upon which such Lender is prepared to extend the Tranche B Conversion Date; or

(2) notify US Agent that the Request for an Offer of Extension has been denied, such notice to forthwith be forwarded by US Agent to US Borrower to allow US Borrower to seek a replacement lender pursuant to Section 1.1(e) (any Lender giving notice of such denial is herein called a "Non-Accepting Lender"). The failure of a Lender to so notify US Agent within such twenty day period shall be deemed to be notification by such Lender to US Agent that such Lender has denied US Borrower's Request for an Offer of Extension.

(ii) Provided that all Lenders provide notice to US Agent under Section 1.1(c)(i) that they accept the Request for an Offer of Extension, or if there are Non-Accepting Lenders, such Lenders shall have been repaid pursuant to Section 1.1(e) or replacement lenders shall have become parties hereto pursuant to Section 1.1(e) and shall have accepted the Request for an Offer of Extension, such acceptance having common terms and conditions, US Agent shall deliver to US Borrower an Offer of Extension

incorporating the said terms and conditions. Such offer shall be open for acceptance by US Borrower until the fifth Business Day immediately preceding the then current Tranche B Conversion Date. Upon written notice by US Borrower to US Agent accepting an outstanding Offer of Extension and agreeing to the terms and conditions, if any, specified therein (the date of such notice of acceptance in this Section 1.1 being called the "Extension Date"), the Tranche B Conversion Date shall be extended to the date 364 days from the Extension Date and the terms and conditions specified in such Offer of Extension shall be immediately effective.

(iii) US Borrower understands that the consideration of any Request for an Offer of Extension constitutes an independent credit decision which each Lender retains the absolute and unfettered discretion to make and that no commitment in this regard is hereby given by a Lender and that any offer to extend the Tranche B Conversion Date may be on such terms and conditions in addition to those set out herein as the extending Lenders stipulate.

(d) Conversion to Tranche B Term Loan. Effective at 11:59 p.m. Dallas, Texas time on the day immediately preceding the Tranche B Conversion Date, (i) each Lender's obligation to make new Tranche B Loans shall be canceled automatically, and (ii) each Lender's Tranche B Loans shall become term loans maturing on the Tranche B Maturity Date.

(e) Non-Accepting Lender. Provided that Lenders whose Percentage Shares represent more than 50% but less than 100% of the US Maximum Credit Amount provide notice to US Agent under Section 1.1(c)(i) that they accept the Request for an Offer of Extension, on notice of US Borrower to US Agent, US Borrower shall be entitled to choose any of the following in respect of each Non-Accepting Lender prior to the expiration of the Tranche B Revolving Period, provided that if US Borrower does not make an election prior to the expiration of the Tranche B Revolving Period, US Borrower shall be deemed to have irrevocably elected to exercise the provisions of Section 1.1(e)(i):

(i) the Non-Accepting Lender's obligations to make US Loans shall be canceled as of the Extension Date, the US Maximum Credit Amount shall be reduced by the amount so canceled, and on or prior to the Extension Date the US Borrower shall repay in full all Obligations then outstanding to the Non-Accepting Lender (as defined in Section 1.1(c)(i)(2)), or

(ii) replace the Non-Accepting Lender by reaching satisfactory arrangements with one or more existing Lenders or new Lenders, for the purchase, assignment and assumption of all Canadian Obligations and US Obligations of the Non-Accepting Lender, provided that any new Lender, with, if necessary, any Affiliate, shall take a pro rata assignment of both Canadian Obligations and US Obligations, and such Non-Accepting Lender shall be obligated to sell such Obligations in accordance with such satisfactory arrangements.

In connection with any such replacement of a Lender Party pursuant to this Section 1.1(e), US Borrower shall pay all costs that would have been due to such Lender Party pursuant to Section 3.6 if such Lender Party's US Loans had been prepaid at the time of such replacement.

(f) Swing Line Loans. Subject to the terms and conditions hereof, US Agent agrees to make loans to US Borrower (herein called "US Swing Loans") upon US Borrower's request from time to time during the US Facility Commitment Period, provided that (i) the US Facility Usage shall never exceed the US Maximum Credit Amount, and (ii) the aggregate amount of US Swing Loans outstanding shall never exceed the US Swing Sublimit. The aggregate amount of all US Swing Loans in any Borrowing must be an integral multiple of US $100,000 which equals or exceeds US $1,000,000 or must equal the unadvanced portion of the US Maximum Credit Amount. The obligation of US Borrower to repay to US Agent the aggregate amount of all US Swing Loans made by US Agent, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called the "US Swing Note") made by US Borrower payable to the order of US Agent in the form of Exhibit A-3 with appropriate insertions. The amount of principal owing on the US Swing Note at any given time shall be the aggregate amount of all US Swing Loans theretofore made by US Agent minus all payments of principal theretofore received by US Agent on the US Swing Note (including as a result of any refinancing pursuant to Section 1.8). Interest on the US Swing Note shall accrue and be due and payable as provided herein and therein. The US Swing Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Tranche A Maturity Date. Subject to the terms and conditions hereof, US Borrower may borrow, repay, and reborrow US Swing Loans under the US Agreement during the US Facility Commitment Period.

Section 1.2. Requests for New US Loans. US Borrower must give to US Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing of new US Loans to be advanced by Lenders. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify the aggregate amount of any such Borrowing of new US Base Rate Loans and the date on which such US Base Rate Loans are to be advanced, the aggregate amount of any such Borrowing of new US Dollar Eurodollar Loans, the date on which such US Dollar Eurodollar Loans are to be advanced (which shall be the first day of the Eurodollar Interest Period which is to apply thereto), and the length of the applicable Eurodollar Interest Period, or the aggregate amount of any such Borrowing of new US Swing Loans and the date on which such US Swing Loans are to be advanced; and

(b) be received by US Agent (i) in the case of US Loans that are not US Swing Loans, not later than 11:00 a.m., Dallas, Texas time, on the day on which any such US Base Rate Loans are to be made, or the second Business Day preceding the day on which any such US Dollar Eurodollar Loans are to be made, and (ii) in the case of US Loans that are US Swing Loans, not later than 4:00 p.m., Dallas, Texas time on the Business Day on which any such US Swing Loans are to be made.

Each such written request or confirmation must be made in the form and substance of the "Borrowing Notice" attached hereto as Exhibit B, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by US Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Borrowing Notice, US Agent shall give each Lender notice of the terms thereof (excluding US Swing Loans) not later than 2:00 p.m., Dallas, Texas time on the day it receives such Borrowing Notice from US Borrower if it receives such Borrowing Notice by 11:00 a.m., Dallas, Texas time, otherwise on the next Business Day. If all conditions precedent to such new US Loans have been met, each Lender will on the date requested promptly remit to US Agent at US Agent's office in Dallas, Texas the amount of such Lender's new US Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such US Loans have been neither met nor waived as provided herein, US Agent shall promptly make such US Loans available to US Borrower. Unless US Agent shall have received prompt notice from a Lender that such Lender will not make available to US Agent such Lender's new US Loan, US Agent may in its discretion assume that such Lender has made such US Loan available to US Agent in accordance with this section and US Agent may if it chooses, in reliance upon such assumption, make such US Loan available to US Borrower. If and to the extent such Lender shall not so make its new US Loan available to US Agent, such Lender and US Borrower severally agree to pay or repay to US Agent within three days after demand the amount of such US Loan together with interest thereon, for each day from the date such amount was made available to US Borrower until the date such amount is paid or repaid to US Agent, with interest at (1) the Federal Funds Rate, if such Lender is making such payment; provided that US Agent gave notice of the terms of the Borrowing Notice to such Lender in accordance with the terms of this Section 1.2, and (2) the interest rate applicable at the time to the other new US Loans made on such date, if US Borrower is making such repayment. If neither such Lender nor US Borrower pays or repays to US Agent such amount within such three-day period, US Agent shall in addition to such amount be entitled to recover from such Lender and from US Borrower, on demand, interest thereon at the Default Rate for US Base Rate Loans, calculated from the date such amount was made available to US Borrower. The failure of any Lender to make any new US Loan to be made by it hereunder shall not relieve any other Lender of its obligation hereunder, if any, to make its new US Loan, but no Lender shall be responsible for the failure of any other Lender to make any new US Loan to be made by such other Lender.

Section 1.3. Continuations and Conversions of Existing US Loans. US Borrower may make the following elections with respect to US Loans already outstanding under this Agreement: to convert US Base Rate Loans to US Dollar Eurodollar Loans, to convert US Dollar Eurodollar Loans to US Base Rate Loans on the last day of the Eurodollar Interest Period applicable thereto, to continue US Dollar Eurodollar Loans beyond the expiration of such Eurodollar Interest Period by designating a new Eurodollar Interest Period to take effect at the time of such expiration, and to convert US Swing Loans to US Dollar Eurodollar Loans simultaneously with the refinancing of such US Swing Loans pursuant to Section 1.8. In making such elections, US Borrower may combine existing Tranche A Loans made pursuant to separate Borrowings into one new Borrowing or divide existing Tranche A Loans made pursuant to one Borrowing into separate new Borrowings, or combine existing Tranche B Loans made pursuant to separate Borrowings into one new Borrowing or divide existing Tranche B Loans made pursuant to one Borrowing into separate new Borrowings, provided that US Borrower may have no more than ten Borrowings of US Dollar Eurodollar Loans outstanding at any time. To make any such election, US Borrower must give to US Agent written notice (or telephonic notice promptly confirmed in writing) of any such Conversion or Continuation of existing US Loans, with a separate notice given for each new Borrowing. Each such notice constitutes a "Continuation/Conversion Notice" hereunder and must:

(a) specify the existing US Loans made under this Agreement which are to be continued or converted and whether such US Loans are Tranche A Loans or Tranche B Loans;

(b) specify the aggregate amount of any Borrowing of US Base Rate Loans into which such existing US Loans are to be continued or converted and the date on which such Continuation or Conversion is to occur, or the aggregate amount of any Borrowing of US Dollar Eurodollar Loans into which such existing US Dollar Eurodollar Loans are to be continued or converted, the date on which such Continuation or Conversion is to occur (which shall be the first day of the Eurodollar Interest Period which is to apply to such US Dollar Eurodollar Loans), and the length of the applicable Eurodollar Interest Period; and

(c) be received by US Agent not later than 10:00 a.m., Dallas, Texas time, on the day on which any such Continuation or Conversion to US Base Rate Loans is to occur, or the second Business Day preceding the day on which any such Continuation or Conversion to US Dollar Eurodollar Loans is to occur.

Each such written request or confirmation must be made in the form and substance of the "Continuation/Conversion Notice" attached hereto as Exhibit C, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by US Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Continuation/Conversion Notice, US Agent shall give each Lender prompt notice of the terms thereof. Each Continuation/Conversion Notice shall be irrevocable and binding on US Borrower. During the continuance of any Default, US Borrower may not make any election to convert existing US Loans made under this Agreement into US Dollar Eurodollar Loans or continue existing US Loans made under this Agreement as US Dollar Eurodollar Loans. If (due to the existence of a Default or for any other reason) US Borrower fails to timely and properly give any Continuation/Conversion Notice with respect to a Borrowing of existing US Dollar Eurodollar Loans at least two Business Days prior to the end of the Eurodollar Interest Period applicable thereto, such US Dollar Eurodollar Loans shall automatically be converted into US Base Rate Loans at the end of such Eurodollar Interest Period. No new funds shall be repaid by US Borrower or advanced by any Lender in connection with any Continuation or Conversion of existing US Loans pursuant to this section, and no such Continuation or Conversion shall be deemed to be a new advance of funds for any purpose; such Continuations and Conversions merely constitute a change in the interest rate applicable to already outstanding US Loans.

Section 1.4. Use of Proceeds. US Borrower shall use all US Loans made under this Agreement to pay in full on the Closing Date all indebtedness outstanding under the Existing US Agreement and the PennzEnergy Agreement and thereafter to refinance existing indebtedness (including any commercial paper issued by or for the account of US Borrower), to finance capital expenditures, to refinance Matured US LC

Obligations outstanding under this Agreement, and provide working capital for its operations and for other general business purposes. US Borrower shall use all Letters of Credit for its general corporate purposes. 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. US Borrower represents and warrants that US Borrower is not engaged principally, or as one of US Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

Section 1.5. Interest Rates and Fees.

(a) Tranche A Loans. The following interest and fees shall be payable with respect to Tranche A Loans:

(i) Interest. Each Tranche A Loan that is a US Base Rate Loan shall bear interest on each day outstanding at the US Base Rate in effect on such day. Each Tranche A Loan that is a US Dollar Eurodollar Loan shall bear interest on each day during the related Eurodollar Interest Period at the related Adjusted US Dollar Eurodollar Rate in effect on such day.

(ii) Facility Fees. In consideration of each Lender's commitment to make Tranche A Loans under this Agreement, US Borrower will pay to US Agent for the account of each Lender a facility fee determined on a daily basis by applying the Facility Fee Rate to such Lender's Percentage Share of the Tranche A Maximum Credit Amount on each day during the US Facility Commitment Period. This facility fee shall be due and payable in arrears on the last day of each Fiscal Quarter and at the end of the US Facility Commitment Period.

(b) Tranche B Loans. The following interest and fees shall be payable with respect to Tranche B Loans:

(i) Interest. Each Tranche B Loan that is a US Base Rate Loan shall bear interest on each day outstanding at the US Base Rate in effect on such day. Each Tranche B Loan that is a US Dollar Eurodollar Loan shall bear interest on each day during the related Eurodollar Interest Period at the related Adjusted US Dollar Eurodollar Rate in effect on such day.

(ii) Facility Fees. In consideration of each Lender's commitment to make Tranche B Loans under this Agreement, US Borrower will pay to US Agent for the account of each Lender a facility fee determined on a daily basis by applying (i) the Tranche B Facility Fee Rate to such Lender's Percentage Share of the Tranche B Maximum Credit Amount on each day during the period from the date hereof until the Tranche B Conversion Date and (ii) the Tranche B Facility Fee Rate to such Lender's Percentage Share of the Tranche B Facility Usage on each day from the Tranche B Conversion Date until the Tranche B Maturity Date. This facility fee shall be due and payable in arrears on the last day of each Fiscal Quarter and on the Tranche B Maturity Date.

(c) US Swing Loans. Each US Swing Loan shall bear interest on each day outstanding at the US Swing Rate for such US Swing Loan in effect on such day.

(d) Utilization Fees. In consideration of each Lender's commitment to make US Loans under this Agreement, US Borrower will pay to US Agent for the account of each Lender a utilization fee determined on a daily basis by applying (i) a rate of 7.5 Basis Points per annum to such Lender's Percentage Share of the US Facility Usage on each day during the term of this Agreement that the US Facility Usage exceeds thirty-three percent (33%) of the US Maximum Credit Amount, and (ii) a rate of 15 Basis Points per annum to such Lender's Percentage Share of the US Facility Usage on each day during the term of this Agreement that the US Facility Usage exceeds sixty-six percent (66%) of the US Maximum Credit Amount. This utilization fee shall be due and payable in arrears on each Interest Payment Date for US Base Rate Loans and on the date all US Obligations are repaid in full.

(e) Competitive Bid Loans. Each Competitive Bid Loan shall bear interest on each day outstanding at the Competitive Bid Rate for such Competitive Bid Loan.

(f) All US Loans. Notwithstanding the foregoing, if an Event of Default has occurred and is continuing, all US Loans shall bear interest on each day outstanding at the applicable Default Rate. Past due payments of principal and interest shall bear interest at the rates and in the manner set forth in the US Notes.

(g) US Agent's Fees. In addition to all other amounts due to US Agent under the US Loan Documents, US Borrower will pay fees to US Agent as described in a letter agreement dated September 16, 1999 between US Agent and US Borrower.

Section 1.6. Prepayments.

(a) Optional Prepayments. US Borrower may, upon giving notice to US Agent by 11:00 a.m., Dallas, Texas time on the Business Day of prepayment, from time to time and without premium or penalty prepay the US Notes, including Competitive Bid Notes, in whole or in part, so long as all partial prepayments of principal concurrently paid on the US Notes are in increments of US $100,000 and in an aggregate amount greater than or equal to US $200,000, and so long as US Borrower pays all amounts owing in connection with the prepayment of any US Dollar Eurodollar Loan owing under Section 3.6. US Agent shall give each Lender notice thereof by 2:00 p.m. Dallas, Texas time on the date such notice is received from US Borrower. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all

payments otherwise required to be paid under the US Loan Documents at the time of such prepayment. Unless otherwise designated by US Borrower, any prepayment of Competitive Bid Loans shall be applied to the outstanding Competitive Bid Loans in order of shortest maturity.

(b) Mandatory Prepayments of Tranche A Loans. If the Tranche A Facility Usage exceeds the Tranche A Maximum Credit Amount, US Borrower shall immediately prepay the principal of the Tranche A Loans in an amount at least equal to such excess.

(c) Mandatory Prepayments of Tranche B Loans. If the aggregate amount of the outstanding Tranche B Loans ever exceeds the Tranche B Maximum Credit Amount, US Borrower shall immediately prepay the principal of the Tranche B Loans in an amount at least equal to such excess.

(d) Procedures. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the US Loan Documents at the time of such prepayment.

Section 1.7. Competitive Bid Loans.

(a) US Borrower may request that each Lender submit Competitive Bids (on a several basis) for requested maturities of thirty days or more to US Borrower on any Business Day during the US Facility Commitment Period, provided that all Lenders are requested to make a Competitive Bid on the same basis at the same time. In order to request Competitive Bids, US Borrower shall deliver by hand or facsimile to US Agent a Competitive Bid Request, to be received by US Agent not later than 9:00 a.m., Dallas, Texas time one Business Day before the date specified for a proposed Competitive Bid Loan. A Competitive Bid Request that does not conform substantially to the format of Exhibit H may be rejected in US Agent's sole discretion, and US Agent shall promptly notify US Borrower of such rejection by facsimile. After receiving an acceptable Competitive Bid Request, US Agent shall no later than 12:00 noon, Dallas, Texas time on the date such Competitive Bid Request is received by US Agent, by facsimile deliver to Lenders an Invitation to Bid substantially in the form of Exhibit I with respect thereto.

(b) Each Lender may, in its sole discretion, make one or more Competitive Bids to US Agent responsive to each Competitive Bid Request given by US Borrower. Each Competitive Bid by a Lender must be received by US Agent by facsimile not later than 9:00 a.m., Dallas, Texas time on the date specified for a proposed Competitive Bid Loan. Multiple bids may be accepted by US Agent. Competitive Bids that do not conform substantially to the format of Exhibit J may be rejected by US Agent after conferring with, and upon the instruction of, US Borrower, and US Agent shall notify the bidding Lender of such rejection as soon as practicable. If any Lender shall elect not to make a Competitive Bid, such Lender shall so notify US Agent by facsimile not later than 9:00 a.m., Dallas, Texas time, on the date specified for a Competitive Bid Loan; provided, however, that failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Loan and by such failure such Lender shall be deemed to have rejected such Competitive Bid. A Competitive Bid submitted by a Lender shall be irrevocable.

(c) Promptly, and in no event later than 9:30 a.m., Dallas, Texas time, on the date specified for a proposed Competitive Bid Loan, US Agent shall notify US Borrower by facsimile of all the Competitive Bids made, the Competitive Bid Rate and the principal amount of each Competitive Bid Loan in respect of which a Competitive Bid was made, and the identity of each Lender that made each Competitive Bid. US Agent shall send a copy of all Competitive Bids to US Borrower for its records as soon as practicable after completion of the bidding process.

(d) US Borrower may, subject only to the provisions hereof, accept or reject any Competitive Bid. US Borrower shall notify US Agent by facsimile pursuant to a Competitive Bid Accept/Reject Letter whether and to what extent US Borrower has decided to accept or reject any or all of the Competitive Bids, not later than 10:00 a.m., Dallas, Texas time, on the date specified for a proposed Competitive Bid Loan; provided, however, that:

(i) the failure by US Borrower to accept or reject any Competitive Bid within the time period specified herein shall be deemed to be a rejection of such Competitive Bid,

(ii) the aggregate amount of the Competitive Bids accepted by US Borrower shall not exceed the principal amount specified in the Competitive Bid Request,

(iii) the aggregate amount of all outstanding US Loans and US LC Obligations shall never exceed the US Maximum Credit Amount,

(iv) if US Borrower shall accept a Competitive Bid or Competitive Bids made at a particular Competitive Bid Rate, but the amount of such Competitive Bid or Competitive Bids shall cause the total amount of Competitive Bids to be accepted by US Borrower to exceed the amount specified in the Competitive Bid Request, then US Borrower shall accept a portion of such Competitive Bid or Competitive Bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids accepted with respect to such Competitive Bid Request, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid at such Competitive Bid Rate, and

(v) no Competitive Bid shall be accepted for a Competitive Bid Loan unless such Competitive Bid Loan is in a minimum principal amount of US $5,000,000 or a higher integral multiple of US $1,000,000; provided, however, that if a Competitive Bid Loan must be in an amount less than US $5,000,000 because of the provisions of clause (iv) above, such Competitive Bid Loan may be for a minimum of US $1,000,000 or any higher integral multiple thereof, and in calculating the pro rata allocation of acceptances or portions of multiple bids at a particular

Competitive Bid Rate pursuant to clause (iv), the amounts shall be rounded to integral multiples of US $1,000,000 in a manner which shall be in the sole and absolute discretion of US Borrower.

(e) Promptly on each date US Borrower accepts a Competitive Bid, US Agent shall notify each Lender whether or not its Competitive Bid has been accepted (and if so, in what amount and at what Competitive Bid Rate) by facsimile transmission sent by US Agent, and each successful bidder will thereupon become bound, subject to the other applicable conditions hereof, to make the Competitive Bid Loan in respect of which its Competitive Bid has been accepted. After completing the notifications referred to in the immediately preceding sentence, US Agent shall notify each Lender of the aggregate principal amount of all Competitive Bids accepted. Each Lender which is to make a Competitive Bid Loan shall, before 11:00 a.m., Dallas, Texas time, on the borrowing date specified in the Competitive Bid Request applicable thereto, make available to US Agent in immediately available funds the amount of each Competitive Bid Loan to be made by such Lender, and US Agent shall promptly deposit such funds to an account designated by US Borrower. As soon as practicable thereafter, US Agent shall notify each Lender of the aggregate amount of Competitive Bid Loans advanced, the respective Competitive Bid Interest Periods thereof and Competitive Bid Rate applicable thereto.

(f) The obligation of US Borrower to repay to each Lender the aggregate amount of all Competitive Bid Loans made by such Lender, together with interest accruing in connection therewith, shall be evidenced by promissory notes (respectively, such Lender's "Competitive Bid Note") made by US Borrower payable to the order of such Lender in the form of Exhibit L, with appropriate insertions. The amount of principal owing on any Lender's Competitive Bid Note at any given time shall be the aggregate amount of all Competitive Bid Loans theretofore made by such Lender thereunder minus all payments of principal theretofore received by such Lender thereon. Interest on each Competitive Bid Note shall accrue and be due and payable as provided herein and therein. US Borrower shall repay on the final day of the Competitive Bid Interest Period of each Competitive Bid Loan (such date being that specified by US Borrower for repayment of such Competitive Bid Loan in the related Competitive Bid Request and such date being no later than six months after the date of the Competitive Bid Loan) the then unpaid principal amount of such Competitive Bid Loan. Subject to
Section 1.6 and the payment of amounts described in Section 3.6, US Borrower shall have the right to prepay any principal amount of any Competitive Bid Loan.

(g) No Competitive Bid Loan shall be made within five Business Days after the date of any other Competitive Bid Loan, unless US Borrower and US Agent shall mutually agree otherwise. If US Agent shall at any time elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such bid directly to US Borrower requesting such Competitive Bid one quarter of an hour earlier than the latest time at which the other Lenders are required to submit their bids to US Agent.

Section 1.8. Refinancings of US Swing Loans. US Agent, at any time in its sole and absolute discretion, may, upon notice given to each Lender by not later than 11:30 a.m., Dallas, Texas time, on any Business Day, request that each Lender make a Tranche A Loan or a Tranche B Loan that is a US Base Rate Loan (or a Tranche A Loan or a Tranche B Loan that is a US Dollar Eurodollar Loan if requested by US Borrower in accordance with
Section 1.2) in an aggregate amount equal to its Percentage Share of the aggregate unpaid principal amount of any outstanding US Swing Loans for the purpose of refinancing such US Swing Loans (in this section called a "Refinancing Loan"). In any event, not later than 11:30 a.m., Dallas, Texas time, on the first day and the fifteenth day of each calendar month (or if such day is not a Business Day, on the next Business Day), US Agent will notify each Lender of the aggregate amount of US Swing Loans which are then outstanding and the amount of the Refinancing Loan required to be made by each Lender to refinance such outstanding US Swing Loans (the aggregate amount of such Refinancing Loan to be made by each Lender shall equal such Lender's Percentage Share of such outstanding US Swing Loans). Upon the giving of notices by US Agent described above, each Lender shall promptly remit to US Agent such Refinancing Loan in the manner described above in
Section 1.2, so long as (a) US Agent believed in good faith that all conditions to making the subject US Swing Loan were satisfied at the time such US Swing Loan was made, or (b) if the conditions to such US Swing Loan were not satisfied, the satisfaction of such conditions have been waived in a writing by Required Lenders in accordance with the provisions of this Agreement (collectively, the "Refinancing Conditions"). The proceeds of the Refinancing Loans made pursuant to the preceding sentence shall be paid to US Agent (and not to US Borrower) and applied to the payment of principal of the outstanding US Swing Loans. If and to the extent any Lender shall not so make its Refinancing Loan, such Lender and US Borrower severally agree to pay to US Agent (for delivery to US Swing Lender) within three days after demand the amount of such Refinancing Loan together with interest thereon, for each day from the date such Refinancing Loan was required to be made until the date such amount is paid to US Agent, with interest at (1) the Federal Funds Rate, if such Lender is making such payment; provided that US Agent gave notice of the terms of the Borrowing Notice to such Lender in accordance with the terms of this Section 1.2, and (2) the interest rate applicable at the time to the other Refinancing Loans, if US Borrower is making such repayment. If neither such Lender nor US Borrower pays to US Agent (for delivery to US Swing Lender) such amount within such three-day period, US Swing Lender shall in addition to such amount be entitled to recover from such Lender and from US Borrower, on demand, interest thereon at the Default Rate for US Base Rate Loans, calculated from the date such Refinancing Loan was required to be made. Each Lender's obligation to make Refinancing Loans pursuant to this Section shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, (1) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against US Agent, US Borrower or anyone else for any reason whatsoever; (2) the occurrence or continuance of an Event of Default or Default; (3) any adverse change in the condition (financial or otherwise) of US Borrower; (4) any breach of this Agreement by US Borrower, US Agent or any Lender, except with respect to the Refinancing Conditions; or (5) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided, that in no event shall a Lender be obligated to make a Refinancing Loan pursuant to this
Section if, after giving effect thereto, the outstanding principal balance of such Lender's US Loans would exceed its Percentage Share of the US Maximum Credit Amount. If any Lender is prohibited by Law from making a Loan to refinance a US Swing Loan, such Lender shall purchase from US Swing Lender a participation in such US Swing Loan in the amount of such Lender's refinancing obligation hereunder.

ARTICLE II - Letters of Credit

Section 2.1. Letters of Credit. Subject to the terms and conditions hereof, US Borrower may during the US Facility Commitment Period request US LC Issuer to issue one or more Letters of Credit, provided that, after taking such Letter of Credit into account:

(a) the Tranche A Facility Usage does not exceed the Tranche A Maximum Credit Amount at such time;

(b) the aggregate amount of US LC Obligations arising from Letters of Credit issued under this Agreement at such time does not exceed the US LC Sublimit;

(c) the expiration date of such Letter of Credit is prior to the end of the US Facility Commitment Period;

(d) such Letter of Credit is to be used for general corporate purposes of US Borrower;

(e) such Letter of Credit is not directly or indirectly used to assure payment of or otherwise support any Indebtedness of any Person other than Indebtedness of any Restricted Person permitted by this Agreement;

(f) the issuance of such Letter of Credit will be in compliance with all applicable governmental restrictions, policies, and guidelines and will not subject US LC Issuer to any cost which is not reimbursable under Article III;

(g) the form and terms of such Letter of Credit are acceptable to US LC Issuer in its reasonable discretion; and

(h) all other conditions in this Agreement to the issuance of such Letter of Credit have been satisfied.

US LC Issuer will honor any such request if the foregoing conditions (a) through (h) (in the following Section 2.2 called the "LC Conditions") have been met as of the date of issuance of such Letter of Credit. US LC Issuer may choose to honor any such request for any other Letter of Credit but has no obligation to do so and may refuse to issue any other requested Letter of Credit for any reason which US LC Issuer in its sole discretion deems relevant. Upon the execution and delivery of this Agreement by each of the parties hereto, any letters of credit issued under the Existing Agreement and outstanding as of the date hereof shall be deemed Letters of Credit issued hereunder as of the date hereof and shall be subject to the terms and conditions hereof, including without limitation US Borrower's reimbursement obligations under Section 2.3 and Lenders' participation obligations under Section 2.3.

Section 2.2. Requesting Letters of Credit. US Borrower must make written application for any Letter of Credit at least three Business Days before the date on which US Borrower desires for US LC Issuer to issue such Letter of Credit. By making any such written application US Borrower shall be deemed to have represented and warranted that the LC Conditions described in
Section 2.1 will be met as of the date of issuance of such Letter of Credit. Each such written application for a Letter of Credit must be made in writing in the form and substance of Exhibit G, the terms and provisions of which are hereby incorporated herein by reference (or in such other form as may mutually be agreed upon by US LC Issuer and US Borrower). Two Business Days after the LC Conditions for a Letter of Credit have been met as described in Section 2.1 (or if US LC Issuer otherwise desires to issue such Letter of Credit), US LC Issuer will issue such Letter of Credit at US LC Issuer's office in Dallas, Texas. If any provisions of any LC Application conflict with any provisions of this Agreement, the provisions of this Agreement shall govern and control.

Section 2.3. Reimbursement and Participations.

(a) Reimbursement by US Borrower. If the beneficiary of any Letter of Credit issued hereunder makes a draft or other demand for payment thereunder then Tranche A Loans that are US Base Rate Loans shall be made by Lenders to US Borrower in the amount of such draft or demand notwithstanding the fact that one or more conditions precedent to the making of such US Base Rate Loans may not have been satisfied. Such US Base Rate Loans shall be made concurrently with US LC Issuer's payment of such draft or demand without any request therefor by US Borrower and shall be immediately used by US LC Issuer to repay the amount of the resulting Matured US LC Obligation.

(b) Participation by Lenders. US LC Issuer irrevocably agrees to grant and hereby grants to each Lender, and to induce US LC Issuer to issue Letters of Credit hereunder, each Lender irrevocably agrees to accept and purchase and hereby accepts and purchases from US LC Issuer, on the terms and conditions hereinafter stated and for such Lender's own account and risk, an undivided interest equal to such Lender's Percentage Share of US LC Issuer's obligations and rights under each Letter of Credit issued hereunder and the amount of each Matured US LC Obligation paid by US LC Issuer thereunder. Each Lender unconditionally and irrevocably agrees with US LC Issuer that, if a Matured US LC Obligation is paid under any Letter of Credit issued hereunder for which US LC Issuer is not reimbursed in full, whether pursuant to Section 2.3(a) above or otherwise, such Lender shall (in all circumstances and without set-off or counterclaim) pay to US LC Issuer on demand, in immediately available funds at US LC Issuer's address for notices hereunder, such Lender's Percentage Share of such Matured US LC Obligation (or any portion thereof which has not been reimbursed by US Borrower). Each Lender's obligation to pay US LC Issuer pursuant to the terms of this subsection is irrevocable and unconditional. If any amount required to be paid by any Lender to US LC Issuer pursuant to this subsection is paid by such Lender to US LC Issuer within three Business Days after the date such payment is due, US LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Federal Funds Rate. If any amount required to be paid by any Lender to US LC Issuer pursuant to this subsection is not paid by such Lender to US LC Issuer within three Business Days after the date such payment is due, US LC Issuer shall in addition to such amount be entitled to recover from such Lender, on

demand, interest thereon calculated from such due date at the Default Rate.

(c) Distributions to Participants. Whenever US LC Issuer has in accordance with this section received from any Lender payment of such Lender's Percentage Share of any Matured US LC Obligation, if US LC Issuer thereafter receives any payment of such Matured US LC Obligation or any payment of interest thereon (whether directly from US Borrower or by application of LC Collateral or otherwise, and excluding only interest for any period prior to US LC Issuer's demand that such Lender make such payment of its Percentage Share), US LC Issuer will distribute to such Lender its Percentage Share of the amounts so received by US LC Issuer; provided, however, that if any such payment received by US LC Issuer must thereafter be returned by US LC Issuer, such Lender shall return to US LC Issuer the portion thereof which US LC Issuer has previously distributed to it.

(d) Calculations. A written advice setting forth in reasonable detail the amounts owing under this section, submitted by US LC Issuer to US Borrower or any Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

Section 2.4. Letter of Credit Fees. In consideration of US LC Issuer's issuance of any Letter of Credit, US Borrower agrees to pay (a) to US LC Issuer for its own account, a letter of credit fronting fee at a rate equal to 12.5 Basis Points per annum multiplied by the face amount of such Letter of Credit, payable on the date of issuance, and (b) to US Agent, for the account of all Lenders in accordance with their respective Percentage Shares, a letter of credit issuance fee calculated by applying the Applicable Margin to the face amount of all Letters of Credit outstanding on each day, payable in arrears on the last day of each Fiscal Quarter.

Section 2.5. No Duty to Inquire.

(a) Drafts and Demands. US LC Issuer is authorized and instructed to accept and pay drafts and demands for payment under any Letter of Credit without requiring, and without responsibility for, any determination as to the existence of any event giving rise to said draft, either at the time of acceptance or payment or thereafter. US LC Issuer is under no duty to determine the proper identity of anyone presenting such a draft or making such a demand (whether by tested telex or otherwise) as the officer, representative or agent of any beneficiary under any Letter of Credit, and payment by US LC Issuer to any such beneficiary when requested by any such purported officer, representative or agent is hereby authorized and approved. US Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the subject matter of this section, which indemnity shall apply whether or not any such liability or claim is in any way or to any extent caused, in whole or in part, by any negligent act or omission of any kind by any Lender Party, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

(b) Extension of Maturity. If the maturity of any Letter of Credit is extended by its terms or by Law or governmental action, if any extension of the maturity or time for presentation of drafts or any other modification of the terms of any Letter of Credit is made at the request of any Restricted Person, or if the amount of any Letter of Credit is increased at the request of any Restricted Person, this Agreement shall be binding upon all Restricted Persons with respect to such Letter of Credit as so extended, increased or otherwise modified, with respect to drafts and property covered thereby, and with respect to any action taken by US LC Issuer, US LC Issuer's correspondents, or any Lender Party in accordance with such extension, increase or other modification.

(c) Transferees of Letters of Credit. If any Letter of Credit provides that it is transferable, US LC Issuer shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall US LC Issuer be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and payment by US LC Issuer to any purported transferee or transferees as determined by US LC Issuer is hereby authorized and approved, and US Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the foregoing, which indemnity shall apply whether or not any such liability or claim is in any way or to any extent caused, in whole or in part, by any negligent act or omission of any kind by any Lender Party, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

Section 2.6. LC Collateral.

(a) US LC Obligations in Excess of US Maximum Credit Amount. If, after the making of all mandatory prepayments required under Section 1.6(b), the US LC Obligations outstanding under the US Agreement will exceed the Tranche A Maximum Credit Amount, then in addition to prepayment of the entire principal balance of the US Loans US Borrower will immediately pay to US LC Issuer an amount equal to such excess. US LC Issuer will hold such amount as security for the remaining US LC Obligations outstanding under the US Agreement (all such amounts held as security for US LC Obligations being herein collectively called "LC Collateral") and the other US Obligations, and such collateral may be applied from time to time to any Matured US LC Obligations or other US Obligations which are due and payable. Neither this subsection nor the following subsection shall, however, limit or impair any rights which US LC Issuer may have under any other document or agreement relating to any Letter of Credit, LC Collateral or US LC Obligation, including any LC Application, or any rights which any Lender Party may have to otherwise apply any payments by US Borrower and any LC Collateral under Section 3.1.

(b) Acceleration of US LC Obligations. If the US Obligations or any part thereof become immediately due and payable pursuant to Section 8.1 then, unless Required Lenders otherwise specifically elect to the contrary (which election may thereafter be retracted by Required Lenders at any time), all US LC Obligations shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and US Borrower shall be obligated to pay to US LC Issuer immediately an amount equal to the aggregate

US LC Obligations which are then outstanding.

(c) Investment of LC Collateral. Pending application thereof, all LC Collateral shall be invested by US LC Issuer in such Investments as US LC Issuer may choose in its sole discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to Matured US LC Obligations or other US Obligations which are due and payable. When all US Obligations have been satisfied in full, including all US LC Obligations, all Letters of Credit have expired or been terminated, and all of US Borrower's reimbursement obligations in connection therewith have been satisfied in full, US LC Issuer shall release any remaining LC Collateral. US Borrower hereby assigns and grants to US LC Issuer a continuing security interest in all LC Collateral paid by it to US LC Issuer, all Investments purchased with such LC Collateral, and all proceeds thereof to secure its Matured US LC Obligations and the other US Obligations hereunder, each US Note, and the other US Loan Documents. US Borrower further agrees that US LC Issuer shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of Texas with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest. When US Borrower is required to provide LC Collateral for any reason and fails to do so on the day when required, US LC Issuer may without notice to US Borrower or any other Restricted Person provide such LC Collateral (whether by transfers from other accounts maintained with US LC Issuer, or otherwise) using any available funds of US Borrower or any other Person also liable to make such payments.

