

DEVON ENERGY CORP /OK/

FORM 10-Q (Quarterly Report)

Filed 04/27/98 for the Period Ending 03/31/98

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

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Filed 4/27/1998 For Period Ending 3/31/1998

Address	20 N BROADWAY STE 1500 OKLAHOMA CITY, Oklahoma 73102-8260
Telephone	405-235-3611
CIK	0000837330
Fiscal Year	12/31

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 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 April 24, 1998, was 32,319,895.

1 of 26 total pages

(Exhibit Index is found at page 24)

DEVON ENERGY CORPORATION

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to the Securities and Exchange Commission

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DEVON ENERGY CORPORATION

Part I. Financial Information

Item 1. Consolidated Financial Statements March 31, 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

	March 31, 1998 (Unaudited)	December 31, 1997
Assets		
Current assets:		
Cash and cash equivalents	\$ 45,656,384	42,064,344
Accounts receivable	40,024,208	47,507,805
Inventories	2,726,969	2,422,822
Prepaid expenses	2,494,944	799,923
Deferred income taxes	434,000	434,000
Total current assets	91,336,505	93,228,894
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties		
1,144,186,836	1,144,186,836	1,103,320,502
Less: Accumulated depreciation, depletion and amortization	386,932,136	365,517,722
	757,254,700	737,802,780
Other assets	13,238,945	15,371,368
Total assets	\$ 861,830,150	846,403,042
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable:		
Trade	12,166,437	9,628,890
Revenues and royalties due to others	11,108,034	11,531,296
Income taxes payable	2,679,940	4,901,940
Accrued expenses	2,973,699	4,750,699
Total current liabilities	28,928,110	30,812,825
Revenues and royalties due to others	2,938,041	2,862,794
Other liabilities	23,347,192	18,177,130
Deferred income taxes	104,558,000	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	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		
32,318,895 in 1998 and in 1997	3,231,890	3,231,890
Additional paid-in capital	392,919,170	392,919,170
Retained earnings	158,471,536	149,946,232
Accumulated other comprehensive earnings (loss) - foreign currency translation adjustments	(2,063,789)	(2,520,999)
Total stockholders' equity	552,558,807	543,576,293
Total liabilities and stockholders' equity	\$ 861,830,150	846,403,042

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

	Three Months Ended March 31,	
	1998	1997
	(Unaudited)	
Revenues		
Oil sales	\$24,460,100	37,529,980
Gas sales	34,514,575	43,238,141
Natural gas liquids sales	3,987,472	5,803,921
Other	1,919,296	1,327,604
	-----	-----
Total revenues	64,881,443	87,899,646
	-----	-----
Costs and expenses		
Lease operating expenses	18,624,623	15,812,637
Production taxes	3,023,515	5,309,844
Depreciation, depletion and amortization	21,673,028	19,544,552
General and administrative expenses	3,274,956	2,629,885
Interest expense	10,697	130,807
Distributions on preferred securities of subsidiary trust	2,429,375	2,429,375
	-----	-----
Total costs and expenses	49,036,194	45,857,100
	-----	-----
Earnings before income taxes	15,845,249	42,042,546
Income tax expense		
Current	2,693,000	5,045,000
Deferred	3,011,000	11,772,000
	-----	-----
Total income tax expense	5,704,000	16,817,000
	-----	-----
Net earnings	\$10,141,249	25,225,546
	=====	=====
Net earnings per average common share outstanding (Note 2):		
Basic	\$0.31	0.78
	=====	=====
Diluted	\$0.31	0.71
	=====	=====
Weighted average common shares outstanding -		
basic (Note 2)	32,318,895	32,141,295
	=====	=====

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Operations

	Three Months Ended March 31,	
	1998	1997
	(Unaudited)	
Net earnings	\$10,141,249	25,225,546
Other comprehensive earnings (loss) - foreign currency translation adjustments (Note 1)	457,210	(603,161)
	-----	-----
Comprehensive earnings	\$10,598,459	24,622,385
	=====	=====

