DEVON ENERGY CORP /OK/

FORM 10-Q
(Quarterly Report)

Filed 11/12/98 for the Period Ending 09/30/98

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

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(Quarterly Report)

Filed 11/12/1998 For Period Ending 9/30/1998

Address	20 N BROADWAY STE 1500
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CIK	0000837330
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 1998

OR

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

Commission File No. 1-10067

DEVON ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Oklahoma	73-1474008
(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 9, 1998, was 32,319,897.

1 of 34 total pages

(Exhibit Index is found at page 32)

DEVON ENERGY CORPORATION

Index to Form 10-Q Quarterly Report

to the Securities and Exchange Commission

Page No.

Part I. Financial Information

Part II. Other Information

DEVON ENERGY CORPORATION

Part I. Financial Information

Item 1. Consolidated Financial Statements September 30, 1998 and 1997

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

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

		September 30, 1998 (Unaudited)	December 31, 1997
Assets			
Current assets:			
Cash and cash equivalents	$	7,150,368	42,064,344
Accounts receivable		39,960,269	47,507,805
Inventories		2,340,942	2,422,822
Prepaid expenses		1,183,241	799,923
Deferred income taxes		434,000	434,000
Total current assets		51,068,820	93,228,894
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties		1,231,195,602	1,103,320,502
Less: Accumulated depreciation, depletion and amortization		558,754,200	365,517,722
		672,441,402	737,802,780
Other assets		13,839,177	15,371,368
Total assets	$	737,349,399	846,403,042
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable:			
Trade		14,185,878	9,628,890
Revenues and royalties due to others		6,619,286	11,531,296
Income taxes payable		-	4,901,940
Accrued expenses		2,818,132	4,750,699
Total current liabilities		23,623,296	30,812,825
Revenues and royalties due to others		2,969,891	2,862,794
Other liabilities		24,343,111	18,177,130
Deferred income taxes		67,588,000	101,474,000
Company-obligated mandatorily redeemable convertible preferred securities of subsidiary trust holding solely 6.5% convertible junior subordinated debentures of Devon Energy Corporation		149,500,000	149,500,000
Stockholders' equity:			
Preferred stock of $1.00 par value. Authorized 3,000,000 shares; none issued		-	-
Common stock of $.10 par value. Authorized 400,000,000 shares; issued 32,319,894 in 1998 and 32,318,895 in 1997		3,231,990	3,231,890
Additional paid-in capital		392,937,092	392,919,170
Retained earnings		79,768,927	149,946,232
Accumulated other comprehensive earnings (loss) - foreign currency translation adjustments		(6,612,908)	(2,520,999)
Total stockholders' equity		469,325,101	543,576,293
Total liabilities and stockholders' equity	$	737,349,399	846,403,042

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
Revenues				
Oil sales	$ 19,905,958	31,267,250	65,470,104	100,857,256
Gas sales	32,491,082	34,044,149	102,769,643	107,458,126
Natural gas liquids sales	3,132,210	5,206,135	11,120,619	16,534,020
Other	1,542,930	2,342,969	5,145,988	5,562,529
Total revenues	57,072,180	72,860,503	184,506,354	230,411,931
Costs and expenses				
Lease operating expenses	18,193,654	15,814,690	55,305,723	46,155,611
Production taxes	3,247,024	4,109,654	9,786,223	13,165,045
Depreciation, depletion and amortization	23,173,694	20,246,574	68,197,427	60,388,870
General and administrative expenses	3,166,842	2,992,104	9,907,254	9,228,599
Interest expense	133,234	90,146	183,973	249,184
Distributions on preferred securities of subsidiary trust	2,429,374	2,429,375	7,288,125	7,288,126
Reduction of carrying value of oil and gas properties (Note 3)	126,900,000	-	126,900,000	-
Total costs and expenses	177,243,822	45,682,543	277,568,725	136,475,435
Earnings (loss) before income taxes	(120,171,642)	27,177,960	(93,062,371)	93,936,496
Income tax expense (benefit) (Note 3)				
Current	846,000	5,546,000	5,482,000	14,091,000
Deferred	(37,932,000)	5,326,000	(33,215,000)	23,484,000
Total income tax expense (benefit)	(37,086,000)	10,872,000	(27,733,000)	37,575,000
Net earnings (loss)	$ (83,085,642)	16,305,960	(65,329,371)	56,361,496
Net earnings (loss) per average common share outstanding (Note 2):				
Basic	$ (2.57)	0.51	(2.02)	1.75
Diluted	(2.57)	0.47	(2.02)	1.62
Weighted average common shares outstanding	32,319,894	32,235,002	32,319,543	32,181,077

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Net earnings (loss)	$(83,085,642)	16,305,960	(65,329,371)	56,361,496
Other comprehensive earnings (loss) - foreign currency translation adjustments (Note 1)	(2,523,936)	5,819	(4,091,909)	(444,979)
Comprehensive earnings (loss)	$(85,609,578)	16,311,779	(69,421,280)	55,916,517

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30, 1998	1997
Cash flows from operating activities		
Net earnings (loss)	$ (65,329,371)	56,361,496
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	68,197,427	60,388,870
(Gain) loss on sale of assets	(133,663)	(155,040)
Deferred income taxes (benefit)	(33,215,000)	23,484,000
Reduction of carrying value of oil and gas properties	126,900,000	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	7,464,975	(12,138,238)
Inventories	50,185	(73,883)
Prepaid expenses	(626,579)	(568,739)
Other assets	516,376	(767,123)
Increase (decrease) in:		
Accounts payable	1,087,828	8,444,761
Income taxes payable	(5,150,940)	(4,705,447)
Accrued expenses	(1,921,585)	(1,173,599)
Revenues and royalties due to others	107,097	(196,312)
Long-term other liabilities	418,416	49,298
Net cash provided by operating activities	98,365,166	128,950,044
Cash flows from investing activities		
Proceeds from sale of property and equipment	7,995,880	1,436,610
Capital expenditures	(141,913,247)	(91,418,731)
(Increase) decrease in other assets	60,830	(2,700,941)
Net cash used in investing activities	(133,856,537)	(92,683,062)
Cash flows from financing activities		
Proceeds from borrowings on revolving lines of credit	-	1,847,750
Principal payments on revolving lines of credit	-	(9,843,750)
Issuance of common stock	18,022	3,115,223
Dividends paid on common stock	(4,847,934)	(4,828,709)
Increase in long-term other liabilities	5,976,550	2,020,566
Net cash provided (used) by financing activities	1,146,638	(7,688,920)
Effect of exchange rate changes on cash	(569,243)	(31,746)
Net increase (decrease) in cash and cash equivalents	(34,913,976)	28,546,316
Cash and cash equivalents at beginning of period	42,064,344	9,401,350
Cash and cash equivalents at end of period	$ 7,150,368	37,947,666