ARTICLE III - Payments to Lenders

Section 3.1. General Procedures. US Borrower will make each payment which it owes under the US Loan Documents to US Agent for the account of the Lender Party to whom such payment is owed, in lawful money of the United States of America, without set-off, deduction or counterclaim, and in immediately available funds. Each such payment must be received by US Agent not later than 11:00 a.m., Dallas, Texas time, on the date such payment becomes due and payable. Any payment received by US Agent after such time will be deemed to have been made on the next following Business Day. Should any such payment become due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, in the case of a payment of principal or past due interest, interest shall accrue and be payable thereon for the period of such extension as provided in the US Loan Document under which such payment is due. Each payment under a US Loan Document shall be due and payable at the place provided therein and, if no specific place of payment is provided, shall be due and payable at the place of payment of US Agent's US Note. When US Agent collects or receives money on account of the US Obligations, US Agent shall distribute all money so collected or received by 2:00 p.m. Dallas, Texas time on the Business Day received, if received by 11:00 a.m. Dallas, Texas time, otherwise on the day of deemed receipt, and each Lender Party shall apply all such money so distributed, as follows:

(a) first, for the payment of all US Obligations which are then due (and if such money is insufficient to pay all such US Obligations, first to any reimbursements due US Agent under
Section 6.9 or 10.4, then to any reimbursement due any other Lender Party under Section 10.4, and then to the partial payment of all other US Obligations then due in proportion to the amounts thereof, or as Lender Parties shall otherwise agree);

(b) then for the prepayment of amounts owing under the US Loan Documents (other than principal on the US Notes) if so specified by US Borrower;

(c) then for the prepayment of principal on the US Notes, together with accrued and unpaid interest on the principal so prepaid; and

(d) last, for the payment or prepayment of any other US Obligations.

All payments applied to principal or interest on any US Note shall be applied first to any interest then due and payable, then to principal then due and payable, and last to any prepayment of principal and interest in compliance with Sections 1.6 and 2.1. All distributions of amounts described in any of subsections (b),
(c) or (d) above shall be made by US Agent pro rata to each Lender Party then owed US Obligations described in such subsection in proportion to all amounts owed to all Lender Parties which are described in such subsection; provided that if any Lender then owes payments to US LC Issuer for the purchase of a participation under Section 2.3(b) or to US Agent under Section 9.9, any amounts otherwise distributable under this section to such Lender shall be deemed to belong to US LC Issuer, or US Agent, respectively, to the extent of such unpaid payments, and US Agent shall apply such amounts to make such unpaid payments rather than distribute such amounts to such Lender.

Section 3.2. Increased Cost and Reduced Return.

(a) If, after the date hereof, the adoption of any applicable Law, rule, or regulation, or any change in any applicable Law, rule, or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender Party (or its Applicable Lending Office) with any request or directive (whether or not having the force of Law) of any such Governmental Authority, central bank, or comparable agency:

(i) shall subject such Lender Party (or its Applicable Lending Office) to any tax, duty, or other charge with respect to any US Dollar Eurodollar Loans or Competitive Bid Loans, or its obligation to make US Dollar Eurodollar Loans, or change the basis of taxation of any amounts payable to such Lender Party (or its Applicable Lending Office) under this Agreement or its Note in respect of any US Dollar Eurodollar Loans or Competitive Bid Loans (other than taxes (including franchise taxes) imposed on the overall net income of such Lender Party by the jurisdiction in which such Lender Party has its principal office or such Applicable Lending Office);

(ii) shall impose, modify, or deem applicable any reserve, special deposit, assessment, or similar requirement (other than the Reserve Requirement utilized in the determination of the Adjusted US Dollar Eurodollar Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities or commitments of, such Lender Party (or its Applicable Lending Office), including the commitment of such Lender Party hereunder; or

(iii) shall impose on such Lender Party (or its Applicable Lending Office) or the London interbank market any other condition affecting this Agreement or its US Notes or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Lender Party (or its Applicable Lending Office) of making, converting into, continuing, or maintaining any US Dollar Eurodollar Loans or Competitive Bid Loans or to reduce any sum received or receivable by such Lender Party (or its Applicable Lending Office) under this Agreement or its US Notes with respect to any US Dollar Eurodollar Loans or Competitive Bid Loans, then US Borrower shall pay to such Lender Party on demand such amount or amounts as will compensate such Lender Party for such increased cost or reduction. If any Lender Party requests compensation by US Borrower under this Section 3.2(a), US Borrower may, by notice to such Lender Party (with a copy to US Agent), suspend the obligation of such Lender Party to make or continue US Loans of the Type with respect to which such compensation is requested, or to convert US Loans of any other Type into US Loans of such Type, until the event or condition giving rise to such request ceases to be in effect (in which case the provisions of Section 3.5 shall be applicable); provided that such suspension shall not affect the right of such Lender Party to receive the compensation so requested.

(b) If, after the date hereof, any Lender Party shall have determined that the adoption of any applicable Law, rule, or regulation regarding capital adequacy or any change therein or in the interpretation or administration thereof by any Governmental Authority, central bank, or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of Law) of any such Governmental Authority, central bank, or comparable agency, has or would have the effect of reducing the rate of return on the capital of such Lender Party or any corporation controlling such Lender Party as a consequence the obligations of such Lender Party hereunder to a level below that which such Lender Party or such corporation could have achieved but for such adoption, change, request, or directive (taking into consideration its policies with respect to capital adequacy), then from time to time upon demand US Borrower shall pay such Lender Party such additional amount or amounts as will compensate such Lender Party for such reduction, but only to the extent that such Lender Party has not been compensated therefor by any increase in the Adjusted US Dollar Eurodollar Rate; provided that if such Lender Party fails to give notice to US Borrower of any additional costs within ninety (90) days after it has actual knowledge thereof, such Lender Party shall not be entitled to compensation for such additional costs incurred more than ninety (90) days prior to the date on which notice is given by such Lender Party.

(c) US LC Issuer and each Lender Party shall promptly notify US Borrower and US Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle US LC Issuer or such Lender Party to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender Party, be otherwise disadvantageous to it. US LC Issuer or any Lender Party claiming compensation under this Section shall furnish to US Borrower and US Agent a statement setting forth the additional amount or amounts to be paid to it hereunder which shall be conclusive in the absence of manifest error. In determining such amount, US LC Issuer or such Lender Party shall act in good faith and may use any reasonable averaging and attribution methods.

Section 3.3. Limitation on Types of US Loans. If on or prior to the first day of any Eurodollar Interest Period for any US Dollar Eurodollar Loan:

(a) US Agent determines (which determination shall be conclusive) that by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the US Dollar Eurodollar Rate for such Eurodollar Interest Period; or

(b) the Required Lenders determine (which determination shall be conclusive) and notify US Agent that the Adjusted US Dollar Eurodollar Rate will not adequately and fairly reflect the cost to the Lenders of funding US Dollar Eurodollar Loans or for such Eurodollar Interest Period;

then US Agent shall give US Borrower prompt notice thereof specifying the relevant amounts or periods, and so long as such condition remains in effect, the Lender Parties shall be under no obligation to make additional US Dollar Eurodollar Loans, continue US Dollar Eurodollar Loans or convert US Base Rate Loans into US Dollar Eurodollar Loans, and US Borrower shall, on the last day(s) of the then current Eurodollar Interest Period(s) for the outstanding US Dollar Eurodollar Loans, either prepay such US Loans or convert such US Loans into US Base Rate Loans in accordance with the terms of this Agreement.

Section 3.4. Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender Party or its Applicable Lending Office to make, maintain, or fund US Dollar Eurodollar Loans hereunder, then such Lender Party shall promptly notify US Borrower thereof and such Lender Party's obligation to make or continue US Dollar Eurodollar Loans and to convert US Base Rate Loans into US Dollar Eurodollar Loans shall be suspended until such time as such Lender Party may again make, maintain, and fund US Dollar Eurodollar Loans (in which case the provisions of Section 3.5 shall be applicable).

Section 3.5. Treatment of Affected US Loans. If the obligation of any Lender Party to make a particular Type of Loan or to continue, or to convert US Loans of any other Type into, US Loans of a particular Type shall be suspended pursuant to Sections 3.2, 3.3 or 3.4 hereof (US Loans of such Type being herein called "Affected Loans" and such Type being herein called the "Affected Type"), such Lender Party's Affected Loans shall be automatically converted into US Base Rate Loans on the last day(s) of the then current Interest Period(s) for Affected Loans (or, in the case of a Conversion required by Section 3.4 hereof, on such earlier date as such Lender Party may specify to US Borrower

with a copy to US Agent) and, unless and until such Lender Party gives notice as provided below that the circumstances specified in Sections 3.2, 3.3 or 3.4 hereof that gave rise to such Conversion no longer exist:

(a) to the extent that such Lender Party's Affected Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Lender Party's Affected Loans shall be applied instead to its US Base Rate Loans; and

(b) all US Loans that would otherwise be made or continued by such Lender Party as US Loans of the Affected Type shall be made or continued instead as US Base Rate Loans, and all US Loans of such Lender Party that would otherwise be converted into US Loans of the Affected Type shall be converted instead into (or shall remain as) US Base Rate Loans.

If such Lender Party gives notice to US Borrower (with a copy to US Agent) that the circumstances specified in Section 3.2, 3.3 or 3.4 hereof that gave rise to the Conversion of such Lender Party's Affected Loans pursuant to this Section no longer exist (which such Lender Party agrees to do promptly upon such circumstances ceasing to exist) at a time when US Loans of the Affected Type made by other Lender Parties are outstanding, such Lender Party's US Base Rate Loans shall be automatically converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding US Loans of the Affected Type, to the extent necessary so that, after giving effect thereto, all US Loans held by the Lender Parties holding US Loans of the Affected Type and by such Lender Party are held pro rata (as to principal amounts, Types, and Interest Periods) in accordance with their Percentage Shares of the US Maximum Credit Amount.

Section 3.6. Compensation. Upon the request of any Lender Party, US Borrower shall pay to such Lender Party such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender Party) to compensate it for any loss, cost, or expense (including loss of anticipated profits) incurred by it as a result of:

(a) any payment, prepayment, or Conversion of a US Dollar Eurodollar Loan for any reason (including, without limitation, the acceleration of the US Loans pursuant to Section 8.1) on a date other than the last day of the Interest Period for such US Loan; or

(b) any failure by US Borrower for any reason (including, without limitation, the failure of any condition precedent specified in Article IV to be satisfied) to borrow, convert, continue, or prepay a US Dollar Eurodollar Loan on the date for such borrowing, Conversion, Continuation, or prepayment specified in the relevant notice of borrowing, prepayment, Continuation, or Conversion under this Agreement.

Section 3.7. Change of Applicable Lending Office. Each Lender Party agrees that, upon the occurrence of any event giving rise to the operation of Sections 3.2 through 3.5 with respect to such Lender Party, it will, if requested by US Borrower, use reasonable efforts (subject to overall policy considerations of such Lender Party) to designate another Applicable Lending Office, provided that such designation is made on such terms that such Lender Party and its Applicable Lending Office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such section. Nothing in this section shall affect or postpone any of the obligations of US Borrower or the rights of any Lender Party provided in Sections 3.2 through 3.5.

Section 3.8. Replacement of Lenders. If any Lender Party seeks reimbursement for increased costs under Sections 3.2 through 3.5, or if a US Borrower is required to increase any such payment under Section 3.9, then within ninety days thereafter -- provided no Event of Default then exists -- US Borrower shall have the right (unless such Lender Party withdraws its request for additional compensation) to replace such Lender Party by requiring such Lender Party to assign its US Loans, US Notes, US LC Obligations, Canadian Advances, Canadian Notes, Canadian LC Obligations and its commitments hereunder and under the Canadian Agreement to an Eligible Transferee reasonably acceptable to all Borrowers, provided that: (a) all Obligations of Borrowers owing to such Lender Party being replaced (including such increased costs, but excluding principal and accrued interest on the US Notes and the Canadian Notes being assigned) shall be paid in full to such Lender Party concurrently with such assignment, and
(b) the replacement Eligible Transferee shall purchase the foregoing by paying to such Lender Party a price equal to the principal amount thereof plus accrued and unpaid interest thereon. In connection with any such assignment US Borrower, US Agent, such Lender Party and the replacement Eligible Transferee shall otherwise comply with Section 10.5. Notwithstanding the foregoing rights of US Borrower under this section, however, US Borrower may not replace any Lender Party which seeks reimbursement for increased costs under Section 3.2 through 3.5 unless US Borrower is at the same time replacing all Lender Parties which are then seeking such compensation. In connection with any such replacement of a Lender Party, US Borrower shall pay all costs that would have been due to such Lender Party pursuant to Section 3.6 if such Lender Party's US Loans had been prepaid at the time of such replacement.

Section 3.9. Taxes. (a) Any and all payments by US Borrower to or for the account of any Lender Party, US Agent or US LC Issuer hereunder or under any other US Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender Party, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the Laws of which such Lender Party (or its Applicable Lending Office) is organized or is a resident for tax purposes or any political subdivision thereof (all such non- excluded taxes, duties, levies, imposts, deductions, charges, withholdings, and liabilities being hereinafter in this section 3.9 referred to as "Taxes"). If US Borrower shall be required by Law to deduct any Taxes from or in respect of any sum payable under this Agreement or any other US Loan Document to any Lender Party, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this section) such Lender Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) US Borrower shall make such deductions, and (iii) US Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Law.

(b) In addition, US Borrower agrees to pay any and all present or future stamp or documentary taxes and any other excise or property taxes or

charges or similar levies which arise from any payment made under this Agreement or any other US Loan Document or from the execution or delivery of, or otherwise with respect to, this Agreement or any other US Loan Document (hereinafter in this Section 3.9 referred to as "Other Taxes").

(c) US Borrower agrees to indemnify each Lender Party, US Agent and US LC Issuer for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this section) paid by such Lender Party or US Agent (as the case may be) and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto.

(d) Each Lender Party organized under the Laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Lender Party listed on the signature pages hereof and on or prior to the date on which it becomes a Lender Party in the case of each other Lender Party, and from time to time thereafter if requested in writing by US Borrower or US Agent (but only so long as such Lender Party remains lawfully able to do so), shall provide US Borrower and US Agent with a properly executed (i) Internal Revenue Service Form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender Party is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States, (ii0 Internal Revenue Service Form W-8 or W- 9, as appropriate, or any successor form prescribed by the Internal Revenue Service, and (iii) any other form or certificate required by any taxing authority (including any certificate required by Sections 871(h) and 881(c) of the Internal Revenue Code), certifying that such Lender Party is entitled to an exemption from or a reduced rate of tax on payments pursuant to this Agreement or any of the other US Loan Documents.

(e) For any period with respect to which a Lender Party has failed to provide US Borrower and US Agent with the appropriate form pursuant to Section 3.9(d) (unless such failure is due to a change in treaty, Law, or regulation occurring subsequent to the date on which a form originally was required to be provided), such Lender Party shall not be entitled to indemnification under Sections 3.9(a), 3.9(b) or 3.9(c) with respect to Taxes imposed by the United States; provided, however, that should a Lender Party, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, US Borrower shall take such steps as such Lender Party shall reasonably request to assist such Lender Party to recover such Taxes. Further, US Borrower shall not be required to indemnify such Lender Party for any withholding taxes which US Borrower is required to withhold and remit in respect of any principal, interest or other amount paid or payable by US Borrower to or for account of any Lender Party hereunder or under any other US Loan Document.

(f) If US Borrower is required to pay additional amounts to or for the account of any Lender Party pursuant to this Section, then such Lender Party will agree to use reasonable efforts to change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Lender Party, is not otherwise disadvantageous to such Lender Party and in the event Lender Party is reimbursed for an amount paid by US Borrower pursuant to this Section, it shall promptly return such amount to US Borrower.

(g) Within thirty (30) days after the date of any payment of Taxes, US Borrower shall furnish to US Agent the original or a certified copy of a receipt evidencing such payment.

(h) Without prejudice to the survival of any other agreement of US Borrower hereunder, the agreements and obligations of US Borrower contained in this section shall survive the termination of the US Facility Commitment Period and the payment in full of the US Notes.

Section 3.10. Currency Conversion and Currency Indemnity.

(a) Restricted Persons shall make payment relative to any US Obligation in the currency (the "Agreed Currency") in which the US Obligation was incurred. If any payment is received on account of any US Obligation in any currency (the "Other Currency") other than the Agreed Currency (whether voluntarily or pursuant to an order or judgment or the enforcement thereof or the realization of any security or the liquidation of such Restricted Person or otherwise howsoever), such payment shall constitute a discharge of the liability of a Restricted Person hereunder and under the other US Loan Documents in respect of such US Obligation only to the extent of the amount of the Agreed Currency which the relevant Lender Parties are able to purchase with the amount of the Other Currency received by it on the Business Day next following such receipt in accordance with its normal procedures and after deducting any premium and costs of exchange.

(b) If, for the purpose of obtaining or enforcing judgment in any court in any jurisdiction, it becomes necessary to convert into a particular currency (the "Judgment Currency") any amount due in the Agreed Currency then the conversion shall be made on the basis of the rate of exchange prevailing on the next Business Day following the date such judgment is given and in any event each Restricted Person shall be obligated to pay the Lender Parties any deficiency in accordance with Section 3.10(c). For the foregoing purposes "rate of exchange" means the rate at which the relevant Lender Parties, as applicable, in accordance with their normal banking procedures are able on the relevant date to purchase the Agreed Currency with the Judgment Currency after deducting any premium and costs of exchange.

(c) If (i) any Lender Party receives any payment or payments on account of the liability of a Restricted Person hereunder pursuant to any judgment or order in any Other Currency, and (ii) the amount of the Agreed Currency which the relevant Lender Party is able to purchase on the Business Day next following such receipt with the proceeds of such payment or payments in accordance with its normal procedures and after deducting any premiums and costs of exchange is less than the amount of the Agreed Currency due in respect of such US Obligations immediately prior to such judgment or order, then US Borrower on demand shall, and US Borrower hereby agrees to, indemnify and save such

Lender Party harmless from and against any loss, cost or expense arising out of or in connection with such deficiency. The agreement of indemnity provided for in this
Section 3.10(c) shall constitute an obligation separate and independent from all other obligations contained in this Agreement, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Lender Parties or any of them from time to time, and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

ARTICLE IV - Conditions Precedent to Lending

Section 4.1. Documents to be Delivered. No Lender has any obligation to make its first US Loan, and US LC Issuer has no obligation to issue the first Letter of Credit, unless US Agent shall have received all of the following, at US Agent's office in Dallas, Texas, duly executed and delivered and in form, substance and date satisfactory to US Agent:

(a) This Agreement and any other documents that Lenders are to execute in connection herewith.

(b) Each US Note.

(c) Certain certificates of US Borrower including:

(i) An "Omnibus Certificate" of the Secretary or Assistant Secretary and of the Chairman of the Board, President, or Senior Vice President - Finance of US Borrower, which shall contain the names and signatures of the officers of US Borrower authorized to execute US Loan Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto:
(1) a copy of resolutions duly adopted by the Board of Directors of US Borrower and in full force and effect at the time this Agreement is entered into, authorizing the execution of this Agreement and the other US Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of US Borrower and all amendments thereto, certified by the appropriate official of the State of Delaware, and (3) a copy of the bylaws of US Borrower; and

(ii) A "Compliance Certificate" of the Senior Vice President - Finance and of the Treasurer or Vice President - Accounting of US Borrower, of even date with such US Loan or such Letter of Credit, in which such officers certify to the satisfaction of the conditions set out in subsections (a),
(b), and (c) of Section 4.3.

(d) certificate (or certificates) of the due formation, valid existence and good standing of US Borrower in the State of Delaware, issued by the appropriate official of such State.

(e) A favorable opinion of McAfee & Taft, a professional corporation, counsel for Restricted Persons, substantially in the form set forth in Exhibit E and a favorable opinion of Thompson & Knight L.L.P. covering the matters requested by US Agent.

(f) The Initial Financial Statements.

Section 4.2. Additional Conditions Precedent to First US Loan or First Letter of Credit. No Lender has any obligation to make its first US Loan, and US LC Issuer has no obligation to issue the first Letter of Credit, unless on the date thereof:

(a) All commitment, facility, agency, legal and other fees required to be paid or reimbursed to any Lender pursuant to any US Loan Documents or any commitment agreement heretofore entered into shall have been paid.

(b) No event which would reasonably be expected to have a Material Adverse Effect shall have occurred since June 30, 1999.

(c) US Borrower shall have certified to US Agent and Lenders that the Initial Financial Statements fairly present US Borrower's Consolidated financial position at the respective dates thereof and the Consolidated results of US Borrower's operations and US Borrower's Consolidated cash flows for the respective periods thereof.

(d) US Borrower shall have certified to US Agent and Lenders that no Restricted Person has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) which are, in the aggregate, material to US Borrower or material with respect to US Borrower's Consolidated financial condition and not shown in the Initial Financial Statements or disclosed in the Disclosure Schedule.

(e) All legal matters relating to the US Loan Documents and the consummation of the transactions contemplated thereby shall be satisfactory to Thompson & Knight L.L.P., counsel to US Agent.

Section 4.3. Additional Conditions Precedent to all US Loan and Letters of Credit. No Lender has any obligation to make any US Loan (including its first), and US LC Issuer has no obligation to issue any Letter of Credit (including its first), unless the following conditions precedent have been satisfied:

(a) All representations and warranties made by any Restricted Person in any US Loan Document shall be true on and as of the date of such US Loan or the date of issuance of such Letter of Credit (except to the extent that the facts upon which such representations are based have been changed by the extension of credit hereunder) as if such representations and warranties had been made as of the date of such US Loan or the date of issuance of such Letter of Credit.

(b) No Default shall exist at the date of such US Loan or the date of issuance of such Letter of Credit.

(c) The making of such US Loan or the issuance of such Letter of Credit shall not be prohibited by any Law and shall not subject any Lender or any US LC Issuer to any material penalty under or pursuant to any such Law.

ARTICLE V - Representations and Warranties

To confirm each Lender's understanding concerning Restricted Persons and Restricted Persons' businesses, properties and obligations and to induce each Lender to enter into this Agreement and to extend credit hereunder, US Borrower represents and warrants to each Lender that:

Section 5.1. No Default. No event has occurred and is continuing which constitutes a Default.

Section 5.2. Organization and Good Standing. Each Restricted Person is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Restricted Person is duly qualified, in good standing, and authorized to do business in all other jurisdictions within the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary except where failure to so qualify would not have a Material Adverse Effect. Each Restricted Person has taken all actions and procedures customarily taken in order to enter, for the purpose of conducting business or owning property, each jurisdiction outside the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such actions and procedures desirable except where failure to so qualify would not have a Material Adverse Effect.

Section 5.3. Authorization. US Borrower and Canadian Borrowers have duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder. US Borrower is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts or Consents. The execution and delivery by the various Restricted Persons of the Loan Documents to which each is a party, the performance by each of its obligations under such Loan Documents, and the consummation of the transactions contemplated by the various Loan Documents, do not and will not (i) conflict with any provision of (A) any Law,
(B) the organizational documents of any Restricted Person, or (C)
any agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person unless such conflict would not reasonably be expected to have a Material Adverse Effect, or
(ii) result in the acceleration of any Indebtedness owed by any Restricted Person which would reasonably be expected to have a Material Adverse Effect, or (iii) result in or require the creation of any Lien upon any assets or properties of any Restricted Person 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 any Restricted Person of any Loan Document or to consummate any transactions contemplated by the Loan Documents, unless failure to obtain such consent would not reasonably be expected to have a Material Adverse Effect.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Loan Documents when duly executed and delivered will be, legal, valid and binding obligations of each Restricted Person which is a party hereto or thereto, enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

Section 5.6. Full Disclosure. No certificate, statement or other information delivered herewith or heretofore by any Restricted Person to any Lender in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby contains any untrue statement of a material fact or omits to state any material fact known to any Restricted Person (other than industry-wide risks normally associated with the types of businesses conducted by Restricted Persons) necessary to make the statements contained herein or therein not misleading as of the date made or deemed made. There is no fact known to any Restricted Person (other than industry-wide risks normally associated with the types of businesses conducted by Restricted Persons) that has not been disclosed to each Lender in writing which would reasonably be expected to have a Material Adverse Effect.

Section 5.7. Litigation. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule:
(a) there are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending, or to the knowledge of any Restricted Person threatened, against any Restricted Person before any Tribunal which would reasonably be expected to have a Material Adverse Effect, and (b) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Tribunal against any Restricted Person which would reasonably be expected to have a Material Adverse Effect.

Section 5.8. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in the Disclosure Schedule. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule, no Termination Event has occurred with respect to any ERISA Plan and all ERISA

Affiliates are in compliance with ERISA in all material respects. No ERISA Affiliate is required to contribute to, or has any other absolute or contingent liability in respect of, any "multiemployer plan" as defined in Section 4001 of ERISA. Except as set forth in the Disclosure Schedule: (a) no "accumulated funding deficiency" (as defined in Section 412(a) of the Internal Revenue Code) exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, and (b) the current value of each ERISA Plan's benefits does not exceed the current value of such ERISA Plan's assets available for the payment of such benefits by more than US $50,000,000.

Section 5.9. Environmental and Other Laws. Except as disclosed in the Disclosure Schedule: (a) Restricted Persons are conducting their businesses in material compliance with all applicable Laws, including Environmental Laws, and have and are in compliance with all licenses and permits required under any such Laws, unless failure to so comply would not reasonably be expected to have a Material Adverse Effect; (b) none of the operations or properties of any Restricted Person is the subject of federal, state or local investigation evaluating whether any material remedial action is needed to respond to a release of any Hazardous Materials into the environment or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous Materials, unless such remedial action would not reasonably be expected to have a Material Adverse Effect; and (c) no Restricted Person (and to the best knowledge of US Borrower, no other Person) has filed any notice under any Law indicating that any Restricted Person is responsible for the improper release into the environment, or the improper storage or disposal, of any material amount of any Hazardous Materials or that any Hazardous Materials have been improperly released, or are improperly stored or disposed of, upon any property of any Restricted Person, unless such failure to so comply would not reasonably be expected to have a Material Adverse Effect.

Section 5.10. Names and Places of Business. No Restricted Person has, during the preceding five years, had, been known by, or used any other trade or fictitious name, except as disclosed in the Disclosure Schedule. Except as otherwise indicated in the Disclosure Schedule, the chief executive office and principal place of business of each Restricted Person are (and for the preceding five years have been) located at the address of US Borrower set out on the signature pages hereto. Except as indicated in the Disclosure Schedule, no Restricted Person has any other office or place of business.

Section 5.11. US Borrower's Subsidiaries. US Borrower does not presently have any Subsidiary or own any stock in any other corporation or association except those listed in the Disclosure Schedule. Neither US Borrower nor any Restricted Person is a member of any general or limited partnership, limited liability company, joint venture formed under the laws of the United States or any State thereof or association of any type whatsoever except those listed in the Disclosure Schedule and associations, joint ventures or other relationships (a) which are established pursuant to a standard form operating agreement or similar agreement or which are partnerships for purposes of federal income taxation only, (b) which are not corporations or partnerships (or subject to the Uniform Partnership Act) under applicable state Law, and (c) whose businesses are limited to the exploration, development and operation of oil, gas or mineral properties, pipelines or gathering systems and interests owned directly by the parties in such associations, joint ventures or relationships. US Borrower owns, directly or indirectly, the equity interest in each of its Subsidiaries which is indicated in the Disclosure Schedule.

Section 5.12. Title to Properties; Licenses. Each Restricted Person has good and defensible title to all of its material properties and assets, free and clear of all Liens other than Permitted Liens and of all impediments to the use of such properties and assets in such Restricted Person's business except to the extent failure to have such title would not have a Material Adverse Effect. Each Restricted Person possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) which are necessary to carry out its business as presently conducted and as presently proposed to be conducted hereafter, and no Restricted Person is in violation in any material respect of the terms under which it possesses such intellectual property or the right to use such intellectual property except to the extent failure to possess such licenses, permits, franchises, and intellectual property would not have a Material Adverse Effect.

Section 5.13. Government Regulation. Neither US Borrower nor any other Restricted Person owing Obligations is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Investment Company Act of 1940 (as any of the preceding acts have been amended) or any other Law which regulates the incurring by such Person of Indebtedness, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services.

Section 5.14. Insider. Except as disclosed on the Disclosure Schedule, no Restricted Person, nor any Person having "control" (as that term is defined in 12 U.S.C. 375b(9) or in regulations promulgated pursuant thereto) of any Restricted Person, is a "director" or an "executive officer" or "principal shareholder" (as those terms are defined in 12 U.S.C. 375b(8) or (9) or in regulations promulgated pursuant thereto) of any Lender, of a bank holding company of which any Lender is a Subsidiary or of any Subsidiary of a bank holding company of which any Lender is a Subsidiary.

Section 5.15. Solvency. Upon giving effect to the issuance of the US Notes, the execution of the US Loan Documents by US Borrower and the consummation of the transactions contemplated hereby, US Borrower will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws).

Section 5.16. Year 2000 Compliance. US Borrower has
(a) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations (including those affected by suppliers and vendors) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by US Borrower and its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (b) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (c) to date, implemented that plan in accordance with that timetable. US Borrower reasonably believes that all computer applications (including those of its suppliers and vendors) that are material to its or any of its Subsidiaries' business and operations will on a timely basis be able to perform

properly date-sensitive functions for all dates before and after January 1, 2000 (that is, be "Year 2000 compliant"), except to the extent that a failure to do so would not reasonably be expected to have a Material Adverse Effect.

ARTICLE VI - Affirmative Covenants of US Borrower

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to US Borrower, and to induce each Lender to enter into this Agreement and extend credit hereunder, US Borrower warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Required Lenders have previously agreed otherwise:

Section 6.1. Payment and Performance. US Borrower will pay all amounts due under the US Loan Documents in accordance with the terms thereof and will observe, perform and comply with every covenant, term and condition expressed or implied in the US Loan Documents. US Borrower will cause each other Restricted Person to observe, perform and comply with every such term, covenant and condition in any Loan Document.

Section 6.2. Books, Financial Statements and Reports. Each Restricted Person will at all times maintain full and accurate books of account and records. US Borrower will maintain and will cause its Subsidiaries to maintain a standard system of accounting, will maintain its Fiscal Year, and will furnish the following statements and reports to each Lender Party at US Borrower's expense:

(a) As soon as available, and in any event within ninety
(90) days after the end of each Fiscal Year, complete Consolidated financial statements of US Borrower together with all notes thereto, prepared in reasonable detail in accordance with US GAAP, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by KPMG Peat Marwick L.L.P., or other independent certified public accountants selected by US Borrower and acceptable to US Agent, stating that such Consolidated financial statements have been so prepared. These financial statements shall contain a Consolidated balance sheet as of the end of such Fiscal Year and Consolidated statements of earnings, of cash flows, and of changes in owners' equity for such Fiscal Year, each setting forth in comparative form the corresponding figures for the preceding Fiscal Year. In addition, within ninety (90) days after the end of each Fiscal Year US Borrower will furnish to US Agent and each Lender a certificate in the form of Exhibit D signed by the President, Senior Vice President - Finance, Treasurer or Vice President - Accounting of US Borrower, stating that such financial statements are accurate and complete, stating that such Person has reviewed the US Loan Documents, containing all calculations required to be made to show compliance or non-compliance with the provisions of Sections 7.8 and 7.9, and further stating that there is no condition or event at the end of such Fiscal Year or at the time of such certificate which constitutes a Default and specifying the nature and period of existence of any such condition or event.

(b) As soon as available, and in any event within forty- five (45) days after the end of each Fiscal Quarter, US Borrower's Consolidated and consolidating balance sheet and income statement as of the end of such Fiscal Quarter and a Consolidated statement of cash flows for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, all in reasonable detail and prepared in accordance with US GAAP, subject to changes resulting from normal year-end adjustments. In addition US Borrower will, together with each such set of financial statements, furnish a certificate in the form of Exhibit D signed by the President, Senior Vice President - Finance, Treasurer or Vice President - Accounting of US Borrower stating that such financial statements are accurate and complete (subject to normal year-end adjustments), stating that such Person has reviewed the US Loan Documents, containing all calculations required to be made by US Borrower to show compliance or non-compliance with the provisions of Sections 7.8 and 7.9 and further stating that there is no condition or event at the end of such Fiscal Quarter or at the time of such certificate which constitutes a Default and specifying the nature and period of existence of any such condition or event.

(c) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by any Restricted Person to its stockholders and all registration statements, periodic reports and other statements and schedules filed by any Restricted Person with any securities exchange, the Securities and Exchange Commission or any similar Governmental Authority, including any information or estimates with respect to US Borrower's oil and gas business (including its exploration, development and production activities) which are required to be furnished in US Borrower's annual report pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended.

Section 6.3. Other Information and Inspections. Each Restricted Person will furnish to each Lender any information which US Agent may from time to time reasonably request concerning any covenant, provision or condition of the Loan Documents or any matter in connection with Restricted Persons' businesses and operations. Each Restricted Person will permit representatives appointed by US Agent (including independent accountants, auditors, agents, attorneys, appraisers and any other Persons) to visit and inspect upon prior written notice during normal business hours any of such Restricted Person's property, including its books of account, other books and records, and any facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and each Restricted Person shall permit US Agent or its representatives to investigate and verify the accuracy of the information furnished to US Agent or any Lender in connection with the Loan Documents and to discuss all such matters with its officers, employees and representatives.

Section 6.4. Notice of Material Events and Change of Address. US Borrower will promptly notify each Lender in writing, stating that such notice is being given pursuant to this Agreement, of:

(a) the occurrence of any event which would have a Material Adverse Effect,

(b) the occurrence of any Default,

(c) the acceleration of the maturity of any Indebtedness owed by any Restricted Person having a principal balance of more than US $50,000,000, or of any default by any Restricted Person under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound, if such default would have a Material Adverse Effect,

(d) the occurrence of any Termination Event,

(e) any claim of US $50,000,000 or more, any notice of potential liability under any Environmental Laws which might exceed such amount, or any other material adverse claim asserted against any Restricted Person or with respect to any Restricted Person's properties, and

(f) the filing of any suit or proceeding against any Restricted Person in which an adverse decision would have a Material Adverse Effect.

US Borrower will also notify US Agent and US Agent's counsel in writing promptly in the event that any Restricted Person changes its name or the location of its chief executive office.

Section 6.5. Maintenance of Properties. Each Restricted Person will maintain, preserve, protect, and keep all property used or useful in the conduct of its business in good condition, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect.

Section 6.6. Maintenance of Existence and Qualifications. Each Restricted Person will maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify will not have a Material Adverse Effect.

Section 6.7. Payment of Trade Liabilities, Taxes, etc. Each Restricted Person will (a) timely file all required tax returns; (b) timely pay all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property; and (c) maintain appropriate accruals and reserves for all of the foregoing in accordance with US GAAP. Each Restricted Person may, however, delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings and has set aside on its books adequate reserves therefor.

Section 6.8. Insurance. Each Restricted Person will keep or cause to be kept insured in accordance with industry standards by financially sound and reputable insurers, its surface equipment and other property of a character usually insured by similar Persons engaged in the same or similar businesses.

Section 6.9. Performance on US Borrower's Behalf. If any Restricted Person fails to pay any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under any US Loan Document, US Agent may pay the same, and shall use its best efforts to give at least five (5) Business Days notice to US Borrower prior to making any such payment; provided, however, that any failure by US Agent to so notify US Borrower shall not limit or otherwise impair US Agent's ability to make any such payment. US Borrower shall immediately reimburse US Agent for any such payments and each amount paid by US Agent shall constitute an US Obligation owed hereunder which is due and payable on the date such amount is paid by US Agent.

Section 6.10. Interest. US Borrower hereby promises to each Lender Party to pay interest at the Default Rate applicable to Base Rate Loans on all US Obligations (including US Obligations to pay fees or to reimburse or indemnify any Lender) which US Borrower has in this Agreement promised to pay to such Lender Party and which are not paid when due. Such interest shall accrue from the date such US Obligations become due until they are paid.

Section 6.11. Compliance with Law. Each Restricted Person will conduct its business and affairs in compliance with all Laws applicable thereto except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect.

Section 6.12. Environmental Matters.

(a) Each Restricted Person will comply in all material respects with all Environmental Laws now or hereafter applicable to such Restricted Person, as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters, and shall obtain, at or prior to the time required by applicable Environmental Laws, all environmental, health and safety permits, licenses and other authorizations necessary for its operations and will maintain such authorizations in full force and effect, unless such failure to so comply would not reasonably be expected to have a Material Adverse Effect.

(b) will promptly furnish to US Agent all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by US Borrower, or of which it has notice, pending or threatened against US Borrower, by any Governmental Authority with respect to any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations in connection with its ownership or use of its properties or the operation of its business which involve a potential liability or claim in excess of US $50,000,000.