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	1998	1997
	(Unaudited)	
Cash flows from operating activities		
Net earnings	\$10,141,249	25,225,546
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	21,673,028	19,544,552
Gain on sale of assets	(40,929)	(22,114)
Deferred income taxes	3,011,000	11,772,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	7,516,994	(13,288,510)
Inventories	(299,856)	90,544
Prepaid expenses	(1,922,118)	(1,476,820)
Other assets	835,116	(218,505)
Increase (decrease) in:		
Accounts payable	2,097,316	6,655,857
Income taxes payable	(2,220,092)	930,632
Accrued expenses	(1,777,811)	(1,257,416)
Revenues and royalties due to others	75,247	(99,086)
Long-term other liabilities	206,930	129,995
	-----	-----
Net cash provided by operating activities	39,296,074	47,986,675
	-----	-----
Cash flows from investing activities		
Proceeds from sale of property and equipment	174,290	91,276
Capital expenditures	(39,544,184)	(23,299,647)
Decrease in other assets	27,382	-
	-----	-----
Net cash used in investing activities	(39,342,512)	(23,208,371)
	-----	-----
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)
Dividends paid on common stock	(1,615,945)	(1,607,065)
Increase in long-term other liabilities	5,192,117	340,189
	-----	-----
Net cash provided (used) by financing activities	3,576,172	(9,262,876)
	-----	-----
Effect of exchange rate changes on cash	62,306	(53,634)
	-----	-----
Net increase in cash and cash equivalents	3,592,040	15,461,794
Cash and cash equivalents at beginning of period	42,064,344	9,401,350
	-----	-----
Cash and cash equivalents at end of period	\$45,656,384	24,863,144
	=====	=====

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

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 March 31, 1998, and the results of their operations and their cash flows for the three month periods ended March 31, 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 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 periods ended March 31, 1998 and 1997.

	Net Earnings	Common Shares Outstanding	Net Earnings Per Share
Three Months Ended March 31, 1998:			
Basic earnings per share	\$10,141,249	32,318,895	\$0.31 =====
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	-	333,391	
	-----	-----	
Diluted earnings per share	\$11,647,738 =====	37,553,793 =====	\$0.31 =====
Three Months Ended March 31, 1997:			
Basic earnings per share	\$25,225,546	32,141,295	\$0.78 =====
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)	1,506,488	4,901,507	
Potential common shares issuable upon the exercise of outstanding stock options	-	366,125	
	-----	-----	
Diluted earnings per share	\$26,732,034 =====	37,408,927 =====	\$0.71 =====

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

The following discussion addresses material changes in results of operations for the three months ended March 31, 1998, compared to the three months ended March 31, 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 first quarter of 1998 totaled 5.1 million barrels of oil equivalent ("Boe") of oil, gas and natural gas liquids ("NGL"). This was an increase of 3% above 1997's first quarter production total. However, due to lower oil, gas and NGL prices, the 1998 quarterly revenues of \$64.9 million were down 26% compared to the 1997 quarterly total of \$87.9 million. The reduction in revenues also led to lower net earnings and cash margin⁽¹⁾ in the 1998 period. Quarterly net earnings in 1998 were \$10.1 million, or 60% below the 1997 quarter's net earnings of \$25.2 million. Basic net earnings per share were \$0.31 per share in the 1998 quarter compared to \$0.78 per share in the 1997 quarter. Cash margin in the 1998 quarter was \$34.8 million, or 38% below the 1997 period's cash margin of \$56.5 million.

[FN]

¹ "Cash margin" equals Devon's total revenues less cash expenses. Cash expenses are all expenses other than the non-cash expenses of depreciation, depletion and amortization and deferred income tax expense. Cash margin is an indicator which is commonly used in the oil and gas industry. This margin measures the net cash which is generated by a company's operations during a given period, without regard to the period such cash is actually physically received or spent by the company. This margin ignores the non-operations effects on a company's activities as an operator of oil and gas wells. Such activities produce net increases or decreases in temporary cash funds held by the operator which have no effect on net earnings of the company. Cash margin should be used as a supplement to, and not as a substitute for, net earnings and net cash provided by operating activities determined in accordance with generally accepted accounting principles in analyzing Devon's results of operations and liquidity.