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements and notes thereto have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. 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 1997 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, 1998, and the results of their operations and their cash flows for the three month and nine month periods ended September 30, 1998 and 1997.

Comprehensive Earnings (Loss) - Foreign Currency Translation Adjustments

Devon adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," on January 1, 1998. SFAS No. 130 was effective for fiscal years beginning after December 15, 1997. SFAS No. 130 established standards for reporting and display of "comprehensive income" and its components in a set of financial statements. It requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Devon has included such a statement in the accompanying consolidated financial statements.

Devon owns certain oil and gas properties in Canada. For purposes of foreign currency translation, the Canadian dollar is the functional currency for Devon's Canadian operations. Translation adjustments resulting from translating the Canadian subsidiary's foreign currency financial statements into U.S. dollar equivalents are reported separately in the consolidated statements of comprehensive operations, and accumulated in a separate component of stockholders' equity in the consolidated balance sheets. The amounts reported have no related income tax expense or benefit.

Reclassifications

Certain items in the 1997 consolidated statement of cash flows have been reclassified to correspond with the 1998 presentation.

2. Earnings Per Share

The diluted loss per share calculations for the three month and nine month periods ended September 30, 1998, produce results that are anti-dilutive. (For the three month period, the diluted calculation reduced the net loss by $1.5 million and increased the common shares outstanding by 5.2 million shares. For the nine month period, the diluted calculation reduced the net loss by $4.5 million and increased the common shares outstanding by 5.2 million shares. These 1998 changes were caused by the same factors as, and were similar in amounts to, those in the following tables for the 1997 periods.) Therefore, the diluted loss per share amounts for such periods reported in the accompanying consolidated statements of operations are the same as the basic loss per share amounts.

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, 1997.

	Net Earnings (Loss)	Common Shares Outstanding	Net Earnings (Loss) Per Share
Three Months Ended September 30, 1997:			
Basic earnings per share	$16,305,960	32,235,002	$0.51
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)	1,506,489	4,901,507	
Potential common shares issuable upon the exercise of outstanding stock options	-	474,919	
Diluted earnings per share	$17,812,449	37,611,428	$0.47
Nine Months Ended September 30, 1997:			
Basic earnings per share	$56,361,496	32,181,077	$1.75
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)	4,519,466	4,901,507	
Potential common shares issuable upon the exercise of outstanding stock options	-	409,602	
Diluted earnings per share	$60,880,962	37,492,186	$1.62

3. 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 net 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, is written off as an expense.

At December 31, 1997, Devon's net book value of oil and gas properties less deferred taxes was well below the calculated ceiling. This excess "cushion" was $146 million for Devon's U.S. properties and $18 million for its Canadian properties. From December 31, 1997, to September 30, 1998, the Texas Gulf Coast gas price decreased approximately 35% and the price of West Texas Intermediate crude oil decreased approximately 13%. As a result, as of September 30, 1998, the book value of Devon's U.S. properties, less deferred taxes, exceeded the full cost ceiling by approximately $88 million. (Devon's Canadian properties had a full cost cushion of approximately $8 million at September 30, 1998.) 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.

4. Pending Merger

On June 29, 1998, Devon announced its intention to issue approximately 15.5 million common shares in a merger with Northstar Energy Corporation ("Northstar"), a Canadian independent oil and gas producer. The merger is subject to approval by the shareholders of both companies as well as certain regulatory and court approvals. If approved, the merger is expected to be consummated in the fourth quarter of 1998. The merger is anticipated to be accounted for under the pooling-of- interests method of accounting for business combinations. Therefore, upon consummation of the merger, Devon's previously reported financial results would be adjusted to combine its results with those of Northstar and its predecessors.

Northstar's proved oil and gas reserves, all of which are located in Canada, totaled 128 million barrels of oil equivalent at December 31, 1997. These barrels included 6 million barrels of oil equivalent owned through Northstar's share of an entity accounted for under the equity method of accounting.

Devon filed a definitive proxy statement regarding this pending merger on November 6, 1998. Such proxy includes a description of the terms of the merger and other information about both companies. The proxy can be accessed through the Securities and Exchange Commission's EDGAR system, or at Devon's web site at http://devonenergy.com.

Following is Devon's unaudited pro forma combined balance sheet as of September 30, 1998, assuming that the merger was consummated on such date.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
September 30, 1998
(In Thousands)

	Devon	Northstar	Merger Related Pro Forma Adjustments	Devon-Northstar Pro Forma Combined
Assets:				
Current assets	$ 51,069	63,695	(13,000) (a)	$ 101,764
Oil and gas properties, net	651,441	308,936		960,377
Other property and equipment, net	21,000	4,773		25,773
Deferred income taxes	-	53,553	(53,553) (b)	-
Other assets, net	13,839	1,645		15,484
Total assets	$737,349	$432,602	$(66,553)	$1,103,398
Liabilities:				
Current liabilities	23,623	62,815		86,438
Revenues and royalties due to others	2,970	6,218		9,188
Other liabilities	24,343	-		24,343
Long-term debt	-	303,517		303,517
Deferred income taxes	67,588	-	(53,553) (b)	14,035
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	-	-		-
Common stock	3,232	-	1,554 (c)	4,786
Additional paid-in capital	392,937	397,178	(1,554) (c)	788,561
Retained earnings (deficit)	79,769	(316,760)	(13,000) (a)	(249,991)
Accumulated other comprehensive earnings (loss) - foreign currency translation adjustments	(6,613)	(20,366)		(26,979)
Total stockholders' equity	469,325	60,052	(13,000)	516,377
Total liabilities and stockholders' equity	$737,349	$432,602	$(66,553)	$1,103,398