Section 6.13. Bank Accounts; Offset. To secure the repayment of the Obligations US Borrower hereby grants to each Lender a right of offset,

each of which shall be in addition to all other interests, liens, and rights of any Lender at common Law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of US Borrower now or hereafter held or received by or in transit to any Lender from or for the account of US Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of US Borrower with any Lender, and (c) any other credits and claims of US Borrower at any time existing against any Lender, including claims under certificates of deposit. At any time and from time to time after the occurrence of any Default, each Lender is hereby authorized to offset against the Obligations then due and payable (in either case without notice to US Borrower), any and all items herein above referred to. To the extent that US Borrower has accounts designated as royalty or joint interest owner accounts, the foregoing right of offset shall not extend to funds in such accounts which belong to, or otherwise arise from payments to US Borrower for the account of, third party royalty or joint interest owners.

Section 6.14. Year 2000 Compliance. US Borrower will promptly notify US Agent in the event US Borrower discovers or determines that any computer application (including those of its suppliers and vendors) that is material to its or any of its Subsidiaries' business and operations that will not be Year 2000 compliant on a timely basis, except to the extent that such failure would not reasonably be expected to have a Material Adverse Effect.

ARTICLE VII - Negative Covenants of US Borrower

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to US Borrower, and to induce each Lender to enter into this Agreement and make the US Loans, US Borrower warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Required Lenders have previously agreed otherwise:

Section 7.1. Indebtedness. No Restricted Subsidiary will in any manner owe or be liable for Indebtedness except:

(a) the Canadian Obligations.

(b) capital lease obligations (excluding oil, gas or mineral leases) entered into in the ordinary course of such Restricted Person's business in arm's length transactions at competitive market rates under competitive terms and conditions in all respects, provided that such capital lease obligations required to be paid in any Fiscal Year do not in the aggregate exceed US $35,000,000 for all Restricted Subsidiaries.

(c) unsecured Liabilities owed among Restricted Persons.

(d) guaranties by one Restricted Person of Liabilities owed by another Restricted Person, if such Liabilities either (i) are not Indebtedness, or (ii) are allowed under subsections (a), (b) or (c) of this Section 7.1.

(e) Indebtedness of the Restricted Persons for plugging and abandonment bonds or for letters of credit issued by any Lender in place thereof which are required by regulatory authorities in the area of operations, and Indebtedness of the Restricted Persons for other bonds or letters of credit issued by any Lender which are required by such regulatory authorities with respect to other normal oil and gas operations.

(f) obligations under the Subordinated Devon Oklahoma Indenture, the Subordinated Devon Oklahoma Debentures and the Subordinated Devon Oklahoma Guarantee;

(g) non-recourse Indebtedness as to which no Restricted Person (i) provides any guaranty or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (ii) is directly or indirectly liable (as a guarantor or otherwise); provided, that after giving effect to such Indebtedness outstanding from time to time, US Borrower is not in violation of
Section 7.8.

(h) the following long-term institutional Indebtedness of Northstar Energy:

(i) US $150,000,000 indebtedness to The Prudential Insurance Company of America pursuant to a Note Agreement dated as of March 2, 1998 including the following guarantees of such indebtedness: (1) guarantees both dated March 2, 1998 made by Northstar Energy Partnership and David Limited Partnership; (2) guarantee dated as of July 31, 1998 made by 728098 Alberta Ltd.; and (3) any other guarantees of Subsidiaries of Northstar Energy executed after the date hereof pursuant to the terms of such Note Agreement.

(ii) US $75,000,000 indebtedness to certain institutional investors pursuant to a Note Agreement dated as of July 19, 1995, as amended from time to time, including the following guarantees of such indebtedness: (1) guarantee dated as of July 31, 1998 made by Northstar Energy Partnership; (2) guarantee dated as of July 31, 1998 made by 728098 Alberta Ltd.; and (3) any other guarantee of Subsidiaries of Northstar Energy executed after the date hereof pursuant to the terms of such Note Agreement.

including any refinancing of the above institutional indebtedness by Northstar Energy, US Borrower, or any other Restricted Person on similar terms taking into account current market conditions.

(i) Indebtedness that is subordinated to the US Obligations and the Canadian Obligations on terms acceptable to Required Lenders.

(j) Indebtedness in the approximate amount of C $4,784,000 owed to Indeck Gas Supply Corporation by Northstar Energy pursuant to a Gas Sales and Purchase Agreement dated as of March 9, 1989, as heretofore or hereafter amended from time to time.

(k) Acquired Debt.

(l) Indebtedness under Hedging Contracts.

(m) Indebtedness relating to the surety bond and letter of credit obligations listed on Schedule 2.

(n) miscellaneous items of Indebtedness of all Restricted Persons (other than US Borrower) not described in subsections (a) through (m) which do not in the aggregate exceed US $100,000,000 in principal amount at any one time outstanding.

Section 7.2. Limitation on Liens. Except for Permitted Liens, no Restricted Person will create, assume or permit to exist any Lien upon any of the properties or assets which it now owns or hereafter acquires. No Restricted Person will allow the filing or continued existence of any financing statement describing as collateral any assets or property of such Restricted Person, other than financing statements which describe only collateral subject to a Lien permitted under this section and which name as secured party or lessor only the holder of such Lien.

Section 7.3. Limitation on Mergers. No Restricted Person will merge or consolidate with or into any other Person except that any Subsidiary of US Borrower may be merged into or consolidated with (a) another Subsidiary of US Borrower, or
(b) US Borrower, so long as US Borrower is the surviving business entity.

Section 7.4. Limitation on Issuance of Securities by Subsidiaries of US Borrower.

(a) No Restricted Subsidiary of US Borrower (other than Devon Trust) will issue any additional shares of its capital stock, additional partnership interests or other securities or any options, warrants or other rights to acquire such additional shares, partnership interests or other securities except to another Restricted Person which is a wholly-owned direct or indirect Subsidiary of US Borrower unless such securities are being issued to acquire a business, directly or indirectly through the use of the proceeds of such issuance, and such securities are convertible into the common or similar securities of US Borrower. In addition, (i) Northstar Energy may issue "Exchangeable Shares" (as defined in the Restated Articles of Incorporation of Northstar Energy) upon the terms specified in the Restated Articles of Incorporation of Northstar Energy as in effect on the date hereof (in this section called "Exchangeable Shares"), (ii) Devon Canada may issue exchangeable shares upon substantially the same terms as such Exchangeable Shares, and
(iii) Northstar Energy may issue stock options to its employees from time to time to acquire such Exchangeable Shares, provided that such options are granted under a stock option plan of Northstar Energy and/or US Borrower. US Borrower shall never own (directly or indirectly) less than one hundred percent (100%) of the common shares of each Canadian Borrower.

(b) Devon Trust will not issue any securities except common securities to Devon Oklahoma and the Devon Trust Securities. Devon Nevada and Devon Oklahoma will at all times remain a wholly-owned direct or indirect Subsidiary of US Borrower. Devon Oklahoma will at all times own all of the outstanding common securities of Devon Trust.

Section 7.5. Limitation on Restricted Payments. Except as permitted below in this section, no Restricted Person shall directly or indirectly (i) make any Restricted Distribution, or
(ii) any Restricted Investment (the above being herein collectively referred to as "Restricted Payments"), unless the aggregate amount of Restricted Payments made during any Fiscal Year never exceeds five percent (5%) of the book value of the Consolidated Assets of US Borrower.

Section 7.6. Transactions with Affiliates. No Restricted Person will engage in any material transaction with any of its Affiliates on terms which are less favorable in any material respect to it than those which would have been obtainable at the time in arm's-length dealing with Persons other than such Affiliates, provided that such restriction shall not apply to transactions among US Borrower and the other Restricted Persons that are wholly-owned, directly or indirectly, by US Borrower.

Section 7.7. Prohibited Contracts; ERISA. Except as expressly provided for in the US Loan Documents and in the Support Agreement dated December 10, 1998 between the US Borrower and Northstar Energy, no Restricted Person will, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction on the ability of any Restricted Person that is a Subsidiary of US Borrower: (a) to pay dividends or make other distributions to US Borrower, (b) to redeem equity interests held in it by US Borrower, (c) to repay loans and other indebtedness owing by it to US Borrower, or
(d) to transfer any of its assets to US Borrower. No ERISA Affiliate will incur any obligation to contribute to any "multiemployer plan" as defined in Section 4001 of ERISA.

Section 7.8. Funded Debt to Total Capitalization. At the end of each Fiscal Quarter, the ratio of US Borrower's Consolidated Total Funded Debt to US Borrower's Total Capitalization will never exceed sixty-five percent (65%).

Section 7.9. Devon Trust; Devon Trust Securities. Devon Trust shall exist for the exclusive purposes of (a) issuing the Devon Trust Securities, (b) investing the gross proceeds of the Devon Trust Securities in the Subordinated Devon Oklahoma Debentures and (c) engaging in only those other activities necessary or incidental thereto. Devon Oklahoma shall exercise its option to defer interest payments on the Subordinated Devon Oklahoma Debentures rather than default on such interest payments. Devon Trust shall not be dissolved without prior written notice by US Borrower to US Agent. Devon Trust shall not redeem the Devon Trust Securities prior to their stated maturity, and Devon Oklahoma shall not prepay or redeem the Subordinated Devon Oklahoma Debentures prior to their stated maturity, unless both immediately before and immediately after any such proposed prepayment or redemption, US Borrower is in compliance with
Section 7.8, and no Default under Section 8.1(a), 8.1(f) or 8.1(h) is continuing.

ARTICLE VIII - Events of Default and Remedies

Section 8.1. Events of Default. Each of the following events constitutes an Event of Default under this Agreement:

(a) Any Restricted Person fails to pay any principal component of any US Obligation when due and payable or fails to pay any other US Obligation within three (3) days after the date when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise;

(b) Any "default" or "event of default" occurs under any US Loan Document which defines either such term, and the same is not remedied within the applicable period of grace (if any) provided in such Loan Document;

(c) Any Restricted Person fails (other than as referred to in subsections (a) or (b) above) to (i) duly comply with the last sentence of Section 7.4 (a) of the US Agreement or (ii) duly observe, perform or comply with any other covenant, agreement, condition or provision of any US Loan Document, and such failure remains unremedied for a period of thirty (30) days after notice of such failure is given by US Agent to US Borrower;

(d) Any representation or warranty previously, presently or hereafter made in writing by or on behalf of any Restricted Person in connection with any US Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made provided that if such falsity or lack of correctness is capable of being remedied or cured within a 30-day period, US Borrower shall (subject to the other provisions of this Section 8.1) have a period of 30 days after written notice thereof has been given to US Borrower by US Agent within which to remedy or cure such lack of correctness, or this Agreement or any US Note is asserted to be or at any time ceases to be valid, binding and enforceable in any material respect as warranted in
Section 5.5 for any reason other than its release or subordination by US Agent;

(e) Any Restricted Person (i) fails to duly pay any Indebtedness in excess of US $50,000,000 constituting principal or interest owed by it with respect to borrowed money or money otherwise owed under any note, bond, or similar instrument, including without limitation the Subordinated Devon Oklahoma Debentures, the Subordinated Devon Oklahoma Indenture, the Subordinated Devon Oklahoma Guarantee and the Devon Trust Securities, or (ii) breaches or defaults in the performance of any agreement or instrument by which any such Indebtedness is issued, evidenced, governed, or secured, other than a breach or default described in clause (i) above, and any such failure, breach or default results in the acceleration of such Indebtedness;

(f) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Internal Revenue Code of 1986, as amended) in excess of US $50,000,000 exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, or (ii) any Termination Event occurs with respect to any ERISA Plan and the then current value of such ERISA Plan's benefit liabilities exceeds the then current value of such ERISA Plan's assets available for the payment of such benefit liabilities by more than US $50,000,000 (or in the case of a Termination Event involving the withdrawal of a substantial employer, the withdrawing employer's proportionate share of such excess exceeds such amount);

(g) Any Change in Control occurs;

(h) US Borrower or any other Restricted Person having assets with a book value of at least US $50,000,000:

(i) suffers the entry against it of a judgment, decree or order for relief by a Tribunal of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar Law of any jurisdiction now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended, or has any such proceeding commenced against it which remains undismissed for a period of thirty days; or

(ii) commences a voluntary case under any applicable bankruptcy, insolvency or similar Law now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended; or applies for or consents to the entry of an order for relief in an involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or fails generally to pay (or admits in writing its inability to pay) its debts as such debts become due; or takes corporate or other action to authorize any of the foregoing; or

(iii) suffers the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its property in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within thirty days after the making thereof, or such appointment or taking possession is at any time consented to,

requested by, or acquiesced to by it; or

(iv) suffers the entry against it of a final judgment for the payment of money in an amount that exceeds (x) the valid and collectible insurance in respect thereof or (y) the amount of an indemnity with respect thereto reasonably acceptable to the Required Lenders by US $50,000,000 or more, unless the same is discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

(v) suffers a writ or warrant of attachment or similar process to be issued by any Tribunal against all or any part of its property having a book value of at least US $50,000,000, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside; and

(i) Any "Event of Default" occurs under the Canadian Agreement.

Upon the occurrence of an Event of Default described in subsection (h)(i), (h)(ii) or (h)(iii) of this section with respect to US Borrower, all of the US Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by US Borrower and each Restricted Person who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender to make any further US Loans, any obligation of US LC Issuer to issue Letters of Credit hereunder, and any obligation of US Swing Lender to make any further US Swing Loans shall be permanently terminated. During the continuance of any other Event of Default, US Agent at any time and from time to time may (and upon written instructions from Required Lenders, US Agent shall), without notice to US Borrower or any other Restricted Person, do either or both of the following: (1) terminate any obligation of Lenders to make US Loans hereunder, any obligation of US LC Issuer to issue Letters of Credit hereunder, and any obligation of US Swing Lender to make US Swing Loans hereunder, and (2) declare any or all of the US Obligations immediately due and payable, and all such US Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by US Borrower and each Restricted Person who at any time ratifies or approves this Agreement.

Section 8.2. Remedies. If any Default shall occur and be continuing, each Lender Party may protect and enforce its rights under the US Loan Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Loan Document, and each Lender Party may enforce the payment of any US Obligations due it or enforce any other legal or equitable right which it may have. All rights, remedies and powers conferred upon Lender Parties under the US Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the US Loan Documents or at Law or in equity.

ARTICLE IX - US Agent

Section 9.1. Appointment, Powers, and Immunities. Each Lender hereby irrevocably appoints and authorizes US Agent to act as its agent under this Agreement and the other US Loan Documents with such powers and discretion as are specifically delegated to US Agent by the terms of this Agreement and the other US Loan Documents, together with such other powers as are reasonably incidental thereto. US Agent (which term as used in this sentence and in Section 9.5 and the first sentence of Section 9.6 hereof shall include its Affiliates and its own and its Affiliates' officers, directors, employees, and agents):
(a) shall not have any duties or responsibilities except those expressly set forth in this Agreement and shall not be a trustee or fiduciary for any Lender; (b) shall not be responsible to the Lenders for any recital, statement, representation, or warranty (whether written or oral) made in or in connection with any Loan Document or any certificate or other document referred to or provided for in, or received by any of them under, any Loan Document, or for the value, validity, effectiveness, genuineness, enforceability, or sufficiency of any Loan Document, or any other document referred to or provided for therein or for any failure by any Restricted Person or any other Person to perform any of its obligations thereunder; (c) shall not be responsible for or have any duty to ascertain, inquire into, or verify the performance or observance of any covenants or agreements by any Restricted Person or the satisfaction of any condition or to inspect the property (including the books and records) of any Restricted Person or any of its Subsidiaries or Affiliates;
(d) shall not be required to initiate or conduct any litigation or collection proceedings under any Loan Document; and (e) shall not be responsible for any action taken or omitted to be taken by it under or in connection with any Loan Document, except for its own gross negligence or willful misconduct. US Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care.

Section 9.2. Reliance by US Agent. US Agent shall be entitled to rely upon any certification, notice, instrument, writing, or other communication (including, without limitation, any thereof by telephone or telecopy) believed by it to be genuine and correct and to have been signed, sent or made by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel (including counsel for any Restricted Person), independent accountants, and other experts selected by US Agent. US Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until US Agent receives and accepts an Assignment and Acceptance executed in accordance with Section 10.6 hereof. As to any matters not expressly provided for by this Agreement, US Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding on all of the Lenders; provided, however, that US Agent shall not be required to take any action that exposes US Agent to personal liability or that is contrary to any Loan Document or applicable Law or unless it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking any such action.

Section 9.3. Defaults. US Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless US Agent has received written notice from a Lender or US Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that US Agent receives such a notice of the occurrence of a Default or Event of Default, US Agent shall give prompt notice thereof to the Lenders. US Agent shall (subject to Section 9.1 hereof) take such action with respect to such Default or Event of Default as shall reasonably be directed by the Required Lenders. Notwithstanding the foregoing, unless and until US Agent shall have received such directions, US Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Lenders.

Section 9.4. Rights as Lender. With respect to its Percentage Share of the US Maximum Credit Amount and the US Loans made by it, US Agent (and any successor acting as US Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as US Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include US Agent in its individual capacity. US Agent (and any successor acting as US Agent) and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to, make Investments in, provide services to, and generally engage in any kind of lending, trust, or other business with any Restricted Person or any of its Subsidiaries or Affiliates as if it were not acting as US Agent, and US Agent (and any successor acting as US Agent) and its Affiliates may accept fees and other consideration from any Restricted Person or any of its Subsidiaries or Affiliates for services in connection with this Agreement or otherwise without having to account for the same to the Lenders.

Section 9.5. Indemnification. The Lenders agree to indemnify US Agent (to the extent not reimbursed under Section 10.4 hereof, but without limiting the obligations of US Borrower under such section) ratably in accordance with their respective Percentage Shares, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees), or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against US Agent (including by any Lender) in any way relating to or arising out of any Loan Document or the transactions contemplated thereby or any action taken or omitted by US Agent under any Loan Document (INCLUDING ANY OF THE
FOREGOING ARISING FROM THE NEGLIGENCE OF US AGENT); provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Person to be indemnified. Without limitation of the foregoing, each Lender agrees to reimburse US Agent promptly upon demand for its ratable share of any costs or expenses payable by US Borrower under Section 10.4, to the extent that US Agent is not promptly reimbursed for such costs and expenses by US Borrower. The agreements contained in this section shall survive payment in full of the US Loans and all other amounts payable under this Agreement.

Section 9.6. Non-Reliance on US Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on US Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the US Borrower and its Subsidiaries and decision to enter into this Agreement and that it will, independently and without reliance upon US Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under the US Loan Documents. Except for notices, reports, and other documents and information expressly required to be furnished to the Lenders by US Agent hereunder, US Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition, or business of any Restricted Person or any of its Subsidiaries or Affiliates that may come into the possession of US Agent or any of its Affiliates.

Section 9.7. Rights as Lender. In its capacity as a Lender, US Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not US Agent. US Agent may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with any Restricted Person or their Affiliates, all as if it were not US Agent hereunder and without any duty to account therefor to any other Lender.

Section 9.8. Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights under US Loan Documents or rights of banker's lien, set off, or counterclaim against US Borrower or otherwise, obtain payment of a portion of the aggregate Obligations owed to it which, taking into account all distributions made by US Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by US Agent and distributed pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to share all payments as provided for in
Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that US Agent and all Lender Parties share all payments of Obligations as provided in Section 3.1; provided, however, that nothing herein contained shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of indebtedness other than the Obligations. US Borrower expressly consents to the foregoing arrangements and agrees that any holder of any such interest or other participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together with interest, if any, if interest is required pursuant to the order of a Tribunal order to be paid on account of the possession of such funds prior to such recovery.

Section 9.9. Investments. Whenever US Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds which it has received, or whenever US Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, US Agent may choose to defer distribution of the funds which are the subject of such uncertainty or dispute. If US Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if US Agent is otherwise required to invest funds pending distribution to Lender Parties, US Agent shall invest such funds pending distribution; all interest on any such Investment shall be distributed

upon the distribution of such Investment and in the same proportion and to the same Persons as such Investment. All moneys received by US Agent for distribution to Lender Parties (other than to the Person who is US Agent in its separate capacity as a Lender Party) shall be held by US Agent pending such distribution solely as US Agent for such Lender Parties, and US Agent shall have no equitable title to any portion thereof.

Section 9.10. Benefit of Article IX. The provisions of this Article (other than the following Section 9.11) are intended solely for the benefit of Lender Parties, and no Restricted Person shall be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender. Lender Parties may waive or amend such provisions as they desire without any notice to or consent of US Borrower or any Restricted Person.

Section 9.11. Resignation. US Agent may resign at any time by giving written notice thereof to Lenders and US Borrower. Each such notice shall set forth the date of such resignation. Upon any such resignation, Required Lenders shall have the right to appoint a successor US Agent and if no Default or Event of Default has occurred and is continuing, Required Lenders shall obtain the consent of US Borrower. A successor must be appointed for any retiring US Agent, and such US Agent's resignation shall become effective when such successor accepts such appointment. If, within thirty days after the date of the retiring US Agent's resignation, no successor US Agent has been appointed and has accepted such appointment, then the retiring US Agent may appoint a successor US Agent, which shall be a commercial bank organized or licensed to conduct a banking or trust business under the Laws of the United States of America or of any state thereof and if no Default or Event of Default has occurred and is continuing, retiring US Agent shall obtain the consent of US Borrower. Upon the acceptance of any appointment as US Agent hereunder by a successor US Agent, the retiring US Agent shall be discharged from its duties and obligations under this Agreement and the other US Loan Documents. After any retiring US Agent's resignation hereunder the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was US Agent under the US Loan Documents.

Section 9.12. Lenders to Remain Pro Rata. It is the intent of all parties hereto that, except for Competitive Bid Loans, Canadian Swing Loans, US Swing Loans and matters related thereto, the pro rata share of each Lender in the US Obligations and in the Canadian Obligations shall be substantially the same at all times during the term of this Agreement. Accordingly, the initial Percentage Share of each Lender in the US Maximum Credit Amount will be the same as the initial Percentage Share of such Lender in the Canadian Maximum Credit Amount. All subsequent assignments and adjustments of the interests of the Lenders in the US Obligations and the Canadian Obligations will be made so as to maintain such a pro rata arrangement; provided that for the purposes of determining these pro rata shares, any Percentage Share held by any Lender's Affiliates shall be included in determining the interests of such Lender.

ARTICLE X - Miscellaneous

Section 10.1. Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by any Lender Party in exercising any right, power or remedy which such Lender Party may have under any of the US Loan Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of any US Loan Document and no consent to any departure therefrom shall ever be effective unless it is in writing and signed as provided below in this section, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on any Restricted Person shall in any case of itself entitle any Restricted Person to any other or further notice or demand in similar or other circumstances. This Agreement and the other US Loan Documents set forth the entire understanding between the parties hereto with respect to the transactions contemplated herein and therein and supersede all prior discussions and understandings with respect to the subject matter hereof and thereof, and no waiver, consent, release, modification or amendment of or supplement to this Agreement or the other US Loan Documents shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is US Borrower, by US Borrower,
(ii) if such party is US Agent or US LC Issuer, by such party, and (iii) if such party is a Lender, by such Lender or by US Agent on behalf of Lenders with the written consent of Required Lenders (which consent has already been given as to the termination of the US Loan Documents as provided in Section 10.10). Notwithstanding the foregoing or anything to the contrary herein, US Agent shall not, without the prior consent of Majority Lenders, execute and deliver on behalf of such Lender any waiver or amendment which would increase the US Maximum Credit Amount hereunder. Notwithstanding the foregoing or anything to the contrary herein, US Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment which would: (1) waive any of the conditions specified in Article IV, (2) increase the maximum amount which such Lender is committed hereunder to lend, (3) reduce any fees payable to such Lender hereunder, or the principal of, or interest on, such Lender's Note, (4) postpone any date fixed for any payment of any such fees, principal or interest, (5) amend the definition herein of "Required Lenders", "Majority Lenders", or otherwise change the aggregate amount of Percentage Shares which is required for US Agent, Lenders or any of them to take any particular action under the US Loan Documents, (6) release US Borrower from its obligation to pay such Lender's Note, or (7) amend this Section 10.1(a).

(b) Acknowledgments and Admissions. US Borrower hereby represents, warrants, acknowledges and admits that (i) it has been advised by counsel in the negotiation, execution and delivery of the US Loan Documents to which it is a party, (ii) it has made an independent decision to enter into this Agreement and the other US Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by US Agent or any Lender, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iii) there are no representations, warranties, covenants, undertakings or agreements by any Lender as to the US Loan Documents except as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iv) no Lender has any fiduciary obligation toward US Borrower with respect to any Loan Document or the transactions contemplated thereby, (v) the relationship pursuant to the US Loan Documents between US Borrower and the other Restricted Persons, on one

hand, and each Lender, on the other hand, is and shall be solely that of debtor and creditor, respectively, (vi) no partnership or joint venture exists with respect to the US Loan Documents between any Restricted Person and any Lender, (vii) US Agent is not US Borrower's US Agent, but US Agent for Lenders, (viii) without limiting any of the foregoing, US Borrower is not relying upon any representation or covenant by any Lender, or any representative thereof, and no such representation or covenant has been made, that any Lender will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the US Loan Documents with respect to any such Event of Default or Default or any other provision of the US Loan Documents, and (ix) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

(c) Joint Acknowledgment. This written Agreement 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 between the parties.

Section 10.2. Survival of Agreements; Cumulative Nature. All of Restricted Persons' various representations, warranties, covenants and agreements in the US Loan Documents shall survive the execution and delivery of this Agreement and the other US Loan Documents and the performance hereof and thereof, including the making or granting of the US Loans and the delivery of the US Notes and the other US Loan Documents, and shall further survive until all of the US Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to US Borrower are terminated. All statements and agreements contained in any certificate or other instrument delivered by any Restricted Person to any Lender Party under any Loan Document shall be deemed representations and warranties by US Borrower or agreements and covenants of US Borrower under this Agreement. The representations, warranties, indemnities, and covenants made by Restricted Persons in the US Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the US Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various US Loan Documents.

Section 10.3. Notices. All notices, requests, consents, demands and other communications required or permitted under any Loan Document shall be in writing, unless otherwise specifically provided in such Loan Document (provided that US Agent may give telephonic notices to the other Lender Parties), and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, to US Borrower and Restricted Persons at the address of US Borrower specified on the signature pages hereto and to each Lender Party at its address specified on Annex II hereto (unless changed by similar notice in writing given by the particular Person whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile or other electronic transmission, upon receipt, or
(c) in the case of registered or certified United States mail, three days after deposit in the mail; provided, however, that no Borrowing Notice shall become effective until actually received by US Agent.

Section 10.4. Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, US Borrower will promptly (and in any event, within 30 days after any invoice or other statement or notice) pay: (i) all reasonable costs and expenses incurred by or on behalf of US Agent (including without limitation, attorneys' fees) in connection with (1) the negotiation, preparation, execution and delivery of the US Loan Documents, and any and all consents, waivers or other documents or instruments relating thereto, (2) the filing, recording, refiling and re-recording of any US Loan Documents and any other documents or instruments or further assurances required to be filed or recorded or refiled or re-recorded by the terms of any Loan Document, (3) the borrowings hereunder and other action reasonably required in the course of administration hereof,
(4) monitoring or confirming (or preparation or negotiation of any document related to) US Borrower's compliance with any covenants or conditions contained in this Agreement or in any Loan Document, and (ii) all reasonable costs and expenses incurred by or on behalf of any Lender Party (including without limitation, attorneys' fees, consultants' fees and accounting fees) in connection with the defense or enforcement of any of the US Loan Documents (including this section) or the defense of any Lender Party's exercise of its rights thereunder.

(b) Indemnity. US Borrower agrees to indemnify each Lender Party , upon demand, from and against any and all liabilities, obligations, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") which to any extent (in whole or in part) may be imposed on, incurred by, or asserted against such Lender Party growing out of, resulting from or in any other way associated with the US Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort or otherwise and including any violation or noncompliance with any Environmental Laws by any Lender Party or any other Person or any liabilities or duties of any Lender Party or any other Person with respect to Hazardous Materials found in or released into the environment). The foregoing indemnification shall apply whether or not such liabilities and costs are in any way or to any extent owed, in whole or in part, under any claim or theory of strict liability or caused, in whole or in part by any negligent act or omission of any kind by any Lender Party,

provided only that no Lender Party shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment. If any Person (including US Borrower or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Lender Party, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. As used in this section the term "Lender Party" shall refer not only to each Person designated as such in Section 1.1 but also to each director, officer, agent, attorney, employee, representative and Affiliate of such Person.

Section 10.5. Parties in Interest. All grants, covenants and agreements contained in the US Loan Documents shall bind and inure to the benefit of the parties thereto and their respective successors and assigns; provided, however, that no Restricted Person may assign or transfer any of its rights or delegate any of its duties or obligations under any Loan Document without the prior consent of Required Lenders. Neither US Borrower nor any Affiliates of US Borrower shall directly or indirectly purchase or otherwise retire any Obligations owed to any Lender nor will any Lender accept any offer to do so, unless each Lender shall have received substantially the same offer with respect to the same Percentage Share of the Obligations owed to it. If US Borrower or any Affiliate of US Borrower at any time purchases some but less than all of the Obligations owed to all Lender Parties, such purchaser shall not be entitled to any rights of any Lender under the US Loan Documents unless and until US Borrower or its Affiliates have purchased all of the Obligations.

Section 10.6. Assignments and Participations.

(a) Each Lender may assign to one or more Eligible Transferees all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its US Loans, its Note, and its Percentage Share of the US Maximum Credit Amount); provided, however, that

(i) each such assignment shall be to an Eligible Transferee;

(ii) together with each such assignment of its rights and obligations under this Agreement, such Lender shall assign the same Percentage Share of its rights and obligations under the Canadian Agreement to the same Eligible Transferee or an Affiliate of such Eligible Transferee.

(iii) except in the case of such an assignment to another Lender or an assignment of all of a Lender's rights and obligations under this Agreement, any partial assignment of such Lender's rights and obligations under this Agreement and under the Canadian Agreement shall be in a collective amount at least equal to US $20,000,000 or an integral multiple of US $5,000,000 in excess thereof;

(iv) each such assignment by a Lender shall be of a constant, and not varying, percentage of all of its rights and obligations under the US Loan Documents;

(v) the parties to such assignment shall execute and deliver to US Agent for its acceptance an Assignment and Acceptance in the form of Exhibit F hereto, together with any Note subject to such assignment and a processing fee of US $3,500; and

Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Agreement. Upon the consummation of any assignment pursuant to this section, the assignor, US Agent and US Borrower shall make appropriate arrangements so that, if required, new US Notes are issued to the assignor and the assignee. If the assignee is not incorporated under the Laws of the United States of America or a state thereof, it shall deliver to US Borrower and US Agent certification as to exemption from deduction or withholding of Taxes in accordance with Section 3.10.

(b) US Agent shall maintain at its address referred to in
Section 10.3 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and their Percentage Share of the US Maximum Credit Amount of, and principal amount of the US Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and US Borrower, US Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by US Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(c) Upon its receipt of an Assignment and Acceptance executed by the parties thereto, together with any Note subject to such assignment and payment of the processing fee, US Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit F hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the parties thereto.

(d) Each Lender may sell participations to one or more Persons that are Eligible Transferees in all or a portion of its rights and obligations under this Agreement (including all or a portion of its US Maximum Credit Amount and its US Loans); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participant shall be entitled to the benefit of the yield protection provisions contained in Article III and the right of offset contained in

Section 6.14, and (iv) US Borrower shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of US Borrower relating to its US Loans and its Note and to approve any amendment, modification, or waiver of any provision of this Agreement (other than amendments, modifications, or waivers decreasing the amount of principal of or the rate at which interest is payable on such US Loans or Note, extending any scheduled principal payment date or date fixed for the payment of interest on such US Loans or Note, or extending its US Maximum Credit Amount).

(e) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time assign and pledge all or any portion of its US Loans and its Note to any Federal Reserve Bank as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

(f) Any Lender may furnish any information concerning US Borrower or any of its Subsidiaries in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants), subject, however, to the provisions of Section 10.7 hereof.

Section 10.7. Confidentiality. US Agent and each Lender (each, a "Lending Party") agrees to keep confidential any information furnished or made available to it by US Borrower pursuant to this Agreement that is marked confidential; provided that nothing herein shall prevent any Lending Party from disclosing such information (a) to any other Lending Party or any Affiliate of any Lending Party, or any officer, director, employee, US Agent, or advisor of any Lending Party or Affiliate of any Lending Party, (b) to any other Person if reasonably incidental to the administration of the credit facility provided herein, (c) as required by any Law, rule, or regulation, (d) upon the order of any court or administrative agency, (e) upon the request or demand of any regulatory agency or authority, (f) that is or becomes available to the public or that is or becomes available to any Lending Party other than as a result of a disclosure by any Lending Party prohibited by this Agreement, (g) in connection with any litigation to which such Lending Party or any of its Affiliates may be a party, (h) to the extent necessary in connection with the exercise of any remedy under this Agreement or any other Loan Document, and (i) subject to provisions substantially similar to those contained in this section, to any actual or proposed participant or assignee.

Section 10.8. Governing Law; Submission to Process. Except to the extent that the law of another jurisdiction is expressly elected in a Loan Document, the US Loan Documents shall be deemed contracts and instruments made under the laws of the State of Texas and shall be construed and enforced in accordance with and governed by the laws of the State of Texas and the laws of the United States of America, without regard to principles of conflicts of law. Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving tri-party accounts) does not apply to this Agreement or to the US Notes. US Borrower hereby irrevocably submits itself and each other Restricted Person to the non-exclusive jurisdiction of the state and federal courts sitting in the State of Texas and agrees and consents that service of process may be made upon it or any Restricted Person in any legal proceeding relating to the US Loan Documents or the Obligations by any means allowed under Texas or federal law.

Section 10.9. Limitation on Interest. Lender Parties, Restricted Persons and any other parties to the US Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such Persons stipulate and agree that none of the terms and provisions contained in the US Loan Documents shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be charged by applicable Law from time to time in effect. Neither any Restricted Person nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully charged under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the US Loan Documents which may be in conflict or apparent conflict herewith. Lender Parties expressly disavow any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of any Obligation is accelerated. If (a) the maturity of any Obligation is accelerated for any reason, (b) any Obligation is prepaid and as a result any amounts held to constitute interest are determined to be in excess of the legal maximum, or (c) any Lender or any other holder of any or all of the Obligations shall otherwise collect moneys which are determined to constitute interest which would otherwise increase the interest on any or all of the Obligations to an amount in excess of that permitted to be charged by applicable Law then in effect, then all sums determined to constitute interest in excess of such legal limit shall, without penalty, be promptly applied to reduce the then outstanding principal of the related Obligations or, at such Lender's or holder's option, promptly returned to US Borrower or the other payor thereof upon such determination. In determining whether or not the interest paid or payable, under any specific circumstance, exceeds the maximum amount permitted under applicable Law, Lender Parties and Restricted Persons (and any other payors thereof) shall to the greatest extent permitted under applicable Law, (i) characterize any non-principal payment as an expense, fee or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the instruments evidencing the Obligations in accordance with the amounts outstanding from time to time thereunder and the maximum legal rate of interest from time to time in effect under applicable Law in order to lawfully charge the maximum amount of interest permitted under applicable Law. In the event applicable Law provides for an interest ceiling under Chapter 303 of the Texas Finance Code (the "Texas Finance Code") as amended, for that day, the ceiling shall be the "weekly ceiling" as defined in the Texas Finance Code; provided that if any applicable Law permits greater interest, the Law permitting the greatest interest shall apply. As used in this section the term "applicable Law" means the Laws of the State of Texas or the Laws of the United States of America, whichever Laws allow the greater interest, as such Laws now exist or may be changed or amended or come into effect in the future.

Section 10.10. Termination; Limited Survival. In its sole and absolute discretion US Borrower may at any time that no Obligations are owing elect in a written notice delivered to US Agent to terminate this Agreement. Upon receipt by US Agent of such a notice, if no Obligations are then owing this Agreement and all other US Loan Documents shall thereupon be terminated and the parties thereto released from all prospective obligations thereunder. Notwithstanding the foregoing or anything herein to the contrary, any waivers or admissions made by any Restricted Person in any Loan Document, any Obligations under Sections 3.2 through 3.6, and any obligations which any Person may have to

indemnify or compensate any Lender Party shall survive any termination of this Agreement or any other Loan Document. At the request and expense of US Borrower, US Agent shall prepare and execute all necessary instruments to reflect and effect such termination of the US Loan Documents. US Agent is hereby authorized to execute all such instruments on behalf of all Lenders, without the joinder of or further action by any Lender.

Section 10.11. Severability. If any term or provision of any Loan Document shall be determined to be illegal or unenforceable all other terms and provisions of the US Loan Documents shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

Section 10.12. Counterparts; Fax. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Agreement. This Agreement and the US Loan Documents may be validly executed and delivered by facsimile or other electronic transmission.