Results of Operations

Total revenues decreased by \$23.0 million, or 26%, in the first quarter of 1998. This decrease was caused by reductions in the average prices of oil, gas and NGLs. Oil, gas and NGL revenues were down \$23.6 million, or 27%, for the quarter ended March 31, 1998. The relative contributions of production and price changes to the quarterly comparisons 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 March 31,		Change
	1998	1997	
Production			
Oil (Bbls)	1,724,110	1,755,265	-2%
Gas (Mcf)	17,996,303	17,017,875	+6%
NGL (Bbls)	390,139	368,105	+6%
Oil, Gas and NGL (Boe)	15,113,633	4,959,683	+3%
Revenues			
Oil	\$24,460,100	37,529,980	-35%
Gas	34,514,575	43,238,141	-20%
NGL	3,987,472	5,803,921	-31%
	-----	-----	
Combined	\$62,962,147	86,572,042	-27%
	=====	=====	
Average Prices			
Oil (Per Bbl)	\$14.19	21.38	-34%
Gas (Per Mcf)	\$ 1.92	2.54	-24%
NGL (Per Bbl)	\$10.22	15.77	-35%
Oil, Gas and NGL (Per Boe)(1)	\$12.31	17.46	-29%

	Domestic		
	Three Months Ended		
	March 31,		
	1998	1997	Change
Production			
Oil (Bbls)	1,485,144	1,513,582	-2%
Gas (Mcf)	15,934,536	14,900,742	+7%
NGL (Bbls)	353,796	333,615	+6%
Oil, Gas and NGL (Boe)(1)	4,494,696	4,330,654	+4%
Revenues			
Oil	\$21,107,901	32,454,825	-35%
Gas	31,980,543	39,610,876	-19%
NGL	3,545,123	5,190,768	-32%
	-----	-----	
Combined	\$56,633,567	77,256,469	-27%
	=====	=====	
Average Prices			
Oil (Per Bbl)	\$14.21	21.44	-34%
Gas (Per Mcf)	\$ 2.01	2.66	-24%
NGL (Per Bbl)	\$10.02	15.56	-36%
Oil, Gas and NGL (Per Boe)(1)	\$12.60	17.84	-29%

	Canada		
	Three Months Ended		
	March 31,		
	1998	1997	Change
Production			
Oil (Bbls)	238,966	241,683	-1%
Gas (Mcf)	2,061,767	2,117,133	-3%
NGL (Bbls)	36,343	34,490	+5%
Oil, Gas and NGL (Boe)(1)	618,937	629,029	-2%
Revenues			
Oil	\$3,352,199	5,075,155	-34%
Gas	2,534,032	3,627,265	-30%
NGL	442,349	613,153	-28%
	-----	-----	
Combined	\$6,328,580	9,315,573	-32%
	=====	=====	
Average Prices			
Oil (Per Bbl)	\$14.03	\$21.00	-33%
Gas (Per Mcf)	\$ 1.23	\$1.71	-28%
NGL (Per Bbl)	\$12.17	\$17.78	-32%
Oil, Gas and NGL (Per Boe)(1)	\$10.22	\$14.81	-31%

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

Oil Revenues. Oil revenues decreased \$13.1 million, or 35%, in the first quarter of 1998. A decrease in the average price of \$7.19 per barrel, or 34%, reduced oil revenues by \$12.4 million. The remaining \$0.7 million reduction in oil revenues was caused by a 31,000 barrel, or 2%, decrease in production.

Gas Revenues. Gas revenues decreased \$8.7 million, or 20%, in the first quarter of 1998. A decrease in the average price of \$0.62 per Mcf, or 24%, reduced gas revenues by \$11.2 million. A 1.0 Bcf, or 6%, increase in gas production offset \$2.5 million of the reduction caused by lower prices.

Devon's coal seam gas properties produced 5.0 Bcf in the first quarter of 1998 compared to 4.1 Bcf produced in the first quarter of 1997. Devon's other domestic properties produced 10.9 Bcf in 1998's first quarter compared to 10.8 Bcf produced in 1997's first quarter. The coal seam gas properties averaged \$1.83 per Mcf in the 1998 period compared to \$2.42 in the 1997 period. The other domestic properties averaged \$2.09 per Mcf in the first three months of 1998 compared to \$2.75 per Mcf in the same period of 1997.