Following is a description of the pro forma adjustments included in the above unaudited pro forma combined balance sheet as of September 30, 1998:

(a) To record the payment of estimated business combination costs of $13 million, representing primarily professional and advisory fees directly related to the merger. These one-time business combination costs are not reflected in the following unaudited pro forma statements of operations since they are non-recurring in nature. These costs will be expensed by Devon in the quarter in which the merger is consummated.

(b) To reclassify Northstar's deferred tax assets against Devon's deferred tax liabilities.

(c) To record the issuance of 15,542,618 shares, par value $0.10, of Devon common stock in exchange for all 68,469,685 shares of Northstar common shares outstanding on September 30, 1998, based upon an exchange ratio which is indirectly equivalent to 0.227 shares of Devon common stock for each Northstar common share and assuming all exchangeable shares are exchanged for Devon common stock on such basis.

Following are Devon's unaudited pro forma combined statements of operations for the nine months ended September 30, 1998 and 1997, assuming that the merger was consummated on January 1, 1997.

UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS
For the Nine Months Ended September 30, 1998 and 1997
(In Thousands, Except Per Share Data)

	Nine Months Ended September 30, 1998			Nine Months Ended September 30, 1997		
	Devon	Northstar	Devon-Northstar Pro Forma Combined	Devon	Northstar	Devon-Northstar Pro Forma Combined
Revenues:						
Oil sales	$ 65,470	45,931	$111,401	$100,857	53,016	$153,873
Gas sales	102,770	54,524	157,294	107,458	44,413	151,871
Natural gas liquids sales	11,120	2,469	13,589	16,534	1,380	17,914
Other	5,146	10,652	15,798	5,563	37,176	42,739
Total revenues	184,506	113,576	298,082	230,412	135,985	366,397
Costs and expenses:						
Lease operating expenses	55,306	30,492	85,798	46,156	24,711	70,867
Production taxes	9,786	1,030	10,816	13,165	803	13,968
Depreciation, depletion and amortization	68,197	24,716	92,913	60,389	55,751	116,140
General and administrative expenses	9,907	7,773	17,680	9,229	9,564	18,793
Interest expense	184	16,160	16,344	249	10,192	10,441
Deferred effect of changes in foreign currency exchange on long-term debt	-	15,433	15,433	-	406	406
Distributions on preferred securities of subsidiary trust	7,288	-	7,288	7,288	-	7,288
Reduction of carrying value of oil and gas properties	126,900	-	126,900	-	-	-
Total costs and expenses	277,568	95,604	373,172	136,476	101,427	237,903
Earnings (loss) before income taxes	(93,062)	17,972	(75,090)	93,936	34,558	128,494
Income tax expense (benefit):						
Current	5,482	1,032	6,514	14,091	1,465	15,556
Deferred	(33,215)	8,408	(24,807)	23,484	15,414	38,898
Total income tax expense (benefit)	(27,733)	9,440	(18,293)	37,575	16,879	54,454
Net earnings (loss)	$(65,329)	$ 8,532	$(56,797)	$ 56,361	$17,679	$ 74,040
Net earnings (loss) per average common share outstanding:						
Basic	$(2.02)		(1.19)	$1.75		1.58
Diluted	$(2.02)		(1.19)	$1.62		1.49
Weighted average common shares Outstanding - basic	32,320		47,816	32,181		46,925

Following are Devon's unaudited pro forma combined production, average price and other data for the nine months ended September 30, 1998 and 1997, assuming that the merger was consummated on January 1, 1997.

	Nine Months Ended September 30, 1998			Nine Months Ended September 30, 1997		
	Devon	Northstar	Devon-Northstar Pro Forma Combined	Devon	Northstar	Devon-Northstar Pro Forma Combined
Production:						
Oil (thousand barrels)	5,044	4,006	9,050	5,218	3,362	8,580
Gas (thousand Mcf)	54,983	45,529	100,512	52,063	35,233	87,296
NGLSs (thousand barrels)	1,180	368	1,548	1,215	126	1,341
Thousand Boe	15,387	11,962	27,349	15,111	9,360	24,471
Average prices:						
Oil (per barrel)	$12.98	11.47	12.31	19.33	15.77	17.93
Gas (per Mcf)	1.87	1.20	1.56	2.06	1.26	1.74
NGLs (per barrel)	9.43	6.71	8.78	13.61	10.95	13.36
Per Boe	11.66	8.60	10.32	14.88	10.56	13.23
Costs per Boe:						
Operating costs	4.23	2.64	3.53	3.93	2.73	3.47
Depreciation, depletion and amortization of oil and gas properties	4.29	1.99	3.28	3.86	5.86	4.62
General and administrative expenses	0.64	0.65	0.65	0.61	1.02	0.77

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, 1998, compared to the three month and nine month periods ended September 30, 1997, and in financial condition since December 31, 1997. It is presumed that readers have read or have access to Devon's 1997 annual report on Form 10- K.

Overview

Production for the third quarter of 1998 totaled 5.1 million barrels of oil equivalent ("Boe") of oil, natural gas and natural gas liquids ("NGL"). This was level with the 5.1 million Boe produced in 1997's third quarter. However, due to significantly lower oil, gas and NGL prices, 1998's third quarter revenues of $57.1 million were down 22% compared to the comparable 1997 total revenues of $72.9 million. Low prices in existence at the end of the 1998 quarter also led to an $88 million non-cash net charge from a full cost ceiling reduction of oil and gas properties. This charge resulted in an $83.1 million net loss, or $2.57 per share, in the third quarter. Excluding the $88 million charge, 1998's third quarter would have produced net earnings of $4.9 million, or $0.15 per share. Net earnings and net earnings per share in the third quarter of 1997 were $16.3 million and $0.51, respectively.