Section 10.13. Waiver of Jury Trial, Punitive Damages, etc. US Borrower and each Lender Party hereby knowingly, voluntarily, intentionally, and irrevocably (a) waives, to the maximum extent not prohibited by Law, any right it may have to a trial by jury in respect of any litigation based hereon, or directly or indirectly at any time arising out of, under or in connection with the US Loan Documents or any transaction contemplated thereby or associated therewith, before or after maturity; (b) waives, to the maximum extent not prohibited by Law, any right it may have to claim or recover in any such litigation any "Special Damages", as defined below, (c) certifies that no party hereto nor any representative or agent or counsel for any party hereto has represented, expressly or otherwise, or implied that such party would not, in the event of litigation, seek to enforce the foregoing waivers, and (d) acknowledges that it has been induced to enter into this Agreement, the other US Loan Documents and the transactions contemplated hereby and thereby by, among other things, the mutual waivers and certifications contained in this section. As used in this section, "Special Damages" includes all special, consequential, exemplary, or punitive damages (regardless of how named), but does not include any payments or funds which any party hereto has expressly promised to pay or deliver to any other party hereto.

Section 10.14. Defined Terms. Capitalized terms and phrases used and not otherwise defined herein shall for all purposes of this Agreement have the meaning given to such terms and phrases in Annex I hereto.

Section 10.15. Annex I, Exhibits and Schedules; Additional Definitions. Annex I, Annex II and all Exhibits and Schedules attached to this Agreement are a part hereof for all purposes.

Section 10.16. Amendment of Defined Instruments. Unless the context otherwise requires or unless otherwise provided herein the terms defined in this Agreement which refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement.

Section 10.17. References and Titles. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Agreement", "this instrument", "herein", "hereof", "hereby", "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation". Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

Section 10.18. Calculations and Determinations. All calculations under the US Loan Documents of interest chargeable with respect to Eurodollar Loans and of fees shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 360 days. All other calculations of interest made under the US Loan Documents shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 365 or 366 days, as appropriate. Each determination by a Lender Party of amounts to be paid under Article III or any other matters which are to be determined hereunder by a Lender Party (such as any US Dollar Eurodollar Rate, Adjusted US Dollar Eurodollar Rate, Business Day, Interest Period, or Reserve Requirement) shall, in the absence of manifest error, be conclusive and binding. Unless otherwise expressly provided herein or unless Required Lenders otherwise consent all financial statements and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with US GAAP.

Section 10.19. Construction of Indemnities and Releases. All indemnification and release provisions of this Agreement shall be construed broadly (and not narrowly) in favor of the Persons receiving indemnification from or being released.

Section 10.20. Termination of Existing US Agreement. Upon the payment in full of all outstanding indebtedness owing under the Existing US Agreement, the Existing US Agreement and the other loan documents executed pursuant thereto shall be terminated and the parties thereto shall have no further obligations or liabilities, covenants, or representations thereunder; provided, however, the indemnification obligations provided in the Existing US Agreement shall not be terminated and shall survive the termination of the Existing US Agreement.

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

DEVON ENERGY CORPORATION
US Borrower

By:
William T. Vaughn
Senior Vice President - Finance

Address:
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102
Attention: Senior Vice
President - Finance

Telephone: (405) 235-3611
Fax: (405) 552-8120

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

By:
Denise A. Smith
Managing Director

Address:
901 Main Street, 64th Floor
Dallas, Texas 75202
Attention: Denise A. Smith

Telephone: (214) 508-1261
Fax: (214) 508-1285

BANK OF MONTREAL
Lender

By:
Name:
Title:

BANK ONE, NA
Lender

By:
Name:
Title:

THE CHASE MANHATTAN BANK
Lender

By:
Name:
Title:

UMB OKLAHOMA BANK
Lender

By:
Name:
Title:

FIRST UNION NATIONAL BANK
Lender

By:

Name:
Title:

TORONTO-DOMINION (TEXAS), INC.
Lender

By:
Name:
Title:

WESTDEUTSCHE LANDESBANK GIROZENTRALE
Lender

By:
Name:
Title:

By:
Name:
Title:

THE BANK OF NEW YORK
Lender

By:
Name:
Title:

ROYAL BANK OF CANADA
Lender

By:
Name:
Title:

SUNTRUST BANK, ATLANTA
Lender

By:
Name:
Title:

By:
Name:
Title:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Lender

By:
Name:
Title:

CITIBANK, N.A.
Lender

By:
Name:
Title:

DEUTSCHE BANK AG
Lender

By:
Name:
Title:

CIBC, INC.
Lender

By:
Name:
Title:

CANADIAN CREDIT AGREEMENT

NORTHSTAR ENERGY CORPORATION

and

DEVON ENERGY CANADA CORPORATION

as Canadian Borrowers

BANK OF AMERICA CANADA

as Administrative Agent

BANC OF AMERICA SECURITIES LLC

as Lead Arranger

BANC ONE CAPITAL MARKETS, INC.

as Syndication Agent

THE CHASE MANHATTAN BANK

as Documentation Agent

FIRST UNION NATIONAL BANK

as Co-Documentation Agent

and CERTAIN FINANCIAL INSTITUTIONS

as Lenders

US $275,000,000

October 15, 1999

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT is made as of October 15, 1999, by and among Northstar Energy Corporation, an Alberta corporation, and Devon Energy Canada Corporation, an Alberta corporation (herein collectively, called "Canadian Borrowers"), Bank of America Canada, individually and as administrative agent (herein called "Canadian Agent") and the undersigned Lenders. In consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

ARTICLE I - Canadian Advances

Section 1.1. Commitments to Make Advances; Canadian Notes.

(a) Canadian Loans. Subject to the terms and conditions hereof, each Lender agrees to extend credit to each Canadian Borrower by advancing funds to the applicable Canadian Borrower specified in a Borrowing Notice (herein called such Lender's "Canadian Revolving Loans" and, with reference to Canadian Resident Lenders only, accepting or purchasing drafts of Bankers' Acceptances issued under this Agreement by the applicable Canadian Borrower specified in a Borrowing Notice (herein called such Lender's "Bankers' Acceptances"; each Lender's Canadian Revolving Loans, Canadian Term Loans, and Bankers' Acceptances are herein collectively called such Lender's "Canadian Advances") upon Canadian Borrower's request from time to time during the Canadian Revolving Period, provided that (i) subject to Sections 2.1, 2.2., 3.3, 3.4 and 3.5, all Lenders are requested to make Canadian Advances of the same Type in accordance with their respective Percentage Shares and as part of the same Borrowing and (ii) such Lender's Percentage Share of the Canadian Facility Usage shall never exceed such Lender's Percentage Share of the Canadian Maximum Credit Amount. The aggregate amount of all Canadian Loans in any Borrowing must be an integral multiple of $100,000 in the Applicable Currency which equals or exceeds $1,000,000 in the Applicable Currency or must equal the unadvanced portion of the Canadian Maximum Credit Amount. Each Canadian Borrower may have no more than ten Borrowings of Eurodollar Loans outstanding at any time. The obligation of each Canadian Borrower to repay to each Lender the aggregate amount of all Canadian Loans (excluding Canadian Swing Loans) made by such Lender to such Borrower, together with interest accruing in connection therewith, shall be evidenced by a separate promissory note (herein called such Lender's "Canadian Note") made, by each Canadian Borrower payable to the order of such Lender in the form of Exhibit A-1 with appropriate insertions. The amount of principal owing on any Lender's Canadian Note at any given time shall be the aggregate amount of all Canadian Loans theretofore made by such Lender minus all payments of principal theretofore received by such Lender on such Canadian Note. Interest on each Canadian Note shall accrue and be due and payable as provided herein and therein. Each Lender's Canadian Note shall be due and payable as provided herein and therein and shall be due and payable in full on the Canadian Facility Maturity Date.

(b) Swing Line Loans. Subject to the terms and conditions hereof, Canadian Swing Lender agrees to make loans to each Canadian Borrower (herein called "Canadian Swing Loans") upon the applicable Canadian Borrower's request from time to time during the Canadian Revolving Period, provided that (i) the Canadian Facility Usage shall never exceed the Canadian Maximum Credit Amount, and (ii) the aggregate amount of Canadian Swing Loans outstanding shall never exceed the Canadian Swing Sublimit. The aggregate amount of all Canadian Swing Loans in any Borrowing must be an integral multiple of C $100,000 which equals or exceeds C $1,000,000 or must equal the unadvanced portion of the Canadian Maximum Credit Amount. The obligation of each Canadian Borrower to repay to Canadian Swing Lender the aggregate amount of all Canadian Swing Loans made by Canadian Swing Lender, together with interest accruing in connection therewith, shall be evidenced by a separate promissory note (herein called each Canadian Borrower's "Canadian Swing Note") made by each Canadian Borrower payable to the order of Canadian Swing Lender in the form of Exhibit A-2 with appropriate insertions. The amount of principal owing on each Canadian Swing Note at any given time shall be the aggregate amount of all Canadian Swing Loans theretofore made by Canadian Swing Lender minus all payments of principal theretofore received by Canadian Swing Lender on such Canadian Swing Note (including as a result of any refinancing pursuant to Section 1.11). Interest on each Canadian Swing Note shall accrue and be due and payable as provided herein and therein. Each Canadian Swing Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Conversion Date. Subject to the terms and conditions hereof, each Canadian Borrower may borrow, repay, and reborrow Canadian Swing Loans under the Canadian Agreement during the Canadian Revolving Period.

Section 1.2. Requests for New Canadian Advances. The applicable Canadian Borrower must give to Canadian Agent written notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing of new Canadian Loans and any requested Borrowing by way of new Bankers' Acceptances. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify (i) the aggregate amount of any such Borrowing of new Canadian Base Rate Loans and the date on which such Canadian Base Rate Loans are to be advanced, (ii) the aggregate amount of any such Borrowing of Canadian Prime Rate Loans and the date on which such Canadian Prime Rate Loans are to be advanced,
(iii) the aggregate amount of any such Borrowing of new US Dollar Eurodollar Loans, the date on which such US Dollar Eurodollar Loans are to be advanced (which shall be the first day of the Eurodollar Interest Period which is to apply thereto), and the length of the applicable Eurodollar Interest Period, (iv) the aggregate amount of any such Borrowing of new Canadian Dollar Eurodollar Loans, the date on which such Canadian Dollar Eurodollar Loans are to be advanced (which shall be the first day of the Eurodollar Interest Period which is to apply thereto), and the length of the applicable Eurodollar Interest Period, (v) the aggregate amount of any such Borrowing by way of Bankers' Acceptances (subject to Section 2.2(f)), and the date on which such Bankers' Acceptances are to be accepted and the maturity of such Bankers' Acceptances, or (vi) the aggregate amount of any such Borrowing of new Canadian Swing Loans and the date on which such Canadian Swing Loans are to be advanced; and

(b) be received by Canadian Agent (i) in the case of Canadian Advances other than Canadian Swing Loans, not later than 11:00 a.m., Toronto, Ontario time, on (1) on the Business Day preceding the day on which any such Canadian Base Rate Loans or Canadian Prime Rate Loans are to

be made, (2) the third Business Day preceding the day on which any such Eurodollar Loans are to be made or (3) the third Business Day before such Bankers' Acceptances are to be issued and (ii) in the case of Canadian Advances that are Canadian Swing Loans, not later than 2:00 p.m., Toronto, Ontario time on the Business Day on which any such Canadian Swing Loans are to be made.

Each such written request or confirmation must be made in the form and substance of the "Borrowing Notice" attached hereto as Exhibit B, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by the applicable Canadian Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Borrowing Notice, Canadian Agent shall give each Lender prompt notice of the terms thereof (excluding Canadian Swing Loans) not later than 5:00 p.m. Toronto, Ontario time on the day it receives such Borrowing Notice from the applicable Canadian Borrower if it receives such Borrowing Notice by 11:00 a.m., Toronto, Ontario time, otherwise on the next Business Day. If all conditions precedent to such new Canadian Advances have been met, (i) each Lender will on the date requested promptly remit to Canadian Agent by 1:00 p.m. Toronto, Ontario time its Canadian Advances made in Canadian Dollars to Canadian Agent's office in Toronto, Canada and its Canadian Advances made in United States Dollars to the US Account in New York, New York) in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Canadian Advances have been neither met nor waived as provided herein, Canadian Agent shall promptly make such Canadian Advances available to the applicable Canadian Borrower or (ii) each Canadian Resident Lender will accept drafts of Bankers' Acceptances on the date requested in accordance with Sections 2.1 through 2.3. Unless Canadian Agent shall have received prompt notice from a Lender that such Lender will not make available to Canadian Agent such Lender's new Canadian Advance, Canadian Agent may in its discretion assume that such Lender has made such Canadian Advance available to Canadian Agent in accordance with this section and Canadian Agent may if it chooses, in reliance upon such assumption, make such Canadian Advance available to the applicable Canadian Borrower. If and to the extent such Lender shall not so make its new Canadian Advance available to Canadian Agent, such Lender and the applicable Canadian Borrower severally agree to pay or repay to Canadian Agent within three days after demand the amount of such Canadian Advance together with interest thereon, for each day from the date such amount was made available to the applicable Canadian Borrower until the date such amount is paid or repaid to Canadian Agent, with interest at (1) the Canadian Prime Rate, if such Lender is making such payment and (2) the interest rate applicable at the time to the other new Canadian Advances made on such date, if a Canadian Borrower is making such repayment; provided that Canadian Agent gave notice of the terms of the Borrowing Notice to such Lender in accordance with the terms of this Section 1.2. If neither such Lender nor such Canadian Borrower pays or repays to Canadian Agent such amount within such three-day period, Canadian Agent shall in addition to such amount be entitled to recover from such Lender and from the applicable Canadian Borrower, on demand, interest on such Canadian Advance at the Default Rate applicable thereto, calculated from the date such amount was made available to such Canadian Borrower. The failure of any Lender to make any new Canadian Advance to be made by it hereunder shall not relieve any other Lender of its obligation hereunder, if any, to make its new Canadian Advance, but no Lender shall be responsible for the failure of any other Lender to make any new Canadian Advance to be made by such other Lender.

Section 1.3. Continuations and Conversions of Existing Canadian Advances. Subject to the terms of Section 2.3 with respect to Bankers' Acceptances, the applicable Canadian Borrower may make the following elections with respect to Canadian Advances and Canadian Swing Loans already outstanding under this Agreement: (i) to convert any Type of Canadian Advance to any other Type of Canadian Advance, provided that any such Conversion of any Eurodollar Loan must be made on the last day of the Eurodollar Interest Period applicable thereto and any such Conversion of a Bankers' Acceptance must be made on the date of maturity thereof; (ii) to continue Eurodollar Loans beyond the expiration of such Eurodollar Interest Period by designating a new Eurodollar Interest Period to take effect at the time of such expiration, and to rollover any existing Bankers' Acceptance by designating the new maturity date applicable thereto; and (iii) to convert Canadian Swing Loans to any Type of Canadian Advances as a refinancing of such Canadian Swing Loans pursuant to Section
1.11. In making such elections, the applicable Canadian Borrower may combine existing Canadian Advances made pursuant to separate Borrowings into one new Borrowing or divide existing Canadian Advances made pursuant to one Borrowing into separate new Borrowings, provided that Canadian Borrowers may have no more than ten Borrowings of US Dollar Eurodollar Loans outstanding at any time and no more than ten Borrowings of Canadian Dollar Eurodollar Loans outstanding at any time. To make any such election, the applicable Canadian Borrower must give to Canadian Agent written notice (or telephonic notice promptly confirmed in writing) of any such Conversion or Continuation of existing Canadian Advances, with a separate notice given for each new Borrowing. Each such notice constitutes a "Continuation/Conversion Notice" hereunder and must:

(a) specify the existing Canadian Advances made under this Agreement which are to be continued or converted;

(b) specify (i) the aggregate amount of any Borrowing of Canadian Base Rate Loans or Canadian Prime Rate Loans into which such existing Canadian Advances are to be continued or converted and the date on which such Continuation or Conversion is to occur, or (ii) the aggregate amount of any Borrowing of Eurodollar Loans into which such existing Canadian Advances are to be continued or converted, the date on which such Continuation or Conversion is to occur (which shall be the first day of the Eurodollar Interest Period which is to apply to such Eurodollar Loans), and the length of the applicable Eurodollar Interest Period, or (iii) the amount of any Borrowing of Bankers' Acceptances into which such existing Canadian Advances are to be continued or converted, the date on which such Continuation or Conversion is to occur, and the maturity of such Bankers' Acceptances; and

(c) be received by Canadian Agent not later than 11:00
a.m., Toronto, Ontario time, on (i) the first Business Day preceding the day on which any such Continuation or Conversion to Canadian Base Rate Loans or Canadian Prime Rate Loans is to occur, or (ii) the third Business Day preceding the day on which any such Continuation or Conversion to Eurodollar Loans is to occur, or (iii) on the third Business Day preceding the day on which any such Continuation or Conversion to Bankers' Acceptances is to occur.

Each such written request or confirmation must be made in the form and substance of the "Continuation/Conversion Notice" attached hereto as Exhibit C, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by the

applicable Canadian Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Continuation/Conversion Notice, Canadian Agent shall give each Lender prompt notice of the terms thereof. Each Continuation/Conversion Notice shall be irrevocable and binding on the applicable Canadian Borrower. During the continuance of any Default, Canadian Borrowers may not make any election to convert existing Canadian Advances or Canadian Swing Loans made under this Agreement into Eurodollar Loans or Bankers' Acceptances or continue existing Eurodollar Loans made under this Agreement as Eurodollar Loans or to rollover existing Bankers' Acceptances into new Bankers' Acceptances. If (due to the existence of a Default or for any other reason) the applicable Canadian Borrower fails to timely and properly give or are prevented hereunder from giving any Continuation/Conversion Notice with respect to a Borrowing of existing Eurodollar Loans or Bankers' Acceptances at least three days prior to the end of the Eurodollar Interest Period applicable thereto or maturity of the Bankers' Acceptance, such Eurodollar Loans and Bankers' Acceptances shall automatically be converted into Canadian Base Rate Loans (in the case of US Dollar Eurodollar Loans) or Canadian Prime Rate Loans (in the case of Canadian Dollar Eurodollar Loans and Bankers' Acceptances) at the end of such Eurodollar Interest Period. No new funds shall be repaid by the applicable Canadian Borrower or advanced by any Lender in connection with any Continuation or Conversion of existing Canadian Advances pursuant to this section, and no such Continuation or Conversion shall be deemed to be a new advance of funds for any purpose; such Continuations and Conversions merely constitute a change in terms of already outstanding Advances and the interest rate applicable thereto.

Section 1.4. Repayments.

(a) During Canadian Revolving Period. Subject to the terms and conditions hereof, either Canadian Borrower may borrow, repay, and reborrow hereunder during the Canadian Revolving Period, so long as (i) the applicable Canadian Borrower gives notice to Canadian Agent by 2:00 p.m., Toronto, Ontario time on the Business Day immediately preceding the date of prepayment (and Canadian Agent shall give each Lender notice thereof by 4:30
p.m. Toronto, Ontario time on the date such notice is received from the applicable Borrower if it receives such Borrowing Notice by 11:00 a.m., Toronto, Ontario time, otherwise on the next Business Day) all partial prepayments of principal concurrently paid on the Canadian Loans are increments of $100,000 in the Applicable Currency and in an aggregate amount greater than or equal to $1,000,000 in the Applicable Currency and (ii) the applicable Canadian Borrower pays all amounts owing in connection with the prepayment of any Eurodollar Loan owing under
Section 3.6.

(b) During Canadian Term Period.

(i) Optional Prepayments. Either Canadian Borrower may, upon giving notice to Canadian Agent by 2:00 p.m., Toronto, Ontario time on the Business Day immediately preceding the date of prepayment (and Canadian Agent shall give each Lender notice thereof by 5:00 p.m. Toronto, Ontario time on the date such notice is received from the applicable Canadian Borrower if it receives such notice by 11:00 a.m., Toronto, Ontario time, otherwise on the next Business Day), from time to time during the Term Period and without premium or penalty, prepay the Canadian Loans including Competitive Bid Notes, in whole or in part, so long as all partial prepayments of principal concurrently paid on the Canadian Loans are in increments of $100,000 in the Applicable Currency and in an aggregate amount greater than or equal to $1,000,000 in the Applicable Currency and so long as Canadian Borrowers pay all amounts owing in connection with the prepayment of any Eurodollar Loan owing under Section 3.6, and provided that no Bankers' Acceptance may be prepaid prior to its stated maturity date except in accordance with Section 2.5. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid, shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Canadian Loan Documents at the time of such prepayment, and shall first reduce the semi- annual scheduled installments (other than the final installment) during the Term Period in respect of Canadian Loans that are not Competitive Bid Loans, then reduce the final installment in respect of Canadian Loans that are not Competitive Bid Loans, and then, unless otherwise designated by Canadian Borrowers, reduce the outstanding Competitive Bid Loans in order of shortest maturity.

(ii) Scheduled Repayments of Principal. Subject to
Section 1.4(b)(iii) during the Term Period, Borrower shall repay the principal of the Canadian Loans that are not Competitive Bid Loans in equal semi-annual installments, each in an amount equal to two and one-half percent (2.5%) of the outstanding principal balance of the Canadian Advances on the Conversion Date. Such installments shall be due and payable on each June 30 and December 31 each year and in a final installment due and payable on the Canadian Facility Maturity Date in an amount equal to the entire unpaid principal balance of such Loans outstanding on the Canadian Facility Maturity Date.

(iii) Income Tax Act (Canada). Except as otherwise provided in Section 8.1, in no event shall either Canadian Borrower be required to repay more than 25% of the principal amount (as defined in the Income Tax Act (Canada)) of the Canadian Advances made to it prior to five years and a day after the Conversion Date, including, but not limited to payments under Section1.4(b)(ii), 1.4(c) and 1.4(d).

(c) Mandatory Prepayments. Except to the extent permitted by Section 1.4(d), and subject to Section 1.4(e), if the aggregate principal amount of the outstanding Canadian Obligations ever exceeds the Canadian Maximum Credit Amount, Canadian Borrowers shall immediately prepay the principal of the Canadian Loans outstanding under the Canadian Agreement in an amount at least equal to such excess. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Canadian Loan Documents at the time of such prepayment.

(d) Currency Fluctuations. Notwithstanding any other provision of this Agreement, if any Canadian Loan outstanding is denominated in C$, Canadian Agent shall have the right to calculate the outstanding Canadian Obligations for all purposes including making a determination from

time to time of the available undrawn portion of the Canadian Maximum Credit Amount. If following such calculation, Canadian Agent determines that the outstanding Canadian Obligations are greater than 105% of the Canadian Advances permitted hereby to be outstanding at such time, then Canadian Agent shall so advise Canadian Borrowers and, subject to Section 1.4(e), Canadian Borrowers shall repay, on the later of five Business Days after such advice and the next applicable Interest Payment Date immediately following such date of calculation, an amount sufficient to eliminate the excess over and above the aggregate amount of the Canadian Loans permitted hereby to be outstanding at such time, together with all accrued interest on the amount so paid.

(e) Application of Prepayment. Any mandatory prepayment of any principal amount (for the purposes of this Section, as defined in the Income Tax Act (Canada)) made by a Canadian Borrower pursuant to Sections 1.4(c) and 1.4(d) or otherwise in respect of a particular loan, shall reduce the semi-annual scheduled installments (other than the final installment) during the Term Period in respect of that loan in inverse order of maturity. Such mandatory prepayments shall be applied to the Canadian Loans (other than Bankers' Acceptances and Competitive Bid Loans) pro rata based on outstanding principal; provided that if such prepayment of Canadian Loans does not eliminate such mandatory prepayment obligation, the further repayments shall apply first to Competitive Bid Loans in order of shortest maturity, and second to an escrow fund maintained in accordance with Section 2.5.

Section 1.5. Interest Rates and Fees.

(a) Interest Rates. The Canadian Loans shall bear interest payable by the applicable Canadian Borrower as follows and all accrued and unpaid interest on the Canadian Loans shall be due and payable on the applicable Interest Payment Date at the place set forth in the Canadian Notes:

(i) Each Canadian Base Rate Loan shall bear interest on each day outstanding at the Canadian US Dollar Base Rate in effect on such day.

(ii) Each Canadian Prime Rate Loan shall bear interest on each day outstanding at the Canadian Prime Rate in effect on such day.

(iii) Each US Dollar Eurodollar Loan shall bear interest on each day during the related Eurodollar Interest Period at the related Adjusted US Dollar Eurodollar Rate in effect on such day.

(iv) Each Canadian Dollar Eurodollar Loan shall bear interest on each day during the related Eurodollar Interest Period at the related Adjusted Canadian Dollar Eurodollar Rate in effect on such day.

(v) Each Canadian Swing Loan shall bear interest on each day outstanding at the Canadian Swing Rate for such Canadian Swing Loan in effect on such day.

(vi) Notwithstanding the foregoing, if an Event of Default has occurred and is continuing, each Canadian Loan shall bear interest on each day outstanding at the applicable Default Rate. Past due payments of principal and interest shall bear interest at the rates and in the manner set forth in the Canadian Notes.

(b) Facility Fees. In consideration of each Lender's commitment to make Canadian Advances under this Agreement, Canadian Borrowers will pay to Canadian Agent for the account of each Lender a facility fee determined on a daily basis by applying (i) the Facility Fee Rate to such Lender's Percentage Share of the Canadian Maximum Credit Amount on each day during the Canadian Revolving Period and (ii) the Facility Fee Rate to such Lender's Percentage Share of the Canadian Facility Usage on each day from the Conversion Date until the Canadian Facility Maturity Date. This facility fee shall be due and payable in arrears on the last day of each Fiscal Quarter and on the Canadian Facility Maturity Date.

(c) Utilization Fees. In consideration of each Lender's commitment to make Canadian Advances under this Agreement, Canadian Borrowers will pay to Canadian Agent for the account of each Lender a utilization fee determined on a daily basis by applying (i) a rate of 7.5 Basis Points per annum to such Lender's Percentage Share of the Canadian Facility Usage on each day during the term of this Agreement that the Canadian Facility Usage exceeds thirty-three percent (33%) of the Canadian Maximum Credit Amount, and (ii) a rate of 15 Basis Points per annum to such Lender's Percentage Share of the Canadian Facility Usage on each day during the term of this Agreement that the Canadian Facility Usage exceeds sixty-six percent (66%) of the Canadian Maximum Credit Amount. This utilization fee shall be due and payable in arrears on each Interest Payment Date for Canadian US Dollar Base Rate Loans and on the date all Canadian Obligations are repaid in full.

(d) Stamping Fees. In consideration of each Canadian Resident Lender's commitment to accept or participate in Bankers' Acceptances under this Agreement, the applicable Canadian Borrower will pay to Canadian Agent for the account of such Lender the Stamping Fee Rate multiplied by the face amount of each Bankers' Acceptance accepted by such Lender under this Agreement calculated for the number of days in the term of such Bankers' Acceptance. Such fee shall be due and payable on the date on which such Bankers' Acceptances are accepted and if such Canadian Resident Lender is purchasing such Bankers' Acceptance, such fee shall be deducted from the Discount Proceeds paid to the applicable Canadian Borrower.

(e) Canadian Agent's Fees. In addition to all other amounts due to Canadian Agent under the Canadian Loan Documents, Canadian Borrowers will pay fees to Canadian Agent as described in a letter agreement dated as of September 16, 1999 between US Agent, Bank of America Securities LLC, and US Borrower.

Section 1.6. Extension of Conversion Date.

(a) Canadian Borrowers may, at their option and from time to time during the Canadian Revolving Period, request an offer to extend the Canadian Revolving Period by delivering to Canadian Agent a Request for an Offer of Extension not more than ninety days and not less than forty-five days prior to the then current Conversion Date. Canadian Agent shall forthwith provide a copy of the Request for an Offer of Extension to each of the Lenders. Upon receipt from Canadian Agent of an executed Request for an Offer of Extension, each Lender shall, within thirty days after the date of such Lender's receipt of such request from Canadian Agent, either:

(i) notify Canadian Agent of its acceptance of the Request for an Offer of Extension, and the terms and conditions, if any, upon which such Lender is prepared to extend the Conversion Date; or

(ii) notify Canadian Agent that the Request for an Offer of Extension has been denied, such notice to forthwith be forwarded by Canadian Agent to Canadian Borrowers to allow Canadian Borrowers to seek a replacement lender pursuant to Section 1.8 (any Lender giving notice of such denial is herein called a "Non-Accepting Lender"). The failure of a Lender to so notify Canadian Agent within such thirty day period shall be deemed to be notification by such Lender to Canadian Agent that such Lender has denied Canadian Borrowers' Request for an Offer of Extension.

(b) Provided that all Lenders provide notice to Canadian Agent under Section 1.6(a) that they accept the Request for an Offer of Extension, or if there are Non-Accepting Lenders, such Lenders shall have been repaid pursuant to Section 1.8 or replacement lenders shall have become parties hereto pursuant to
Section 1.8 and shall have accepted the Request for an Offer of Extension, such acceptance having common terms and conditions, Canadian Agent shall deliver to Canadian Borrowers an Offer of Extension incorporating the said terms and conditions. Such offer shall be open for acceptance by Canadian Borrowers until the fifth Business Day immediately preceding the then current Conversion Date. Upon written notice by Canadian Borrowers to Canadian Agent accepting an outstanding Offer of Extension and agreeing to the terms and conditions, if any, specified therein (the date of such notice of acceptance in Section 1.6 and 1.8 being called the "Extension Date"), the Conversion Date shall be extended to the date 364 days from the Extension Date and the terms and conditions specified in such Offer of Extension shall be immediately effective.

(c) Canadian Borrowers understand that the consideration of any Request for an Offer of Extension constitutes an independent credit decision which each Lender retains the absolute and unfettered discretion to make and that no commitment in this regard is hereby given by a Lender and that any offer to extend the Conversion Date may be on such terms and conditions in addition to those set out herein as the extending Lenders stipulate.

Section 1.7. Conversion to Canadian Term Loan. Unless there is an extension of the Canadian Revolving Period in accordance with Section 1.6, effective at 11:59 p.m. Toronto, Ontario time on the day immediately preceding the Conversion Date, and provided that no Event of Default shall have occurred and be continuing, (i) each Lender's obligation to make new Canadian Advances, Canadian Swing Lender's obligation to make new Canadian Swing Loans, and Canadian LC Issuer's obligation to issue Letters of Credit hereunder shall be canceled automatically, and (ii) each Lender's Canadian Loans shall become term Canadian Loans ("Canadian Term Loans") maturing on the Canadian Facility Maturity Date.

Section 1.8. Non-Accepting Lender. Provided that Lenders whose Percentage Shares represent more than 50% but less than 100% of the Canadian Maximum Credit Amount provide notice to Agent under Section 1.6(a) that they accept the Request for an Offer of Extension, on notice of Canadian Borrowers to Agent, Canadian Borrowers shall be entitled to choose any of the following in respect of each Non-Accepting Lender prior to the expiration of the Canadian Revolving Period, provided that if Canadian Borrowers do not make an election prior to the expiration of the Canadian Revolving Period, Canadian Borrowers shall be deemed to have irrevocably elected to exercise the provisions of Section 1.8(b)(ii):

(a) (i) the Non-Accepting Lender's obligations to make Canadian Advances shall be canceled as of the Extension Date, the Canadian Maximum Credit Amount shall be reduced by the amount so canceled, and on or prior to the Extension Date the Canadian Borrowers shall repay in full all Obligations then outstanding to the Non-Accepting Lender (as defined in Section 1.6(a)(ii)) , or
(ii) replace the Non-Accepting Lender by reaching satisfactory arrangements with one or more existing Lenders or new Lenders, for the purchase, assignment and assumption of all Canadian Obligations and US Obligations of the Non-Accepting Lender, provided that any new Lender, with, if necessary, any Affiliate, shall take a pro rata assignment of both Canadian Obligations and US Obligations, and such Non-Accepting Lender shall be obligated to sell such Obligations in accordance with such satisfactory arrangements; or

(b) Canadian Borrowers may elect to revoke and cancel the Request for an Offer of Extension by giving notice of such revocation and cancellation to Agent (which shall promptly notify the Lenders thereof), and concurrently therewith, shall have the option to (i) cancel the obligations of Lenders under the Canadian Agreement and, subject to the notice requirements set forth in Section 1.6(a) and to the provisions of Article III, repay in full all Canadian Obligations, or (ii) have the outstanding Canadian Loans that are not Competitive Bid Loans on the Conversion Date become term loans as provided in Section 1.7.

In connection with any such replacement of a Lender Party pursuant to this Section 1.8, the applicable Canadian Borrower shall pay all costs that would have been due to such Lender Party pursuant to Section 3.6 if such Lender Party's Canadian Advances had been prepaid at the time of such replacement.

Section 1.9. Competitive Bid Loans.

(a) Either Canadian Borrower may request that each Canadian Resident Lender submit Competitive Bids (on a several basis) for requested maturities of thirty days or more to the applicable Canadian Borrower on any Business Day during the Canadian Revolving Period, provided that all Canadian Resident Lenders are requested to make a Competitive Bid on the same basis at the same time. In order to request Competitive Bids, the applicable Canadian Borrower shall deliver by hand or facsimile to Canadian Agent a Competitive Bid Request, to be received by Canadian Agent not later than 9:00 a.m., Toronto, Ontario time one Business Day before the date specified for a proposed Competitive Bid Loan. A Competitive Bid Request that does not conform substantially to the format of Exhibit I may be rejected in Canadian Agent's sole discretion, and Canadian Agent shall promptly notify the applicable Canadian Borrower of such rejection by facsimile. After receiving an acceptable Competitive Bid Request, Canadian Agent shall no later than 12:00 noon, Toronto, Ontario time on the date such Competitive Bid Request is received by Canadian Agent, by facsimile deliver to Canadian Resident Lenders an Invitation to Bid substantially in the form of Exhibit J with respect thereto.

(b) Each Canadian Resident Lender may, in its sole discretion, make one or more Competitive Bids to Canadian Agent responsive to each Competitive Bid Request given by the applicable Canadian Borrower. Each Competitive Bid by a Canadian Resident Lender must be received by Canadian Agent by facsimile not later than 9:00 a.m., Toronto, Ontario time on the date specified for a proposed Competitive Bid Loan. Multiple bids may be accepted by Canadian Agent. Competitive Bids that do not conform substantially to the format of Exhibit K may be rejected by Canadian Agent after conferring with, and upon the instruction of, the applicable Canadian Borrower, and Canadian Agent shall notify the bidding Canadian Resident Lender of such rejection as soon as practicable. If any Canadian Resident Lender shall elect not to make a Competitive Bid, such Canadian Resident Lender shall so notify Canadian Agent by facsimile not later than 9:00 a.m., Toronto, Ontario time, on the date specified for a Competitive Bid Loan; provided, however, that failure by any Canadian Resident Lender to give such notice shall not cause such Canadian Resident Lender to be obligated to make any Competitive Bid Loan and by such failure such Lender shall be deemed to have rejected such Competitive Bid. A Competitive Bid submitted by a Canadian Resident Lender shall be irrevocable.

(c) Promptly, and in no event later than 9:30 a.m., Toronto, Ontario time, on the date specified for a proposed Competitive Bid Loan, Canadian Agent shall notify the applicable Canadian Borrower by facsimile of all the Competitive Bids made, the Competitive Bid Rate and the principal amount of each Competitive Bid Loan in respect of which a Competitive Bid was made, and the identity of each Canadian Resident Lender that made each Competitive Bid. Canadian Agent shall send a copy of all Competitive Bids to the applicable Canadian Borrower for its records as soon as practicable after completion of the bidding process.

(d) The applicable Canadian Borrower may, subject only to the provisions hereof, accept or reject any Competitive Bid. The applicable Canadian Borrower shall notify Canadian Agent by facsimile pursuant to a Competitive Bid Accept/Reject Letter whether and to what extent the applicable Canadian Borrower has decided to accept or reject any or all of the Competitive Bids, not later than 10:00 a.m., Toronto, Ontario time, on the date specified for a proposed Competitive Bid Loan; provided, however, that:

(i) the failure by the applicable Canadian Borrower to accept or reject any Competitive Bid within the time period specified herein shall be deemed to be a rejection of such Competitive Bid,

(ii) the aggregate amount of the Competitive Bids accepted by the applicable Canadian Borrower shall not exceed the principal amount specified in the Competitive Bid Request,

(iii) the aggregate amount of all outstanding Canadian Loans and Canadian LC Obligations shall never exceed the Canadian Maximum Credit Amount,

(iv) if the applicable Canadian Borrower shall accept a Competitive Bid or Competitive Bids made at a particular Competitive Bid Rate, but the amount of such Competitive Bid or Competitive Bids shall cause the total amount of Competitive Bids to be accepted by the applicable Canadian Borrower to exceed the amount specified in the Competitive Bid Request, then the applicable Canadian Borrower shall accept a portion of such Competitive Bid or Competitive Bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids accepted with respect to such Competitive Bid Request, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid at such Competitive Bid Rate, and

(v) no Competitive Bid shall be accepted for a Competitive Bid Loan unless such Competitive Bid Loan is in a minimum principal amount of C $ 5,000,000 or a higher integral multiple of C $1,000,000; provided, however, that if a Competitive Bid Loan must be in an amount less than C $5,000,000 because of the provisions of clause (iv) above, such Competitive Bid Loan may be for a minimum of C $1,000,000 or any higher integral multiple thereof, and in calculating the pro rata allocation of acceptances or portions of multiple bids at a particular Competitive Bid Rate pursuant to clause (iv), the amounts shall be rounded to integral multiples of C $1,000,000 in a manner which shall be in the sole and absolute discretion of the applicable Canadian Borrower.