NGL Revenues. NGL revenues decreased \$1.8 million, or 31%, in the first quarter of 1998. A decrease in the average price of \$5.55 per barrel, or 35%, reduced NGL revenues by \$2.2 million. A 22,000 barrel, or 6%, increase in production offset \$0.4 million of the price-related reduction in NGL revenues.

Other Revenues. Other revenues increased \$0.6 million, or 45%, in the first quarter of 1998. Approximately \$0.5 million of the increase was due to higher interest income received from the investment of excess cash.

Production and Operating Expenses. Production and operating expenses in the first quarter of 1998 varied compared to the first quarter of 1997 as shown in the tables below.

	Total Three Months Ended March 31,		
	1998	1997	Change
Absolute			
Recurring operations and maintenance expenses	\$17,350,127	14,861,219	+17%
Well workover expenses	1,274,496	951,418	+34%
Production taxes	3,023,515	5,309,844	-43%
	-----	-----	
Total production and operating expenses	\$21,648,138	21,122,481	+2%
	=====	=====	
Per Boe			
Recurring operations and maintenance expenses	\$3.39	3.00	+13%
Well workover expenses	0.25	0.19	+32%
Production taxes	0.59	1.07	-45%
	----	----	
Total production and operating expenses	\$4.23	4.26	-1%
	====	====	

	Domestic Three Months Ended March 31,		
	1998	1997	Change
Absolute			
Recurring operations and maintenance expenses	\$15,484,477	13,211,127	+17%
Well workover expenses	1,187,772	918,560	+29%
Production taxes	2,956,380	5,175,071	-43%
	-----	-----	
Total production and operating expenses	\$19,628,629	19,304,758	+2%
	=====	=====	
Per Boe			
Recurring operations and maintenance expenses	\$3.45	3.05	+13%
Well workover expenses	0.26	0.21	+24%
Production taxes	0.66	1.20	-45%
	----	----	
Total production and operating expenses	\$4.37	4.46	-2%
	====	====	

	Canada Three Months Ended March 31,		
	1998	1997	Change
Absolute			
Recurring operations and maintenance expenses	\$1,865,650	1,650,092	+13%
Well workover expenses	86,724	32,858	+164%
Production taxes	67,135	134,773	-50%
	-----	-----	
Total production and operating expenses	\$2,019,509	1,817,723	+11%
	=====	=====	
Per Boe			
Recurring operations and maintenance expenses	\$3.01	\$2.62	+15%
Well workover expenses	0.14	0.05	+180%
Production taxes	0.11	0.22	-50%
	----	----	
Total production and operating expenses	\$3.26	2.89	+13%
	====	====	

Recurring operations and maintenance expenses increased \$2.5 million, or 17%, in the first quarter of 1998. Expenses incurred on new wells added since the first quarter of 1997 accounted for \$1.6 million of the increase. Also, the quarterly portion of estimated annual ad valorem taxes increased \$1.1 million in the 1998 quarter. However, approximately \$0.9 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 \$2.3 million, or 43%, in the first three months of 1998. The majority of this decrease was related to the 27% decrease in total oil, gas and NGL revenues in the 1998 quarter. Additionally, production taxes dropped in the 1998 quarter 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 Expenses ("DD&A"). Oil and gas property related DD&A increased \$2.1 million, or 11%, from \$18.9 million in the first quarter of 1997 to \$21.0 million in the first quarter of 1998. An increase in the DD&A rate from \$3.81 per Boe in the 1997 period to \$4.10 per Boe in the 1998 period increased oil and gas property related DD&A by \$1.5 million. The remaining \$0.6 million of increase was the result of the 154,000 Boe, or 3%, increase in total oil, gas and NGL production in the 1998 quarter.

General and Administrative Expenses ("G&A"). G&A increased \$0.6 million, or 25%, in the first quarter of 1998. Employee salaries and related overhead costs, including insurance and pension expense, increased \$0.9 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. The increase in salaries and related overhead was partially offset by a \$0.4 million increase in the amount of such costs that were capitalized pursuant to the full cost method of accounting. Approximately \$1.3 million of costs were capitalized in the first quarter of 1998 compared to \$0.9 million capitalized in the first quarter of 1997. 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, which were up \$0.1 million, and costs of abandoned acquisitions, which were also up \$0.1 million.