Production for the first nine months of 1998 totaled 15.4 million Boe. This was an increase of 2% above the production in 1997's comparable period. However, average oil, gas and NGL prices in the 1998 period were significantly lower than in the 1997 period. These lower prices led to a 20% reduction in revenues, from $230.4 million in the first nine months of 1997 to $184.5 million in the first nine months of 1998. The previously mentioned $88 million non-cash full cost charge resulted in a net loss of $65.3 million, or $2.02 per share, in the first nine months of 1998. Excluding the full cost writedown, the 1998 period would have yielded net earnings of $22.7 million, or $0.70 per share, compared to net earnings of $56.4 million, or $1.75 per share, in the first nine months of 1997.

Results of Operations

Total revenues decreased $15.8 million, or 22%, in the third quarter of 1998, and $45.9 million, or 20%, in the first nine months of 1998. These decreases were caused by reductions in the average prices of oil, gas and NGL. Combined oil, gas and NGL revenues decreased $15.0 million, or 21%, in the third quarter of 1998, and $45.5 million, or 20%, in the year-to-date period of 1998. The relative contributions of production and price changes to the quarterly and year-to-date comparisons of revenues are shown in the tables below. (Note: Unless otherwise stated, all references in this report to dollar amounts regarding Devon's Canadian operations are expressed in U.S. dollars.)

Total	Three Months Ended September 30,			Nine Months Ended September 30,		
	1998	1997	Change	1998	1997	Change
Production						
Oil (Bbls)	1,646,874	1,725,020	-5%	5,043,918	5,218,472	-3%
Gas (Mcf)	18,365,321	17,730,418	+4%	54,983,272	52,062,741	+6%
NGL (Bbls)	377,193	414,446	-9%	1,179,691	1,214,944	-3%
Oil, Gas and NGL (Boe)1	5,084,954	5,094,536	- %	15,387,488	15,110,540	+2%
Revenues						
Oil	$19,905,958	31,267,250	-36%	65,470,104	100,857,256	-35%
Gas	32,491,082	34,044,149	-5%	102,769,643	107,458,126	-4%
NGL	3,132,210	5,206,135	-40%	11,120,619	16,534,020	-33%
Combined	$ 55,529,250	70,517,534	-21%	179,360,366	224,849,402	-20%
Average Prices						
Oil (Per Bbl)	$12.09	18.13	-33%	12.98	19.33	-33%
Gas (Per Mcf)	$ 1.77	1.92	-8%	1.87	2.06	-9%
NGL (Per Bbl)	$ 8.30	12.56	-34%	9.43	13.61	-31%
Oil, Gas and NGL (Per Boe)1	$10.92	13.84	-21%	11.66	14.88	-22%

Domestic	Three Months Ended September 30,			Nine Months Ended September 30,		
	1998	1997	Change	1998	1997	Change
Production						
Oil (Bbls)	1,387,458	1,503,734	-8%	4,293,940	4,520,756	-5%
Gas (Mcf)	16,751,561	15,662,465	+7%	49,352,426	45,761,290	+8%
NGL (Bbls)	342,138	372,322	-8%	1,073,617	1,091,316	-2%
Oil, Gas and NGL (Boe)1	4,521,522	4,486,467	+1%	13,592,962	13,238,954	+3%
Revenues						
Oil	$16,652,491	27,297,108	-39%	55,719,056	87,513,250	-36%
Gas	30,350,695	31,524,367	-4%	95,428,163	98,843,718	-3%
NGL	2,808,125	4,617,201	-39%	9,807,798	14,598,360	-33%
Combined	$49,811,311	63,438,676	-21%	160,955,017	200,955,328	-20%
Average Prices						
Oil (Per Bbl)	$12.00	18.15	-34%	12.98	19.36	-33%
Gas (Per Mcf)	$ 1.81	2.01	-10%	1.93	2.16	-11%
NGL (Per Bbl)	$ 8.21	12.40	-34%	9.14	13.38	-32%
Oil, Gas and NGL (Per Boe)1	$11.02	14.14	-22%	11.84	15.18	-22%

Canada	Three Months Ended September 30, 1998	1997	Change	Nine Months Ended September 30, 1998	1997	Change
Production						
Oil (Bbls)	259,416	221,286	+17%	749,978	697,716	+7%
Gas (Mcf)	1,613,760	2,067,953	-22%	5,630,846	6,301,451	-11%
NGL (Bbls)	35,055	42,124	-17%	106,074	123,628	-14%
Oil, Gas and NGL (Boe)1	563,432	608,069	-7%	1,794,526	1,871,586	-4%
Revenues						
Oil	$3,253,467	3,970,142	-18%	9,751,048	13,344,006	-27%
Gas	2,140,387	2,519,782	-15%	7,341,480	8,614,408	-15%
NGL	324,085	588,934	-45%	1,312,821	1,935,660	-32%
Combined	$5,717,939	7,078,858	-19%	18,405,349	23,894,074	-23%
Average Prices						
Oil (Per Bbl)	$12.54	17.94	-30%	13.00	19.13	-32%
Gas (Per Mcf)	$ 1.33	1.22	+9%	1.30	1.37	-5%
NGL (Per Bbl)	$ 9.25	13.98	-34%	12.38	15.66	-21%
Oil, Gas and NGL (Per Boe)1	$10.15	11.64	-13%	10.26	12.77	-20%

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

Oil Revenues. Oil revenues decreased $11.4 million, or 36%, in the third quarter of 1998. A decrease in the average price of $6.04 per barrel, or 33%, reduced oil revenues by $10.0 million. The remaining $1.4 million reduction in oil revenues was caused by a 78,000 barrel, or 5%, decrease in production.