(e) Promptly on each date the applicable Canadian Borrower accepts a Competitive Bid, Canadian Agent shall notify each Canadian Resident Lender whether or not its Competitive Bid has been accepted (and if so, in what amount and at what Competitive Bid Rate) by facsimile transmission sent by Canadian Agent, and each successful bidder will thereupon become bound, subject to the other applicable conditions hereof, to make the Competitive Bid Loan in respect of which its Competitive Bid has been accepted. After completing the notifications referred to in the immediately preceding sentence, Canadian Agent shall notify each Canadian Resident Lender of the aggregate principal amount of all Competitive Bids accepted. Each Canadian Resident Lender which is to make a Competitive Bid Loan shall, before 11:00 a.m., Toronto, Ontario time, on the borrowing date specified in the Competitive Bid Request applicable thereto, make available to Canadian Agent in

immediately available funds the amount of each Competitive Bid Loan to be made by such Canadian Resident Lender, and Canadian Agent shall promptly deposit such funds to an account designated by the applicable Canadian Borrower. As soon as practicable thereafter, Canadian Agent shall notify each Canadian Resident Lender of the aggregate amount of Competitive Bid Loans advanced, the respective Competitive Bid Interest Periods thereof and Competitive Bid Rate applicable thereto.

(f) The obligation of the applicable Canadian Borrower to repay to each Canadian Resident Lender the aggregate amount of all Competitive Bid Loans made by such Canadian Resident Lender, together with interest accruing in connection therewith, shall be evidenced by promissory notes (respectively, such Canadian Resident Lender's "Competitive Bid Note") made by the applicable Canadian Borrower payable to the order of such Canadian Resident Lender in the form of Exhibit M, with appropriate insertions. The amount of principal owing on any Canadian Resident Lender's Competitive Bid Note at any given time shall be the aggregate amount of all Competitive Bid Loans theretofore made by such Canadian Resident Lender thereunder minus all payments of principal theretofore received by such Canadian Resident Lender thereon. Interest on each Competitive Bid Note shall accrue and be due and payable as provided herein and therein. The applicable Canadian Borrower shall repay on the final day of the Competitive Bid Interest Period of each Competitive Bid Loan (such date being that specified by the applicable Canadian Borrower for repayment of such Competitive Bid Loan in the related Competitive Bid Request and such date being no later than six months after the date of the Competitive Bid Loan) the then unpaid principal amount of such Competitive Bid Loan. Subject to Section 1.4(b) and the payment of amounts described in Section 3.6, the applicable Canadian Borrower shall have the right to prepay any principal amount of any Competitive Bid Loan.

(g) No Competitive Bid Loan shall be made within five Business Days after the date of any other Competitive Bid Loan, unless the applicable Canadian Borrower and Canadian Agent shall mutually agree otherwise. If Canadian Agent shall at any time elect to submit a Competitive Bid in its capacity as a Canadian Resident Lender, it shall submit such bid directly to the applicable Canadian Borrower requesting such Competitive Bid one quarter of an hour earlier than the latest time at which the other Canadian Resident Lenders are required to submit their bids to Canadian Agent.

Section 1.10. Use of Proceeds. Canadian Borrowers shall use all Canadian Advances and Canadian Swing Loans to pay in full on the Closing Date all indebtedness outstanding under the Existing Canadian Agreement and thereafter (i) to finance capital expenditures, (ii) to refinance Matured Canadian LC Obligations outstanding under this Agreement, (iii) at Northstar Energy's option, to repay existing institutional indebtedness listed in
Section 7.1(h), and (iv) to provide working capital for its operations and for other general business purposes. Canadian Borrowers shall use all Letters of Credit for its general corporate purposes. 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. Each Canadian Borrower represents and warrants that such Canadian Borrower is not engaged principally, or as one of such Canadian Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

Section 1.11. Refinancings of Canadian Swing Loans. Canadian Agent, at any time in its sole and absolute discretion may (and on the Conversion Date Canadian Agent shall), upon notice given to each Lender by not later than 11:30 a.m., Toronto, Ontario time, on any Business Day, request that each Lender make a Canadian Prime Rate Loan (or another Type of Canadian Advance if requested by the applicable Canadian Borrower in accordance with Section 1.2) in an aggregate amount equal to its Percentage Share of the aggregate unpaid principal amount of any outstanding Canadian Swing Loans for the purpose of refinancing such Canadian Swing Loans (in this section called a "Refinancing Advance"). In any event, not later than 11:30 a.m., Toronto, Ontario time, on the penultimate Business Day of each calendar month, Canadian Agent will notify each Lender of the aggregate amount of Canadian Swing Loans which are then outstanding and the amount of the Refinancing Advance required to be made by each Lender to refinance such outstanding Canadian Swing Loans (the aggregate amount of such Refinancing Advance to be made by each Lender shall equal such Lender's Percentage Share of such outstanding Canadian Swing Loans). Upon the giving of notices by Canadian Agent described above, each Lender shall promptly remit to Canadian Agent such Refinancing Advance in the manner described above in Section 1.2, so long as (a) Canadian Agent believed in good faith that all conditions to making the subject Canadian Swing Loan were satisfied at the time such Canadian Swing Loan was made, or (b) if the conditions to such Canadian Swing Loan were not satisfied, the satisfaction of such conditions have been waived in writing by Required Lenders in accordance with the provisions of this Agreement (collectively, the "Refinancing Conditions"). The proceeds of the Refinancing Advances made pursuant to the preceding sentence shall be paid to Canadian Agent (and not to either Canadian Borrower) and applied to the payment of principal of the outstanding Canadian Swing Loans. If and to the extent any Lender shall not so make its Refinancing Advance, such Lender and the applicable Canadian Borrower severally agree to pay to Canadian Agent (for delivery to Canadian Swing Lender) within three days after demand the amount of such Refinancing Advance together with interest thereon, for each day from the date such Refinancing Advance was required to be made until the date such amount is paid to Canadian Agent, with interest at (1) the Canadian Prime Rate, if such Lender is making such payment and (2) the interest rate applicable at the time to the other new Refinancing Advances, if a Canadian Borrower is making such repayment; provided that Canadian Agent gave notice of the terms of the refinancing to such Lender in accordance with the terms of this Section 1.11. If neither such Lender nor such Canadian Borrower pays to Canadian Agent (for delivery to Canadian Swing Lender) such amount within such three-day period, Canadian Swing Lender shall in addition to such amount be entitled to recover from such Lender and from the applicable Canadian Borrower, on demand, interest on such Refinancing Advance at the Default Rate applicable thereto, calculated from the date such Refinancing Advance was required to be made. Each Lender's obligation to make Refinancing Advances pursuant to this Section shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, (1) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against Canadian Agent, Canadian Borrowers or anyone else for any reason whatsoever; (2) the occurrence or continuance of an Event of Default or Default; (3) any adverse change in the condition (financial or otherwise) of either Canadian Borrower; (4) any breach of this Agreement by either Canadian Borrower, Canadian Agent or any Lender, except with respect to the Refinancing Conditions; or (5) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing;

provided, that in no event shall a Lender be obligated to make a Refinancing Advance pursuant to this Section if, after giving effect thereto, the outstanding principal balance of such Lender's Canadian Advances would exceed its Percentage Share of the Canadian Maximum Credit Amount.

ARTICLE II - Bankers' Acceptances and Letters of Credit

Section 2.1. Creation of Bankers' Acceptances. Upon receipt of a Borrowing Notice and subject to the provisions of this Agreement, each Canadian Resident Lender shall accept, in accordance with its Percentage Share of the requested Borrowing from time to time such Bankers' Acceptances as Canadian Borrowers shall request provided that:

(a) Bankers' Acceptances shall be issued on a Business Day;

(b) each Bankers' Acceptance shall have a term of 30, 60, 90 or 180 days (excluding days of grace), as selected by Canadian Borrowers in the relevant Borrowing Notice provided that each Bankers' Acceptance shall mature on a Business Day;

(c) the face amount of each Bankers' Acceptance shall be not less than C$100,000 and in multiples of C$100,000 for any amounts in excess thereof; and

(d) each Bankers' Acceptance shall be in a form acceptable to the Canadian Resident Lenders.

Section 2.2. Terms of Acceptance by the Canadian Resident Lenders.

(a) Delivery and Payment. Subject to Sections 2.3 and 2.4 and only if a valid appointment pursuant to Section 2.2(e) is not in place, Canadian Borrowers shall pre-sign and deliver to each Canadian Resident Lender bankers' acceptance drafts in sufficient quantity to meet Canadian Borrowers' requirements for anticipated Borrowings by way of Bankers' Acceptances. The applicable Canadian Borrower shall, at its option, provide for payment to Canadian Agent for the benefit of Canadian Resident Lenders of each Bankers' Acceptance on the date on which a Bankers' Acceptance matures, either by payment of the full face amount thereof or through utilization of a Conversion to another Type of Borrowing in accordance with this Agreement, or through a combination thereof. Each Canadian Borrower waives presentment for payment of Bankers' Acceptances by Canadian Resident Lenders and shall not claim from Canadian Resident Lenders any days of grace for the payment at maturity of Bankers' Acceptances. Any amount owing by Canadian Borrowers in respect of any Bankers' Acceptance which is not paid in accordance with the foregoing, shall, as and from the date on which such Bankers' Acceptance matures, be deemed to be outstanding hereunder as a Canadian Prime Rate Loan.

(b) No Liability. Canadian Agent and Canadian Resident Lenders shall not be liable for any damage, loss or improper use of any bankers' acceptance draft endorsed in blank except for any loss arising by reason of Canadian Agent or a Canadian Resident Lender failing to use the same standard of care in the custody of such bankers' acceptance drafts as Canadian Agent or such Canadian Resident Lender use in the custody of their own property of a similar nature.

(c) Bankers' Acceptances Purchased by Canadian Resident Lenders. Where the applicable Canadian Borrower so elects in the Borrowing Notice or Continuation/Conversion Notice, a Canadian Resident Lender shall purchase Bankers' Acceptances accepted by it for an amount equal to the Discount Proceeds.

(d) Marketing. Where the applicable Canadian Borrower so elects in the Borrowing Notice or Continuation/Conversion Notice, it shall be responsible for, and shall make its own arrangements with respect to, the marketing of Bankers' Acceptances.

(e) Power of Attorney. To facilitate the procedures contemplated in this Agreement, each Canadian Borrower appoints each Canadian Resident Lender from time to time as the attorney- in-fact of such Canadian Borrower to execute, endorse and deliver on behalf of such Canadian Borrower drafts or depository bills in the form or forms prescribed by such Canadian Resident Lender for Bankers' Acceptances denominated in Canadian Dollars. Each Bankers' Acceptance executed and delivered by a Canadian Resident Lender on behalf of a Canadian Borrower shall be as binding upon such Canadian Borrower as if it had been executed and delivered by a duly authorized officer of such Canadian Borrower. The foregoing appointment shall cease to be effective, in respect of any Canadian Resident Lender regarding a Canadian Borrower, three Business Days following receipt by such Canadian Resident Lender of a written notice from such Canadian Borrower revoking such appointment (which notice shall be copied to the Canadian Agent); provided that any such revocation shall not affect Bankers' Acceptances previously executed and delivered by such Canadian Resident Lender pursuant to such appointment.

(f) Non-resident Lenders Participation in Borrowing of Bankers' Acceptances by Making Canadian Dollar Eurodollar Loans. As part of each Borrowing by way of Bankers' Acceptances from Canadian Resident Lenders, each Non-resident Lender shall, with respect to its obligations to fund such Borrowing, make a Canadian Dollar Eurodollar Loan by advancing Canadian Dollars in the amount of its Percentage Share of such Borrowing having a Eurodollar Interest Period that is substantially the same as the period to maturity of the Bankers' Acceptances that are accepted in such Borrowing by Canadian Resident Lenders in order that all Borrowings other than Competitive Bid Loans shall remain pro rata during the term of this Agreement. Such Canadian Dollar Eurodollar Loan shall otherwise be made on the terms set forth in Article I with respect to such Type of Loan.

(g) Canadian Dollars Unavailable to Non-resident Lenders. In the event that (i) either Canadian Borrower has requested a Borrowing in

Canadian Prime Rate Loans or (ii) the Loans in any Borrowing are automatically converted to Canadian Prime Rate Loans, and a Non-resident Lender is unable to obtain Canadian Dollars with which to fund its Percentage Share of such Borrowing, such Non-resident Lender may, with respect to its obligations to fund such Borrowing, make a Canadian Base Rate Loan in an amount equal to the US Dollar Exchange Equivalent of its Percentage Share of such Borrowing.

(h) Pro-Rata Treatment of Canadian Advances.

(i) Each Canadian Advance shall be made available by each Lender and all repayments and reductions in respect thereof shall be made and applied in a manner so that the Canadian Advances outstanding hereunder to each Lender will, to the extent possible, thereafter be pro rata in accordance with such Lender's Percentage Share. The Canadian Agent is authorized by each Canadian Borrower and each Lender to determine, in its sole and unfettered discretion, the portion of each Canadian Advance and each Type of Canadian Advance to be made available by each Lender and the application of repayments and reductions of Canadian Advances to give effect to the provisions of this Section, provided that no Lender shall, as a result of any such determination, have a Percentage Share of the Canadian Advances which is in excess of its Percentage Share of the Canadian Maximum Credit Amount.

(ii) In the event it is not practicable to allocate Bankers' Acceptances to each Lender such that the aggregate amount of Bankers' Acceptances required to be purchased by such Lender hereunder is in a whole multiple of C $100,000, the Canadian Agent is authorized by each Canadian Borrower and each Lender to make such allocation as the Canadian Agent determines in its sole and unfettered discretion may be equitable in the circumstances and, if the aggregate amount of such Bankers' Acceptances is not a whole multiple of C $100,000, then the Canadian Agent may allocate (on a basis considered by it to be equitable) the excess of such Canadian Advance over the next lowest whole multiple of C $100,000 to one Lender, which shall purchase a Bankers' Acceptance with a face amount equal to the excess and having the same term as the corresponding Bankers' Acceptances. In no event shall the portion of the outstanding Borrowings by way of Bankers' Acceptances of a Lender exceed such Lenders' Percentage Share of the Aggregate Borrowings by way of Bankers' Acceptances by more than C $100,000 as a result of such exercise of discretion by the Canadian Agent.

(i) If during the term of any Bankers' Acceptance accepted by a Lender hereunder the Applicable Margin changes or an Event of Default occurs and is continuing, the fee paid to such Lender by the applicable Borrower pursuant to Section 1.5(d) (in this paragraph called the "Initial Fee") with respect to such Bankers' Acceptance shall be recalculated based upon such change in the Applicable Margin or the existence of such Event of Default for the number of days during the term of such Bankers' Acceptance that such change is applicable or such Event of Default exists. If such recalculated amount is in excess of the Initial Fee then such Canadian Borrower shall pay to such Lender the amount of such excess, and if such recalculated amount is less than the Initial Fee, then the amount of such reduction shall be credited to other amounts payable by such Canadian Borrower to such Lender.

Section 2.3. General Procedures for Bankers' Acceptances.

(a) Notice. Canadian Borrowers may in the Borrowing Notice or in a Continuation/Conversion Notice request a Borrowing by way of Bankers' Acceptances and, if the Canadian Borrower is responsible for marketing of such Bankers' Acceptances under
Section 2.2(d), by subsequent notice to Canadian Agent provide Canadian Agent, which shall in turn notify each Canadian Resident Lender, with information as to the discount proceeds payable by the purchasers of the Bankers' Acceptances and the party to whom delivery of the Bankers' Acceptances by each Canadian Resident Lender is to be made against delivery to each Canadian Resident Lender of the applicable discount proceeds, but if it does not do so, Canadian Borrowers shall initiate a telephone call to Canadian Agent by 10:00 a.m. Toronto, Ontario time on the date of advance, or the date of the Continuation or Conversion, as applicable, and provide such information to Canadian Agent. Such discount proceeds less the fee calculated in accordance with
Section 1.5(d) shall promptly be delivered to the Canadian Agent. Any such telephone advice shall be subject to Section 1.2 and shall be confirmed by a written notice of Canadian Borrowers to Canadian Agent prior to 2:00 p.m. Toronto, Ontario time on the same day.

(b) Continuations. In the case of a Continuation of maturing Bankers' Acceptances, issued by a Canadian Resident Lender, such Canadian Resident Lender, in order to satisfy the continuing liability of Canadian Borrowers to the Canadian Resident Lender for the face amount of the maturing Bankers' Acceptances, shall retain for its own account the Net Proceeds of each new Bankers' Acceptance issued by it in connection with such Continuation; and Canadian Borrowers shall, on the maturity date of the maturing Bankers' Acceptances, pay to Canadian Agent for the benefit of Canadian Resident Lenders an amount equal to the difference between the face amount of the maturing Bankers' Acceptances and the aggregate Net Proceeds of the new Bankers' Acceptances.

(c) Conversion from Canadian Prime Rate Loans and Canadian Dollar Eurodollar Loans. In the case of a Conversion from a Borrowing of Canadian Prime Rate Loans or Canadian Dollar Eurodollar Loans into a Borrowing by way of Bankers' Acceptances to be accepted by a Canadian Resident Lender pursuant to Sections 2.1, 2.2 and 2.3, such Canadian Resident Lender, in order to satisfy the continuing liability of Canadian Borrowers to it for the principal amount of the Canadian Prime Rate Loans or Canadian Dollar Eurodollar Loans being converted, shall retain for its own account the Discount Proceeds of each new Bankers' Acceptance issued by it in connection with such Conversion; and Canadian Borrowers shall, on the date of issuance of the Bankers' Acceptances, pay to Canadian Agent for the benefit of Canadian Resident Lenders an amount equal to the difference between the aggregate principal amount of the Canadian Prime Rate Loans or Canadian Dollar Eurodollar Loans being converted owing to the Canadian Resident Lenders and the aggregate Discount Proceeds of such Bankers' Acceptances.

(d) Conversions to Canadian Loans in Canadian Dollars. In the case of a Conversion of a Borrowing by way of Bankers' Acceptances into Canadian Loans, each Canadian Resident Lender, in order to satisfy the liability of the applicable Canadian Borrower to it for the face amount of the maturing Bankers' Acceptances, shall record the obligation of the applicable Canadian Borrower to it as a Canadian Prime Rate Loan,

unless the applicable Canadian Borrower provide for payment to Canadian Agent for the benefit of Canadian Resident Lenders of the face amount of the maturing Bankers' Acceptance in some other manner acceptable to Canadian Resident Lenders, including Conversion to another Type of Canadian Loan pursuant to a Continuation/Conversion Notice.

(e) Conversion from or to Canadian Loans in U.S. Dollars. In the case of a conversion of Bankers' Acceptances from or to a Canadian Base Rate Loans or US Dollar Eurodollar Loans, the parties to which this Section applies shall follow the notice procedures set out in Section 1.3 and the funding procedures set out in Section 2.3 (c) and (d) without netting of funds.

(f) Authorization. Canadian Borrowers hereby authorize each Canadian Resident Lender to complete, stamp, hold, sell, rediscount or otherwise dispose of all Bankers' Acceptances accepted by it pursuant to this Section in accordance with the instructions provided by Canadian Borrowers pursuant to Section 1.3, as applicable.

(g) Depository Notes. The parties agree that in the administering of Bankers' Acceptances, each Lender may avail itself of the debt clearing services offered by a clearing house for depository notes pursuant to the Depository Bills and Notes Act (Canada) and that the procedures set forth in Article II be deemed amended to the extent necessary to comply with the requirements of such debt clearing services.

Section 2.4. Execution of Bankers' Acceptances. The signatures of any authorized signatory on Bankers' Acceptances may, at the option of Canadian Borrowers, be reproduced in facsimile and such Bankers' Acceptances bearing such facsimile signatures shall be binding on Canadian Borrowers as if they had been manually signed by such authorized signatory. Notwithstanding that any person whose signature appears on any Bankers' Acceptance as a signatory may no longer be an authorized signatory of Canadian Borrowers at the date of issuance of a Bankers' Acceptance, and notwithstanding that the signature affixed may be a reproduction only, such signature shall nevertheless be valid and sufficient for all purposes as if such authority had remained in force at the time of such issuance and as if such signature had been manually applied, and any such Bankers' Acceptance so signed shall be binding on Canadian Borrowers.

Section 2.5. Escrowed Funds. Upon the occurrence of an Event of Default and an acceleration of the Canadian Obligations under Section 8.1 or upon a prepayment permitted under Section 1.4, Canadian Borrowers shall forthwith pay to Canadian Agent for deposit into an escrow account maintained by and in the name of Canadian Agent for the benefit of Canadian Resident Lenders in accordance with their Percentage Shares an amount equal to the Canadian Resident Lenders' maximum potential liability (as determined by Canadian Agent) under then outstanding Bankers' Acceptances (the "Escrow Funds"). The Escrow Funds shall be held by Canadian Agent for set-off against future Canadian Obligations of Canadian Borrowers and pending such application shall bear interest at the rate declared by Canadian Agent from time to time as that payable by it in respect of deposits for such amount and for such period relative to the maturity date of the Bankers' Acceptances, as applicable. If such Event of Default is either waived or cured in compliance with the terms of this Agreement, then the Escrow Funds, together with any accrued interest to the date of release, shall be forthwith released to Canadian Borrowers.

Section 2.6. Letters of Credit. Subject to the terms and conditions hereof, any Canadian Borrower may during the Canadian Revolving Period request Canadian LC Issuer to issue one or more Letters of Credit denominated in either Canadian Dollars or US Dollars, provided that, after taking such Letter of Credit into account:

(a) the Canadian Facility Usage does not exceed the Canadian Maximum Credit Amount at such time;

(b) the aggregate amount of Canadian LC Obligations arising from Letters of Credit issued under this Agreement at such time does not exceed the Canadian LC Sublimit;

(c) the expiration date of such Letter of Credit is prior to the end of the Canadian Revolving Period;

(d) such Letter of Credit is to be used for general corporate purposes of such Canadian Borrower;

(e) such Letter of Credit is not directly or indirectly used to assure payment of or otherwise support any Indebtedness of any Person other than Indebtedness of any Restricted Person permitted by this Agreement;

(f) the issuance of such Letter of Credit will be in compliance with all applicable governmental restrictions, policies, and guidelines and will not subject Canadian LC Issuer to any cost which is not reimbursable under Article III;

(g) the form and terms of such Letter of Credit are acceptable to Canadian LC Issuer in its reasonable discretion; and

(h) all other conditions in this Agreement to the issuance of such Letter of Credit have been satisfied.

Canadian LC Issuer will honor any such request if the foregoing conditions (a) through (h) (in this Section 2.6 called the "LC Conditions") have been met as of the date of issuance of such Letter of Credit. Canadian LC Issuer may choose to honor any such request for any other Letter of Credit but has no obligation to do so and may refuse to issue any other requested Letter of Credit for any reason which Canadian LC Issuer in its sole discretion deems relevant.

Section 2.7. Requesting Letters of Credit. The applicable Canadian Borrower must make written application for any Letter of Credit at least

three Business Days before the date on which the applicable Canadian Borrower desires for Canadian LC Issuer to issue such Letter of Credit. By making any such written application the applicable Canadian Borrower shall be deemed to have represented and warranted that the LC Conditions described in Section 2.6 will be met as of the date of issuance of such Letter of Credit. Each such written application for a Letter of Credit must be made in writing on Canadian LC Issuer's standard form of Letter of Credit Application, the terms and provisions of which are hereby incorporated herein by reference (or in such other form as may mutually be agreed upon by Canadian LC Issuer and the applicable Canadian Borrower). Three Business Days after the LC Conditions for a Letter of Credit have been met as described in Section 2.6 (or if Canadian LC Issuer otherwise desires to issue such Letter of Credit), Canadian LC Issuer will issue such Letter of Credit at Canadian LC Issuer's office in Toronto, Ontario. If any provisions of any LC Application conflict with any provisions of this Agreement, the provisions of this Agreement shall govern and control.

Section 2.8. Reimbursement and Participations.

(a) Reimbursement by Canadian Borrowers. Each Matured Canadian LC Obligation arising from a Letter of Credit issued under the Canadian Agreement shall constitute Canadian Prime Rate Loans made by Canadian LC Issuer to the applicable Canadian Borrower even if any condition precedent to the making of such a Loan shall not have been satisfied. Each Lender shall (in all circumstances and without set-off or counterclaim) purchase from Canadian LC Issuer its Percentage Share of such Canadian Prime Rate Loans and pay to Canadian LC Issuer on demand on the date on which such Matured LC Obligation arises, in immediately available funds at Canadian LC Issuer's address for notices hereunder, such Lender's Percentage Share of such Matured Canadian LC Obligation. Each Lender's obligation to pay Canadian LC Issuer pursuant to the terms of this subsection is irrevocable and unconditional. If any amount required to be paid by any Lender to Canadian LC Issuer pursuant to this subsection is paid by such Lender to Canadian LC Issuer within three Business Days after the date such payment is due, Canadian LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Canadian Prime Rate. If any amount required to be paid by any Lender to Canadian LC Issuer pursuant to this subsection is not paid by such Lender to Canadian LC Issuer within three Business Days after the date such payment is due, Canadian LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Default Rate.

(b) Calculations. A written advice setting forth in reasonable detail the amounts owing under this section, submitted by Canadian LC Issuer to Canadian Borrowers or any Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

Section 2.9. Letter of Credit Fees. In consideration of Canadian LC Issuer's issuance of any Letter of Credit, the applicable Canadian Borrower agrees to pay (a) to Canadian LC Issuer for its own account, a letter of credit fronting fee at a rate equal to 12.5 Basis Points per annum multiplied by the face amount of such Letter of Credit, payable on the date of issuance, and (b) to Canadian Agent, for the account of all Lenders in accordance with their respective Percentage Shares, a letter of credit issuance fee calculated by applying the Applicable Margin to the face amount of all Letters of Credit outstanding on each day, payable in arrears on the last day of each Fiscal Quarter. In addition, the applicable Canadian Borrower will pay to LC Issuer its standard drawing and other processing fees upon any drawing under a Letter of Credit.

Section 2.10. No Duty to Inquire.

(a) Drafts and Demands. Canadian LC Issuer is authorized and instructed to accept and pay drafts and demands for payment under any Letter of Credit without requiring, and without responsibility for, any determination as to the existence of any event giving rise to said draft, either at the time of acceptance or payment or thereafter. Canadian LC Issuer is under no duty to determine the proper identity of anyone presenting such a draft or making such a demand (whether by tested telex or otherwise) as the officer, representative or agent of any beneficiary under any Letter of Credit, and payment by Canadian LC Issuer to any such beneficiary when requested by any such purported officer, representative or agent is hereby authorized and approved. Canadian Borrowers release each Lender Party from, and agree to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the subject matter of this section, which indemnity shall apply whether or not any such liability or claim is in any way or to any extent caused, in whole or in part, by any negligent act or omission of any kind by any Lender Party, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

(b) Extension of Maturity. If the maturity of any Letter of Credit is extended by its terms or by Law or governmental action, if any extension of the maturity or time for presentation of drafts or any other modification of the terms of any Letter of Credit is made at the request of any Restricted Person, or if the amount of any Letter of Credit is increased at the request of any Restricted Person, this Agreement shall be binding upon all Restricted Persons with respect to such Letter of Credit as so extended, increased or otherwise modified, with respect to drafts and property covered thereby, and with respect to any action taken by Canadian LC Issuer, Canadian LC Issuer's correspondents, or any Lender Party in accordance with such extension, increase or other modification.

(c) Transferees of Letters of Credit. If any Letter of Credit provides that it is transferable, Canadian LC Issuer shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall Canadian LC Issuer be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and payment by Canadian LC Issuer to any purported transferee or transferees as determined by Canadian LC Issuer is hereby authorized and approved, and Canadian Borrowers release each Lender Party from, and agree to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the foregoing, which indemnity shall apply whether or not any such liability or claim is in any way or to any extent caused, in whole or in part, by any negligent act or omission of any kind by any Lender Party, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

Section 2.11. LC Collateral.

(a) Canadian LC Obligations in Excess of Canadian Maximum Credit Amount. If, after the making of all mandatory prepayments required under Section 1.4(c), the outstanding Canadian LC Obligations will exceed Canadian Maximum Credit Amount, then in addition to prepayment of the entire principal balance of the Canadian Loans, Canadian Borrowers will immediately pay to Canadian LC Issuer an amount equal to such excess. Canadian LC Issuer will hold such amount to apply against the remaining Canadian LC Obligations outstanding under the Canadian Agreement (all such amounts held for Canadian LC Obligations being herein collectively called "LC Collateral") and the other Canadian Obligations, and such collateral may be applied from time to time to any Matured Canadian LC Obligations or other Canadian Obligations which are due and payable. Neither this subsection nor the following subsection shall, however, limit or impair any rights which Canadian LC Issuer may have under any other document or agreement relating to any Letter of Credit, LC Collateral or Canadian LC Obligation, including any LC Application, or any rights which any Lender Party may have to otherwise apply any payments by Canadian Borrowers and any LC Collateral under
Section 3.1.

(b) Acceleration of Canadian LC Obligations. If the Canadian Obligations or any part thereof become immediately due and payable pursuant to Section 8.1 then, unless Required Lenders otherwise specifically elect to the contrary (which election may thereafter be retracted by Required Lenders at any time), all Canadian LC Obligations shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and the applicable Canadian Borrower in respect of such Canadian LC Obligations shall be obligated to pay to Canadian LC Issuer immediately an amount equal to the aggregate Canadian LC Obligations which are then outstanding.

(c) Investment of LC Collateral. Pending application thereof, all LC Collateral shall be invested by Canadian LC Issuer in such Investments as Canadian LC Issuer may choose in its sole discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to Matured Canadian LC Obligations or other Canadian Obligations which are due and payable. When all Canadian Obligations have been satisfied in full, including all Canadian LC Obligations, all Letters of Credit have expired or been terminated, and all of Canadian Borrowers's reimbursement obligations in connection therewith have been satisfied in full, Canadian LC Issuer shall release any remaining LC Collateral. Canadian Borrowers hereby assign and grant to Canadian LC Issuer a continuing security interest in all LC Collateral paid by it to Canadian LC Issuer, all Investments purchased with such LC Collateral, and all proceeds thereof to secure its Matured Canadian LC Obligations and the other Canadian Obligations hereunder, each Canadian Note, and the other US Loan Documents. Canadian Borrowers further agree that Canadian LC Issuer shall have all of the rights and remedies of a secured party under the Personal Property Security Act (Alberta) with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest. When Canadian Borrowers are required to provide LC Collateral for any reason and fail to do so on the day when required, Canadian LC Issuer may without notice to Canadian Borrowers or any other Restricted Person provide such LC Collateral (whether by transfers from other accounts maintained with Canadian LC Issuer, or otherwise) using any available funds of Canadian Borrowers or any other Person also liable to make such payments.

ARTICLE III - Payments to Lenders

Section 3.1. General Procedures. Each Canadian Borrower will make each payment which it owes under the Canadian Loan Documents to Canadian Agent in Toronto, Canada, if such payment is being made in Canadian Dollars, or to the US Account, if such payment is being made in US Dollars, in each case for the account of the Lender Party to whom such payment is owed, without set-off, deduction or counterclaim, and in immediately available funds, provided that any such payment may be made net of any deduction or withholding for or on account of any withholding tax which such Canadian Borrower is required at Law to withhold or deduct except as otherwise provided in Section 3.2(d). Each such payment must be received by Canadian Agent not later than 11:00
a.m., Toronto, Ontario time, on the date such payment becomes due and payable. Any payment received by Canadian Agent after such time will be deemed to have been made on the next following Business Day. Should any such payment become due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, in the case of a payment of principal or past due interest, interest shall accrue and be payable thereon for the period of such extension as provided in the Canadian Loan Document under which such payment is due. Each payment under a Canadian Loan Document shall be due and payable at the place provided therein and, if no specific place of payment is provided, shall be due and payable at the place of payment of Canadian Agent's Canadian Note. When Canadian Agent collects or receives money on account of the Canadian Obligations, Canadian Agent shall distribute all money so collected or received by 2:00 p.m. Toronto, Ontario time on the Business Day received, if received by 11:00 a.m. Toronto, Ontario time, otherwise on the day of deemed receipt, and each Lender Party shall apply all such money so distributed, as follows:

(a) first, for the payment of all Canadian Obligations which are then due (and if such money is insufficient to pay all such Canadian Obligations, first to any reimbursements due Canadian Agent under Section 6.9 or 10.4, then to any reimbursement due any other Lender Party under Section 10.4, and then to the partial payment of all other Canadian Obligations then due in proportion to the amounts thereof, or as Lender Parties shall otherwise agree);

(b) then for the prepayment of amounts owing under the Canadian Loan Documents (other than principal on the Canadian Notes) if so specified by Canadian Borrowers;

(c) then for the prepayment of principal on the Canadian Notes that are not Competitive Bid Notes, together with accrued and unpaid interest on the principal so prepaid; and

(d) last, for the payment or prepayment of any other Canadian Obligations.

All payments applied to principal or interest on any Canadian Note shall be applied first to any interest then due and payable, then to principal then due and payable, and last to any prepayment of principal and interest in compliance with Sections 1.4 and 2.6. All distributions of amounts described in any of subsections (b), (c) or (d) above shall be made by Canadian Agent pro rata to each Lender Party then owed Canadian Obligations described in such subsection in proportion to all amounts owed to all Lender Parties which are described in such subsection; provided that if any Lender then owes payments to Canadian LC Issuer for the purchase of a participation under Section 2.8(a) or to Canadian Agent under Section 9.9, any amounts otherwise distributable under this section to such Lender shall be deemed to belong to Canadian LC Issuer, or Canadian Agent, respectively, to the extent of such unpaid payments, and Canadian Agent shall apply such amounts to make such unpaid payments rather than distribute such amounts to such Lender.

Section 3.2. Change in Law; Gross Up; Increased Cost and Reduced Return.

(a) If, after the date hereof, the adoption of any applicable Law, rule, or regulation, or any change in any applicable Law, rule, or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender Party (or its Applicable Lending Office) with any request or directive (whether or not having the force of Law) of any such Governmental Authority, central bank, or comparable agency (the occurrence of any of the foregoing events being herein referred to as a "Change in Law"):

(i) shall subject such Lender Party (or its Applicable Lending Office) to any tax, duty, deduction or any other charge (other than with respect to Withholding Tax as defined in Section 3.2(d)) with respect to any Eurodollar Loans, Bankers' Acceptances or Competitive Bid Loans, or its obligation to make Eurodollar Loans, accept Bankers' Acceptances or issue Letters of Credit, or change the basis of taxation of any amounts payable to such Lender Party (or its Applicable Lending Office) under this Agreement or its Canadian Note in respect of any Eurodollar Loans, Bankers' Acceptances or Competitive Bid Loans other than taxes (including franchise taxes) imposed on the overall net income or capital of such Lender Party by the jurisdiction under the Laws of which such Lender Party (or its Applicable Lending Office) is organized or is a resident for tax purposes or any political subdivision thereof;

(ii) shall impose, modify, or deem applicable any reserve, special deposit, assessment, or similar requirement (other than the Reserve Requirement utilized in the determination of the Adjusted US Dollar Eurodollar Rate and Adjusted Canadian Dollar Eurodollar Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities or commitments of, such Lender Party (or its Applicable Lending Office), including the commitment of such Lender Party hereunder; or

(iii) shall impose on such Lender Party (or its Applicable Lending Office) or the London interbank market any other condition affecting this Agreement or its Canadian Notes or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Lender Party (or its Applicable Lending Office) of making, converting into, continuing, or maintaining any Eurodollar Loans, Bankers' Acceptances or Competitive Bid Loans or to reduce any sum received or receivable by such Lender Party (or its Applicable Lending Office) under this Agreement or its Canadian Notes with respect to any Eurodollar Loans, Bankers' Acceptances or Competitive Bid Loans, then the applicable Canadian Borrower shall pay to such Lender Party on demand such amount or amounts as will compensate such Lender Party for such increased cost or reduction. If any Lender Party requests compensation by Canadian Borrowers under this Section 3.2(a), Canadian Borrowers may, by notice to such Lender Party (with a copy to Canadian Agent), suspend the obligation of such Lender Party to make or continue Canadian Advances of the Type with respect to which such compensation is requested, or to convert Canadian Advances of any other Type into Canadian Advances of such Type, until the event or condition giving rise to such request ceases to be in effect (in which case the provisions of Section 3.5 shall be applicable); provided that such suspension shall not affect the right of such Lender Party to receive the compensation so requested.

(b) If, after the date hereof, Canadian LC Issuer or any Lender Party shall have determined that the adoption of any applicable Law, rule, or regulation regarding capital adequacy or any change therein or in the interpretation or administration thereof by any Governmental Authority, central bank, or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of Law) of any such Governmental Authority, central bank, or comparable agency, has or would have the effect of reducing the rate of return on the capital of such Lender Party or any corporation controlling such Lender Party as a consequence of the obligations of such Lender Party hereunder to a level below that which such Lender Party or such corporation could have achieved but for such adoption, change, request, or directive (taking into consideration its policies with respect to capital adequacy), then from time to time upon demand the applicable Canadian Borrower shall pay to such Lender Party such additional amount or amounts as will compensate such Lender Party for such reduction, but only to the extent that such Lender Party has not been compensated therefor by any increase in the Adjusted US Dollar Eurodollar Rate or the Adjusted Canadian Dollar Eurodollar Rate; provided that if such Lender Party fails to give notice to Canadian Borrowers of any additional costs within ninety (90) days after it has actual knowledge thereof, such Lender Party shall not be entitled to compensation for such additional costs incurred more than ninety (90) days prior to the date on which notice is given by such Lender Party.