The higher salary, overhead and office costs were partially offset 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 first quarter of 1998, these reimbursements increased \$0.3 million compared to the first quarter of 1997.

Interest Expense. Interest expense decreased \$0.1 million, or 92%, in the first quarter of 1998 compared to the same period in 1997. The average debt balance decreased from \$3.0 million in the 1997 period to zero in the 1998 period. Interest expense recorded in the 1998 quarter consists primarily of facility and agency fees paid under the terms of Devon's long-term credit lines, offset by \$0.1 million of gain recognized from a 1996 termination of an interest rate swap. The remaining \$0.1 million of unrecognized gain from the termination will be recognized in the second quarter of 1998.

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 at the rate of 1.625% per quarter.

Income Taxes. During interim periods, income tax expense is based on the estimated effective income tax rate that is expected for the entire fiscal year. The estimated effective tax rate in the first quarter of 1998 was 36%, compared to 40% estimated in the first quarter of 1997. However, the eventual actual tax rate for the year 1997 was reduced to 38%.

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

Included as deferred tax assets at March 31, 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 70% from \$23.3 million in the first quarter of 1997 to \$39.5 million in the first quarter of 1998. Approximately \$38.1 million was spent in the 1998 period on acquisition, exploration and development efforts, compared to \$22.5 million spent in the 1997 quarter.

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 quarter of 1998. Operating cash flow in the first quarter of 1998 was \$39.3 million, compared to \$48.0 million in the first quarter of 1997.

Devon's operating and financing cash flow in the first quarter of 1998 was more than sufficient to fund the period's capital expenditures and

dividend requirements. Therefore, Devon did not utilize its credit lines during the period. As of March 31, 1998, Devon had \$208 million of long-term credit lines, all of which was available for future use. Also, Devon had a \$12.5 million Canadian dollars demand facility for its Canadian operations. All of this Canadian facility was also available for future use.

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.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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).

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 as Exhibit B to 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 August 30, 1996, among Devon Energy Corporation (Nevada), as Borrower, the Registrant and Devon Energy Operating Corporation, as Guarantors, NationsBank of Texas, N.A., as Agent, and NationsBank of Texas, N.A., Bank One, Texas, N.A., Bank of Montreal, and First Union National Bank of North Carolina, as Lenders (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).

10.2 First Amendment to Credit Agreement, dated March 15, 1997, among Devon Energy Corporation (Nevada), as Borrower, the Registrant, as Guarantor, NationsBank of Texas, N.A., as Agent and NationsBank of Texas, N.A., Bank One, Texas, N.A., Bank of Montreal and First Union National Bank of North Carolina (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997).

10.3 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)].*

10.4 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).*

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

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

10.7 Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. 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).*

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

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

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

K for the year ended December 31, 1992).*

10.11 Severance Agreement between 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).*

10.12 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).*

10.13 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).*

10.14 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).

10.15 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).

10.16 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 Current Report on Form 8-K dated January 20, 1998, was filed by the Registrant regarding year-end 1997 reserves, 1997 production and modifications to 1997 forward-looking information. A Current Report on Form 8-K dated January 27, 1998, was filed by the Registrant regarding 1998 forward-looking information.

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: April 24, 1998

William T. Vaughn
William T. Vaughn
Vice President - Finance

INDEX TO EXHIBITS

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National Bank of North Carolina

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Incorporated by reference.

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD END	MAR 31 1998
CASH	45,656,384
SECURITIES	0
RECEIVABLES	40,024,208
ALLOWANCES	0
INVENTORY	2,726,969
CURRENT ASSETS	91,336,505
PP&E	1,144,186,836
DEPRECIATION	386,932,136
TOTAL ASSETS	861,830,150
CURRENT LIABILITIES	28,928,110
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	3,231,890
OTHER SE	549,326,917
TOTAL LIABILITY AND EQUITY	861,830,150
SALES	62,962,147
TOTAL REVENUES	64,881,443
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	21,648,138
LOSS PROVISION	0
INTEREST EXPENSE	10,697
INCOME PRETAX	15,845,249
INCOME TAX	5,704,000
INCOME CONTINUING	10,141,249
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	10,141,249
EPS PRIMARY	0.31
EPS DILUTED	0.31

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