Oil revenues decreased $35.4 million, or 35%, in the first nine months of 1998. A decrease in the average price of $6.35 per barrel, or 33%, reduced oil revenues by $32.0 million. The remaining $3.4 million reduction in oil revenues was caused by a 175,000 barrel, or 3%, decrease in production.

Gas Revenues. Gas revenues decreased $1.6 million, or 5%, in the third quarter of 1998. A decrease in the average price of $0.15 per Mcf, or 8%, decreased gas revenues by $2.8 million. The effect of lower prices was partially offset by $1.2 million of increased gas sales caused by a 0.6 Bcf, or 4%, increase in gas production.

Devon's coal seam gas properties produced 4.9 Bcf of gas in the third quarter of 1998 compared to 4.2 Bcf in the third quarter of 1997. During the last two years, Devon has conducted a program of mechanical improvements at the Northeast Blanco Unit coal seam gas property. Such program has caused the majority of the quarterly and year-to-date gains in coal seam gas production during 1998. Devon's other domestic properties produced 11.9 Bcf in 1998's third quarter compared to 11.5 Bcf in 1997's third quarter. This increase was primarily due to new wells drilled since the middle of 1997.

The coal seam gas properties averaged $1.64 per Mcf in 1998's third quarter compared to the average of $1.88 per Mcf in 1997's third quarter. Devon's other domestic gas properties averaged $1.88 per Mcf in the 1998 quarter compared to $2.06 per Mcf in the 1997 quarter.

Gas revenues decreased $4.7 million, or 4%, in the first nine months of 1998. A decrease in the average price of $0.19 per Mcf, or 9%, reduced gas revenues by $10.7 million. A 2.9 Bcf, or 6%, increase in gas production offset $6.0 million of the reduction caused by lower prices.

Devon's coal seam gas properties produced 15.0 Bcf of gas in the first nine months of 1998 compared to 12.8 Bcf in the first nine months of 1997. Devon's other domestic properties produced
34.4 Bcf in the first nine months of 1998 compared to 33.0 Bcf in the first nine months of 1997.

The coal seam gas properties averaged $1.74 per Mcf in the 1998 year-to-date period compared to the average of $2.00 per Mcf in the 1997 year-to-date period. Devon's other domestic gas properties averaged $2.02 per Mcf in the first nine months of 1998 compared to $2.22 in the comparable 1997 period.

NGL Revenues. NGL revenues decreased $2.1 million, or 40%, in the third quarter of 1998. A decrease in the average price of $4.26 per barrel, or 34%, reduced NGL revenues by $1.6 million. A 37,000 barrel, or 9%, decline in production caused the remaining $0.5 million of decrease in NGL revenues.

NGL revenues decreased $5.4 million, or 33%, in the first nine months of 1998. A decrease in the average price of $4.18 per barrel, or 31%, reduced NGL revenues by $4.9 million. A 35,000 barrel, or 3% decline in production caused the remaining $0.5 million of decrease in NGL revenues.

Other Revenues. Other revenues decreased $0.8 million, or 34%, in the third quarter of 1998. This was primarily caused by a $0.3 million drop in interest income, a $0.1 million reduction to the market value of natural gas purchased for secondary recovery projects, and the fact that the third quarter of 1997's other income total included several nonrecurring items that individually were each less than $0.1 million, but in total aggregated approximately $0.4 million. Other revenues decreased $0.4 million, or 7%, in the first nine months of 1998. A $0.3 million increase in interest income in the 1998 year-to-date period was more than offset by $0.7 million of reductions to the remaining sources of other revenues, including those previously mentioned with regard to the change in the third quarter other revenue totals.

Production and Operating Expenses. Components of production and operating expenses in the third quarter and first nine months of 1998 increased or decreased compared to 1997 as shown in the tables below.

	Total					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	1998	1997	Change	1998	1997	Change
Expenses						
Recurring operations and maintenance expenses	$17,122,615	14,513,305	+18%	51,618,397	43,088,111	+20%
Well workover expenses	1,1071,039	1,301,385	-18%	3,687,326	3,067,500	+20%
Production taxes	3,247,024	4,109,654	-21%	9,786,223	13,165,045	-26%
Total production and operating expenses	$21,440,678	19,924,344	+8%	65,091,946	59,320,656	+10%
Expenses Per Boe						
Recurring operations and maintenance expenses	$3.37	2.85	+18%	3.35	2.85	+18%
Well workover expenses	0.21	0.25	-16%	0.24	0.21	+14%
Production taxes	0.64	0.81	-21%	0.64	0.87	-26%
Total production and operating expenses	$4.22	3.91	+8%	4.23	3.93	+8%

	Domestic					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	1998	1997	Change	1998	1997	Change
Expenses						
Recurring operations and maintenance expenses	$15,344,888	12,782,991	+20%	46,223,383	38,447,151	+20%
Well workover expenses	1,015,035	849,830	+19%	3,500,292	2,410,520	+45%
Production taxes	3,183,644	4,043,208	-21%	9,589,337	12,961,285	-26%
Total production and operating expenses	$19,543,567	17,676,029	+11%	59,313,0125	3,818,956	+10%
Expenses Per Boe						
Recurring operations and maintenance expenses	$3.39	2.85	+19%	3.40	2.91	+17%
Well workover expenses	0.23	0.19	+21%	0.26	0.18	+44%
Production taxes	0.70	0.90	-22%	0.70	0.98	-29%
Total production and operating expenses	$4.32	3.94	+10%	4.36	4.07	+7%

	Canada					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	1998	1997	Change	1998	1997	Change
Expenses						
Recurring operations and maintenance expenses	$1,777,727	1,730,314	+3%	5,395,014	4,640,960	+16%
Well workover expenses	56,004	451,555	-88%	187,034	656,980	-72%
Production taxes	63,380	66,446	-5%	196,886	203,760	-3%
Total production and operating expenses	$1,897,111	2,248,315	-16%	5,778,934	5,501,700	+5%
Expenses Per Boe						
Recurring operations and maintenance expenses	$3.16	2.85	+11%	3.01	2.48	+21%
Well workover expenses	0.10	0.74	-86%	0.10	0.35	-71%
Production taxes	0.11	0.11	- %	0.11	0.11	- %
Total production and operating expenses	$3.37	3.70	-9%	3.22	2.94	+10%

NM - Not a meaningful figure.