(c) Each Lender Party shall promptly notify Canadian Borrowers and Canadian Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender Party to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender Party, be otherwise disadvantageous to it. Any Lender Party claiming compensation under this Section shall furnish to Canadian Borrowers and Canadian Agent a statement setting forth the additional amount or amounts to be paid to it hereunder which shall be conclusive in the absence of manifest error. In determining such amount, such Lender Party shall act in good faith and may use any reasonable averaging and attribution methods.

(d) If by reason of a Change in Law, Canadian Borrowers shall be required to withhold and remit withholding taxes in respect of any principal, interest, or other amount paid or payable by it to or for the account of any Lender Party hereunder or under any other Canadian Loan Document (a "Withholding Tax"),
(i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.2) such Lender Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) the applicable Canadian Borrower shall make such deductions, and (iii) the applicable Canadian Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Law.

(e) Except as provided in paragraph (d) of this Section 3.2, no Canadian Borrower shall be required to compensate any Lender Party for any Withholding Taxes which such Canadian Borrower is required to withhold and remit in respect of any principal, interest, or other amount paid or payable by it to or for the account of any Lender Party hereunder or under any other Canadian Loan Document.

Section 3.3. Limitation on Types of Canadian Loans. If on or prior to the first day of any Eurodollar Interest Period for any Eurodollar Loan:

(a) Canadian Agent determines (which determination shall be conclusive) that by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the US Dollar Eurodollar Rate or the Canadian Dollar Eurodollar Rate, as applicable, for such Eurodollar Interest Period; or

(b) the Required Lenders determine (which determination shall be conclusive) and notify Canadian Agent that the Adjusted US Dollar Eurodollar Rate or the Adjusted Canadian Dollar Eurodollar Rate, as applicable, will not adequately and fairly reflect the cost to the Lenders of funding Eurodollar Loans or for such Eurodollar Interest Period;

then Canadian Agent shall give Canadian Borrowers prompt notice thereof specifying the relevant amounts or periods, and so long as such condition remains in effect, the Lender Parties shall be under no obligation to make additional Canadian Loans, continue Eurodollar Loans or convert Canadian Base Rate Loans or Canadian Dollar Prime Rate Loans into Eurodollar Loans, and Canadian Borrowers shall, on the last day (s) of the then current Eurodollar Interest Period(s) for the outstanding Eurodollar Loans, either prepay such Canadian Loans or convert such Canadian Loans into Canadian Base Rate Loans, Canadian Prime Rate Loans, or Bankers' Acceptances in accordance with the terms of this Agreement.

Section 3.4. Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender Party or its Applicable Lending Office to make, maintain, or fund Eurodollar Loans hereunder, then such Lender Party shall promptly notify Canadian Borrowers thereof and such Lender Party's obligation to make or continue Eurodollar Loans and to convert BA's, Canadian Base Rate Loans, Canadian Prime Rate Loans, or Bankers' Acceptances into Eurodollar Loans shall be suspended until such time as such Lender Party may again make, maintain, and fund Eurodollar Loans (in which case the provisions of Section 3.5 shall be applicable).

Section 3.5. Treatment of Affected Loans. If the obligation of any Lender Party to make a particular Type of Loan or to continue, or to convert Canadian Loans of any other Type into, Canadian Loans of a particular Type shall be suspended pursuant to Sections 3.2 and 3.4 hereof (Canadian Loans of such Type being herein called "Affected Loans" and such Type being herein called the "Affected Type"), such Lender Party's Affected Loans shall be automatically converted into Canadian Base Rate Loans with respect to US $ Loans or to Canadian Prime Rate Loans with respect to C $ Loans on the last day(s) of the then current Interest Period(s) for Affected Loans (or, in the case of a Conversion required by Section 3.4 hereof, on such earlier date as such Lender Party may specify to Canadian Borrowers with a copy to Canadian Agent) and, unless and until such Lender Party gives notice as provided below that the circumstances specified in Sections 3.2 or 3.4 hereof that gave rise to such Conversion no longer exist:

(a) to the extent that such Lender Party's Affected Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Lender Party's Affected Loans shall be applied instead to its Canadian Base Rate Loans or Canadian Prime Rate Loans, as applicable; and

(b) all Canadian Loans that would otherwise be made or continued by such Lender Party as Canadian Loans of the Affected Type shall be made or continued instead as Canadian Base Rate Loans or Canadian Prime Rate Loans, as applicable, and all Canadian Loans of such Lender Party that would otherwise be converted into Canadian Loans of the Affected Type shall be converted instead into (or shall remain as) Canadian Base Rate Loans or Canadian Prime Rate Loans, as applicable.

If such Lender Party gives notice to Canadian Borrowers (with a copy to Canadian Agent) that the circumstances specified in Section 3.2 or 3.4 hereof that gave rise to the Conversion of such Lender Party's Affected Loans pursuant to this Section no longer exist (which such Lender Party agrees to do promptly upon such circumstances ceasing to exist) at a time when Canadian Loans of the Affected Type made by other Lender Parties are outstanding, such Lender Party's Canadian Base Rate Loans or Canadian Prime Rate Loans, as applicable, shall be automatically converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Canadian Loans of the Affected Type, to the extent necessary so that, after giving effect thereto, all Canadian Loans held by the Lender Parties holding Canadian Loans of the Affected Type and by such Lender Party are held pro rata (as to principal amounts, Types, and Interest Periods) in accordance with their Percentage Shares of the Canadian Maximum Credit Amount.

Section 3.6. Compensation. Upon the request of any Lender Party, Canadian Borrowers shall pay to such Lender Party such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender Party) to compensate it for any loss, cost, or expense (including loss of anticipated profits) incurred by it as a result of:

(i) any payment, prepayment, or Conversion of a Eurodollar Loan or Competitive Bid Loan for any reason (including, without limitation, the acceleration of the Canadian Loans pursuant to Section 8.1) on a date other than the last day of the Interest Period for such Loan; or

(ii) any failure by Canadian Borrowers for any reason (including, without limitation, the failure of any condition precedent specified in Article IV to be satisfied) to borrow, convert, continue, or prepay a Eurodollar Loan on the date for such borrowing, Conversion, Continuation, or prepayment specified in the relevant notice of borrowing, prepayment, Continuation, or Conversion under this Agreement.

Section 3.7. Change of Applicable Lending Office. Each Lender Party agrees that, upon the occurrence of any event giving rise to the operation of Sections 3.2 through 3.5 with respect to such Lender Party, it will, if requested by Canadian Borrowers, use reasonable efforts (subject to overall policy considerations of such Lender Party) to designate another Applicable Lending Office, provided that such designation is made on such terms that such Lender Party and its Applicable Lending Office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such section. Nothing in this section shall affect or postpone any of the obligations of Canadian Borrowers or the rights of any Lender Party provided in Sections 3.2 through 3.5.

Section 3.8. Replacement of Lenders. If any Lender Party seeks reimbursement for increased costs under Sections 3.2 through 3.5, or if a Canadian Borrower is required to increase any sum payable under Section 3.2(d), then within ninety (90) days thereafter -- provided no Event of Default then exists -- Canadian Borrowers shall have the right (unless such Lender Party withdraws its request for additional compensation) to replace such Lender Party by requiring such Lender Party to assign its Canadian Advances, Canadian Notes, Canadian LC Obligations, US Loans, US Notes, US LC Obligations and its commitments hereunder and under the US Agreement to an Eligible Transferee reasonably acceptable to all Borrowers, provided that: all Obligations of Borrowers owing to such Lender Party being replaced (including such increased costs, but excluding principal and accrued interest on the Canadian Notes and the US Notes being assigned) shall be paid in full to such Lender Party concurrently with such assignment, and the replacement Eligible Transferee shall purchase the foregoing by paying to such Lender Party a price equal to the principal amount thereof plus accrued and unpaid interest thereon. In connection with any such assignment Canadian Borrowers, Canadian Agent, US Borrower, US Agent, such Lender Party and the replacement Eligible Transferee shall otherwise comply with Section 10.6. Notwithstanding the foregoing rights of Canadian Borrowers under this section, however, Canadian Borrowers may not replace any Lender Party which seeks reimbursement for increased costs under Section 3.2 through 3.5, or to which Canadian Borrowers are required to increase any sums payable under Section 3.2(d), unless Canadian Borrowers are at the same time replacing all Lender Parties which are then seeking such compensation or to which such sums payable must be increased. In connection with any such replacement of a Lender Party, the applicable Canadian Borrower shall pay all costs that would have been due to such Lender Party pursuant to Section 3.6 if such Lender Party's Canadian Advances had been prepaid at the time of such replacement.

Section 3.9. Other Taxes.

(a) Canadian Borrowers agree to pay any and all present or future stamp or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under this Agreement or any other Canadian Loan Document or from the execution or delivery of, or otherwise with respect to, this Agreement or any other Canadian Loan Document (hereinafter referred to as "Other Taxes").

(b) Canadian Borrowers agree to indemnify each Lender Party for the full amount of Other Taxes (including, without limitation, any Other Taxes imposed or asserted by any jurisdiction on amounts payable under this section) paid by such Lender Party or Canadian Agent (as the case may be) and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto.

(c) If Canadian Borrowers are required to pay additional amounts to or for the account of any Lender Party pursuant to this Section 3.9, then such Lender Party will agree to use reasonable efforts to change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Lender Party, is not otherwise disadvantageous to such Lender Party.

(d) If a Lender Party is reimbursed for an amount paid by Canadian Borrowers pursuant to this Section 3.9, it shall promptly return such amount to Canadian Borrowers.

(e) Within thirty (30) days after the date of any payment of Other Taxes, Canadian Borrowers shall furnish to Canadian Agent the original or a certified copy of a receipt evidencing such payment.

(f) Without prejudice to the survival of any other agreement of Canadian Borrowers hereunder, the agreements and obligations of Canadian Borrowers contained in this section shall survive the termination of this Agreement and the payment in full of the Canadian Notes.

Section 3.10. Currency Conversion and Currency Indemnity.

(a) Canadian Borrowers and Canadian Guarantor (collectively, for purposes of this Section 3.10 herein referred to as "Obligors") shall make payment relative to any Obligation in the currency (the "Agreed Currency") in which the Obligation was incurred. If any payment is received on account of any Obligation in any currency (the "Other Currency") other than the Agreed Currency (whether voluntarily or pursuant to an order or judgment or the enforcement thereof or the realization of any security or the liquidation of such Obligor or otherwise howsoever), such payment shall constitute a discharge of the liability of an Obligor hereunder and under the other Canadian Loan Documents in respect of such Obligation only to the extent of the amount of the Agreed Currency which the relevant Lender Parties are able to purchase with the amount of the Other Currency received by it on the Business Day next following such receipt in accordance with its normal procedures and after

deducting any premium and costs of exchange.

(b) If, for the purpose of obtaining or enforcing judgment in any court in any jurisdiction, it becomes necessary to convert into a particular currency (the "Judgment Currency") any amount due in the Agreed Currency then the conversion shall be made on the basis of the rate of exchange prevailing on the next Business Day following the date such judgment is given and in any event each Obligor shall be obligated to pay the Lender Parties any deficiency in accordance with Section 3.10(c). For the foregoing purposes "rate of exchange" means the rate at which the relevant Lender Parties, as applicable, in accordance with their normal banking procedures are able on the relevant date to purchase the Agreed Currency with the Judgment Currency after deducting any premium and costs of exchange.

(c) If any Lender Party receives any payment or payments on account of the liability of an Obligor hereunder pursuant to any judgment or order in any Other Currency, and the amount of the Agreed Currency which the relevant Lender Party is able to purchase on the Business Day next following such receipt with the proceeds of such payment or payments in accordance with its normal procedures and after deducting any premiums and costs of exchange is less than the amount of the Agreed Currency due in respect of such Obligations immediately prior to such judgment or order, then Canadian Borrowers on demand shall, and Canadian Borrowers hereby agree to, indemnify and save such Lender Party harmless from and against any loss, cost or expense arising out of or in connection with such deficiency. The agreement of indemnity provided for in this Section 3.10(c) shall constitute an obligation separate and independent from all other obligations contained in this Agreement, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Lender Parties or any of them from time to time, and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

ARTICLE IV - Conditions Precedent to Advances

Section 4.1. Documents to be Delivered. No Lender has any obligation to make its first Canadian Loan, and Canadian LC Issuer has no obligation to issue the first Letter of Credit, unless Canadian Agent shall have received all of the following, duly executed and delivered and in form, substance and date satisfactory to Canadian Agent:

(a) This Agreement and any other documents that Lenders are to execute in connection herewith.

(b) Each Canadian Note.

(c) The Guaranty of Canadian Guarantor.

(d) Certain certificates of Canadian Borrowers including:

(i) An "Omnibus Certificate" of the Secretary or Assistant Secretary and of the Chairman of the Board, President, or Vice President - Finance of each Canadian Borrower, which shall contain the names and signatures of the officers of such Canadian Borrower authorized to execute Canadian Loan Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted by the Board of Directors of such Canadian Borrower and in full force and effect at the time this Agreement is entered into, authorizing the execution of this Agreement and the other Canadian Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of such Canadian Borrower and all amendments thereto, certified by the appropriate official of its jurisdiction of organization, and (3) a copy of any bylaws of such Canadian Borrower; and

(ii) A "Compliance Certificate" of the Chairman of the Board or President and of the Vice President - Finance of each Canadian Borrower, of even date with such Canadian Loan or such Letter of Credit, in which such officers certify to the satisfaction of the conditions set out in subsections
(a), (b) and (c) of Section 4.3.

(e) certificate (or certificates) of the due formation, valid existence and good standing of each Canadian Borrower in its jurisdiction of organization, issued by the appropriate official of such jurisdiction.

(f) A favorable opinion of Bennett Jones, counsel for Restricted Persons, substantially in the form set forth in Exhibit E and a favorable opinion of Blake, Cassels & Graydon covering the matters requested by Canadian Agent.

(g) The Initial Financial Statements.

Section 4.2. Additional Conditions Precedent to First Canadian Loan or First Letter of Credit. No Lender has any obligation to make its first Canadian Loan, and Canadian LC Issuer has no obligation to issue the first Letter of Credit, unless on the date thereof:

(a) All commitment, facility, agency, legal and other fees required to be paid or reimbursed to any Lender pursuant to any Canadian Loan Documents or any commitment agreement heretofore entered into shall have been paid.

(b) No event which would reasonably be expected to have a Material Adverse Effect shall have occurred since June 30, 1999.

(c) US Borrower shall have certified to Canadian Agent and Lenders that the Initial Financial Statements fairly present US Borrower's Consolidated financial position at the respective dates thereof and the Consolidated results of US Borrower's operations and US Borrower's Consolidated cash flows for the respective periods thereof.

(d) US Borrower shall have certified to Canadian Agent and Lenders that no Restricted Person has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) which are, in the aggregate, material to US Borrower or material with respect to US Borrower's Consolidated financial condition and not shown in the Initial Financial Statements or disclosed in the Disclosure Schedule.

(e) All legal matters relating to the Canadian Loan Documents and the consummation of the transactions contemplated thereby shall be satisfactory to Thompson & Knight L.L.P., US counsel to Canadian Agent, and Blake, Cassels & Graydon, Canadian counsel to Canadian Agent.

Section 4.3. Additional Conditions Precedent to all Canadian Loans and Letters of Credit. No Lender has any obligation to make any Canadian Loan (including its first), and Canadian LC Issuer has no obligation to issue any Letter of Credit (including its first), unless the following conditions precedent have been satisfied:

(a) All representations and warranties made by any Restricted Person in any Canadian Loan Document shall be true on and as of the date of such Canadian Loan or the date of issuance of such Letter of Credit (except to the extent that the facts upon which such representations are based have been changed by the extension of credit hereunder) as if such representations and warranties had been made as of the date of such Canadian Loan or the date of issuance of such Letter of Credit.

(b) No Default shall exist at the date of such Canadian Loan or the date of issuance of such Letter of Credit.

(c) The making of such Canadian Loan or the issuance of such Letter of Credit shall not be prohibited by any Law and shall not subject any Lender or any LC Issuer to any material penalty under or pursuant to any such Law.

ARTICLE V - Representations and Warranties

To confirm each Lender's understanding concerning Restricted Persons and Restricted Persons' businesses, properties and obligations and to induce each Lender to enter into this Agreement and to extend credit hereunder, each Canadian Borrower represents and warrants to each Lender that:

Section 5.1. No Default. No event has occurred and is continuing which constitutes a Default.

Section 5.2. Organization and Good Standing. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person is duly qualified, in good standing, and authorized to do business in all other jurisdictions within Canada wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary except where failure to so qualify would not have a Material Adverse Effect. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person has taken all actions and procedures customarily taken in order to enter, for the purpose of conducting business or owning property, each jurisdiction outside Canada wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such actions and procedures desirable except where failure to so qualify would not have a Material Adverse Effect.

Section 5.3. Authorization. Each Canadian Borrower has duly taken all action necessary to authorize the execution and delivery by it of the Canadian Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder. Each Canadian Borrower is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts or Consents. The execution and delivery by each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person of the Canadian Loan Documents to which each is a party, the performance by each of its obligations under such Canadian Loan Documents, and the consummation of the transactions contemplated by the various Canadian Loan Documents, do not and will not (i) conflict with any provision of (A) any Law, (B) the organizational documents or any unanimous shareholders agreement of any Restricted Person, or
(C) any agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person unless such conflict would not reasonably be expected to have a Material Adverse Effect, or (ii) result in the acceleration of any Indebtedness owed by any Restricted Person which would reasonably be expected to have a Material Adverse Effect, or (iii) result in or require the creation of any Lien upon any assets or properties of any Restricted Person which would reasonably be expected to have a Material Adverse Effect, except as expressly contemplated or permitted in the Canadian Loan Documents. Except as expressly contemplated in the Canadian 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 any Restricted Person of any Canadian Loan Document or to consummate any transactions contemplated by the Canadian Loan Documents, unless failure to obtain such consent would not reasonably be expected to have a Material Adverse Effect.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Canadian Loan Documents when duly executed and delivered will be, legal, valid and binding obligations of each Restricted Person which is a party hereto or thereto, enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

Section 5.6. Full Disclosure. No certificate, statement or other information delivered herewith or heretofore by any Canadian Borrower or any Subsidiary of a Canadian Borrower that is a Restricted Person to any Lender in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby contains any untrue statement of a material fact or omits to state any material fact known to any such Person (other than industry-wide risks normally associated with the types of businesses conducted by Restricted Persons) necessary to make the statements contained herein or therein not misleading as of the date made or deemed made. There is no fact known to any such Person (other than industry-wide risks normally associated with the types of businesses conducted by Restricted Persons) that has not been disclosed to each Lender in writing which would reasonably be expected to have a Material Adverse Effect.

Section 5.7. Litigation. Except as disclosed in the Initial Financial Statements or in the Disclosure Schedule:
(a) there are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending, or to the knowledge of any Canadian Borrower threatened, against any Canadian Borrower or any Subsidiary of a Canadian Borrower that is a Restricted Person before any Tribunal which would reasonably be expected to have a Material Adverse Effect, and (b) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Tribunal against any Canadian Borrower which would reasonably be expected to have a Material Adverse Effect.

Section 5.8. Environmental and Other Laws. Except as disclosed in the Disclosure Schedule: (a) Canadian Borrowers and each Subsidiary of a Canadian Borrower that is a Restricted Person are conducting their businesses in material compliance with all applicable Laws, including Environmental Laws, and have and are in compliance with all licenses and permits required under any such Laws, unless failure to so comply would not reasonably be expected to have a Material Adverse Effect;
(b) none of the operations or properties of any Canadian Borrowers and each Subsidiary of a Canadian Borrower that is a Restricted Person is the subject of federal, provincial or local investigation evaluating whether any material remedial action is needed to respond to a release of any Hazardous Materials into the environment or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous Materials, unless such remedial action would not reasonably be expected to have a Material Adverse Effect; and (c) neither any Canadian Borrower nor any Subsidiary of a Canadian Borrower that is a Restricted Person (and to the best knowledge of Canadian Borrowers, no other Person) has filed any notice under any Law indicating that any such Person is responsible for the improper release into the environment, or the improper storage or disposal, of any material amount of any Hazardous Materials or that any Hazardous Materials have been improperly released, or are improperly stored or disposed of, upon any property of any such Person, unless such failure to so comply would not reasonably be expected to have a Material Adverse Effect.

Section 5.9. Names and Places of Business. Neither Canadian Borrower has, during the preceding five years, had, been known by, or used any other trade or fictitious name, except as disclosed in the Disclosure Schedule. Except as otherwise indicated in the Disclosure Schedule, the chief executive office and principal place of business of each Canadian Borrower is (and for the preceding five years have been) located at the address of such Canadian Borrower set out on the signature pages hereto. Except as indicated in the Disclosure Schedule, no Canadian Borrower or any Subsidiary of a Canadian Borrower that is a Restricted Person has any other office or place of business.

Section 5.10. Canadian Borrowers' Subsidiaries. No Canadian Borrower presently has any Subsidiary or owns any stock in any other corporation or association except those listed in the Disclosure Schedule. Neither any Canadian Borrower nor any of its Restricted Subsidiaries is a member of any general or limited partnership, limited liability company, joint venture or association of any type whatsoever except (a) those listed in the Disclosure Schedule, (b) associations, joint ventures or other relationships (i) which are established pursuant to a standard form operating agreement or similar agreement or which are partnerships for purposes of federal income taxation only,
(ii) which are not corporations or partnerships (or subject to the Uniform Partnership Act) under applicable state Law, and
(iii) whose businesses are limited to the exploration, development and operation of oil, gas or mineral properties, pipelines or gathering systems, transportation and related facilities and interests owned directly by the parties in such associations, joint ventures or relationships, and (c) associations, joint ventures or other relationships (i) which are not corporations or partnerships under applicable provincial Law, and (ii) whose businesses are limited to the exploration, development and operation of oil, gas or mineral properties, pipelines or gathering systems, transportation and related facilities and interests owned directly by the parties in such associations, joint ventures or relationships. Each Canadian Borrower owns, directly or indirectly, the equity interest in each of its Subsidiaries which is indicated in the Disclosure Schedule.

Section 5.11. Title to Properties; Licenses. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person has good and defensible title to all of its material properties and assets, free and clear of all Liens other than Permitted Liens and of all impediments to the use of such properties and assets in such Person's business except to the extent failure to have such title would not have a Material Adverse Effect. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) which are necessary to carry out its business as presently conducted and as presently proposed to be conducted hereafter, and no such Person is in violation in any material respect of the terms under which it possesses such intellectual property or the right to use such intellectual property except to the extent failure to possess such licenses, permits, franchises, and intellectual property would not have a Material Adverse Effect.

Section 5.12. Solvency. Upon giving effect to the issuance of the Canadian Notes, the execution of the Canadian Loan Documents by Canadian Borrowers and the consummation of the transactions contemplated hereby, each Canadian Borrower will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws).

Section 5.13. Year 2000 Compliance. Each Canadian Borrower has (a) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations (including those affected by suppliers and vendors) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by such Canadian Borrower and its Subsidiaries may be unable to recognize and perform properly date- sensitive functions involving certain dates prior to and any date after December 31, 1999), (b) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (c) to date, implemented that plan in accordance with that timetable. Each Canadian Borrower reasonably believes that all computer applications (including those of its suppliers and vendors) that are material to its or any of its Subsidiaries' business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, be "Year 2000 compliant"), except to the extent that a failure to do so would not reasonably be expected to have a Material Adverse Effect.

ARTICLE VI - Affirmative Covenants of Canadian Borrowers

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to each Canadian Borrower, and to induce each Lender to enter into this Agreement and extend credit hereunder, each Canadian Borrower warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Required Lenders have previously agreed otherwise:

Section 6.1. Payment and Performance. Each Canadian Borrower will pay all amounts due by it under the Canadian Loan Documents in accordance with the terms thereof and will observe, perform and comply with every covenant, term and condition expressed or implied in the Canadian Loan Documents to be binding upon it. Each Canadian Borrower will cause each of its Subsidiaries which is a Restricted Person to observe, perform and comply with every such term, covenant and condition in any Loan Document.

Section 6.2. Books, Financial Statements and Reports. Each Canadian Borrower will at all times maintain full and accurate books of account and records. Each Canadian Borrower will maintain and will cause its Subsidiaries to maintain a standard system of accounting, will maintain its Fiscal Year, and will furnish (or will cause to be furnished) the following statements and reports to each Lender Party at Canadian Borrowers' expense:

(a) As soon as available, and in any event within ninety
(90) days after the end of each Fiscal Year, complete Consolidated financial statements of US Borrower together with all notes thereto, prepared in reasonable detail in accordance with US GAAP, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by KPMG Peat Marwick L.L.P., or other independent certified public accountants selected by US Borrower and acceptable to US Agent, stating that such Consolidated financial statements have been so prepared. These financial statements shall contain a Consolidated balance sheet as of the end of such Fiscal Year and Consolidated statements of earnings, of cash flows, and of changes in owners' equity for such Fiscal Year, each setting forth in comparative form the corresponding figures for the preceding Fiscal Year. In addition, within ninety (90) days after the end of each Fiscal Year each Canadian Borrower will furnish to Canadian Agent and each Lender a certificate in the form of Exhibit D signed by the President, Senior Vice President - Finance, Treasurer or Vice President - Accounting of US Borrower, stating that such financial statements are accurate and complete, stating that such Person has reviewed the Canadian Loan Documents, containing all calculations required to be made to show compliance or non- compliance with the provisions of Sections 7.7 and 7.8, and further stating that there is no condition or event at the end of such Fiscal Year or at the time of such certificate which constitutes a Default and specifying the nature and period of existence of any such condition or event.

(b) As soon as available, and in any event within forty- five (45) days after the end of each Fiscal Quarter, US Borrower's Consolidated and consolidating balance sheet and income statement as of the end of such Fiscal Quarter and a Consolidated statement of cash flows for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, all in reasonable detail and prepared in accordance with US GAAP, subject to changes resulting from normal year-end adjustments. In addition each Canadian Borrower will, together with each such set of financial statements, furnish a certificate in the form of Exhibit D signed by the President, Senior Vice President - Finance, Treasurer or Vice President - Accounting of such US Borrower stating that such financial statements are accurate and complete (subject to normal year-end adjustments), stating that such Person has reviewed the Canadian Loan Documents, containing all calculations required to be made to show compliance or non-compliance with the provisions of Sections 7.7 and 7.8 and further stating that there is no condition or event at the end of such Fiscal Quarter or at the time of such certificate which constitutes a Default and specifying the nature and period of existence of any such condition or event.

(c) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by US Borrower or any of its Subsidiaries that is a Restricted Person to its shareholders and all registration statements, prospectuses, periodic reports and other statements and schedules filed by any such Person with any exchange, any securities commission or any similar Governmental Authority, including any information or estimates with respect to US Borrower's oil and gas business (including its exploration, development and production activities) which are required to be furnished in such Canadian Borrower's annual report pursuant to securities legislation or the rules, policies and requirements of any Governmental Authority.

Section 6.3. Other Information and Inspections. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person will furnish to each Lender any information which Canadian Agent may from time to time reasonably request concerning any covenant, provision or condition of the Loan Documents or any matter in connection with such Persons' businesses and operations. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person will permit representatives appointed by Canadian Agent (including independent accountants, auditors, agents, lawyers, appraisers and any other Persons) to visit and inspect upon prior written notice during normal business hours any of such Restricted Person's property, including its books of account, other books and records, and any

facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person shall permit Canadian Agent or its representatives to investigate and verify the accuracy of the information furnished to Canadian Agent or any Lender in connection with the Loan Documents and to discuss all such matters with its officers, employees and representatives.

Section 6.4. Notice of Material Events and Change of Address. Canadian Borrowers will promptly notify each Lender in writing, stating that such notice is being given pursuant to this Agreement, of:

(a) the occurrence of any event which would have a Material Adverse Effect,

(b) the occurrence of any Default,

(c) the acceleration of the maturity of any Indebtedness owed by any of Canadian Borrowers or any of their Subsidiaries that are Restricted Persons having a principal balance of more than US $50,000,000, or of any default by any such Person under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound, if such default would have a Material Adverse Effect,

(d) the occurrence of any Termination Event,

(e) any claim of US $50,000,000 or more, any notice of potential liability under any Environmental Laws which might exceed such amount, or any other material adverse claim asserted against any of Canadian Borrowers or any of their Subsidiaries that are Restricted Persons or with respect to any such Person's properties, and

(f) the filing of any suit or proceeding against any Canadian Borrowers or any of their Subsidiaries that are Restricted Person in which an adverse decision would have a Material Adverse Effect.

Canadian Borrowers will also notify Canadian Agent and Canadian Agent's counsel in writing promptly in the event that any Canadian Borrower or any of their Subsidiaries that is a Restricted Person changes its name or the location of its chief executive office.

Section 6.5. Maintenance of Properties. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person will maintain, preserve, protect, and keep all property used or useful in the conduct of its business in good condition, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect.

Section 6.6. Maintenance of Existence and Qualifications. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person will maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify will not have a Material Adverse Effect.

Section 6.7. Payment of Trade Liabilities, Taxes, etc. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person will (a) timely file all required tax returns; (b) timely pay all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property; and (c) maintain appropriate accruals and reserves for all of the foregoing in accordance with US GAAP. Such Restricted Person may, however, delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings and has set aside on its books adequate reserves therefor.

Section 6.8. Insurance. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person will keep or cause to be kept insured in accordance with industry standards by financially sound and reputable insurers, its surface equipment and other property of a character usually insured by similar Persons engaged in the same or similar businesses.

Section 6.9. Performance on Canadian Borrowers' Behalf. If either Canadian Borrower or any Subsidiary of a Canadian Borrower that is a Restricted Person fails to pay any taxes, insurance premiums, expenses, lawyers' fees or other amounts it is required to pay under any Canadian Loan Document, Canadian Agent may pay the same, and shall use its best efforts to give at least five (5) Business Days notice to Canadian Borrowers prior to making any such payment; provided, however, that any failure by Canadian Agent to so notify Canadian Borrowers shall not limit or otherwise impair Canadian Agent's ability to make any such payment. Northstar Energy shall immediately reimburse Canadian Agent for any such payments and each amount paid by Canadian Agent shall constitute a Canadian Obligation owed hereunder which is due and payable on the date such amount is paid by Canadian Agent.

Section 6.10. Interest. Each Canadian Borrower hereby promises to each Lender Party to pay interest at the Default Rate applicable to Canadian Base Rate Loans on all Canadian Obligations (including Canadian Obligations to pay fees or to reimburse or indemnify any Lender) which such Canadian Borrower has in this Agreement promised to pay to such Lender Party and which are not paid when due. Such interest shall accrue from the date such Canadian Obligations become due until they are paid.

Section 6.11. Compliance with Law. Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person will

conduct its business and affairs in compliance with all Laws applicable thereto except to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect.

Section 6.12. Environmental Matters.

(a) Each Canadian Borrower and each Subsidiary of a Canadian Borrower that is a Restricted Person will comply in all material respects with all Environmental Laws now or hereafter applicable to such Restricted Person, as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters, and shall obtain, at or prior to the time required by applicable Environmental Laws, all environmental, health and safety permits, licenses and other authorizations necessary for its operations and will maintain such authorizations in full force and effect, unless such failure to so comply would not reasonably be expected to have a Material Adverse Effect.

(b) will promptly furnish to Canadian Agent all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by such Canadian Borrower, or of which it has notice, pending or threatened against such Canadian Borrower, by any Governmental Authority with respect to any alleged violation of or non- compliance with any Environmental Laws or any permits, licenses or authorizations in connection with its ownership or use of its properties or the operation of its business which involve a potential liability or claim in excess of US $50,000,000.

Section 6.13. Bank Accounts; Offset. To secure the repayment of the Obligations each Canadian Borrower hereby grants to each Lender a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Lender at common Law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of such Canadian Borrower now or hereafter held or received by or in transit to any Lender from or for the account of such Canadian Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of such Canadian Borrower with any Lender, and (c) any other credits and claims of such Canadian Borrower at any time existing against any Lender, including claims under certificates of deposit. At any time and from time to time after the occurrence of any Default, each Lender is hereby authorized to offset against the Obligations then due and payable (in either case without notice to such Canadian Borrower), any and all items herein above referred to. To the extent that such Canadian Borrower has accounts designated as royalty or joint interest owner accounts, the foregoing right of offset shall not extend to funds in such accounts which belong to, or otherwise arise from payments to such Canadian Borrower for the account of, third party royalty or joint interest owners.

Section 6.14. Year 2000 Compliance. Each Canadian Borrower will promptly notify Canadian Agent in the event such Canadian Borrower discovers or determines that any computer application (including those of its suppliers and vendors) that is material to its or any of its Subsidiaries' business and operations that will not be Year 2000 compliant on a timely basis, except to the extent that such failure would not reasonably be expected to have a Material Adverse Effect.

ARTICLE VII - Negative Covenants of Canadian Borrowers

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to each Canadian Borrower, and to induce each Lender to enter into this Agreement and make the Canadian Loans, each Canadian Borrower warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Required Lenders have previously agreed otherwise:

Section 7.1. Indebtedness. Neither any Canadian Borrower nor any Subsidiary of a Canadian Borrower that is a Restricted Subsidiary will in any manner owe or be liable for Indebtedness except:

(a) the Canadian Obligations.

(b) capital lease obligations (excluding oil, gas or mineral leases) entered into in the ordinary course of such Restricted Person's business in arm's length transactions at competitive market rates under competitive terms and conditions in all respects, provided that such capital lease obligations required to be paid in any Fiscal Year do not in the aggregate exceed US $35,000,000 for all Restricted Subsidiaries, whether or not Subsidiaries of any Canadian Borrower.

(c) unsecured Liabilities owed among Restricted Persons.

(d) guaranties by one Restricted Person of Liabilities owed by another Restricted Person, if such Liabilities either (i) are not Indebtedness, or (ii) are allowed under subsections (a), (b) or (c) of this Section 7.1.

(e) Indebtedness of the Restricted Persons for plugging and abandonment bonds or for letters of credit issued by any Lender in place thereof which are required by regulatory authorities in the area of operations, and Indebtedness of the Restricted Persons for other bonds or letters of credit issued by any Lender which are required by such regulatory authorities with respect to other normal oil and gas operations.

(f) obligations under the Subordinated Devon Oklahoma Indenture, the Subordinated Devon Oklahoma Debentures and the Subordinated Devon Oklahoma Guarantee;

(g) non-recourse Indebtedness as to which no Restricted Person (i) provides any guaranty or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (ii) is directly or indirectly liable (as a guarantor or otherwise); provided, that after giving effect to such Indebtedness outstanding from time to time, US Borrower is not in violation of
Section 7.7.

(h) the following long-term institutional Indebtedness of Northstar Energy:

(i) US $150,000,000 indebtedness to The Prudential Insurance Company of America pursuant to a Note Agreement dated as of March 2, 1998 including the following guarantees of such indebtedness: (1) guarantees both dated March 2, 1998 made by Northstar Energy Partnership and David Limited Partnership; (2) guarantee dated as of July 31, 1998 made by 728098 Alberta Ltd.; and (3) any other guarantees of Subsidiaries of Northstar Energy executed after the date hereof pursuant to the terms of such Note Agreement.

(ii) US $75,000,000 indebtedness to certain institutional investors pursuant to a Note Agreement dated as of July 19, 1995, as amended from time to time, including the following guarantees of such indebtedness: (1) guarantee dated as of July 31, 1998 made by Northstar Energy Partnership; (2) guarantee dated as of July 31, 1998 made by 728098 Alberta Ltd.; and (3) any other guarantee of Subsidiaries of Northstar Energy executed after the date hereof pursuant to the terms of such Note Agreement.

including any refinancing of the above institutional indebtedness by Northstar Energy, US Borrower or any other Restricted Person on similar terms taking into account current market conditions.

(i) Indebtedness that is subordinated to the US Obligations and the Canadian Obligations on terms acceptable to Required Lenders.

(j) Indebtedness in the approximate amount of C $4,784,000 owed to Indeck Gas Supply Corporation by Northstar Energy pursuant to a Gas Sales and Purchase Agreement dated as of March 9, 1989, as heretofore or hereafter amended from time to time.

(k) Acquired Debt.

(l) Indebtedness under Hedging Contracts.

(m) Indebtedness relating to the surety bond and letter of credit obligations listed on Schedule 2.

(n) miscellaneous items of Indebtedness of all Restricted Persons (other than US Borrower) not described in subsections (a) through (m) which do not in the aggregate exceed US $100,000,000 in principal amount at any one time outstanding.

Section 7.2. Limitation on Liens. Except for Permitted Liens, neither any Canadian Borrower nor any Subsidiary of a Canadian Borrower that is a Restricted Person will create, assume or permit to exist any Lien upon any of the properties or assets which it now owns or hereafter acquires. Neither any Canadian Borrower nor any Subsidiary of a Canadian Borrower that is a Restricted Person will allow the filing or continued existence of any financing statement describing as collateral any assets or property of such Restricted Person, other than financing statements which describe only collateral subject to a Lien permitted under this section and which name as secured party or lessor only the holder of such Lien.