Recurring operations and maintenance expenses increased $2.6 million, or 18%, in the third quarter of 1998. Expenses incurred on new wells and property acquisitions added since the third quarter of 1997 accounted for $1.1 million of the increase. Also, the quarterly portion of estimated annual ad valorem taxes increased $0.5 million in the 1998 quarter. However, approximately $0.4 million of this increase is due to timing differences between the periods, as 1997's annual ad valorem taxes were underestimated during the first three quarters of 1997.

Production taxes decreased $0.9 million, or 21%, in the third quarter of 1998. The majority of this decrease was related to the 21% decrease in total oil, gas and NGL revenues in the 1998 quarter.

Recurring operations and maintenance expenses increased $8.5 million, or 20%, in the first nine months of 1998. Expenses incurred on new wells and property acquisitions added since mid- 1997 accounted for $4.7 million of the increase. Also, the interim estimates of annual ad valorem taxes increased $2.0 million in the first nine months of 1998. However, approximately $1.5 million of this increase is due to timing differences between the periods, as 1997's annual ad valorem taxes were underestimated during the first nine months of 1997.

Production taxes decreased $3.4 million, or 26%, in the first nine months of 1998. The majority of this decrease was related to the 20% decrease in total oil, gas and NGL revenues in the 1998 period. Additionally, production taxes dropped in the 1998 period due to the benefit of lower rates on certain Texas and Wyoming properties that qualified for either lower production tax rates or as tax-exempt properties.

Depreciation, Depletion and Amortization Expense ("DD&A"). Oil and gas property related DD&A increased $2.9 million, or 15%, from $19.5 million in the third quarter of 1997 to $22.4 million in the third quarter of 1998. An increase in the DD&A rate from $3.83 per Boe in 1997's third quarter to $4.41 per Boe in 1998's third quarter accounted for all $2.9 million of the increase in DD&A expense.

Oil and gas property related DD&A increased $7.7 million, or 13%, from $58.3 million in the first nine months of 1997 to $66.0 million in the first nine months of 1998. An increase in the DD&A rate from $3.86 per Boe in the first nine months of 1997 to $4.29 per Boe in the first nine months of 1998 accounted for $6.6 million of the increase in DD&A expense. The remaining $1.1 million of increase was caused by the 277,000 Boe, or 2%, increase in total oil, gas and NGL production in the 1998 period.

General and Administrative Expenses ("G&A"). G&A increased $0.2 million, or 6%, in the third quarter of 1998. Employee salaries and related overhead costs, including insurance and pension expense, increased $0.9 million in the 1998 quarter. This increase was due to a combination of compensation increases and an increase in the number of personnel in Devon's Oklahoma City and Calgary offices. Other G&A items that incurred significant increases in the 1998 quarter were costs of leasing various office equipment and data related to exploration activities, costs of abandoned acquisitions and legal expenses. Each of these three areas increased approximately $0.1 million in the 1998 quarter.

The gross increases in G&A were partially offset by an increase in the amount of such costs that were capitalized pursuant to the full cost method of accounting. Approximately $1.5 million of costs were capitalized in the third quarter of 1998 compared to $0.9 million capitalized in the third quarter of 1997.

G&A was also reduced by an increase in Devon's overhead reimbursements. As the operator of a property, Devon receives these reimbursements from the property's working interest owners. Devon records the reimbursements as reductions to G&A. In the third quarter of 1998, these reimbursements increased $0.6 million compared to the third quarter of 1997.

G&A increased $0.7 million, or 7%, in the first nine months of 1998. Employee salaries and related overhead costs, including insurance and pension expense, increased $2.8 million in the 1998 period. This increase was due to a combination of compensation increases and an increase in the number of personnel in Devon's Oklahoma City and Calgary offices. Other G&A items that incurred significant increases in the first nine months of 1998 were costs of leasing various office equipment and data related to exploration activities (up $0.3 million), costs of abandoned acquisitions (up $0.3 million) and legal expenses (up $0.2 million).

The gross increases in G&A were partially offset by an increase in the amount of such costs that were capitalized pursuant to the full cost method of accounting. Approximately $4.4 million of costs were capitalized in the first nine months of 1998 compared to $2.7 million capitalized in the same period of 1997.

G&A was also reduced by a $1.4 million increase in Devon's overhead reimbursements received in the first nine months of 1998.

Interest Expense. Interest expense incurred in the third quarters of 1998 and 1997 were comparable and were immaterial to the overall financial results of each period. Interest expense decreased $0.1 million, or 26%, in the first nine months of 1998. The average debt balance decreased from $1.0 million in the first nine months of 1997 to zero in the first nine months of 1998. Interest expense recorded in the 1998 period consisted primarily of facility and agency fees paid under the terms of Devon's long- term credit facilities, offset by $0.2 million of gain recognized from a 1996 termination of an interest rate swap. All of such gain was recognized in the first six months of 1998.

See "Capital Expenditures, Capital Resources and Liquidity - Capital Resources and Liquidity" elsewhere herein for a discussion of changes in Devon's long-term credit facilities during 1998's second quarter.

Distributions on Preferred Securities of Subsidiary Trust. Devon issued $149.5 million of 6.5% Trust Convertible Preferred Securities ("TCP Securities") in July, 1996. The proceeds from this issuance were used to substantially retire Devon's long-term bank debt. Distributions on the TCP Securities accrue and are paid at the rate of 1.625% per quarter.

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 net 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, is written off as an expense.

At December 31, 1997, Devon's net book value of oil and gas properties less deferred taxes was well below the calculated ceiling. This excess "cushion" was $146 million for Devon's U.S. properties and $18 million for its Canadian properties. From December 31, 1997, to September 30, 1998, the Texas Gulf Coast gas price decreased approximately 35% and the price of West Texas Intermediate crude oil decreased approximately 13%. As a result, as of September 30, 1998, the book value of Devon's U.S. properties, less deferred taxes, exceeded the full cost ceiling by approximately $88 million. (Devon's Canadian properties had a full cost cushion of approximately $8 million at September 30, 1998.) Accordingly, the carrying value of Devon's domestic oil and gas properties were 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. The estimated effective tax (benefit) rates in the third quarter and first nine months of 1998 were (31)% and (30)%, respectively, compared to 40% estimated in the third quarter and first nine months of 1997. (However, the eventual actual tax rate for the year 1997 was reduced to 38%.) As discussed above, Devon recorded a $126.9 million reduction of carrying value of its oil and gas properties in the third quarter of 1998. Approximately $27.2 million of the reduction related to costs which are not deductible for income tax purposes. These non-deductible costs lowered the benefit rates for the 1998 periods from the normally expected rate of 35%.

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, 1998, were approximately $2.9 million of net operating loss carryforwards. The carryforwards include federal net operating loss carryforwards, the majority of which do not begin to expire until 2007, and state net operating loss carryforwards that expire primarily between 1999 and 2011. Devon expects the tax benefits from the net operating loss carryforwards to be utilized between 1998 and 2001. 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, management believes that Devon's future taxable income will more likely than not be sufficient to utilize substantially all of its tax carryforwards prior to their expiration.

Capital Expenditures, Capital Resources and Liquidity

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

Capital Expenditures. Cash used for capital expenditures increased 55% from $91.4 million in the first nine months of 1997 to $141.9 million in the first nine months of 1998. Approximately $138.9 million was spent in the 1998 period on acquisitions, exploration and development efforts, compared to $87.7 million spent in the first nine months of 1997.

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 1998. Operating cash flow in the first nine months of 1998 was $98.4 million, compared to $129.0 million in the first nine months of 1997. Lower revenues caused by average price declines, as discussed earlier, were the primary cause for the reduction in operating cash flow in 1998.

Devon's operating and financing cash flow in the first nine months of 1998, combined with cash on hand, were more than sufficient to fund the period's net capital expenditures and dividend requirements. Therefore, Devon did not utilize its credit lines during the period. On May 15, 1998, Devon entered into a new long-term credit facility with its lenders. The new facility is an unsecured "balance sheet" facility that replaced the previous unsecured "borrowing base" facility. The amount of credit available under the new facility as of September 30, 1998, was $208 million, which was unchanged from the previous facility. If so desired, Devon believes its lenders would increase its credit lines by a substantial margin above the existing $208 million. Also, Devon has a demand facility for its Canadian operations which totals $12.5 million in Canadian dollars. No borrowings were made against either facility during the first nine months of 1998. As of November 9, 1998, $10 million was outstanding against the primary facility, and $6 million Canadian was outstanding against the Canadian facility.

Pending Merger. On June 29, 1998, Devon announced its intention to issue approximately 15.5 million common shares in a merger with Northstar Energy Corporation ("Northstar"), a Canadian independent oil and gas producer. The merger is subject to approval by the shareholders of both companies as well as certain regulatory and court approvals. If approved, the merger is expected to be consummated in the fourth quarter of 1998. The merger is anticipated to be accounted for under the pooling-of- interests method of accounting for business combinations. Therefore, upon consummation of the merger, Devon's previously reported financial results would be adjusted to combine its results with those of Northstar and its predecessors.

Northstar's proved oil and gas reserves, all of which are located in Canada, totaled 128 million barrels of oil equivalent at December 31, 1997. These barrels included 6 million barrels of oil equivalent owned through Northstar's share of an entity accounted for under the equity method of accounting.

Devon filed a definitive proxy statement regarding this pending merger on November 6, 1998. Such proxy includes a description of the terms of the merger and other information about both companies. The proxy can be accessed through the Securities and Exchange Commission's EDGAR system, or at Devon's web site at http://devonenergy.com.

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 a 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, non-IT systems and communications with third parties, Devon anticipates that the Project will be completed by June 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 $0.3 million. Substantially all of the personnel being used on the Project are existing Devon employees. Therefore, the labor costs of its Year 2000 identification, assessment, remediation and testing efforts, as well as currently anticipated labor costs to be incurred by Devon with respect to Year 2000 issues of third parties, are expected to be less than $0.1 million.

Devon has not yet begun 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. A contingency plan has not been developed for dealing with the most reasonably likely worst case scenario, and such scenario has not yet been clearly identified. Devon plans to complete such analysis and contingency planning by December 31, 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 assurance 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.

Acquisition and Sale of Units in Burlington Resources Coal Seam Gas Royalty Trust. In Devon's 1997 Annual Report on Form 10- K, it was disclosed that on February 13, 1998, Devon commenced a tender offer for any and all of the units of beneficial interest ("Units") of Burlington Resources Coal Seam Gas Royalty Trust (the "Trust") for $8.75 per Unit. Ultimately, in the first quarter of 1998, Devon acquired 356,228 Units , which represented only approximately 4% of the total Units outstanding. In the third quarter of 1998, Devon sold all 356,228 Units to a third party for $9.00 per unit. Also, as a condition of the sale, the third party provided Devon the right to acquire 6.7% of the Trust's underlying working interest of approximately 19.6% in the Northeast Blanco Unit coal seam gas properties. Such right will only be available if the third party is successful in acquiring the Trust's working interest and subsequently terminating the Trust. In such event, and if Devon chooses to exercise its right, the price to be paid by Devon to the third party for the working interest would be equal to the third party's cost of acquiring the working interest, including financing costs.