Section 7.3. Limitation on Mergers. Neither any Canadian Borrower nor any Subsidiary of a Canadian Borrower that is a Restricted Person will merge or consolidate with or into any other Person except that any Subsidiary of US Borrower may be merged into or consolidated with (a) another Subsidiary of US Borrower, or (b) US Borrower, so long as US Borrower is the surviving business entity.

Section 7.4. Limitation on Issuance of Securities by Subsidiaries of US Borrower. Neither any Canadian Borrower nor any Subsidiary of a Canadian Borrower that is a Restricted Person will issue any additional shares of its capital stock, additional partnership interests or other securities or any options, warrants or other rights to acquire such additional shares, partnership interests or other securities except to another Restricted Person which is a wholly-owned direct or indirect Subsidiary of US Borrower unless such securities are being issued to acquire a business, directly or indirectly through the use of the proceeds of such issuance, and such securities are convertible into the common shares or similar securities of US Borrower. In addition, (i) Northstar Energy may issue "Exchangeable Shares" (as defined in the Restated Articles of Incorporation of Northstar Energy) upon the terms specified in the Restated Articles of Incorporation of Northstar Energy as in effect on the date hereof (in this section called "Exchangeable Shares"), (ii) Devon Canada may issue exchangeable shares upon substantially the same terms as such Exchangeable Shares, and
(iii) Northstar Energy may issue stock options to its employees from time to time to acquire such Exchangeable Shares, provided that such options are granted under a stock option plan of Northstar Energy and/or US Borrower. US Borrower shall never own (directly or indirectly) less than one hundred percent (100%) of the common shares of each Canadian Borrower.

Section 7.5. Limitation on Restricted Payments. Except as permitted below in this section, neither any Canadian Borrower nor any Subsidiary of a Canadian Borrower that is a Restricted Person shall directly or indirectly (i) make any Restricted Distribution, or (ii) any Restricted Investment (the above being herein collectively referred to as "Restricted Payments"), unless the aggregate amount of Restricted Payments made during any Fiscal Year never exceeds five percent (5%) of the book value of the Consolidated Assets of US Borrower.

Section 7.6. Transactions with Affiliates. Neither any Canadian Borrower nor any Subsidiary of a Canadian Borrower that is a Restricted Person will engage in any material transaction with any of its Affiliates on terms which are less favorable in any material respect to it than those which would have been obtainable at the time in arm's-length dealing with Persons other than such Affiliates, provided that such restriction shall not apply to transactions among such Restricted Persons that are wholly-owned, directly or indirectly, by US Borrower.

Section 7.7. Funded Debt to Total Capitalization. At the end of each Fiscal Quarter, the ratio of US Borrower's Consolidated Total Funded Debt to US Borrower's Total Capitalization will never exceed sixty-five percent (65%).

ARTICLE VIII - Events of Default and Remedies

Section 8.1. Events of Default. Each of the following events constitutes an Event of Default under this Agreement:

(a) Any Restricted Person fails to pay any principal component of any Canadian Obligation when due and payable or fails to pay any other Canadian Obligation within three (3) days after the date when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise;

(b) Any "default" or "event of default" occurs under any Canadian Loan Document which defines either such term, and the same is not remedied within the applicable period of grace (if any) provided in such Loan Document;

(c) Any Restricted Person fails (other than as referred to in subsections (a) or (b) above) to (i) duly comply with the last sentence of Section 7.4 of the Canadian Agreement or (ii) duly observe, perform or comply with any other covenant, agreement, condition or provision of any Canadian Loan Document, and such failure remains unremedied for a period of thirty (30) days after notice of such failure is given by Canadian Agent to Canadian Borrower;

(d) Any representation or warranty previously, presently or hereafter made in writing by or on behalf of any Restricted Person in connection with any Canadian Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made; provided, that if such falsity or lack of correctness is capable of being remedied or cured within a 30-day period, Canadian Borrowers shall (subject to the other provisions of this Section 8.1) have a period of 30 days after written notice thereof has been given to Canadian Borrowers by Canadian Agent within which to remedy or cure such lack of correctness, or this Agreement, any Canadian Note, or the Guaranty executed by Canadian Guarantor is asserted to be or at any time ceases to be valid, binding and enforceable in any material respect as warranted in Section 5.5 for any reason other than its release or subordination by Canadian Agent;

(e) Any Restricted Person (i) fails to duly pay any Indebtedness in excess of US $50,000,000 constituting principal or interest owed by it with respect to borrowed money or money otherwise owed under any note, bond, or similar instrument, including without limitation the Subordinated Devon Oklahoma Debentures, the Subordinated Devon Oklahoma Indenture, the Subordinated Devon Oklahoma Guarantee and the Devon Trust Securities, or (ii) breaches or defaults in the performance of any agreement or instrument by which any such Indebtedness is issued, evidenced, governed, or secured, other than a breach or default described in clause (i) above, and any such failure, breach or default results in the acceleration of such Indebtedness;

(f) Any Change in Control occurs;

(g) Any "Event of Default" occurs under the US Agreement; and

(h) Any Canadian Borrower or any other Restricted Person having assets with a book value of at least US $50,000,000:

(i) suffers the entry against it of a judgment, decree or order for relief by a Tribunal of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar Law of any jurisdiction now or hereafter in effect, including the Bankruptcy and Insolvency Act (Canada) and the Companies' Creditors Arrangement Act (Canada), as each are from time to time amended, or has any such proceeding commenced against it which remains undismissed for a period of thirty days; or

(ii) commences a voluntary case under any applicable bankruptcy, insolvency or similar Law now or hereafter in effect, including the Bankruptcy and Insolvency Act (Canada) and the Companies' Creditors Arrangement Act (Canada), as each are from time to time amended; or applies for or consents to the entry of an order for relief in an involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or fails generally to pay (or admits in writing its inability to pay) its debts as such debts become due; or takes corporate or other action to authorize any of the foregoing; or

(iii) suffers the appointment of or taking possession by a receiver, receiver-manager, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its property in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within thirty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) suffers the entry against it of a final judgment for the payment of money in an amount that exceeds (x) the valid and collectible insurance in respect thereof or (y) the amount of an indemnity with respect thereto reasonably acceptable to the Required Lenders by US $50,000,000 or

more, unless the same is discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

(v) suffers a levy of distress or execution or possession, or a writ or warrant of attachment or any similar process to be issued by any Tribunal against all or any part of its property having a book value of at least US $50,000,000, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside.

Upon the occurrence of an Event of Default described in subsection (h)(i), (h)(ii) or (h)(iii) of this section with respect to Canadian Borrowers, all of the Canadian Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Canadian Borrowers and each Restricted Person who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender to make any further Canadian Advances, any obligation of Canadian LC Issuer to issue Letters of Credit hereunder, and any obligation of Canadian Swing Lender to make any further Canadian Swing Loans shall be permanently terminated. During the continuance of any other Event of Default, Canadian Agent at any time and from time to time may (and upon written instructions from Required Lenders, Canadian Agent shall), without notice to Canadian Borrowers or any other Restricted Person, do either or both of the following:
(1) terminate any obligation of Lenders to make Canadian Advances hereunder, any obligation of Canadian LC Issuer to issue Letters of Credit hereunder, and any obligation of Canadian Swing Lender to make Canadian Swing Loans hereunder, and (2) declare any or all of the Canadian Obligations immediately due and payable, and all such Canadian Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Canadian Borrowers and each Restricted Person who at any time ratifies or approves this Agreement.

Section 8.2. Remedies. If any Default shall occur and be continuing, each Lender Party may protect and enforce its rights under the Canadian Loan Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Canadian Loan Document, and each Lender Party may enforce the payment of any Canadian Obligations due it or enforce any other legal or equitable right which it may have. All rights, remedies and powers conferred upon Lender Parties under the Canadian Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Canadian Loan Documents or at Law or in equity.

ARTICLE IX - Canadian Agent

Section 9.1. Appointment, Powers, and Immunities. Each Lender hereby irrevocably appoints and authorizes Canadian Agent to act as its agent under this Agreement and the other Canadian Loan Documents with such powers and discretion as are specifically delegated to Canadian Agent by the terms of this Agreement and the other Canadian Loan Documents, together with such other powers as are reasonably incidental thereto. Canadian Agent (which term as used in this sentence and in Section 9.5 and the first sentence of Section 9.6 hereof shall include its Affiliates and its own and its Affiliates' officers, directors, employees, and agents): (a) shall not have any duties or responsibilities except those expressly set forth in this Agreement and shall not be a trustee or fiduciary for any Lender;
(b) shall not be responsible to the Lenders for any recital, statement, representation, or warranty (whether written or oral) made in or in connection with any Canadian Loan Document or any certificate or other document referred to or provided for in, or received by any of them under, any Canadian Loan Document, or for the value, validity, effectiveness, genuineness, enforceability, or sufficiency of any Canadian Loan Document, or any other document referred to or provided for therein or for any failure by any Restricted Person or any other Person to perform any of its obligations thereunder; (c) shall not be responsible for or have any duty to ascertain, inquire into, or verify the performance or observance of any covenants or agreements by any Restricted Person or the satisfaction of any condition or to inspect the property (including the books and records) of any Restricted Person or any of its Subsidiaries or Affiliates;
(d) shall not be required to initiate or conduct any litigation or collection proceedings under any Canadian Loan Document; and
(e) shall not be responsible for any action taken or omitted to be taken by it under or in connection with any Canadian Loan Document, except for its own gross negligence or willful misconduct. Canadian Agent may employ agents and attorneys-in- fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care.

Section 9.2. Reliance by Canadian Agent. Canadian Agent shall be entitled to rely upon any certification, notice, instrument, writing, or other communication (including, without limitation, any thereof by telephone or telecopy) believed by it to be genuine and correct and to have been signed, sent or made by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel (including counsel for any Restricted Person), independent accountants, and other experts selected by Canadian Agent. Canadian Agent may deem and treat the payee of any Canadian Note as the holder thereof for all purposes hereof unless and until Canadian Agent receives and accepts an Assignment and Acceptance executed in accordance with
Section 10.6 hereof. As to any matters not expressly provided for by this Agreement, Canadian Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully indemnified and protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding on all of the Lenders; provided, however, that Canadian Agent shall not be required to take any action that exposes Canadian Agent to personal liability or that is contrary to any Canadian Loan Document or applicable Law or unless it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking any such action.

Section 9.3. Defaults. Canadian Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless Canadian Agent has received written notice from a Lender or Canadian Borrowers specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that Canadian Agent receives such a notice of the occurrence of a Default or Event

of Default, Canadian Agent shall give prompt notice thereof to the Lenders. Canadian Agent shall (subject to Section 9.1 hereof) take such action with respect to such Default or Event of Default as shall reasonably be directed by the Required Lenders. Notwithstanding the foregoing, unless and until Canadian Agent shall have received such directions, Canadian Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Lenders.

Section 9.4. Rights as Lender. With respect to its Percentage Share of the Canadian Maximum Credit Amount and the Canadian Loans made by it, Canadian Agent (and any successor acting as Canadian Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as Canadian Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include Canadian Agent in its individual capacity. Canadian Agent (and any successor acting as Canadian Agent) and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to, make Investments in, provide services to, and generally engage in any kind of lending, trust, or other business with any Restricted Person or any of its Subsidiaries or Affiliates as if it were not acting as Canadian Agent, and Canadian Agent (and any successor acting as Canadian Agent) and its Affiliates may accept fees and other consideration from any Restricted Person or any of its Subsidiaries or Affiliates for services in connection with this Agreement or otherwise without having to account for the same to the Lenders.

Section 9.5. Indemnification. The Lenders agree to indemnify Canadian Agent (to the extent not reimbursed under Section 10.4 hereof, but without limiting the obligations of Canadian Borrowers under such section) ratably in accordance with their respective Percentage Shares, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including legal fees), or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against Canadian Agent (including by any Lender) in any way relating to or arising out of any Canadian Loan Document or the transactions contemplated thereby or any action taken or omitted by Canadian Agent under any Canadian Loan Document (INCLUDING ANY OF THE FOREGOING ARISING FROM THE NEGLIGENCE OF CANADIAN AGENT); provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Person to be indemnified. Without limitation of the foregoing, each Lender agrees to reimburse Canadian Agent promptly upon demand for its ratable share of any costs or expenses payable by Canadian Borrower under Section 10.4, to the extent that Canadian Agent is not promptly reimbursed for such costs and expenses by Canadian Borrowers. The agreements contained in this section shall survive payment in full of the Canadian Loans and all other amounts payable under this Agreement.

Section 9.6. Non-Reliance on Canadian Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on Canadian Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Canadian Borrowers and their Subsidiaries and decision to enter into this Agreement and that it will, independently and without reliance upon Canadian Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under the Canadian Loan Documents. Except for notices, reports, and other documents and information expressly required to be furnished to the Lenders by Canadian Agent hereunder, Canadian Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition, or business of any Restricted Person or any of its Subsidiaries or Affiliates that may come into the possession of Canadian Agent or any of its Affiliates.

Section 9.7. Rights as Lender. In its capacity as a Lender, Canadian Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not Canadian Agent. Canadian Agent may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with any Restricted Person or their Affiliates, all as if it were not Canadian Agent hereunder and without any duty to account therefor to any other Lender.

Section 9.8. Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights under Canadian Loan Documents or rights of banker's lien, set off, or counterclaim against Canadian Borrowers or otherwise, obtain payment of a portion of the aggregate Obligations owed to it which, taking into account all distributions made by Canadian Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by Canadian Agent and distributed pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to share all payments as provided for in Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that Canadian Agent and all Lender Parties share all payments of Obligations as provided in Section 3.1; provided, however, that nothing herein contained shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of indebtedness other than the Obligations. Canadian Borrowers expressly consent to the foregoing arrangements and agree that any holder of any such interest or other participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together with interest, if any, if interest is required pursuant to the order of a Tribunal order to be paid on account of the possession of such funds prior to such recovery.

Section 9.9. Investments. Whenever Canadian Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds which it has received, or whenever Canadian Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, Canadian Agent may choose to defer distribution of the funds which are the subject of such uncertainty or dispute. If Canadian Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if Canadian Agent is otherwise required to invest funds pending distribution to Lender Parties, Canadian Agent shall invest such funds pending distribution; all interest on any such Investment shall be distributed upon the distribution of such Investment and in the same proportion and to the same Persons as such Investment. All moneys received by Canadian Agent for distribution to Lender Parties (other than to the Person who is Canadian Agent in its separate capacity as a Lender Party) shall be held by Canadian Agent pending such distribution solely as Canadian Agent

for such Lender Parties, and Canadian Agent shall have no equitable title to any portion thereof.

Section 9.10. Benefit of Article IX. The provisions of this Article (other than the following Section 9.11) are intended solely for the benefit of Lender Parties, and no Restricted Person shall be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender. Lender Parties may waive or amend such provisions as they desire without any notice to or consent of Canadian Borrower or any Restricted Person.

Section 9.11. Resignation. Canadian Agent may resign at any time by giving written notice thereof to Lenders and Canadian Borrowers. Each such notice shall set forth the date of such resignation. Upon any such resignation, Required Lenders shall have the right to appoint a successor Canadian Agent and if no Default or Event of Default has occurred and is continuing, Required Lenders shall obtain the consent of Canadian Borrowers. A successor must be appointed for any retiring Canadian Agent, and such Canadian Agent's resignation shall become effective when such successor accepts such appointment. If, within thirty days after the date of the retiring Canadian Agent's resignation, no successor Canadian Agent has been appointed and has accepted such appointment, then the retiring Canadian Agent may appoint a successor Canadian Agent, which shall be a commercial bank organized or licensed to conduct a banking or trust business under the Laws of Canada or of any province thereof and if no Default or Event of Default has occurred and is continuing, retiring Canadian Agent shall obtain the consent of Canadian Borrowers. Upon the acceptance of any appointment as Canadian Agent hereunder by a successor Canadian Agent, the retiring Canadian Agent shall be discharged from its duties and obligations under this Agreement and the other Canadian Loan Documents. After any retiring Canadian Agent's resignation hereunder the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Canadian Agent under the Canadian Loan Documents.

Section 9.12. Lenders to Remain Pro Rata. It is the intent of all parties hereto that, except for Competitive Bid Loans, Canadian Swing Loans, US Swing Loans and matters related thereto, the pro rata share of each Lender in the US Obligations and the Canadian Obligations shall be substantially the same at all times during the term of this Agreement. Accordingly, the initial Percentage Share of each Lender in the US Maximum Credit Amount will be the same as the initial Percentage Share of such Lender in the Canadian Maximum Credit Amount. All subsequent assignments and adjustments of the interests of the Lenders in the US Obligations and the Canadian Obligations will be made so as to maintain such a pro rata arrangement; provided that for the purposes of determining these pro rata shares, any Percentage Share held by any Lender's Affiliates shall be included in determining the interests of such Lender.

ARTICLE X - Miscellaneous

Section 10.1. Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by any Lender Party in exercising any right, power or remedy which such Lender Party may have under any of the Canadian Loan Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of any Canadian Loan Document and no consent to any departure therefrom shall ever be effective unless it is in writing and signed as provided below in this section, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on any Restricted Person shall in any case of itself entitle any Restricted Person to any other or further notice or demand in similar or other circumstances. This Agreement and the other Canadian Loan Documents set forth the entire understanding between the parties hereto with respect to the transactions contemplated herein and therein and supersede all prior discussions and understandings with respect to the subject matter hereof and thereof, and no waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Canadian Loan Documents shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Canadian Borrowers, by Canadian Borrowers, (ii) if such party is Canadian Agent or Canadian LC Issuer, by such party, and (iii) if such party is a Lender, by such Lender or by Canadian Agent on behalf of Lenders with the written consent of Required Lenders (which consent has already been given as to the termination of the Canadian Loan Documents as provided in Section 10.10). Notwithstanding the foregoing or anything to the contrary herein, Canadian Agent shall not, without the prior consent of Majority Lenders, execute and deliver on behalf of such Lender any waiver or amendment which would increase the Canadian Maximum Credit Amount hereunder. Notwithstanding the foregoing or anything to the contrary herein, Canadian Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment which would: (1) waive any of the conditions specified in Article IV, (2) increase the maximum amount which such Lender is committed hereunder to lend, (3) reduce any fees payable to such Lender hereunder, or the principal of, or interest on, such Lender's Note, (4) postpone any date fixed for any payment of any such fees, principal or interest, (5) amend the definition herein of "Required Lenders", "Majority Lenders", or otherwise change the aggregate amount of Percentage Shares which is required for Canadian Agent, Lenders or any of them to take any particular action under the Canadian Loan Documents, (6) release Canadian Borrowers from their obligation to pay such Lender's Note or Canadian Guarantor from its guaranty of such payment, or (7) amend this Section 10.1(a).

(b) Acknowledgments and Admissions. Canadian Borrower hereby represents, warrants, acknowledges and admits that (i) it has been advised by counsel in the negotiation, execution and delivery of the Canadian Loan Documents to which it is a party,
(ii) it has made an independent decision to enter into this Agreement and the other Canadian Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by Canadian Agent or any Lender, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Canadian Loan Document delivered on or after the date hereof, (iii) there are no representations, warranties, covenants, undertakings or agreements by any Lender as to the Canadian Loan Documents except as expressly set out in this Agreement or in another Canadian Loan Document delivered on or after the date hereof, (iv) no Lender has any fiduciary obligation toward such Canadian Borrower with respect to any Canadian Loan Document or the transactions contemplated thereby,
(v) the relationship pursuant to the Canadian Loan Documents between such Canadian Borrower and the other Restricted Persons, on one hand,

and each Lender, on the other hand, is and shall be solely that of debtor and creditor, respectively, (vi) no partnership or joint venture exists with respect to the Canadian Loan Documents between any Restricted Person and any Lender,
(vii) Canadian Agent is not such Canadian Borrower's Canadian Agent, but Canadian Agent for Lenders, (viii) without limiting any of the foregoing, Canadian Borrower is not relying upon any representation or covenant by any Lender, or any representative thereof, and no such representation or covenant has been made, that any Lender will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the Canadian Loan Documents with respect to any such Event of Default or Default or any other provision of the Canadian Loan Documents, and (ix) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

(c) Joint Acknowledgment. This written Agreement 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.

(d) Annual Rates of Interest. For the purposes of the Interest Act (Canada), whenever interest payable pursuant to this Agreement is calculated on the basis of a period other than a calendar year (the "Interest Period"), each rate of interest determined pursuant to such calculation expressed as an annual rate is equivalent to such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the Interest Period.

There are no unwritten oral agreements between the parties.

Section 10.2. Survival of Agreements; Cumulative Nature. All of Restricted Persons' various representations, warranties, covenants and agreements in the Canadian Loan Documents shall survive the execution and delivery of this Agreement and the other Canadian Loan Documents and the performance hereof and thereof, including the making or granting of the Canadian Loans and the delivery of the Canadian Notes and the other Canadian Loan Documents, and shall further survive until all of the Canadian Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to Canadian Borrowers are terminated. All statements and agreements contained in any certificate or other instrument delivered by any Restricted Person to any Lender Party under any Canadian Loan Document shall be deemed representations and warranties by each Canadian Borrower or agreements and covenants of Canadian Borrower under this Agreement. The representations, warranties, indemnities, and covenants made by Restricted Persons in the Canadian Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the Canadian Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Canadian Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Canadian Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various Canadian Loan Documents.

Section 10.3. Notices. All notices, requests, consents, demands and other communications required or permitted under any Canadian Loan Document shall be in writing, unless otherwise specifically provided in such Canadian Loan Document (provided that Canadian Agent may give telephonic notices to the other Lender Parties), and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, by delivery service with proof of delivery, or by registered Canadian mail, postage prepaid, to each Canadian Borrower and Restricted Persons at the address of each Canadian Borrower specified on the signature pages hereto and to Canadian Agent at its address specified on the signature pages hereto and to each Lender Party at the address specified on Annex II (unless changed by similar notice in writing given by the particular Person whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile or other electronic transmission, upon receipt, or (c) in the case of registered Canadian mail, five Business Days after deposit in the mail; provided, however, that no Borrowing Notice shall become effective until actually received by Canadian Agent.

Section 10.4. Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Northstar Energy will promptly (and in any event, within 30 days after any invoice or other statement or notice) pay: (i) all reasonable costs and expenses incurred by or on behalf of Canadian Agent (including without limitation, legal fees) in connection with (1) the negotiation, preparation, execution and delivery of the Canadian Loan Documents, and any and all consents, waivers or other documents or instruments relating thereto, (2) the filing, recording, refiling and re-recording of any Canadian Loan Documents and any other documents or instruments or further assurances required to be filed or recorded or refiled or re-recorded by the terms of any Canadian Loan Document, (3) the borrowings hereunder and other action reasonably required in the course of administration hereof, (4) monitoring or confirming (or preparation or negotiation of any document related to) Canadian Borrowers' compliance with any covenants or conditions contained in this Agreement or in any Canadian Loan Document, and (ii) all reasonable costs and expenses incurred by or on behalf of any Lender Party (including without limitation, legal fees, consultants' fees and accounting fees) in connection with the defense or enforcement of any of the Canadian Loan Documents (including this section) or the defense of any Lender Party's exercise of its rights thereunder.

(b) Indemnity. Northstar Energy agrees to indemnify each Lender Party, upon demand, from and against any and all liabilities, obligations, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements, excluding principal and interest owing by Devon Canada with respect to Canadian Advances made to Devon Canada, but including reasonable fees of legal counsel, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") which to any

extent (in whole or in part) may be imposed on, incurred by, or asserted against such Lender Party growing out of, resulting from or in any other way associated with the Canadian Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort or otherwise and including any violation or noncompliance with any Environmental Laws by any Lender Party or any other Person or any liabilities or duties of any Lender Party or any other Person with respect to Hazardous Materials found in or released into the environment). The foregoing indemnification shall apply whether or not such liabilities and costs are in any way or to any extent owed, in whole or in part, under any claim or theory of strict liability or caused, in whole or in part by any negligent act or omission of any kind by any Lender Party,

provided only that no Lender Party shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment. If any Person (including Canadian Borrowers or any of their Affiliates) ever alleges such gross negligence or willful misconduct by any Lender Party, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. As used in this section the term "Lender Party" shall refer not only to each Person designated as such in Section 1.1 but also to each director, officer, agent, attorney, employee, representative and Affiliate of such Person.

Section 10.5. Parties in Interest. All grants, covenants and agreements contained in the Canadian Loan Documents shall bind and inure to the benefit of the parties thereto and their respective successors and assigns; provided, however, that no Restricted Person may assign or transfer any of its rights or delegate any of its duties or obligations under any Canadian Loan Document without the prior consent of Required Lenders. No Canadian Borrower nor any Affiliates of any Canadian Borrower shall directly or indirectly purchase or otherwise retire any Obligations owed to any Lender nor will any Lender accept any offer to do so, unless each Lender shall have received substantially the same offer with respect to the same Percentage Share of the Obligations owed to it. If Canadian Borrower or any Affiliate of any Canadian Borrower at any time purchases some but less than all of the Obligations owed to all Lender Parties, such purchaser shall not be entitled to any rights of any Lender under the Canadian Loan Documents unless and until Canadian Borrowers or their Affiliates have purchased all of the Obligations.

Section 10.6. Assignments and Participations.

(a) Each Lender may assign to one or more Eligible Transferees all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Canadian Loans, its Note, and its Percentage Share of the Canadian Maximum Credit Amount); provided, however, that

(i) each such assignment shall be to an Eligible Transferee;

(ii) together with each such assignment of its rights and obligations under this Agreement, such Lender shall assign the same Percentage Share of its rights and obligations under the US Agreement to the same Eligible Transferee or an Affiliate of such Eligible Transferee;

(iii) except in the case of such an assignment to another Lender or an assignment of all of a Lender's rights and obligations under this Agreement, any partial assignment of such Lender's rights and obligations under this Agreement and under the US Agreement shall be in a collective amount at least equal to US $20,000,000 or an integral multiple of US $5,000,000 in excess thereof;

(iv) each such assignment by a Lender shall be of a constant, and not varying, percentage of all of its rights and obligations under the Canadian Loan Documents; and

(v) the parties to such assignment shall execute and deliver to Canadian Agent for its acceptance an Assignment and Acceptance in the form of Exhibit F hereto, together with any Canadian Note subject to such assignment and a processing fee of US$3,500.

Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Agreement. Upon the consummation of any assignment pursuant to this section, the assignor, Canadian Agent and Canadian Borrowers shall make appropriate arrangements so that, if required, new Canadian Notes are issued to the assignor and the assignee. If the assignee is not incorporated under the Laws of Canada or a province thereof, it shall deliver to Canadian Borrowers and Canadian Agent certification as to exemption from deduction or withholding of Taxes in accordance with Section 3.9 of the US Agreement.

(b) Canadian Agent shall maintain at its address referred to in Section 10.3 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and their Percentage Share of the Canadian Maximum Credit Amount of, and principal amount of the Canadian Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and Canadian Borrowers, Canadian Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Canadian Borrowers or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(c) Upon its receipt of an Assignment and Acceptance executed by the parties thereto, together with any Canadian Note subject to such assignment and payment of the processing fee, Canadian Agent shall, if such Assignment and Acceptance has been completed and is in

substantially the form of Exhibit F hereto,
(i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the parties thereto.

(d) Each Lender may sell participations to one or more Persons that are Eligible Transferees in all or a portion of its rights and obligations under this Agreement (including all or a portion of the Canadian Maximum Credit Amount and its Canadian Loans); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participant shall be entitled to the benefit of the yield protection provisions contained in Article III and the right of offset contained in
Section 6.13, and (iv) Canadian Borrowers shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of Canadian Borrowers relating to its Canadian Loans and its Canadian Note and to approve any amendment, modification, or waiver of any provision of this Agreement (other than amendments, modifications, or waivers decreasing the amount of principal of or the rate at which interest is payable on such Canadian Loans or Canadian Note, extending any scheduled principal payment date or date fixed for the payment of interest on such Canadian Loans or Canadian Note, or extending its Canadian Maximum Credit Amount).

(e) Notwithstanding any other provision set forth in this Agreement, any Lender residing in the United States may at any time assign and pledge all or any portion of its Canadian Advances and its Canadian Note to any Federal Reserve Bank as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

(f) Any Lender may furnish any information concerning Canadian Borrowers or any of its Subsidiaries in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants), subject, however, to the provisions of Section 10.7 hereof.

Section 10.7. Confidentiality. Canadian Agent and each Lender (each, a "Lending Party") agrees to keep confidential any information furnished or made available to it by Canadian Borrowers pursuant to this Agreement that is marked confidential; provided that nothing herein shall prevent any Lending Party from disclosing such information (a) to any other Lending Party or any Affiliate of any Lending Party, or any officer, director, employee, agent, or advisor of any Lending Party or Affiliate of any Lending Party, (b) to any other Person if reasonably incidental to the administration of the credit facility provided herein, (c) as required by any Law, rule, or regulation, (d) upon the order of any Tribunal, (e) upon the request or demand of any regulatory agency or authority, (f) that is or becomes available to the public or that is or becomes available to any Lending Party other than as a result of a disclosure by any Lending Party prohibited by this Agreement, (g) in connection with any litigation to which such Lending Party or any of its Affiliates may be a party, (h) to the extent necessary in connection with the exercise of any remedy under this Agreement or any other Canadian Loan Document, and (i) subject to provisions substantially similar to those contained in this section, to any actual or proposed participant or assignee.

Section 10.8. Governing Law; Submission to Process. Except to the extent that the law of another jurisdiction is expressly elected in a Canadian Loan Document, the Canadian Loan Documents shall be deemed contracts and instruments made under the laws of the Province of Alberta and shall be construed and enforced in accordance with and governed by the laws of the Province of Alberta and the laws of Canada applicable thereto, without regard to principles of conflicts of law. Each of the parties hereby agrees that any legal action or proceeding against such Canadian Borrower with respect to this Agreement, the Canadian Notes or any of the Canadian Loan Documents may be brought in the courts of the Province of Alberta and each party submits and attorns to, the non-exclusive jurisdiction of the aforesaid courts. Each party waives any right to stay or to dismiss any action or proceeding brought before said courts on the basis of forum non conveniens. Nothing herein shall affect the right of Lender Parties to serve process in any other manner permitted by law or shall limit the right of Lender Parties to bring proceedings against Canadian Borrowers in the courts of any other jurisdiction.

Section 10.9. Waiver of Judgment Interest Act (Alberta). To the extent permitted by Law, the provisions of the Judgment Interest Act (Alberta) shall not apply to the Canadian Loan Documents and are hereby expressly waived by Canadian Borrowers.

Section 10.10. Deemed Reinvestment Not Applicable. For the purposes of the Interest Act (Canada), the principle of deemed reinvestment of interest shall not apply to any interest calculation under the Canadian Loan Documents, and the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

Section 10.11. Limitation on Interest. Lender Parties, Restricted Persons and any other parties to the Canadian Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such Persons stipulate and agree that none of the terms and provisions contained in the Canadian Loan Documents shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be charged by applicable Law from time to time in effect. Neither any Restricted Person nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully charged under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the Canadian Loan Documents which may be in conflict or apparent conflict herewith. Lender Parties expressly disavow any intention to charge or collect excessive unearned interest or finance charges in the event the maturity of any Obligation is accelerated. If (a) the maturity of any Obligation is accelerated for any reason, (b) any Obligation is prepaid and as a result any amounts held to constitute interest are determined to be in excess of the legal maximum, or (c) any Lender or any other holder of any or all of the Obligations shall otherwise collect moneys which are determined to constitute interest which would otherwise increase the interest on any or all of the

Obligations to an amount in excess of that permitted to be charged by applicable Law then in effect, then all sums determined to constitute interest in excess of such legal limit shall, without penalty, be promptly applied to reduce the then outstanding principal of the related Obligations or, at such Lender's or holder's option, promptly returned to Canadian Borrowers or the other payor thereof upon such determination. In determining whether or not the interest paid or payable, under any specific circumstance, exceeds the maximum amount permitted under applicable Law, Lender Parties and Restricted Persons (and any other payors thereof) shall to the greatest extent permitted under applicable Law, and in accordance with generally accepted actuarial practices and principles, (i) characterize any non-principal payment as an expense, fee or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the instruments evidencing the Obligations in accordance with the amounts outstanding from time to time thereunder and the maximum legal rate of interest from time to time in effect under applicable Law in order to lawfully charge the maximum amount of interest permitted under applicable Law. In no event shall the aggregate "interest" (as defined in section 347 of the Criminal Code (Canada)) payable under the Canadian Loan Documents exceed the maximum effective annual rate of interest on the "credit advanced" (as defined in that section) permitted under that section and, if any payment, collection or demand pursuant to this Agreement in respect of "interest" (as defined in that section) is determined to be contrary to the provisions of that section, such payment, collection or demand shall be deemed to have been made by mutual mistake of Canadian Borrowers, Canadian Agent and Lenders and the amount of such excess payment or collection shall be refunded to Canadian Borrowers. For purposes of the Canadian Loan Documents, the effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term applicable to the Canadian Obligations on the basis of annual compounding of the lawfully permitted rate of interest and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by Canadian Agent shall be prima facie evidence, for the purposes of such determination.

Section 10.12. Termination; Limited Survival. In their sole and absolute discretion, Canadian Borrowers may at any time that no Obligations are owing elect in a written notice delivered to Canadian Agent to terminate this Agreement. Upon receipt by Canadian Agent of such a notice, if no Obligations are then owing this Agreement and all other Canadian Loan Documents shall thereupon be terminated and the parties thereto released from all prospective obligations thereunder. Notwithstanding the foregoing or anything herein to the contrary, any waivers or admissions made by any Restricted Person in any Canadian Loan Document, any Obligations under Sections 3.2 through 3.6, and any obligations which any Person may have to indemnify or compensate any Lender Party shall survive any termination of this Agreement or any other Canadian Loan Document. At the request and expense of Canadian Borrowers, Canadian Agent shall prepare and execute all necessary instruments to reflect and effect such termination of the Canadian Loan Documents. Canadian Agent is hereby authorized to execute all such instruments on behalf of all Lenders, without the joinder of or further action by any Lender.

Section 10.13. Severability. If any term or provision of any Canadian Loan Document shall be determined to be illegal or unenforceable all other terms and provisions of the Canadian Loan Documents shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

Section 10.14. Counterparts; Fax. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Agreement. This Agreement and the Canadian Loan Documents may be validly executed and delivered by facsimile or other electronic transmission.

Section 10.15. Waiver of Jury Trial, Punitive Damages, etc. Each Canadian Borrower and each Lender Party hereby knowingly, voluntarily, intentionally, and irrevocably (a) waives, to the maximum extent not prohibited by Law, any right it may have to a trial by jury in respect of any litigation based hereon, or directly or indirectly at any time arising out of, under or in connection with the Canadian Loan Documents or any transaction contemplated thereby or associated therewith, before or after maturity; (b) waives, to the maximum extent not prohibited by Law, any right it may have to claim or recover in any such litigation any "Special Damages", as defined below, (c) certifies that no party hereto nor any representative or agent or counsel for any party hereto has represented, expressly or otherwise, or implied that such party would not, in the event of litigation, seek to enforce the foregoing waivers, and (d) acknowledges that it has been induced to enter into this Agreement, the other Canadian Loan Documents and the transactions contemplated hereby and thereby by, among other things, the mutual waivers and certifications contained in this section. As used in this section, "Special Damages" includes all special, consequential, exemplary, or punitive damages (regardless of how named), but does not include any payments or funds which any party hereto has expressly promised to pay or deliver to any other party hereto.

Section 10.16. Defined Terms. Capitalized terms and phrases used and not otherwise defined herein shall for all purposes of this Agreement have the meaning given to such terms and phrases in Annex I hereto.

Section 10.17. Annex I, Exhibits and Schedules; Additional Definitions. Annex I, Annex II, and all Exhibits and Schedules attached to this Agreement are a part hereof for all purposes.

Section 10.18. Amendment of Defined Instruments. Unless the context otherwise requires or unless otherwise provided herein the terms defined in this Agreement which refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement.

Section 10.19. References and Titles. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Agreement", "this instrument", "herein",

"hereof", "hereby", "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation". Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

Section 10.20. Calculations and Determinations. All calculations under the Canadian Loan Documents of interest chargeable with respect to Eurodollar Loans and of fees shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 360 days. All other calculations of interest made under the Canadian Loan Documents shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 365 or 366 days, as appropriate. Each determination by a Lender Party of amounts to be paid under Article III or any other matters which are to be determined hereunder by a Lender Party (such as any US Dollar Eurodollar Rate, Canadian Dollar Eurodollar Rate, Adjusted US Dollar Eurodollar Rate, Adjusted Canadian Dollar Eurodollar Rate, Business Day, Interest Period, or Reserve Requirement) shall, in the absence of manifest error, be conclusive and binding. Unless otherwise expressly provided herein or unless Required Lenders otherwise consent all financial statements and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with US GAAP.

Section 10.21. Construction of Indemnities and Releases. All indemnification and release provisions of this Agreement shall be construed broadly (and not narrowly) in favor of the Persons receiving indemnification from or being released.

Section 10.22. Separate Obligations. All obligations of Northstar Energy and Devon Canada under this Agreement and the other Canadian Loan Documents are separate and individual obligations of Northstar Energy and Devon Canada, respectively, and Northstar Energy shall not have any liabilities in respect of Canadian Advances made by the Lenders to Devon Canada nor shall Devon Canada have any liabilities in respect of Canadian Advances made to Northstar Energy.