Impact of Recently Issued Accounting Standards Not Yet Adopted. In February, 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS No. 132 revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. It standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures that are no longer as useful as they previously were. SFAS No. 132 is effective for fiscal years beginning after December 15, 1997. Devon will adopt the new disclosure requirements in its annual financial statements for the year ending December 31, 1998.

In June, 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure 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 the resulting designation. SFAS No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. It is expected that Devon will adopt the provisions of SFAS No. 133 as of January 1, 2000. If the provisions of SFAS No. 133 were to be applied as of September 30, 1998, it would not have a material effect on Devon's financial position as of such date, or the results of operations for the nine month period then ended.

Part II. Other Information

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit
No.

2.1 Agreement and Plan of Merger among Registrant, Devon Energy Corporation (Nevada), Kerr-McGee Corporation, Kerr-McGee North American Onshore Corporation and Kerr-McGee Canada Onshore Ltd., dated October 17, 1996 (incorporated by reference to Addendum A to Registrant's definitive proxy statement for a special meeting of shareholders, filed on November 6, 1996).

2.2 Amended and Restated Combination Agreement between the Registrant and Northstar Energy Corporation dated June 29, 1998 (incorporated by reference to Annex B to Registrant's difinitive proxy statement for a special meeting of stockholders, filed November 6, 1998).

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

3.2 Registrant's Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 2 to Registrant's Current Report on Form 8-K dated December 31, 1996).

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

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

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

4.3 First Amendment to Rights Agreement between Registrant and The First National Bank of Boston dated October 16, 1996 (incorporated by reference to Exhibit H-1 to Addendum A to Registrant's definitive proxy statement for a special meeting of shareholders, filed on November 6, 1996).

4.4 Second Amendment to Rights Agreement between Registrant and the First National Bank of Boston, dated December 31, 1996 (incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K dated December 31, 1996).

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

4.6 Certificate of Trust of Devon Financing Trust
[incorporated by reference to Exhibit 4.5 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

4.7 Amended and Restated Declaration of Trust of Devon Financing Trust dated as of July 3, 1996, by J. Larry Nichols, H. Allen Turner, William T. Vaughn, The Bank of New York (Delaware) and The Bank of New York as Trustees and the Registrant as Sponsor [incorporated by reference to Exhibit 4.6 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

4.8 Indenture dated as of July 3, 1996, between the Registrant and The Bank of New York [incorporated by reference to Exhibit 4.7 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

4.9 First Supplemental Indenture dated as of July 3, 1996, between the Registrant and The Bank of New York [incorporated by reference to Exhibit 4.8 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

4.10 Form of 6 1/2% Preferred Convertible Securities (included as Exhibit A-1 to Exhibit 4.7 above).

4.11 Form of 6 1/2% Convertible Junior Subordinated Debentures (included in Exhibit 4.7 above).

4.12 Preferred Securities Guarantee Agreement dated July 3, 1996, between Registrant, as Guarantor, and The Bank of New York, as Preferred Guarantee Trustee [incorporated by reference to Exhibit 4.11 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

4.13 Stock Rights and Restrictions Agreement dated as of December 31, 1996, between Registrant and Kerr- McGee Corporation (incorporated by reference to Exhibit 4.3 to Registrant's Current Report on Form 8-K dated December 31, 1996).

4.14 Registration Rights Agreement, dated December 31, 1996, by and between Registrant and Kerr-McGee Corporation (incorporated by reference to Exhibit 4.4 to Registrant's Current Report on Form 8-K dated December 31, 1996).

10.1 Credit Agreement, dated May 15, 1998, among the Registrant and Devon Energy Corporation (Nevada), as Borrowers, NationsBank, N.A., as Agent, and NationsBank, N.A., Bank One, Texas, N.A., Bank of Montreal and First Union National Bank, as Lenders (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998).

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

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

10.4 Devon Energy Corporation 1997 Stock Option Plan (incorporated by reference to Exhibit A to Registrant's Proxy Statement for the 1997 Annual Meeting of Shareholders filed on April 3, 1997).*

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

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

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

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

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

10.10 Severance Agreement among Devon Energy Corporation (Nevada), Registrant and Duke R. Ligon dated March 26, 1997 (incorporated by reference to Exhibit 10.11 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).*

10.11 Employment Agreement between Devon Energy Corporation (Nevada), Registrant and Duke R. Ligon, dated February 7, 1997 (incorporated by reference to Exhibit 10.12 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).*

10.12 Supplemental Retirement Income Agreement among Devon Energy Corporation (Nevada), Registrant and John W. Nichols, dated March 26, 1997 (incorporated by reference to Exhibit 10.13 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).*

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

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

10.15 Registration Rights Agreement dated July 3, 1996, by and among the Registrant, Devon Financing

Trust and Morgan Stanley & Co. Incorporated
[incorporated by reference to Exhibit 10.1 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333-00815)].

* Compensatory plans or arrangements.

(b) Reports on Form 8-K - A report on Form 8-K was filed on July 8, 1998, regarding Devon's pending merger with Northstar Energy Corporation.

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 9, 1998 *
/s/Danny J. Heatly*
Danny J. Heatly
Controller

INDEX TO EXHIBITS

Page

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Incorporated by reference.

ARTICLE 5

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD END	SEP 30 1998
CASH	7150368
SECURITIES	0
RECEIVABLES	39960269
ALLOWANCES	0
INVENTORY	2340942
CURRENT ASSETS	51068820
PP&E	1231195602
DEPRECIATION	558754200
TOTAL ASSETS	737349399
CURRENT LIABILITIES	23623296
BONDS	0
PREFERRED MANDATORY	3231990
PREFERRED	0
COMMON	0
OTHER SE	466093111
TOTAL LIABILITY AND EQUITY	737349399
SALES	179360366
TOTAL REVENUES	184506354
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	65091946
LOSS PROVISION	0
INTEREST EXPENSE	183973
INCOME PRETAX	(93062371)
INCOME TAX	(27733000)
INCOME CONTINUING	(65329371)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(65329371)
EPS PRIMARY	(2.02)
EPS DILUTED	(2.02)

End of Filing