Section 10.23. Termination of Existing Canadian Agreement. Upon the payment in full of all outstanding indebtedness owing under the Existing Canadian Agreement, the Existing Canadian Agreement and the other loan documents executed pursuant thereto shall be terminated and the parties thereto shall have no further obligations or liabilities, covenants, or representations thereunder; provided, however, the indemnification obligations provided in the Existing Canadian Agreement shall not be terminated and shall survive the termination of the Existing Canadian Agreement.

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

NORTHSTAR ENERGY CORPORATION
Canadian Borrower

By:
Paul Brereton
Vice President - Finance

Address:
3000, 400-3 Avenue SW
Calgary, AB T2P 4H2
Attention: Vice President -

Finance
Telephone: (403) 213-8151 Fax: (403) 213-8190

DEVON ENERGY CANADA CORPORATION
Canadian Borrower

By:
Paul Brereton
Vice President - Finance

Address:
3000, 400-3 Avenue SW
Calgary, AB T2P 4H2
Attention: Vice President -

Finance
Telephone: (403) 213-8151 Fax: (403) 213-8190
BANK OF AMERICA CANADA

Administrative Agent, Canadian
LC Issuer and Lender

By:
Richard J. Hall
Vice President

Address:
200 Front Street West, Suite

2700
Toronto, Canada M5V 3L2 Attention: Richard J. Hall Telephone: (416)349-4008 Fax: (416) 349-4283

BANK ONE CANADA
Lender

By:
Name:
Title:

BANK OF MONTREAL
Lender

By:
Name:
Title:

THE CHASE MANHATTAN BANK
Lender

By:
Name:
Title:

UMB OKLAHOMA BANK
Lender

By:
Name:
Title:

FIRST UNION NATIONAL BANK
Lender

By:
Name:
Title:

TORONTO-DOMINION BANK
Lender

By:
Name:
Title:

WESTDEUTSCHE LANDESBANK GIROZENTRALE
Lender

By:
Name:
Title:

By:
Name:
Title:

THE BANK OF NEW YORK
Lender

By:
Name:
Title:

ROYAL BANK OF CANADA
Lender

By:
Name:
Title:

SUNTRUST BANK, ATLANTA
Lender

By:
Name:
Title:

By:
Name:
Title:

J.P. MORGAN CANADA
Lender

By:
Name:
Title:

CITIBANK CANADA
Lender

By:
Name:
Title:

DEUTSCHE BANK AG
Lender

By:
Name:
Title:

CANADIAN IMPERIAL BANK OF COMMERCE
Lender

By:
Name:
Title:

By:
Name:
Title:

DEVON ENERGY CORPORATION

SEVERANCE AGREEMENT

(Effective: May 19, 1999)

J. Larry Nichols
(3 x AP)

SEVERANCE AGREEMENT

SEVERANCE AGREEMENT (the "Agreement") entered into among DEVON ENERGY CORPORATION (NEVADA) a Nevada corporation ("Devon Nevada"), DEVON ENERGY CORPORATION, an Oklahoma corporation ("Devon Energy"), DEVON DELAWARE CORPORATION, a Delaware corporation ("Devon Delaware"), and J. Larry Nichols, an individual (the "Executive"), dated the 19th day of May, 1999 (the "Effective Date").

WHEREAS, Devon Energy and Devon Delaware have entered into that certain Amended and Restated Agreement and Plan of Merger by and among Devon Energy Corporation, Devon Delaware Corporation, Devon Oklahoma Corporation and PennzEnergy Company, dated as of May 19, 1999 (the "Merger Agreement"); and

WHEREAS, for purposes of this Agreement, the term "Company" shall mean Devon Energy, Devon Nevada, or Devon Delaware or any of their Affiliates; provided, for purposes of the definition of "Change of Control Date," from and after the closing of the transactions contemplated under the Merger Agreement, the term "Company" shall mean Devon Delaware; and

WHEREAS, the Company deems the services of the Executive to be of great and unique value to the business of the Company and the Company desires to assure both itself of continuity of management and the Executive of continued employment; and

WHEREAS, the Executive is a key management employee of the Company and is presently making and is expected to continue making substantial contributions to the Company; and

WHEREAS, it is in the best interests of the Company and its shareholders to induce the Executive to remain in the employ of the Company; and

WHEREAS, the Executive presently is serving in his capacity as President and Chief Executive Officer of the Company; and

WHEREAS, the Executive and the Company previously entered into that certain Severance Agreement ("Prior Agreement") which provided additional amounts of compensation in the event of his termination of employment following "change of control date" or an "acquisition date" (each as defined in the Prior Agreement); and

WHEREAS, this Agreement shall be considered as an amendment and restatement of the Prior Agreement; and

WHEREAS, the Company desires to induce the Executive to remain in the employ of the Company by providing to him additional amounts of compensation in the event of his termination of employment following a Change of Control Date or an Acquisition Date (each as defined herein) for the reasons specified herein.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Executive and the Company hereby agree as provided below.

1. Operation of Agreement. The purpose of this Agreement is to provide to the Executive additional amounts of compensation in the event of the termination of his employment following a Change of Control Date or an Acquisition Date for the reasons specified herein. Accordingly, the Company and the Executive have entered into this Agreement in accordance with the terms and provisions herein to provide such protection to the Executive. For the purposes of this Agreement, where the following capitalized words and phrases appear in this Agreement, they shall have the meanings set forth below unless a different context is clearly expressed herein.

(a) Acquisition Date. "Acquisition Date" shall mean the date on which the Company or any of its affiliates (as defined in Rule 12b-2 as promulgated under the Securities Exchange Act of 1934) ("Affiliates") completes the acquisition of oil and gas properties, or assets, or a business entity owning such properties or assets under a contract ("Acquisition Contract") which results in a 20% or more increase in the total oil and gas reserves or total assets of the Company. For purposes of determining whether a 20% or more increase in total oil and gas reserves or total assets of the Company has occurred, the Company's ownership interest, both direct and indirect, in the oil and gas reserves or the total assets of any other business enterprise which is or becomes an Affiliate will be included; provided, such determination shall be made in accordance with generally accepted accounting principles. In the case of a Business Combination where the Company is not the surviving ultimate parent in the Business Combination, then, the term "Company" shall refer to the ultimate parent entity surviving in the Business Combination.

(i) For purposes of determining if the 20% increase in total oil and gas reserves has occurred, the acquisition must result in a 20% or more increase in the total oil and gas reserves of the Company when compared to the Company's pre- acquisition reserves. The Company's pre-acquisition reserves will be the estimated reserve volumes expressed in barrels of oil equivalent ("BOE's") contained in the most recent annual report filed with the United States Securities and Exchange Commission on Form 10-K, adjusted to the Acquisition Date for subsequent production, drilling, purchases and sales of reserves (other than the subject acquisition). In each instance, 6 thousand cubic feet of natural gas will be equal to one barrel of oil.

(ii) For purposes of determining if the 20% or more increase in the total assets of the Company has occurred, the gross purchase or acquisition

price paid (including any debt or other liabilities assumed) for the assets or the business entity owning the assets (as determined pursuant to the final Acquisition Contract) must equal 20% or more of the sum of (1) Total Liabilities and Stockholder's Equity minus (2) the Total Shareholder's Equity and any other securities convertible to common stock not included in Total Shareholder's Equity plus (3) the market value of the Company's outstanding common and preferred stock and any other securities convertible to common stock not included in Total Shareholder's Equity (the "Market Capitalization"). For the purpose of this determination, the foregoing items included in (1) and (2) above shall be based upon the Company's consolidated financial statement as of the last day of the month immediately preceding the month in which such purchase or acquisition occurs; and, for the purpose of determining the Market Capitalization, the Company's outstanding common and preferred stock and any other securities convertible to common stock not included in Total Shareholder's Equity shall be valued at the weighted average closing price of such stock for the ten trading days preceding the public announcement of the terms of the transaction.

(b) Change of Control Date. "Change of Control Date" shall mean the date on which one of the following events occurs:

(i) The acquisition by any individual entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (1) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute an event causing a Change of Control Date: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses
(1), (2), and (3) of subsection (iii) below; or

(ii) Individuals who, as of the date hereof, constitute the board of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided however, that any individual becoming a director subsequent to the date hereof whose election, appointment or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for purposes of this definition, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Approval by the shareholders of the Company of a reorganization, share exchange, merger or consolidation (a "Business Combination"), in each case, unless following such Business Combination, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board providing for such Business Combination, or were elected, appointed, or nominated by the Incumbent Board; or

(iv) Approval by the shareholders of the Company of
(1) a complete liquidation or dissolution of the Company or, (2) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which following such sale or other disposition, (A) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership immediately prior to such sale or other disposition of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) less than 30% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 30% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities prior to the sale or disposition, and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board providing for such sale or other disposition of assets of the Company, or were elected, appointed, or nominated by the Incumbent Board.

Provided, in the event the Acquisition Date or the Change of Control Date occurs, and there is a subsequent occurrence of an Acquisition Date or Change of Control Date, then, for purposes of calculating the applicable 24 month period as provided under
Section 5 hereof, such calculation shall be made from the most recent Change of Control Date or Acquisition Date and the fact that there has been a prior occurrence of a Change of Control Date or Acquisition Date (including those which may have occurred under the Prior

Agreement) shall not in any manner reduce the total period as provided under Section 5 hereof when the Company may have obligations to the Executive upon his termination of employment.

(c) Good Reason. "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, office, titles and reporting requirements), authority, duties, or responsibilities as contemplated by this Agreement, or any other action by the Company which results in a diminution in such position, compensation, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than that which he occupied at the Effective Date, or within 25 miles of such location, except for periodic travel reasonably required in the performance of the Executive's responsibilities;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement;

(v) any failure by the Company to comply with and satisfy Section 11(a) of this Agreement.

2. Agreement Not Employment Contract. This Agreement shall be considered solely as a "severance agreement" obligating the Company to pay to the Executive certain amounts of compensation in the event and only in the event of his termination of employment after the Change of Control Date or the Acquisition Date for the reasons and at the times specified herein. Apart from the obligation of the Company to provide the amounts of additional compensation as provided in this Agreement, the Company shall at all times retain the right to terminate the employment of the Executive since the obligation of the Company to the Executive shall only be considered as an employment relationship which exists between the Company and the Executive which may be terminated at will be either party subject to the obligation of the Company to make payment as provided in this Agreement.

3. Termination of Agreement. Except as provided in Section 5 hereof, this Agreement shall terminate upon the first to occur of the following events.

(a) Death. The date of death of the Executive.

(b) Cause. The termination of the Executive's employment by the Company for "Cause." For purposes of this Agreement, termination of the Executive's employment by the Company for Cause shall mean termination for one of the following reasons: (i) the conviction of the Executive of a felony by a federal or state court of competent jurisdiction; (ii) an act or acts of dishonesty taken by the Executive and intended to result in substantial personal enrichment of the Executive at the expense of the Company or its shareholders; or (iii) the Executive's "willful" failure to follow a direct lawful written order from his supervisor, within the reasonable scope of the Executive's duties, which failure is not cured by the Executive within 30 days after the receipt of written notice thereof given by the Company. Further, for purposes of this Section (b):

(1) No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company.

(2) The Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Executive a copy of the resolution duly adopted by the affirmative vote of not less than three-fourths (3/4ths) of the entire membership of the Board of Directors of the Company (the "Board") at a meeting of the Board called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board), finding that in the good faith opinion of the Board the Executive was guilty of conduct set forth in clauses (i), (ii), or (iii) above and specifying the particulars thereof in detail.

(c) Voluntary Termination. The Executive voluntarily terminates employment other than for Good Reason.

(d) Notice. Two years after the Company has provided the Executive with written notice of the Company's desire to terminate the Agreement; provided, if a Change of Control Date or Acquisition Date occurs at any time during such two year period, then, this Agreement may not be terminated under this Section 3(d) until the expiration of the applicable 24 month period described in Section 5 below.

4. Notice of Termination of Employment. Any termination of employment by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the termination date of the Executive's employment is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 15 days after the giving of such notice).

5. Obligations of the Company Upon Termination Following Change of Control Date or the Acquisition Date. If within 24 months of the Change of Control Date or 24 months following the Acquisition Date (i) the Company shall terminate the Executive's employment for any reason other than for Cause or death, or (ii) the employment of the Executive shall be terminated by the Executive for Good Reason, then the Company shall pay to the Executive in a lump sum, in cash, within 30 days after the date of termination of employment, an amount equal to 3 times the Executive's highest annual Actual Compensation, paid or accrued during the three calendar years preceding the year in which the Executive's employment was terminated. Provided, if the Executive has attained his normal retirement date of age 65 ("Normal Retirement Date") and is not otherwise entitled to receive payment under this Agreement due to his termination of employment as of his Normal Retirement Date, then, the Executive shall not be entitled to payment under this Agreement. For purposes of this Section 5, "Actual Compensation" shall mean the Executive's annual wages, salaries, bonuses and fees for personal services actually rendered in the course of employment with the Company, excluding the following: (i) amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the Executive either becomes freely transferable or is no longer subject to a substantial risk of forfeiture; (ii) amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and (iii) other amounts which received special tax benefits (whether or not the amounts are actually excludable from the gross income of the Executive).

6. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, including, by way of example and not by way of limitation, acceleration of the date of vesting, payment, rate of payment or right to future payment under any plan, program or arrangement of the Company (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 6(c), all determinations required to be made under this Section 6, including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by KPMG LLP (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment which would be subject to the Excise Tax, or such earlier time as is requested by the Company. The initial Gross-Up Payment, if any, as determined pursuant to this Section 6(b), shall be paid to the Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with an opinion that he has substantial authority not to report any Excise Tax on his federal income tax return. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payment which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 6(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive knows of such claim, and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner. The Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the

Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross- Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 6(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 6(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to
Section 6(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross- Up Payment required to be paid.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any stock option or other agreements with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any of its affiliated companies at or subsequent to the date of termination of employment shall be payable in accordance with such plan or program.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement.

9. Confidential Information.

(a) Requirement of Executive. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be public knowledge (other than by acts by the Executive or his representatives in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

(b) Additional Remedies. The Executive agrees that the remedy at law for any breach or threatened breach of any covenant contained in this Section 9 may be inadequate, and that the Company, in addition to such other remedies as may be available to it, in law or in equity, shall be entitled to injunctive relief without bond or other security pending arbitration under Section 10.

10. Arbitration; Legal Fees and Expenses. The parties agree that Executive's employment and this Agreement relate to interstate commerce, and that any disputes, claims or controversies between Executive and the Company which may arise out of or relate to the Executive's employment relationship or this Agreement shall be settled by arbitration. This agreement to arbitrate shall survive the termination of this Agreement. Any arbitration shall be in accordance with the Rules of the American Arbitration Association and shall be undertaken pursuant to the Federal Arbitration Act. Arbitration will be held in Oklahoma City, Oklahoma unless the parties mutually agree on another location. The decision of the arbitrator(s) will be enforceable in any court of competent jurisdiction. The parties agree that punitive, liquidated or indirect damages shall not be awarded by the arbitrator(s). Nothing in this agreement to arbitrate, however, shall preclude the Company from obtaining injunctive relief from a court of competent jurisdiction prohibiting any on-going breaches by Executive of this Agreement including, without limitation, violations of Section 9. If any contest or dispute shall arise between the Company and Executive regarding any provision of this Agreement, the Company shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is successful in respect of one or more of Executive's material claims or defenses brought, raised or pursued in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute to the extent the Company receives reasonable written evidence of such fees and expenses.

11. Successors and Binding Effect.

(a) Successor Must Assume Agreement. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. If the Company fails to obtain such assumption and agreement prior to the effectiveness of any such succession, this Agreement shall nevertheless determine the Executive's entitlement to payment hereunder. As used in this Agreement, "Company" shall mean the Company as

herein before defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) Binding Effect. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive at the time of his death, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, if there is no such designee, to the Executive's estate.

12. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Oklahoma, without reference to principles of conflict of laws.

13. Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party, by registered or certified mail, return receipt requested, or by overnight express delivery service, postage prepaid, addressed as follows:

If to the Executive:

J. Larry Nichols
7011 N. Country Club Drive
Oklahoma City, Oklahoma 73116

If to the Company:

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

Attn: J. Larry Nichols
President and Chief Executive Officer

with a copy to:

McAfee & Taft
A Professional Corporation
Tenth Floor
Two Leadership Square
Oklahoma City, Oklahoma 73102

Attn: James Dudley Hyde, Esq.

Jerry A. Warren, Esq.

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

14. Occurrence of Change of Control Date. Upon the completion of the transactions contemplated by the Merger Agreement, pursuant to the terms of the Prior Agreement and this Agreement, there shall be an occurrence of an event which will be a "change of control date" under the Prior Agreement and a Change of Control Date under this Agreement. Accordingly, the applicable provisions of the Prior Agreement with respect to the definition of "change of control date" shall continue to be applicable with respect to the Executive and the terms and provisions of this Agreement shall in no way detract or adversely affect the rights of the Executive under this Agreement. Accordingly, because a Change of Control Date under this Agreement and a "change of control date" under the Prior Agreement has occurred upon the completion of a transaction contemplated under the Merger Agreement, therefore, the applicable 24 month period as described in Section 5 hereof during which the Company may have obligations to the Executive shall commence as of the closing of the transaction as contemplated under the Merger Agreement.

15. Alienation. The rights and benefits of, and payments to, the Executive (or his beneficiary in the event of his death) under this Agreement may not be anticipated, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by the Executive to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. The benefits of the Executive shall not in any manner be subject to the debts, contracts, liabilities, engagements or torts of the Executive (or his beneficiary in the event of his death) and payments hereunder shall not be considered an asset of the Executive (or his beneficiary in the event of his death) in the event of his insolvency or bankruptcy.

16. Right as General Creditor. The Executive acknowledges this Agreement represents the Company's unfunded and unsecured obligation to pay benefits set forth above. No provision of this Agreement shall be construed to give the Executive any right except as a general creditor of

the Company.

17. Taxes to be Withheld. The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

18. Joint Obligations. For purposes of this Agreement, Devon Nevada, Devon Energy and Devon Delaware shall have joint and several liability for all obligations hereunder.

19. Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes any and all prior or contemporaneous oral and prior written agreements and understandings, including any Severance Agreements previously entered into between the Company and the Executive. There are no oral promises, conditions, representations, understandings, interpretations or terms of any kind as conditions or inducements to the execution hereof or in effect among the parties.

20. Amendment. This Agreement may not be amended, and no provision hereof shall be waived, except by a writing signed by all the parties to this Agreement, or, in the case of a waiver, by the party waiving compliance therewith, which states that it is intended to amend or waive a provision of this Agreement. Any waiver of any rights or failure to act in a specific instance shall relate only to such instance and shall not be construed as an agreement to waive any rights or failure to act in any other instance, whether or not similar.

21. Enforceability. Should any provision of this Agreement be unenforceable or prohibited by an applicable law, this Agreement shall be considered divisible as to such provision which shall be inoperative, and the remainder of this Agreement shall be valid and binding as though such provision were not included herein.

22. Counterparts. This Agreement may be executed in two or more counterparts with the same effect as if the signatures to all such counterparts were upon the same instrument, and all such counterparts shall constitute but one instrument.

23. Headings. All headings in this Agreement are for convenience only and are not intended to affect the meaning of any provision hereof.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and, pursuant to the authorization from their respective Boards of Directors, Devon Nevada, Devon Energy and Devon Delaware have each caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

"EXECUTIVE"

J. Larry Nichols

"COMPANY"

DEVON ENERGY CORPORATION (NEVADA), a
Nevada corporation

By
J. Larry Nichols, President and
Chief Executive Officer

DEVON ENERGY CORPORATION, an
Oklahoma corporation

By
J. Larry Nichols, President and
Chief Executive Officer

DEVON DELAWARE CORPORATION, a
Delaware corporation

By
J. Larry Nichols, President and
Chief Executive Officer

DEVON ENERGY CORPORATION

SEVERANCE AGREEMENT

(Effective: May 19, 1999)

Executive
(2 x AP + 1 mos. X yos < 12)

SEVERANCE AGREEMENT

SEVERANCE AGREEMENT (the "Agreement") entered into among DEVON ENERGY CORPORATION (NEVADA) a Nevada corporation ("Devon Nevada"), DEVON ENERGY CORPORATION, an Oklahoma corporation ("Devon Energy"), Devon Delaware Corporation, a Delaware corporation ("Devon Delaware"), and Executive, an individual (the "Executive"), dated the 19th day of May, 1999 (the "Effective Date").

WHEREAS, Devon Energy and Devon Delaware have entered into that certain Amended and Restated Agreement and Plan of Merger by and among Devon Energy Corporation, Devon Delaware Corporation, Devon Oklahoma Corporation and PennzEnergy Company, dated as of May 19, 1999 (the "Merger Agreement"); and

WHEREAS, for purposes of this Agreement, prior to the closing of transactions contemplated under the Merger Agreement, the term "Company" shall mean Devon Energy and from and after the closing of such transactions under the Merger Agreement, the term "Company" shall mean Devon Delaware; and

WHEREAS, the Company deems the services of the Executive to be of great and unique value to the business of the Company and the Company desires to assure both itself of continuity of management and the Executive of continued employment; and

WHEREAS, the Executive is a key management employee of the Company and is presently making and is expected to continue making substantial contributions to the Company; and

WHEREAS, it is in the best interests of the Company and its shareholders to induce the Executive to remain in the employ of the Company; and

WHEREAS, the Executive and the Company previously entered into that certain Severance Agreement ("Prior Agreement") which provided additional amounts of compensation in the event of his termination of employment following "change of control date" or an "acquisition date" (each as defined in the Prior Agreement); and

WHEREAS, this Agreement shall be considered as an amendment and restatement of the Prior Agreement; and

WHEREAS, the Company desires to induce the Executive to remain in the employ of the Company by providing to him additional amounts of compensation in the event of his termination of employment following a Change of Control Date or an Acquisition Date (each as defined herein) for the reasons specified herein.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Executive and the Company hereby agree as provided below.

1. Operation of Agreement. The purpose of this Agreement is to provide to the Executive additional amounts of compensation in the event of the termination of his employment following a Change of Control Date or an Acquisition Date for the reasons specified herein. Accordingly, the Company and the Executive have entered into this Agreement in accordance with the terms and provisions herein to provide such protection to the Executive. For the purposes of this Agreement, where the following capitalized words and phrases appear in this Agreement, they shall have the meanings set forth below unless a different context is clearly expressed herein.

(a) Acquisition Date. "Acquisition Date" shall mean the date on which the Company completes the acquisition of oil and gas properties, or assets, or a business entity owning such properties or assets under a contract ("Acquisition Contract") results in a 20% or more increase in the total oil and gas reserves or total assets of the Company. For purposes of determining if the applicable 20% or more increase in total oil and gas reserves or total assets of the Company has occurred, such determination will include the Company's ownership interest, both direct and indirect, in the oil and gas reserves or the total assets of any other business enterprise which is or becomes an affiliate of the Company (as defined in Rule 12b-2 as promulgated under the Securities Exchange Act of 1934), determined in accordance with generally accepted accounting principles. In the case of a Business Combination where the Company does not survive or becomes a subsidiary of another entity, the term "Company" shall refer to the survivor of the Business Combination or its parent.

(i) For purposes of determining if the 20% increase in total oil and gas reserves has occurred, the acquisition must result in a 20% or more increase in the total oil and gas reserves of the Company when compared to the Company's pre- acquisition reserves. The Company's pre-acquisition reserves will be the estimated reserve volumes expressed in barrels of oil equivalent ("BOE's") contained in the most recent annual report filed with the United States Securities and Exchange Commission on Form 10-K, adjusted to the Acquisition Date for subsequent production, drilling, purchases and sales of reserves (other than the subject acquisition). In each instance, 6 thousand cubic feet of natural gas will be equal to one barrel of oil.

(ii) For purposes of determining if the 20% or more increase in the total assets of the Company has occurred, the gross purchase or acquisition price paid (including any debt or other liabilities assumed) for the assets or the business entity owning the assets (as determined pursuant to the final Acquisition Contract) must equal 20% or more of the sum of (1) Total Liabilities and Stockholder's Equity minus (2) the Total Shareholder's Equity and any other securities convertible to common stock not included in Total Shareholder's Equity plus (3) the market value of the Company's outstanding common and preferred stock and any other securities convertible to common stock not included in Total

Shareholder's Equity (the "Market Capitalization"). For the purpose of this determination, the foregoing items included in (1) and (2) above shall be based upon the Company's consolidated financial statement as of the last day of the month immediately preceding the month in which such purchase or acquisition occurs; and, for the purpose of determining the Market Capitalization, the Company's outstanding common and preferred stock and any other securities convertible to common stock not included in Total Shareholder's Equity shall be valued at the weighted average closing price of such stock for the ten trading days preceding the public announcement of the terms of the transaction.

(b) Change of Control Date. "Change of Control Date" shall mean the date on which one of the following events occurs:

(i) The acquisition by any individual entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (1) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Company,
(2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or
(4) any acquisition by any corporation pursuant to a transaction which complies with clauses (1), (2), and (3) of subsection (iii) below; or

(ii) Individuals who, as of the date hereof, constitute the board of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided however, that any individual becoming a director subsequent to the date hereof whose election, appointment or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for purposes of this definition, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Approval by the shareholders of the Company of a reorganization, share exchange, merger or consolidation (a "Business Combination"), in each case, unless following such Business Combination, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board providing for such Business Combination, or were elected, appointed, or nominated by the Incumbent Board; or

(iv) Approval by the shareholders of the Company of
(1) a complete liquidation or dissolution of the Company or, (2) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which following such sale or other disposition, (A) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership immediately prior to such sale or other disposition of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) less than 30% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 30% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities prior to the sale or disposition, and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board providing for such sale or other disposition of assets of the Company, or were elected, appointed, or nominated by the Incumbent Board.

Provided, in the event the Acquisition Date (as defined in Section 1(a) above) or the Change of Control Date (as defined in Section 1(b) above) occurs with respect to either Devon Nevada or Devon Energy, then, the occurrence of either of such event shall be deemed that such event has occurred to the Company. Provided further, in the event the Acquisition Date or the Change of Control Date occurs, and there is a subsequent occurrence of an Acquisition Date or Change of Control Date, then, for purposes of calculating the applicable 24-month period as provided under
Section 5 hereof, such calculation shall be made from the most recent Change of Control Date or Acquisition Date and the fact that there has been a prior occurrence of a Change of Control Date or Acquisition Date (including those which may have occurred under the Prior Agreement) shall not in any manner reduce the total period as provided under Section 5 hereof when the Company may have obligations to the

Executive upon his termination of employment.

(c) Good Reason. "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, office, titles and reporting requirements), authority, duties, or responsibilities as contemplated by this Agreement, or any other action by the Company which results in a diminution in such position, compensation, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than that which he occupied at the Effective Date, or within 25 miles of such location, except for periodic travel reasonably required in the performance of the Executive's responsibilities;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement;

(v) any failure by the Company to comply with and satisfy Section 11(a) of this Agreement.

2. Agreement Not Employment Contract. This Agreement shall be considered solely as a "severance agreement" obligating the Company to pay to the Executive certain amounts of compensation in the event and only in the event of his termination of employment after the Change of Control Date or the Acquisition Date for the reasons and at the times specified herein. Apart from the obligation of the Company to provide the amounts of additional compensation as provided in this Agreement, the Company shall at all times retain the right to terminate the employment of the Executive since the obligation of the Company to the Executive shall only be considered as an employment relationship which exists between the Company and the Executive which may be terminated at will be either party subject to the obligation of the Company to make payment as provided in this Agreement.

3. Termination of Agreement. Except as provided in Section 5 hereof, this Agreement shall terminate upon the first to occur of the following events.

(a) Death. The date of death of the Executive.

(b) Cause. The termination of the Executive's employment by the Company for "Cause." For purposes of this Agreement, termination of the Executive's employment by the Company for Cause shall mean termination for one of the following reasons: (i) the conviction of the Executive of a felony by a federal or state court of competent jurisdiction; (ii) an act or acts of dishonesty taken by the Executive and intended to result in substantial personal enrichment of the Executive at the expense of the Company or its shareholders; or (iii) the Executive's "willful" failure to follow a direct lawful written order from his supervisor, within the reasonable scope of the Executive's duties, which failure is not cured by the Executive within 30 days after the receipt of written notice thereof given by the Company. Further, for purposes of this Section (b):

(1) No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company.

(2) The Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Executive a copy of the resolution duly adopted by the affirmative vote of not less than three-fourths (3/4ths) of the entire membership of the Board of Directors of the Company (the "Board") at a meeting of the Board called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board), finding that in the good faith opinion of the Board the Executive was guilty of conduct set forth in clauses (i), (ii), or (iii) above and specifying the particulars thereof in detail.

(c) Voluntary Termination. The Executive voluntarily terminates employment other than for Good Reason.

(d) Notice. Two years after the Company has provided the Executive with written notice of the Company's desire to terminate the Agreement; provided, if a Change of Control Date or Acquisition Date occurs at any time during such two year period, then, this Agreement may not be terminated under this Section 3(d) until the expiration of the applicable 24 month period described in Section 5 below.

4. Notice of Termination of Employment. Any termination of employment by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon,
(ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the termination date of the Executive's employment is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 15 days after the giving of such notice).

5. Obligations of the Company Upon Termination Following Change of Control Date or the Acquisition Date. If within 24 months of the Change of Control Date or 24 months following the Acquisition Date (i) the Company shall terminate the Executive's employment for any reason other than for Cause or death, or (ii) the employment of the Executive shall be terminated by the Executive for Good Reason, then the Company shall pay to the Executive in a lump sum, in cash, within 30 days after the date of termination of employment, an amount equal to 2 times the Executive's highest annual Actual Compensation, paid or accrued during the three calendar years preceding the year in which the Executive's employment was terminated, plus One-Twelfth (1/12th) of the Executive's highest annual Actual Compensation times each "Year of Credited Service" (not to exceed 12) earned by the Executive as calculated under the "Retirement Plan for Non- Bargaining Employees of Devon Energy Corporation (Nevada)" or its successor. Provided, if the Executive has attained his normal retirement date of age 65 ("Normal Retirement Date") and is not otherwise entitled to receive payment under this Agreement due to his termination of employment as of his Normal Retirement Date, then, the Executive shall not be entitled to payment under this Agreement. For purposes of this Section 5, "Actual Compensation" shall mean the Executive's annual wages, salaries, bonuses and fees for personal services actually rendered in the course of employment with the Company, including the following: (i) amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the Executive either becomes freely transferable or is no longer subject to a substantial risk of forfeiture; (ii) amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and (iii) other amounts which received special tax benefits (whether or not the amounts are actually excludable from the gross income of the Executive).

6. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, including, by way of example and not by way of limitation, acceleration of the date of vesting, payment, rate of payment or right to future payment under any plan, program or arrangement of the Company (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 6(c), all determinations required to be made under this Section 6, including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by KPMG LLP (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment which would be subject to the Excise Tax, or such earlier time as is requested by the Company. The initial Gross-Up Payment, if any, as determined pursuant to this Section 6(b), shall be paid to the Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with an opinion that he has substantial authority not to report any Excise Tax on his federal income tax return. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payment which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 6(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive knows of such claim, and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim

in any permissible manner. The Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross- Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 6(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 6(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to
Section 6(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross- Up Payment required to be paid.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any stock option or other agreements with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any of its affiliated companies at or subsequent to the date of termination of employment shall be payable in accordance with such plan or program.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement.

9. Confidential Information.

(a) Requirement of Executive. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be public knowledge (other than by acts by the Executive or his representatives in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

(b) Additional Remedies. The Executive agrees that the remedy at law for any breach or threatened breach of any covenant contained in this Section 9 may ibe inadequate, and that the Company, in addition to such other remedies as may be available to it, in law or in equity, shall be entitled to injunctive relief without bond or other security pending arbitration under Section 10.

10. Arbitration; Legal Fees and Expenses. The parties agree that Executive's employment and this Agreement relate to interstate commerce, and that any disputes, claims or controversies between Executive and the Company which may arise out of or relate to the Executive's employment relationship or this Agreement shall be settled by arbitration. This agreement to arbitrate shall survive the termination of this Agreement. Any arbitration shall be in accordance with the Rules of the American Arbitration Association and shall be undertaken pursuant to the Federal Arbitration Act. Arbitration will be held in Oklahoma City, Oklahoma unless the parties mutually agree on another location. The decision of the arbitrator(s) will be enforceable in any court of competent jurisdiction. The parties agree that punitive, liquidated or indirect damages shall not be awarded by the arbitrator(s). Nothing in this agreement to arbitrate, however, shall preclude the Company from obtaining injunctive relief from a court of competent jurisdiction prohibiting any on-going breaches by Executive of this Agreement including, without limitation, violations of Section 9. If any contest or dispute shall arise between the Company and Executive regarding any provision of this Agreement, the Company shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, but only if Executive is successful in respect of one or more of Executive's material claims or defenses brought, raised or pursued in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute to the extent the Company receives reasonable written evidence of such fees and expenses.

11. Successors and Binding Effect.

(a) Successor Must Assume Agreement. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken

place. If the Company fails to obtain such assumption and agreement prior to the effectiveness of any such succession, this Agreement shall nevertheless determine the Executive's entitlement to payment hereunder. As used in this Agreement, "Company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) Binding Effect. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive at the time of his death, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, if there is no such designee, to the Executive's estate.

12. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Oklahoma, without reference to principles of conflict of laws.

13. Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party, by registered or certified mail, return receipt requested, or by overnight express delivery service, postage prepaid, addressed as follows:

If to the Executive:

Executive
Executive's Address

If to the Company:

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

Attn: J. Larry Nichols
President and Chief Executive Officer

with a copy to:

McAfee & Taft
A Professional Corporation
Tenth Floor
Two Leadership Square
Oklahoma City, Oklahoma 73102

Attn: James Dudley Hyde, Esq.

Jerry A. Warren, Esq.

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

14. Occurrence of Change of Control Date. Upon the completion of the transactions contemplated by the Merger Agreement, pursuant to the terms of the Prior Agreement and this Agreement, there shall be an occurrence of an event which will be a "change of control date" under the Prior Agreement and a Change of Control Date under this Agreement. Accordingly, the applicable provisions of the Prior Agreement with respect to the definition of "change of control date" shall continue to be applicable with respect to the Executive and the terms and provisions of this Agreement shall in no way detract or adversely affect the rights of the Executive under this Agreement. Accordingly, because a Change of Control Date under this Agreement and a "change of control date" under the Prior Agreement has occurred upon the completion of a transaction contemplated under the Merger Agreement, therefore, the applicable 24 month period as described in Section 5 hereof during which the Company may have obligations to the Executive shall commence as of the closing of the transaction as contemplated under the Merger Agreement. Upon completion of the transaction described in the Merger Agreement, then, the terms and provisions of the Prior Agreement with respect to the definition of "change of control date" shall no longer be applicable with respect to future events occurring under this Agreement.

15. Alienation. The rights and benefits of, and payments to, the Executive (or his beneficiary in the event of his death) under this Agreement may not be anticipated, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by the Executive to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. The benefits of the Executive shall not in any manner be subject to the debts, contracts, liabilities, engagements or torts of the Executive (or his beneficiary in the event of his death) and payments hereunder shall not be considered an asset of the Executive (or his beneficiary in the event of his death) in the event of his insolvency or bankruptcy.

16. Right as General Creditor. The Executive acknowledges this Agreement represents the Company's unfunded and unsecured obligation to

pay benefits set forth above. No provision of this Agreement shall be construed to give the Executive any right except as a general creditor of the Company.

17. Taxes to be Withheld. The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

18. Joint Obligations. For purposes of this Agreement, Devon Nevada, Devon Energy and Devon Delaware shall have joint and several liability for all obligations hereunder.

19. Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes any and all prior or contemporaneous oral and prior written agreements and understandings, including any Severance Agreements previously entered into between the Company and the Executive. There are no oral promises, conditions, representations, understandings, interpretations or terms of any kind as conditions or inducements to the execution hereof or in effect among the parties.

20. Amendment. This Agreement may not be amended, and no provision hereof shall be waived, except by a writing signed by all the parties to this Agreement, or, in the case of a waiver, by the party waiving compliance therewith, which states that it is intended to amend or waive a provision of this Agreement. Any waiver of any rights or failure to act in a specific instance shall relate only to such instance and shall not be construed as an agreement to waive any rights or failure to act in any other instance, whether or not similar.

21. Enforceability. Should any provision of this Agreement be unenforceable or prohibited by an applicable law, this Agreement shall be considered divisible as to such provision which shall be inoperative, and the remainder of this Agreement shall be valid and binding as though such provision were not included herein.

22. Counterparts. This Agreement may be executed in two or more counterparts with the same effect as if the signatures to all such counterparts were upon the same instrument, and all such counterparts shall constitute but one instrument.

23. Headings. All headings in this Agreement are for convenience only and are not intended to affect the meaning of any provision hereof.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and, pursuant to the authorization from their respective Boards of Directors, Devon Nevada, Devon Energy and Devon Delaware have each caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

"EXECUTIVE"

Executive

"COMPANY"

DEVON ENERGY CORPORATION (NEVADA), a
Nevada corporation

By
J. Larry Nichols, President and
Chief Executive Officer

DEVON ENERGY CORPORATION, an
Oklahoma corporation

By
J. Larry Nichols, President and
Chief Executive Officer

DEVON DELAWARE CORPORATION, a
Delaware corporation

By
J. Larry Nichols, President and
Chief Executive Officer